



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

Directors' Report and Audited Financial Statements
30 June 2007

MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)

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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 2007.

PRINCIPAL ACTIVITY

The principal activity of the Company is 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>66,663</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

Gary Lee Crist

(appointed on 2 July 2007)

(resigned on 14 February 2007)

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: Duties and Responsibilities of Directors and Chief Executive of Insurers and other directives. They also have to comply with the tenets of corporate governance by adopting its best practices as stipulated under JPI/GPI 25: 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 6 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)	6/6	100
Damis Jacobus Ziengs (Vice Chairman)	6/6	100
Sulaiman bin Salleh	6/6	100
Tee Keng Sing	6/6	100
Hans J. J. De Cuyper*	-	-
Gary Lee Crist *	2/3	67

* Since appointment/up to resignation

(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:

Raja Tan Sri Muhammad Alias bin Raja Muhd Ali (Chairman)
Independent Non-Executive Director

Damis Jacobus Ziengs
Non-Independent Non-Executive Director

Sulaiman bin Salleh
Independent Non-Executive Director

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

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

CORPORATE GOVERNANCE (CONT'D)

(e) Risk Management (Cont'd)

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

The composition of the RMC is as follows:

Raja Tan Sri Muhammad Alias bin
Raja Muhd Ali (Chairman) (appointed as chairman on 28 July 2006)
Independent Non-Executive Director

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

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

Tan Sri Mohamed Basir bin Ahmad (resigned on 28 July 2006)
Non-Independent Non-Executive Director

The RMC met 4 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:

Raja Tan Sri Muhammad Alias bin Raja Muhd Ali (Chairman)
Independent Non-Executive Director

Mohammad bin Abdullah
Independent Non-Executive Director

Haji Mohd Hashir bin Haji Abdullah
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

The Nomination Committee met 7 times during the financial year.

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

Mohammad bin Abdullah (Chairman)
Independent Non-Executive Director

Raja Tan Sri Muhammad Alias bin Raja Muhd Ali
Independent Non-Executive Director

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

Teh Soon Poh
Independent Non-Executive Director

The Remuneration and Establishment Committee met 6 times during the financial year.

CORPORATE GOVERNANCE (CONT'D)

(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 Berhad to include and cover all operating companies under Mayban Fortis Holdings Berhad, which are Mayban General Assurance Berhad, Mayban Takaful Berhad, Malaysia National Insurance Berhad and Takaful Nasional Sdn. 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:

Datuk Amirsham A. Aziz (Chairman)
Non-Independent Non-Executive Director

Sulaiman Salleh
Independent Non-Executive Director

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

Datuk Dr. Syed Othman Al-Habshi
Independent Non-Executive Director

Dato' Haji Aminuddin Md. Desa
Non-Independent Non-Executive Director

Hans J. J. De Cuyper
Non-Independent Non-Executive Director

Zainal Abidin Mohd Noor
Senior Management Team

CORPORATE GOVERNANCE (CONT'D)

(g) Investment Committee (Cont'd)

Norlia Mat Yusof
Senior Management Team

See Toong Chow (appointed on 13 November 2006)
Senior Management Team

Haji Mohd Tarmidzi Ahmad Nordin (appointed on 7 March 2007)
Senior Management Team

Filip A L Coremans (resigned on 14 February 2007)
Non-Independent Non-Executive Director

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 17 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 2006	Exercise of ESOS	Sold	30 June 2007
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	-	70,000	30,000	40,000
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Indirect interest:

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	10,000	-	-	10,000
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	Option date	Option price RM	Number of options over ordinary shares of RM1 each			30 June 2007
			1 July 2006	Granted	Exercised	
MBB						
Sulaiman bin Salleh	1.9.2004	9.23	70,000	-	70,000	-
	14.11.2005	9.92	15,000	-	-	15,000
	14.11.2006	10.19	-	15,000	-	15,000

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.

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.
- (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; and

OTHER STATUTORY INFORMATION (CONT'D)

- (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 10 August 2007

MEGAT ZAHARUDDIN BIN MEGAT MOHD NOR

SULAIMAN BIN SALLEH

**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 SULAIMAN BIN SALLEH, 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 14 to 73 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable 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 2007 and of the results and the cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 10 August 2007

MEGAT ZAHARUDDIN BIN MEGAT MOHD NOR

SULAIMAN BIN SALLEH

**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 14 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 10 August 2007

SEE TOONG CHOW

Before me,

Commissioner for Oaths

4157-A

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

We have audited the financial statements set out on pages 14 to 73. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Company as at 30 June 2007 and of the results and the cash flows of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) 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.

ERNST & YOUNG
AF: 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
10 August 2007

MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)

BALANCE SHEET
AS AT 30 JUNE 2007

	Note	2007 RM'000	2006 RM'000
ASSETS			
Property, plant and equipment	3	55,829	56,051
Investment properties	4	1,430	1,803
Intangible assets	5	603	1,227
Investments	6	573,337	486,401
Staff loans	7	6,856	6,823
Receivables	8	45,069	47,827
Cash and bank balances		16,102	9,574
TOTAL ASSETS		<u>699,226</u>	<u>609,706</u>
EQUITY, INSURANCE FUND AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	9	178,171	178,171
Reserves		143,686	83,208
Total equity		<u>321,857</u>	<u>261,379</u>
Insurance fund			
Unearned premium reserves	10	115,756	117,567
Liabilities			
Deferred taxation	11	3,533	2,102
Provision for outstanding claims	12	197,978	181,501
Payables	13	53,187	40,873
Tax payable		6,915	6,284
Total liabilities		<u>261,613</u>	<u>230,760</u>
TOTAL EQUITY, INSURANCE FUND AND LIABILITIES		<u>699,226</u>	<u>609,706</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 2007

	Note	← Non-distributable →			← Distributable →		Total RM'000
		Share capital RM'000	Share premium RM'000	Currency translation reserve RM'000	Special reserve RM'000	Retained profits RM'000	
At 1 July 2005		178,171	249,929	12,783	-	(69,173)	371,710
Currency translation differences, representing net gains recognised directly in equity		-	-	3,889	-	-	3,889
Net profit for the financial year		-	-	-	-	65,875	65,875
Total recognised income for the financial year		-	-	3,889	-	65,875	69,764
Transfer to special reserve	22	-	(249,929)	-	249,929	-	-
Capital distribution	22	-	-	-	(96,212)	-	(96,212)
Transfer to retained profits	22	-	-	-	(90,515)	90,515	-
Dividends	21	-	-	-	-	(83,883)	(83,883)
At 30 June 2006		178,171	-	16,672	63,202	3,334	261,379

MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (CONT'D)

	← Non-distributable →			← Distributable →		
	Share capital RM'000	Share premium RM'000	Currency translation reserve RM'000	Special reserve RM'000	Retained profits RM'000	Total RM'000
At 1 July 2006						
As previously stated	178,171	-	16,672	63,202	3,448	261,493
Effects of adopting:						
FRS 2	-	-	-	-	(114)	(114)
At 1 July 2006 (restated)	<u>178,171</u>	<u>-</u>	<u>16,672</u>	<u>63,202</u>	<u>3,334</u>	<u>261,379</u>
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	<u>178,171</u>	<u>-</u>	<u>10,487</u>	<u>63,202</u>	<u>69,997</u>	<u>321,857</u>

