1 PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is principally engaged in investment holding and providing management services. The principal activities of the Group consist of general and life insurance businesses, family takaful and all classes of general takaful businesses, investment holding, hire purchase, leasing and other credit activities, unit trust, property management, fund management and investment advisory, security and consultancy services.

There have been no significant changes in the nature of these activities for the Group and the Company other than the commencement of takaful businesses by a subsidiary company, namely MAA Takaful Berhad during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of the Malaysia Securities Exchange Berhad.

The registered office and principal place of business of the Company are as follows:

Registered office

Suite 20.03, 20th Floor
Menara MAA
12, Jalan Dewan Bahasa
50460 Kuala Lumpur

Principal place of business

23rd Floor, Menara MAA
12, Jalan Dewan Bahasa
50460 Kuala Lumpur

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 April 2008.

2 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention modified by the valuation of investments in the investment-linked business at market value, the fair valuation of investment properties, remeasurement at fair value of available-for-sale financial assets, and financial assets and financial liabilities held at fair value through profit or loss. The financial statements also comply with the Financial Reporting Standards ("FRS"), the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965, in all material aspects.

The preparation of financial statements in conformity with the FRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statement are disclosed in note 3 to the financial statements.

(i) Standards, amendments to published standards and interpretations that are effective for the Group's financial year ended 31 December 2007 but not relevant to the Group

The new accounting standards, amendments to published standards and IC interpretations to existing standards which are effective, but not relevant to the Group, for the financial year beginning 1 January 2007 are as follows:

- Amendment to FRS 119_{2004} Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures. The Group currently does not have any defined benefit plans.

- FRS 6: Exploration for and Evaluation of Mineral Resources. FRS 6 is not relevant to the Group's operations as the Group does not carry out exploration for and evaluation of mineral resources.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) Standards, amendments to published standards and interpretations to existing standards that are early adopted and are applicable to the Group

The new and revised standards, amendments to published standards and interpretations that are applicable to the Group's operations, which the Group has early adopted, are as follows:

- Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operations (effective for accounting periods beginning on or after 1 July 2007). This amendment requires exchange differences on monetary items that form part of the net investment in a foreign operation to be recognised in equity instead of in profit or loss regardless of the currency in which these items are denominated in. This amendment has no material impact to the Group.

- FRS 112 Income Taxes (effective for accounting periods beginning on or after 1 July 2007). This revised standard removes the requirements that prohibit recognition of deferred tax on unutilised reinvestment allowances or other allowances in excess of capital allowances. This amendment is not relevant to the Group as the Group does not have any reinvestment allowance or other allowances in excess of capital allowances.

- FRS 120 Accounting for Government Grants and Disclosure of Government Assistance (effective for accounting periods beginning on or after 1 July 2007). This revised standard allows the alternative treatment of recording non-monetary government grant at nominal amount on initial recognition. FRS 120 is not relevant to the Group as the Group does not receive any government grants nor assistance.

- Other revised standards (effective for accounting periods beginning on or after 1 July 2007) that have no significant changes to the original standards:-

  - FRS 107 Cash Flow Statements
  - FRS 111 Construction contracts
  - FRS 118 Revenue
  - FRS 137 Provisions, Contingent liabilities and Contingent assets

- IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities (effective for accounting periods beginning on or after 1 July 2007). This interpretation deals with changes in the estimated timing or amount of the outflow of resources required to settle the obligation or a change in the discount rate. This IC Interpretation is not relevant to the Group.

- IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (effective for accounting periods beginning on or after 1 July 2007). This interpretation deals with liability or equity classification of financial instruments which give the holder the right to request redemption, but subject to limits on whether it will be redeemed. This IC Interpretation is not relevant to the Group.

- IC Interpretation 5 Rights to Interests arising from Decommission, Restoration and Environment Rehabilitation Funds (effective for accounting periods beginning on or after 1 July 2007). This interpretation deals with accounting by a contributor for its interests arising from decommissioning funds. This IC Interpretation is not relevant to the Group.

- IC Interpretation 6 Liabilities arising from Participating in a Special Market – Waste Electrical and Electronic Equipment (effective for accounting periods beginning on or after 1 July 2007). This interpretation provides guidance on the recognition, in the financial statements of the producers, of liabilities for waste management under the European Union Directive in respect of sales of historical household equipment. This IC Interpretation is not relevant to the Group.

- IC Interpretation 7 Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies (effective for accounting periods beginning on or after 1 July 2007). This interpretation provides guidance on how to apply the requirements of FRS 129 in a reporting period in which an entity identifies the existence of hyperinflationary in the economy of its functional currency, when that economy was not hyperinflationary in the prior period. This IC Interpretation is not relevant to the Group.

- IC Interpretation 8 Scope of FRS 2 (effective for accounting periods beginning on or after 1 July 2007). This interpretation clarifies that FRS 2 Share-based Payment applies even in the absence of specifically identifiable goods and services. This IC Interpretation is not relevant to the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year.

Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiary companies are consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

Subsidiary companies are consolidated using the purchase method of accounting, except for the acquisition of Malaysian Assurance Alliance Berhad ("MAA") which was consolidated using the merger method of accounting in accordance with Malaysian Accounting Standard ("MAS") No. 2 - Accounting for Acquisitions and Mergers, the extant accounting standard prevailing at the time of the merger.

For acquisition of subsidiary companies made prior to 1 January 2005, the excess or deficit of the acquisition cost over the fair values of the Group's share of the subsidiary companies' identifiable net assets as at the date of acquisition is written off to reserves in the financial year of acquisition.

Under the merger method of accounting prescribed by MAS 2, the results of the subsidiary companies are presented as if the merger had been effected throughout the current and previous financial years. On consolidation, the difference between the carrying values of the investment in the subsidiary company over the nominal value of the shares acquired is taken to merger reserve.

The Group has taken advantage of the exemption provided by FRS 3 – Business Combinations to apply this Standard prospectively. Accordingly, business combinations entered into prior to 1 January 2006 have not been restated to comply with this Standard. In addition, FRS 3 requires business combinations to be accounted for using acquisition accounting method.

Under the purchase method of accounting, the results of subsidiary companies acquired or disposed off during the financial year are included from the date of acquisition up to the date of disposal. The cost of acquisition is measured at fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. When more than one exchange transaction is involved, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interest of the Group is accounted for as a revaluation.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is recorded as goodwill (see note 2(k)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary company acquired, the difference is recognised directly in the income statement.

Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed to ensure consistency of accounting policies with those of the Group.

Minority interest represent that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned directly or indirectly through subsidiaries by the parent. It is measured at the minorities' share of the fair value of the subsidiaries identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries equity since that date.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net asset as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in the consolidated income statement.

(c) Associated companies

Associated companies are companies in which the Group exercises significant influence but which it does not control, generally accompanying a shareholding of between 20% to 50% voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not control over those policies. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. The Group's investment in associated companies includes goodwill identified on acquisition, net of any accumulated impairment loss (see note 2(k)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Associated companies (continued)

Equity accounting involves recognising in the income statement, the Group's share of the results of associated companies for the financial year and its share of post-acquisition movements in reserves, recognised in reserves. The cumulative post-acquisition movement in reserves are adjusted against the carrying amount of the investment. The Group's investments in associated companies are carried in the balance sheet at an amount that reflects its share of the net assets of the associated companies. When the Group's share of losses in an associate company equals or exceeds its interest in the associate company, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those of the Group.

Dilution gains and losses in associates are recognised in income statement.

For incremental interest in associated company, the date of acquisition is the date at which significant influence is obtained. Goodwill is calculated at each purchase date based on the fair value of assets and liabilities identified. The previously acquired stake is stepped up to fair value and the share of profits and equity movements for the previously acquired stake are not recognised since they are embedded in the step-up.

(d) Property, plant and equipment

Property, plant and equipment are initially stated at cost or valuation. Costs include expenditure that is directly attributed to the acquisition of the asset. Land and buildings are shown at fair value, based on periodic, but at least triennial, valuation by external independent valuers, less subsequent depreciation and impairment losses. The Group may perform additional valuations during the intervening periods where market conditions indicate that the carrying values of the revalued assets are materially higher than the market value. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less depreciation and impairment loss.

Subsequent cost is 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 Group 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 statements and/or revenue accounts during the financial period in which they are incurred.

Surplus arising on revaluation are credited to revaluation reserve. Any deficit arising from the revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in the carrying amount is charged to income statements and/or revenue accounts.

Freehold land is not depreciated as it has an infinite life. Other property, plant and equipment are depreciated on a straight line basis to write off the cost of the assets, or their revalued amounts, to their residual values over their estimated useful lives.

The annual depreciation rates are as follows:

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

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate at each balance sheet date.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy note 2(g) on impairment of assets.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged to the income statements and/or revenue accounts. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings and/or life policyholders' fund.

(e) Investment properties

Investment properties, comprising of principally land and buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are initially stated at cost including related and incidental expenditure incurred and are subsequently carried at fair value. Fair value is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The fair values of investment properties are reviewed annually, and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying values of the investment properties are materially higher than the fair values.

Changes in fair values are recorded in the income statements and/or revenue accounts as part of other income.

Property located on land that is held under an operating lease is classified as investment property as long as it is held for long term yields and is not occupied by the Group. The initial cost of the property is the lower of the fair value of the property and the present value of the maximum lease payments. The property is carried at fair value after initial recognition.

On disposal of an investment property or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the balance sheet). The difference between net proceed and the carrying amount is recognised in the income statements and/or revenue accounts in the financial year