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 2007

	Note	2007 RM'000	2006 RM'000
Operating revenue	14	<u>369,234</u>	<u>367,708</u>
Surplus transferred from revenue account		92,146	93,258
Investment income	16	1,380	3,861
Management expenses	17	(1,512)	(668)
Other income (net)	18	<u>3,600</u>	<u>479</u>
Profit before taxation		95,614	96,930
Taxation	19	<u>(28,951)</u>	<u>(31,055)</u>
Net profit for the financial year		<u>66,663</u>	<u>65,875</u>
Earnings per share - Basic (sen)	20	<u>37.4</u>	<u>37.0</u>
Net dividends per share (sen)	21	<u>-</u>	<u>47.1</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 2007

	Note	Fire		Motor		Marine, Aviation & Transit		Miscellaneous ("Misc.")		Total	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Gross premiums		103,747	102,009	69,938	79,329	8,915	8,627	156,635	150,996	339,235	340,961
Reinsurance		(21,259)	(13,959)	(2,587)	(4,201)	(3,168)	(2,737)	(25,053)	(21,916)	(52,067)	(42,813)
Net premiums		82,488	88,050	67,351	75,128	5,747	5,890	131,582	129,080	287,168	298,148
Decrease/(increase) in unearned premium reserves	10	3,772	(2,606)	4,513	(2,293)	135	(125)	(6,061)	(2,853)	2,359	(7,877)
Earned premium		86,260	85,444	71,864	72,835	5,882	5,765	125,521	126,227	289,527	290,271
Net claims incurred	15	(24,795)	(21,961)	(58,514)	(45,448)	279	1,806	(49,480)	(46,354)	(132,510)	(111,957)
Net commissions		(12,022)	(13,436)	(8,579)	(8,915)	(955)	(1,034)	(22,037)	(22,083)	(43,593)	(45,468)
Underwriting surplus before management expenses		49,443	50,047	4,771	18,472	5,206	6,537	54,004	57,790	113,424	132,846
Management expenses	17									(56,797)	(63,392)
Underwriting surplus										56,627	69,454
Investment income	16									28,619	22,886
Other income (net)	18									6,900	918
Transfer to income statement										92,146	93,258

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 2007

	2007	2006
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	95,614	96,930
Adjustment for:		
(Decrease)/increase in unearned premium reserves	(2,359)	7,877
(Write-back)/provision for doubtful debts	(3,070)	5,201
Interest income	(21,745)	(19,261)
Interest expense	2	38
Gross dividend income	(3,665)	(3,646)
Net gain on disposal of investments	(7,794)	(6,543)
Impairment of investment properties	-	253
Net write-back of diminution in value of investments	(3,204)	(2,105)
Accretion of discounts net of amortisation of premiums	(274)	(747)
(Writeback)/impairment of investments	(631)	4,978
Amortisation of intangible assets	647	339
Write down of property, plant and equipment	-	319
Depreciation of property, plant and equipment	2,610	5,099
Gain on disposal of property, plant and equipment	(109)	(827)
Information technology project cost	-	63
Property, plant and equipment written off	26	-
Short-term accumulating compensated absences	44	84
Profit from operations before changes in operating assets and liabilities	56,092	88,052
Net increase in loans	(33)	(240)
Purchase of investments	(164,842)	(248,766)
Proceeds from disposal/maturity of investments	128,763	386,546
Net increase in structured deposits	(15,000)	-
Net increase in fixed, repurchase agreement and call deposits	(28,203)	(30,174)
Decrease/(increase) in amounts due from insureds, agents, brokers, co-insurers and reinsurers	11,639	(7,357)
(Increase)/decrease in other receivables	(4,966)	3,124
Increase/(decrease) in outstanding claims	15,799	(9,286)
Increase in amounts due to insureds, agents, brokers, co-insurers and reinsurers	2,418	4,888
Increase in other payables	10,029	1,162
Foreign exchange fluctuation	(554)	(809)
Cash generated from operations	11,142	187,140

MAYBAN GENERAL ASSURANCE BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007 (CONT'D)

	2007	2006
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)		
Interest received	20,311	23,177
Interest paid	(2)	(38)
Net dividend received	3,128	3,553
Net dividend paid	-	(83,883)
Net tax paid	(26,201)	(30,236)
Net cash generated from operating activities	<u>8,378</u>	<u>99,713</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,454)	(1,344)
Purchase of intangible assets	(26)	-
Proceeds from disposal of property, plant and equipment	110	1,305
Recovery on impaired investment	631	-
Net cash used in investing activities	<u>(1,739)</u>	<u>(39)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital distribution to shareholders representing net cash used in financing activities	-	(96,212)
NET INCREASE IN CASH AND BANK BALANCES	6,639	3,462
EFFECT OF EXCHANGE RATE CHANGES	(111)	82
CASH AND BANK BALANCES AT BEGINNING OF YEAR	<u>9,574</u>	<u>6,030</u>
CASH AND BANK BALANCES AT END OF YEAR	<u>16,102</u>	<u>9,574</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 2007

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 10 August 2007.

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 applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965, the Insurance Act, 1996 and the relevant Guidelines/Circulars issued by Bank Negara Malaysia ("BNM").

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 Financial Reporting Standards ("FRSs") as described fully in Note 2.3.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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:

Motor and bonds	10%
Fire, engineering, aviation and marine hull	15%
Medical and health	
- Stand-alone individuals	15%
- Group of 3 or more	10%

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)

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, incurred but not reported ("IBNR") at the balance sheet date, based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation based on an actual claims development pattern.

(iv) Acquisition Costs

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(b) Other Revenue Recognition (Cont'd)

(i) Interest Income

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

(ii) Dividend Income

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

(iii) Rental Income

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

(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.

Freehold land has an unlimited useful life and therefore, is not depreciated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

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

Renovation/building-in-progress are also not depreciated as these assets are not available for use. Leasehold land is depreciated over the period of the respective leases. Buildings on leasehold land are depreciated over the shorter of 50 years or the remaining period of the respective leases.

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

Buildings on freehold land	2%
Furniture, fittings, equipment and renovations	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, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(d) Investment Properties (Cont'd)

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) Intangible Assets

Intangible assets in the Company comprise computer application software. The cost of significant development of knowledge-based application software to meet the unique requirements of the insurance business is capitalised and recognised as an intangible asset in accordance with FRS 138: Intangible Assets. The Company establishes that these development cost with identifiable application software are controlled by the Company.

Software development costs are amortised from the date of system commissioning, on a straight line basis over its estimated useful economic life and assessed for impairment at each balance sheet date or whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible assets are reviewed at least at each financial year end. The amortisation expense is recognised in income statement/revenue account.

Gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the income statement/revenue account when the asset is derecognised.

(f) Impairment of Assets

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement/revenue account immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(g) 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 Group 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"), an equity-settled plan allows the Group'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 with a corresponding increase within equity as capital contribution from 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(g) Employee Benefits (Cont'd)

(iii) Share-based Compensation (Cont'd)

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the income statement/revenue account, and a corresponding adjustment to equity over the remaining vesting period.

Settlement with the ultimate holding company in respect of the arrangement of the scheme will be accounted for in the capital contribution reserve with any balance thereof remaining within equity as a non-distributable reserve.

(h) 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(i) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.2 Summary of Significant Accounting Policies (Cont'd)****(i) Foreign Currencies (Cont'd)****(ii) Foreign Currency Transactions (Cont'd)**

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 Operation

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

(j) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(k) Financial Instruments

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

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

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

(i) Malaysian Government Securities and Other Approved Investments

Malaysian Government Securities ("MGS") and other approved investments inclusive of negotiable 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.

(ii) Government Guaranteed Bonds and Unquoted Corporate Bonds

Government guaranteed bonds and unquoted corporate bonds which carry a minimum rating of "BBB" or "P3" are valued at cost adjusted for amortisation of premiums and accretion of discounts, where applicable, calculated on the effective yield basis, from the date of purchase to their respective maturity dates.

Any corporate bond with a lower rating is stated at the lower of cost and net realisable value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(k) Financial Instruments (Cont'd)

(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.

(iv) Unquoted Investments

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

Unquoted investments are valued at indicative market prices quoted in the secondary market.

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) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding balances as at the balance sheet date. Specific 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 the fair value of the consideration to be paid in the future for goods and services received.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(k) Financial Instruments (Cont'd)

(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.

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

During the current financial year, the Company adopted the following new and revised FRSs mandatory for financial periods beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effect of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investment in Associates
FRS 131	Interest in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earning Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRS 108, 110, 121, 132, 133 and 136 does not result in significant changes in accounting policies of the Company. FRS 3, 5, 102, 127, 128 and 131 are not applicable to the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

At the date of authorisation of these financial statements, the following FRSs, amendments to FRS and Interpretations were issued but not yet effective and have not been applied by the Company:

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	Deferred
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
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
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7: Applying the Restatement Approach under FRS 129 ²⁰⁰⁴ - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8: Scope of FRS 2	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)

The above FRSs, amendments to FRS and Interpretations are expected to have no significant impact on the financial statements of the Company upon their initial application.

The Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 117, FRS 124 and FRS 139.

The principal changes in accounting policies and their effects resulting from the adoption of the new and revised FRSs are as follows:

(a) FRS 2: Share-based Payment

This FRS requires an entity to recognise share-based payment transaction in its financial statements including transactions with employees or other parties to be settled in cash, other assets or equity instruments of the entity.

The ultimate holding company operates an equity-settled share-based compensation plan for the employees of the Group, the Maybank Group Employee Share Options Scheme ("ESOS").

Prior to 1 July 2006, no compensation expense was recognised in income statement/revenue account for share options granted. With the adoption of FRS 2, the employee cost relating to share options is recognised in income statement/revenue account over the vesting periods of the grants with a corresponding increase in capital contribution within equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by the vesting date. The fair value of the share option is computed using a trinomial model.

At every balance sheet date, the Group revises its estimates of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in income statement/revenue account and a corresponding adjustment to capital contribution reserve over the remaining vesting period.

Under the transitional provisions of FRS 2, this FRS must be applied to share options that were granted after 31 December 2004 and had not yet vested at the effective date of this FRS to the Group i.e. 1 July 2006. The application is retrospective and accordingly, certain comparatives have been restated. The effects on the balance sheets and income statements are set out in Note 2.3(e)(i) and (ii) respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(b) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of of the statement of changes in equity. FRS 101 requires disclosure on the face of the statement of changes in equity, total recognised income and expenses for the financial period.

This change in presentation has been applied retrospectively and certain comparatives have been restated. This change in presentation has no impact on the Company's financial statements.

(c) FRS 138: Intangible Assets

Prior to 1 July 2006, costs of internally developed software and computer application were recognised in Property, Plant and Equipment. Upon the adoption of FRS 138, such application software that are not an integral part of the computer hardware are recognised as intangible assets and are amortised from the date of system commissioning, on a straight line basis over its estimated remaining useful life. The carrying amount is assessed for impairment at each balance sheet date or whenever there is indication of impairment.

The reclassification has been applied retrospectively and certain comparatives have been restated. The effects on the balance sheets and income statements are set out in Note 2.3(e)(i) and (ii) respectively.

(d) FRS 140: Investment Property

Upon the adoption of FRS 140, properties held to earn rentals or for capital appreciation or both are classified as investment properties. In addition, investment properties are measured using the fair value model. 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.

Investment properties are now stated at fair value and gains and losses arising from changes in fair values are recognised in income statement/revenue account in the year which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

The following tables provide estimates of the extent to which each of the line items in the balance sheet and income statement/revenue account for the financial year ended 30 June 2007 is higher or lower than it would have been had the previous policies been applied in the current financial year.

(i) Effects on balance sheet as at 30 June 2007

Description of Change	Increase/(Decrease)		
	FRS2	FRS 138	Total
	Note2.3(a)	Note 2.3(c)	
RM'000	RM'000	RM'000	
Property, plant and equipment	-	(603)	(603)
Intangible assets	-	603	603
Deferred tax liabilities	(32)	-	(32)
Retained profits	(959)	-	(959)

(ii) Effects on income statement for the year then ended 30 June 2007

Description of Change	Increase/(Decrease)
	FRS2
	Note2.3(a)
	RM'000
Management expenses	992
Profit before taxation	(992)
Taxation	33
Profit after taxation	(959)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(f) Restatement of comparatives

The following comparative amounts have been restated as a result of adopting the new and revised FRS:

Description of Change	Previously Stated RM'000	Increase/(Decrease)		Restated RM'000
		FRS2 Note2.3(a) RM'000	FRS 138 Note 2.3(c) RM'000	
At 1 July 2005				
Property, plant and Equipment	62,280	-	(424)	61,856
Intangible Assets	-	-	424	424
At 30 June 2006				
Property, plant and equipment	57,278	-	(1,227)	56,051
Intangible assets	-	-	1,227	1,227
Sundry payables	19,619	114	-	19,733
Retained profits	3,448	(114)	-	3,334
For the financial year ended 30 June 2006				
Management expenses	63,946	114	-	64,060
Profit before taxation	97,044	(114)	-	96,930
Profit after taxation	65,989	(114)	-	65,875
Earnings per share (sen)	37.0	-	-	37.0

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Changes in Estimates

The revised FRS 116 Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least once at each financial year.

There were no material changes in estimates during the financial year except those set out in Note 2.5 (b)(i) and (ii) respectively.

2.5 Significant Accounting Estimates and Judgements

(a) Critical Judgments Made in Applying Accounting Policies

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

(i) 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.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Significant Accounting Estimates and Judgements (Cont'd)

(b) Key Sources of Estimation Uncertainty

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

(i) Depreciation of property, plant and equipment

The cost of building's plant and equipment e.g elevators, lifts etc and the self-occupied properties are depreciated on a straight line basis over the estimated remaining useful lives of the assets. The residual values and useful lives are reviewed at each financial year end by firms of professional independent valuers.

(ii) Amortisation of intangible assets

The Company recognises the cost of significant development of knowledge-based software and computer applications as intangible assets with finite useful life. Such software and application are unique to the requirements of the insurance business and the Company establish that these development cost will generate economic benefits beyond one year.

This software development cost are amortised from the date of the system commissioning, on a straight line basis over its estimated useful economic life and assessed for impairment at each balance sheet date or whenever there is an indication that the intangible assets may be impaired.

3. PROPERTY, PLANT AND EQUIPMENT

	Properties*	Furniture, fittings, equipment and renovations	Computers and peripherals	Electrical and security equipment	Motor vehicles	Renovation & building- in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2007							
Cost							
At 1 July 2006	59,229	22,674	11,551	8,581	719	21	102,775
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	59,154	21,932	11,569	7,694	324	21	100,694
Accumulated Depreciation and Impairment Losses							
At 1 July 2006							
Accumulated depreciation	7,642	21,992	11,167	5,130	719	-	46,650
Impairment losses	74	-	-	-	-	-	74
	7,716	21,992	11,167	5,130	719	-	46,724
Charge for the year	1,110	529	199	772	-	-	2,610
Disposals	-	(56)	-	-	(388)	-	(444)
Write-offs	-	(2,917)	-	(1,005)	-	-	(3,922)
Translation differences	(46)	(43)	(7)	-	(7)	-	(103)
At 30 June 2007	8,780	19,505	11,359	4,897	324	-	44,865
Net Book Value	50,374	2,427	210	2,797	-	21	55,829

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

	Properties*	Furniture, fittings, equipment and renovations	Computers and peripherals	Electrical and security equipment	Motor vehicles	Renovation & building- in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2006							
Cost							
At 1 July 2005	59,688	22,695	14,995	8,658	815	382	107,233
Additions	-	93	93	-	-	21	207
Disposals	(533)	(155)	(3,242)	-	(103)	-	(4,033)
Reversals**	-	(8)	(10)	(77)	-	-	(95)
Write-offs/expensed off	-	-	(301)	-	-	(63)	(364)
Write down	-	-	-	-	-	(319)	(319)
Translation differences	74	49	16	-	7	-	146
At 30 June 2006	59,229	22,674	11,551	8,581	719	21	102,775
Accumulated Depreciation and Impairment Losses							
At 1 July 2005							
Accumulated depreciation	6,563	19,459	14,077	4,389	815	-	45,303
Impairment losses	74	-	-	-	-	-	74
	6,637	19,459	14,077	4,389	815	-	45,377
Charge for the year	1,113	2,638	624	772	-	-	5,147
Disposals	(78)	(138)	(3,236)	-	(103)	-	(3,555)
Reversals**	-	(7)	(10)	(31)	-	-	(48)
Write-offs	-	-	(301)	-	-	-	(301)
Translation differences	44	40	13	-	7	-	104
At 30 June 2006	7,716	21,992	11,167	5,130	719	-	46,724
Net Book Value	51,513	682	384	3,451	-	21	56,051

** relates to cost reduction in property, plant and equipment acquired in the previous years

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

* Properties consist of:

	Leasehold land 50 years or more RM'000	Buildings on leasehold land 50 years or more RM'000	Total RM'000
2007			
Cost			
At 1 July 2006	8,894	50,335	59,229
Translation differences	-	(75)	(75)
At 30 June 2007	<u>8,894</u>	<u>50,260</u>	<u>59,154</u>
Accumulated Depreciation and Impairment Losses			
At 1 July 2006			
Accumulated depreciation	598	7,044	7,642
Impairment losses	-	74	74
	<u>598</u>	<u>7,118</u>	<u>7,716</u>
Charge for the year	104	1,006	1,110
Translation differences	-	(46)	(46)
At 30 June 2007	<u>702</u>	<u>8,078</u>	<u>8,780</u>
Net Book Value	<u>8,192</u>	<u>42,182</u>	<u>50,374</u>

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

	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land 50 years or more RM'000	Buildings on leasehold land 50 years or more RM'000	Total RM'000
2006					
Cost					
At 1 July 2005	294	239	8,894	50,261	59,688
Disposals	(294)	(239)	-	-	(533)
Translation differences	-	-	-	74	74
At 30 June 2006	-	-	8,894	50,335	59,229
Accumulated Depreciation and Impairment Losses					
At 1 July 2005					
Accumulated depreciation	-	75	494	5,994	6,563
Impairment losses	-	-	-	74	74
	-	75	494	6,068	6,637
Charge for the year	-	3	104	1,006	1,113
Disposals	-	(78)	-	-	(78)
Translation differences	-	-	-	44	44
At 30 June 2006	-	-	598	7,118	7,716
Net Book Value	-	-	8,296	43,217	51,513

Included in the property, plant and equipment of the Company are the costs of fully depreciated assets which are still in use amounting to RM27,437,000 (2006: RM14,057,000).

4. INVESTMENT PROPERTIES

	Leasehold land and building RM'000	Freehold land and building RM'000	Total RM'000
At 1 July 2006	218	1,585	1,803
Disposal	(218)	(155)	(373)
At 30 June 2007	<u>-</u>	<u>1,430</u>	<u>1,430</u>
At 1 July 2005	1,251	16,683	17,934
Impairment losses	-	(316)	(316)
Disposal	(1,033)	(14,782)	(15,815)
At 30 June 2006	<u>218</u>	<u>1,585</u>	<u>1,803</u>

5. INTANGIBLE ASSETS

	Software development cost	
	2007	2006
	RM'000	RM'000
Cost		
At beginning of financial year	6,615	5,464
Additions	26	1,137
Translation differences	(15)	14
At end of financial year	<u>6,626</u>	<u>6,615</u>
Accumulated amortisation and impairment		
At beginning of financial year	5,388	5,040
Amortisation	647	339
Translation differences	(12)	9
At end of financial year	<u>6,023</u>	<u>5,388</u>
Net Book Value at end of the financial year	<u>603</u>	<u>1,227</u>

6. INVESTMENTS

	2007		2006	
	Cost RM'000	Market/ indicative value* RM'000	Cost RM'000	Market/ indicative value* RM'000
Malaysian Government Securities ("MGS")	8,751		9,584	
Net amortisation of premiums	(381)		(467)	
	<u>8,370</u>	<u>*8,704</u>	<u>9,117</u>	<u>*9,040</u>
Government Investment Issues ("GII")	2,403		1,571	
Accretion of discounts	94		-	
	<u>2,497</u>	<u>*2,585</u>	<u>1,571</u>	<u>*1,572</u>
Cagamas bonds	25,015		25,015	
Amortisation of premiums	(13)		(10)	
	<u>25,002</u>	<u>*24,987</u>	<u>25,005</u>	<u>*24,794</u>
Singapore Government Securities ("SGS")	26,014		39,096	
Net amortisation of premiums	(25)		(54)	
Provision for diminution in value	-		(597)	
	<u>25,989</u>	<u>*26,606</u>	<u>38,445</u>	<u>*38,445</u>
Malaysian Government guaranteed bonds	11,078		6,116	
Net amortisation of premiums	(300)		(282)	
	<u>10,778</u>	<u>*11,324</u>	<u>5,834</u>	<u>*5,947</u>
Negotiable Certificates of Deposit ("NCD")	25,182		34,388	
Net accretion of discounts/ (amortisation of premiums)	11		(164)	
	<u>25,193</u>	<u>*26,000</u>	<u>34,224</u>	<u>*33,988</u>

6. INVESTMENTS (CONT'D)

	2007		2006	
	Cost	Market/ indicative value*	Cost	Market/ indicative value*
	RM'000	RM'000	RM'000	RM'000
Quoted in Malaysia:				
Shares of corporations	57,307		27,985	
Provision for diminution in value	-		7	
	<u>57,307</u>	<u>84,911</u>	<u>27,992</u>	<u>42,003</u>
Real estate investment trusts	<u>5,210</u>	<u>6,545</u>	<u>302</u>	<u>322</u>
Quoted outside Malaysia:				
Bonds/loan stocks of corporations	49,081		42,627	
Net amortisation of premiums	(262)		(124)	
Provision for diminution in value	-		(988)	
	<u>48,819</u>	<u>49,420</u>	<u>41,515</u>	<u>41,515</u>
Shares of corporations	14,742		11,586	
Provision for diminution in value	(68)		(618)	
	<u>14,674</u>	<u>16,769</u>	<u>10,968</u>	<u>10,996</u>

6. INVESTMENTS (CONT'D)

	2007	2006
	Cost	Cost
	RM'000	RM'000
Unquoted in Malaysia:		
Bonds/loan stocks of corporations	134,199	124,714
Net accretion of discounts	1,194	1,596
Impairment losses	(4,346)	(4,978)
	<u>131,047</u>	<u>121,332</u>
Preference shares of corporation	<u>7,003</u>	<u>-</u>
Shares and warrants of corporations	518	518
Provision for diminution in value	(228)	(228)
	<u>290</u>	<u>290</u>
Corporate loans	<u>8,450</u>	<u>9,250</u>
Unquoted outside Malaysia:		
Bonds/loan stocks of corporations	6,767	6,948
Net accretion of discounts	1	-
Provision for diminution in value	-	(48)
	<u>6,768</u>	<u>6,900</u>
Shares of corporations	<u>3,373</u>	<u>2,961</u>
Fixed, repurchase agreement and call deposits with:		
Licensed banks	115,086	67,691
Other financial institutions **	62,481	83,004
	<u>177,567</u>	<u>150,695</u>
Structured deposits	<u>15,000</u>	<u>-</u>
Total investments	<u>573,337</u>	<u>486,401</u>

* indicative values obtained from the secondary market

** other financial institutions comprise discount houses, investment bank 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.

6. INVESTMENTS (CONT'D)

- (i) Maturity structure of investments, at cost (excluding equity investments, warrants and real estate investment trusts) 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
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
Malaysian Government guaranteed bonds	-	2,281	-	8,797	11,078
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	68,623	134,199
Outside Malaysia	-	2,255	4,512	-	6,767
Corporate loans	-	-	-	8,450	8,450
Fixed, repurchase agreement and call deposits	147,339	228	30,000	-	177,567
Structured deposits	-	-	10,000	5,000	15,000
	185,312	33,729	130,230	140,236	489,507

6. INVESTMENTS (CONT'D)

	< 1 year	1 to	3 to 5 years	> 5 years	Total
	RM'000	< 3 years	RM'000	RM'000	RM'000
		RM'000		RM'000	
2006					
MGS	1,576	3,301	-	4,707	9,584
GII	-	-	-	1,571	1,571
Cagamas bonds	-	25,015	-	-	25,015
SGS	-	-	7,952	31,144	39,096
Malaysian Government guaranteed bonds	-	-	-	6,116	6,116
NCD	9,206	-	25,182	-	34,388
Quoted bonds/loan stocks of corporations outside Malaysia	-	13,462	8,037	21,128	42,627
Unquoted bonds/ loan stocks of corporations:					
In Malaysia	4,883	14,332	35,819	69,680	124,714
Outside					
Malaysia	2,317	4,631	-	-	6,948
Corporate loans	-	-	-	9,250	9,250
Fixed and call deposits	149,923	772	-	-	150,695
	<u>167,905</u>	<u>61,513</u>	<u>76,990</u>	<u>143,596</u>	<u>450,004</u>

6. INVESTMENTS (CONT'D)

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

	2007	2006
	%	%
	per annum	per annum
MGS	4.03	4.39
GII	4.36	4.65
Cagamas bonds	3.50	3.51
SGS	3.19	3.16
Malaysian Government guaranteed bonds	4.79	5.30
Quoted bonds/loan stocks of corporations outside Malaysia	3.64	3.49
Unquoted bonds/loan stocks of corporations:		
In Malaysia	5.93	5.86
Outside Malaysia	3.68	3.27
NCD	4.72	4.65
Corporate loans	7.67	7.67
Fixed, repurchase agreement and call deposits with:		
Licensed banks	3.46	2.85
Other financial institutions	3.49	3.09
Structured deposits	5.33	-

- (iii) Fixed deposits amounting to RM14,114,000 (2006: RM13,979,000) were pledged to the ultimate holding company for bank guarantee facilities.

7. STAFF LOANS

	2007	2006
	RM'000	RM'000
Secured:		
Receivable within 12 months	486	601
Receivable after 12 months	6,346	6,199
	<u>6,832</u>	<u>6,800</u>
Unsecured:		
Receivable within 12 months	12	8
Receivable after 12 months	12	15
	<u>24</u>	<u>23</u>
	<u>6,856</u>	<u>6,823</u>

The weighted average effective interest rate during the year for staff loans was 3.51% (2006: 3.52%) per annum on the basis of monthly rest.

8. RECEIVABLES

	2007	2006
	RM'000	RM'000
Trade receivables:		
Outstanding premiums including agents, brokers and co-insurers balances	24,421	30,206
Provision for doubtful debts	(1,877)	(1,696)
	<u>22,544</u>	<u>28,510</u>
Amount due from reinsurers and ceding companies	25,885	31,545
Provision for doubtful debts	(18,751)	(21,280)
	<u>7,134</u>	<u>10,265</u>
Other receivables:		
Other receivables, deposits and prepayments	9,253	4,439
Income due and accrued	6,138	4,613
	<u>15,391</u>	<u>9,052</u>
	<u>45,069</u>	<u>47,827</u>

9. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2007 '000	2006 '000	2007 RM'000	2006 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

10. UNEARNED PREMIUM RESERVES

	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misc. RM'000	Total RM'000
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
2006					
At 1 July 2005	36,366	31,435	1,737	40,431	109,969
Increase in reserves	2,606	2,293	125	2,853	7,877
Translation differences	(28)	(104)	(6)	(141)	(279)
At 30 June 2006	38,944	33,624	1,856	43,143	117,567

11. DEFERRED TAXATION

	2007	2006
	RM'000	RM'000
At beginning of year	2,102	4,028
Recognised in the income statement (Note 19)	1,453	(1,934)
Exchange differences	(16)	8
Effect of reduction in foreign tax rate	(6)	-
At end of year	<u>3,533</u>	<u>2,102</u>

Presented after appropriate offsetting as follows:

Deferred tax liabilities	6,279	6,101
Deferred tax assets	<u>(2,746)</u>	<u>(3,999)</u>
	<u>3,533</u>	<u>2,102</u>

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

2007**Deferred Tax Liabilities**

	Accelerated capital allowances	Others	Total
	RM'000	RM'000	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>

11. 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 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>

2006**Deferred Tax Liabilities**

	Accelerated capital allowances RM'000	Others RM'000	Total RM'000
At 1 July 2005	5,763	477	6,240
Recognised in the income statement	172	(318)	(146)
Exchange differences	8	(1)	7
At 30 June 2006	<u>5,943</u>	<u>158</u>	<u>6,101</u>

Deferred Tax Assets

	Provision for diminution in value of investments RM'000	Provision for doubtful debts RM'000	Provision for bonus for bonus RM'000	Others RM'000	Total RM'000
At 1 July 2005	(1,252)	(90)	(940)	70	(2,212)
Recognised in the income statement	936	(1,039)	(236)	(1,449)	(1,788)
Exchange difference	-	(2)	-	3	1
At 30 June 2006	<u>(316)</u>	<u>(1,131)</u>	<u>(1,176)</u>	<u>(1,376)</u>	<u>(3,999)</u>

12. PROVISION FOR OUTSTANDING CLAIMS

	2007	2006
	RM'000	RM'000
Provision for outstanding claims	443,232	424,393
Recoverable from reinsurers	(245,254)	(242,892)
Net outstanding claims	<u>197,978</u>	<u>181,501</u>

13. PAYABLES

	2007	2006
	RM'000	RM'000
Trade payables:		
Amount due to reinsurers	15,636	13,337
Amount due to agents, brokers, co-insurers and insureds	6,265	6,205
	<u>21,901</u>	<u>19,542</u>
Other payables:		
Due to holding company	1,989	1,598
Sundry payables	29,297	19,733
	<u>31,286</u>	<u>21,331</u>
	<u>53,187</u>	<u>40,873</u>

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

14. OPERATING REVENUE

	Note	2007	2006
		RM'000	RM'000
Gross premiums		339,235	340,961
Investment income	16	29,999	26,747
		<u>369,234</u>	<u>367,708</u>

15. NET CLAIMS INCURRED

	Fire RM'000	Motor RM'000	Marine, Aviation & Transit RM'000	Misc. RM'000	Total RM'000
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	24,795	58,514	(279)	49,480	132,510
2006					
Gross claims paid less salvage	23,531	47,841	31,910	139,535	242,817
Reinsurance recoveries	(4,794)	(4,741)	(30,096)	(86,718)	(126,349)
Net claims paid	18,737	43,100	1,814	52,817	116,468
Net outstanding claims:					
At 30 June 2006	23,469	65,137	6,123	86,772	181,501
At 1 July 2005	(20,321)	(67,648)	(9,748)	(93,473)	(191,190)
Reclassification of High Risk Motor Insurance Pool claims	-	4,733	-	-	4,733
Translation differences	76	126	5	238	445
Net claims incurred	21,961	45,448	(1,806)	46,354	111,957

16. INVESTMENT INCOME

	2007	2006
	RM'000	RM'000
Shareholders' Fund		
Interest from:		
MGS	-	21
Cagamas bonds	-	189
Malaysian Government guaranteed bonds	-	138
Unquoted bonds in Malaysia	58	996
Fixed, repurchase agreement and call deposits	444	943
Staff loans	240	232
Gross dividends from shares:		
Quoted in Malaysia	483	887
Quoted outside Malaysia	155	140
Net accretion of discount	-	315
	<u>1,380</u>	<u>3,861</u>
General Business		
Interest from:		
MGS	369	298
Cagamas bonds	872	872
SGS	1,039	1,529
Malaysian Government guaranteed bonds	482	388
Structured deposits	1,116	-
Fixed, repo and call deposits	6,547	4,800
Staff loans	3	13
Other investments	846	873
Bonds/loan stocks of corporations:		
Quoted outside Malaysia	1,757	1,026
Unquoted in Malaysia	7,584	6,789
Unquoted outside Malaysia	388	154
Gross dividends from shares:		
Quoted in Malaysia	2,886	2,475
Quoted outside Malaysia	141	144
Rental income	4,315	3,093
Net accretion of discounts	274	432
	<u>28,619</u>	<u>22,886</u>
	<u>29,999</u>	<u>26,747</u>

17. MANAGEMENT EXPENSES

	2007	2006
	RM'000	RM'000
Shareholders' Fund		
Depreciation of property, plant and equipment	519	520
Share option expense	992	114
Other expenses	1	34
	<u>1,512</u>	<u>668</u>
General Business		
Staff costs (Note a):	29,089	27,416
Basic salaries	16,539	15,766
EPF and CPF	3,358	3,015
SOCSO	125	121
Short-term accumulating compensated absences	44	84
Bonus, allowances and other related costs	9,023	8,430
Directors' remuneration:		
Directors' fees:		
Payable to the ultimate holding company	-	47
Payable to the holding company	-	2
Payable to a corporate shareholder, Fortis Insurance Int. NV	41	50
Payable to other directors (Note a)	80	80
Other emoluments:		
Payable to the ultimate holding company	-	7
Payable to a corporate shareholder, Fortis Insurance Int. NV	6	10
Payable to other directors (Note a)	13	11
Auditors' remuneration:		
Current year	241	202
Underprovision in prior year	-	22
Others	100	77
Rental of offices	630	245
Rental of office equipment	104	77
Depreciation of property, plant and equipment	2,091	4,579
Amortisation of intangible assets	647	339
Interest expense	2	38
(Write-back of provision)/provision for bad and doubtful debts	(3,070)	5,201
Promotional and marketing cost	2,717	2,375
Utilities, assessment and maintenance	3,844	3,364
Printing and stationery	1,098	1,510
Computer upgrade and maintenance	1,043	1,267
Information technology project cost	-	63

17. MANAGEMENT EXPENSES (CONT'D)

	2007	2006
	RM'000	RM'000
Postage and stamp duties	760	884
Shared services	6,548	6,021
Outsourcing of information technology services	2,182	2,575
Other expenses	8,631	6,930
	<u>56,797</u>	<u>63,392</u>

(a) Remuneration of chief executive officer ("CEO") and directors

	2007	2006
	RM'000	RM'000
Non-executive directors		
- Fees	80	80
- Other emoluments	13	11
Total directors' remuneration	<u>93</u>	<u>91</u>

The remuneration, including benefits-in-kind, attributable to the CEO of the Company during the year amounted to RM422,000 (2006: RM525,000).

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	
	2007	2006
Non-executive directors		
Below RM50,000	<u>5</u>	<u>8</u>

18. OTHER INCOME (NET)

	Shareholders' Fund		General Business	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Other income:				
Gain on disposal of property, plant and equipment	-	-	109	827
Gain on disposal of investments	2,216	5,902	5,310	1,980
Write-back on provision for diminution in value of investments	830	501	2,374	3,740
Write-back on impairment of investment	631	-	-	-
Gain on disposal of investment properties	-	51	384	5,420
Sundry income	-	1	39	182
	<u>3,677</u>	<u>6,455</u>	<u>8,216</u>	<u>12,149</u>
Other expenditure:				
Property, plant and equipment written off	-	-	26	-
Loss on disposal of investments	-	-	116	6,810
Realised loss on foreign exchange	-	1	55	360
Provision for diminution in value of investments	-	898	-	1,238
Impairment of investments	-	4,978	-	-
Impairment of investment properties	-	-	-	253
Write down of property, plant and equipment	-	-	-	319
Sundry expenditure	77	99	1,119	2,251
	<u>77</u>	<u>5,976</u>	<u>1,316</u>	<u>11,231</u>
	<u>3,600</u>	<u>479</u>	<u>6,900</u>	<u>918</u>

19. TAXATION

	2007	2006
	RM'000	RM'000
Income tax:		
Current year's provision		
Malaysian	21,546	26,514
Foreign	2,885	2,597
Double taxation relief	(731)	(687)
	<u>23,700</u>	<u>28,424</u>
Under provision of taxation in prior years	3,804	4,565
Deferred taxation:		
Relating to origination and reversal of temporary differences (Note 11)	1,453	(1,934)
Relating to reduction in foreign income tax rate	(6)	-
Tax expense for the year	<u>28,951</u>	<u>31,055</u>

The domestic income tax is generally calculated based on the corporate tax rate of 27% (2006: 28%) of the estimated assessable profit for the financial year. The corporate tax rate of our branch in Singapore is at 18% (2006: 20%).

It was announced in the 2007 Budget that the corporate income tax rate for the year of assessment 2008 (for financial year ending 2008) will be reduced to 26%.

However, the proposal for a reduction in the corporate tax rate to 26% has yet to be gazetted to-date and hence, not legally enforceable. In view of this, the Company has computed the deferred tax based on the existing corporate tax rate of 27%.

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:

	2007	2006
	RM'000	RM'000
Profit before taxation	<u>95,614</u>	<u>96,930</u>
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	25,816	27,140
Effect of different tax rate outside Malaysia	(1,360)	(1,039)
Income not subject to tax	(261)	(381)
Expenses not deductible for tax purposes	958	770
Under provision of taxation in prior years	3,804	4,565
Effects on opening deferred tax of changes in foreign tax rate	(6)	-
Tax expense for the year	<u>28,951</u>	<u>31,055</u>

As at 30 June 2007, the Company has tax exempt profits available for distribution of approximately RM33,645,000 (2006: RM17,406,000).

19. TAXATION (CONT'D)

The Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt profits to frank the payment of dividends out of its entire retained profits as at 30 June 2007.

20. 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.

	2007	2006
Net profit for the financial year (RM'000)	66,663	65,875
Number of ordinary shares in issue during the financial year ('000)	178,171	178,171
Basic earnings per share (sen)	<u>37.4</u>	<u>37.0</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.

21. DIVIDENDS

	Amount		Net dividend per share	
	2007	2006	2007	2006
	RM'000	RM'000	Sen	Sen
Special interim dividend of Nil% (2006: 39%) less 28% taxation	-	50,030	-	28.1
Special tax exempt interim dividend of Nil% (2006: 19% tax exempt)	-	33,853	-	19.0
	<u>-</u>	<u>83,883</u>	<u>-</u>	<u>47.1</u>

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

22. CAPITAL DISTRIBUTION

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. Part of this special reserve was used for capital distribution to all shareholders of the Company and partly transferred to retained profit for the goodwill write off.

23. SEGMENT INFORMATION ON CASH FLOW

	Shareholders' Fund RM'000	General Business RM'000	Total RM'000
2007			
Cash flows from:			
Operating activities	225	8,153	8,378
Investing activities	-	(1,739)	(1,739)
	<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>
2006			
Cash flows from:			
Operating activities	96,320	3,393	99,713
Investing activities	-	(39)	(39)
Financing activities	(96,212)	-	(96,212)
	<u>108</u>	<u>3,354</u>	<u>3,462</u>
Net decrease in cash and bank balances	108	3,354	3,462
At beginning of the year, as previously reported	1,706	4,324	6,030
Effect of exchange rate changes	-	82	82
At beginning of year, as restated	<u>1,706</u>	<u>4,406</u>	<u>6,112</u>
At end of year	<u>1,814</u>	<u>7,760</u>	<u>9,574</u>

24. OPERATING LEASE COMMITMENTS

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:

	2007	2006
	RM'000	RM'000
Within 1 year	76	39
After 1 year but not more than five years	69	-
	<u>145</u>	<u>39</u>

25. COMMITMENTS AND CONTINGENCIES

A bank covenant amounting to S\$500,000 equivalent to RM1,128,000 (2006: S\$500,000 equivalent to RM1,158,000) 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:

	2007	2006
	RM'000	RM'000
Transactions with the ultimate holding company:		
Insurance premium income	18,368	16,339
Interest income	1,909	704
Gain on disposal of property	-	746
Commissions and fee expense	(29,372)	(25,297)
Rental income	1,080	2,130
Rental expense	(29)	(16)
	<u>404</u>	<u>441</u>
Transactions with the holding company:		
Insurance premium income	<u>404</u>	<u>441</u>

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	2007	2006
	RM'000	RM'000
Transactions with other related companies within the MBB group:		
Insurance premium income	395	798
Net reinsurance premiums on facultative/treaty policies	(53)	(3)
Interest income	1,479	1,554
Fee expense	(268)	(369)
Net reinsurance commissions on facultative/treaty policies	(35)	(17)
Rental income	190	240
Rental expense	(30)	(30)
Other expenses	(50)	(47)

Other related companies within the MBB group include Maybank International (L) Limited, Aseambankers (M) Berhad, Mayban Securities Sdn. Bhd., Mayban Discount Berhad, Mayban Trustees Berhad, Mayban Life Assurance Bhd., Mayban Takaful Berhad, Mayban Life International (Labuan) Ltd, Mayban Unit Trust Berhad, Mayban Investment Management Sdn. Bhd., Mayban Ventures Sdn. Bhd., Malaysia National Insurance Berhad ("MNI") and Takaful Nasional Sdn. Berhad ("TN").

	2007	2006
	RM'000	RM'000
Transactions with other related parties:		
Reinsurance premiums on facultative/treaty policies (net) with Labuan Reinsurance (L) Ltd.	(386)	(753)
Reinsurance premiums on facultative/treaty policies (net) with Malaysian National Reinsurance Berhad	(8,566)	(10,898)
Reinsurance premiums on facultative/treaty policies (net) with MNI #	-	(2)
Net premium with Kumpulan Guthrie Bhd	370	-
Net premium with Malaysian Electronic Payment System	511	-
Net commission from Labuan Reinsurance (L) Ltd.	86	151
Net commission from Malaysian National Reinsurance Berhad	2,628	2,687
Net commission from MNI #	-	3

During the previous financial year, MNI and TN became related parties to the Company by virtue of MFHB's acquisition of MNI Holdings Berhad.

(a) Mohammad bin Abdullah, a director of MBB, is a director of Labuan Reinsurance (L) Ltd., and Malaysian National Reinsurance Berhad.

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

- (b) Dato' Haji Aminuddin Md. Desa, a director of MFHB, MNI and TN, is a director of Labuan Reinsurance (L) Ltd.
- (c) Datuk Haji Abdul Rahman bin Mohd. Ramli, a director of MBB, is a director of MNI and TN.
- (d) Raja Tan Sri Muhammad Alias bin Raja Muhd Ali, a director of MBB, is a director of Kumpulan Guthrie Bhd.
- (e) Datuk Amirsham A. Aziz, a director of MBB, MFHB and MNI, is a director of Malaysian Electronic Payment System (1997) Sdn Bhd.

The directors are of the opinion that the above transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

27. SIGNIFICANT RELATED PARTY BALANCES

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

	2007	2006
	RM'000	RM'000
Ultimate holding company:		
Bank balances	16,104	9,585
Fixed and call deposits	58,344	28,839
Outstanding premiums	5,842	6,295
Income due and accrued	857	548
Commissions and other payables	(7,426)	(4,233)
	<hr/>	<hr/>
Holding company:		
Other payables	(572)	(1,020)
Shared services costs	(1,417)	(578)
	<hr/>	<hr/>

27. SIGNIFICANT RELATED PARTY BALANCES (CONT'D)

Other related companies within the MBB group:		
Fixed, repurchase agreement and call deposits	36,632	58,004
Outstanding premiums	58	204
Income due and accrued	2,195	48
Other receivables	2,548	921
Trade payables	(204)	(512)
Other payables	(1,634)	-

Other related companies within the MBB group include Aseambankers (M) Berhad, Mayban Life Assurance Bhd., Mayban Takaful Berhad, Mayban Unit Trust Berhad, Maybank International (L) Ltd, MNI and TN.

	2007	2006
	RM'000	RM'000
Balances with other related parties:		
Trade payable to Labuan Reinsurance (L) Ltd.	(516)	(1,153)
Trade payable to Malaysian National Reinsurance Berhad	(968)	(1,707)

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

Mayban General Assurance Berhad's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Company's businesses whilst managing its various risks. The overall objective is to safeguard the interests of all its stakeholders. Risk management at MFHB Group is therefore organised both centrally and on a business unit basis. As the first line of defence, Mayban General Assurance Berhad is responsible for the day-to-day management of risks inherent in their business activities. The Risk Management Division of MFHB Group acts as a risk control and coordinating unit whose responsibility includes the setting up of a risk management framework, the formulation and implementation of risk management guidelines and the development of tools and methodologies for the identification, measurement, monitoring, control and pricing of risks. As such, it becomes the second line of defence. The internal auditors of the MBB Group, acting as the third line of defence, provide independent assurance of the effectiveness of the risk management approach. These three-pronged strategies are in line with that of the MBB Group's risk management approach.

28. FINANCIAL INSTRUMENTS (CONT'D)**(a) Financial Risk Management Policies (Cont'd)****A. Types of Risk**

Risks can arise in all operational areas, functions, processes, and also from external events. Assessing the risk situation of MFHB Group therefore requires a holistic approach. The scope of risk management approach at the MFHB Group are in accordance to the three risk management pillars. The 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 reinsurance risk and claims reserving risk. Reinsurance risk arises from underwriting direct business or reinsurance business in relation to reinsurers, retrocessionaires, cedants and brokers. Special attention is given to the adequacy of claims reserves. The appointed actuary will assess the reserving basis on a regular basis in accordance with BNM guidelines.

(ii) Financial risk

Financial risks comprise of market risks and credit risks. Market risk involves potential losses in the value of invested capital as a result of changes in market prices, i.e. due to fluctuations in interest rates/rates of return, share prices or exchange rates and perhaps to a certain extent property prices. Credit risk arises when a borrower or counterparty is no longer able to pay their debt. Such risks from defaults on receivables may arise from profiles of liabilities supported by mismatch of assets. Attention is also given to the counterparty risk on the bond portfolio.

(iii) Operational risk

Operational risk is defined as the risk of direct loss resulting from inadequate or failed internal processes, people and systems or from external events. The methodology used to assess, mitigate and control the risks identified are in accordance to the MBB Group operational risk framework.

28. FINANCIAL INSTRUMENTS (CONT'D)

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

B. Monitoring and Controlling Risks

Having classified all the different types of risks, it is important that these risks are monitored and controlled regularly. The development of a consistent methodology for use throughout the entire MFHB Group has become the focal point of interests to the management and Boards of MFHB Group of companies. In essence, these could be described as follows:

(i) Insurance risk

Underwriting guidelines and limits have been well established to clearly regulate responsibility and accountability for the whole process of conducting insurance and reinsurance contracts. There it spells out who may accept what risks and up to what amounts. They are regularly monitored for compliance and updated to reflect current requirements. To further control the underwriting risks, the actuarial department will regularly assess the adequacy of the insurance charges and technical provisions.

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

(ii) Financial risk

In order to manage financial risks, the Asset-Liability Committee ("ALCO") has been established. The ALCO is responsible for advising the Investment Committee ("IC"), the Risk Management Committee ("RMC") and the Board of Directors ("Board") on financial risk management. It is also responsible for preparing global investment management guidelines on counterparty and concentration risks in the fixed income investments, equity and property investments taking into account BNM's regulations and market trends. Moreover, Asset-Liability Management ("ALM") studies, based on stress tests of the impact of alternative investment strategies on solvency and revenue, are performed for every investment portfolio separately, taking into account the characteristics of the liabilities and will be translated into a specific Investment Management Mandate. The global investment management guidelines and the portfolio-specific mandates are submitted to the IC, RMC and the Board for review and approval. ALCO will then monitor the compliance to the approved mandate.

28. FINANCIAL INSTRUMENTS (CONT'D)

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

B. Monitoring and Controlling Risks (Cont'd)

(ii) Financial risk (Cont'd)

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 on-going process of implementing a comprehensive framework for monitoring and controlling operational risks has been put in place. In the process, operational loss data is being collected using an approach similar to the requirements of the Bank for International Settlement Accord II ("Basel II") and in line with the MBB Group's operational risk framework. Key risk indicators are also compiled for deliberation at the RMC meeting.

In addition, the risk control self-assessment scorecards have been developed to ensure the Company has identified and managed its operational risks. A risk communication programme is being carried out with the objective to create risk awareness among all staff of the MFHB Group of possible risks and to inculcate an appropriate risk culture to avoid the common fallacy to equate 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:

	2007		2006	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
MGS	8,370	8,704	9,117	9,040
Cagamas bonds	25,002	24,987	25,005	24,794
GII	2,497	2,585	1,571	1,572
SGS	25,989	26,606	38,445	38,445
Malaysian Government guaranteed bonds	10,778	11,324	5,834	5,947
NCD	25,193	26,000	34,224	33,988
Quoted in Malaysia:				
Shares	57,307	84,911	27,992	42,003
Real estate investment trusts	5,210	6,545	302	322
Quoted outside Malaysia:				
Bonds/loan stocks	48,819	49,420	41,515	41,515
Shares	14,674	16,769	10,968	10,996
Unquoted in Malaysia:				
Bonds/loan stocks	131,047	136,508	121,332	122,394
Preference shares	7,003	*	-	*
Shares and warrants	290	*	290	*
Corporate loans	8,450	*	9,250	*
Unquoted outside Malaysia:				
Bonds/loan stocks	6,768	6,848	6,900	6,900
Shares	3,373	*	2,961	*

* 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)

(ii) Investments

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

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

The fair values of quoted units in real estate investment trust funds are determined by reference to market quotations by the manager of the funds.

29. CURRENCY

All amounts are stated in Ringgit Malaysia, unless otherwise stated.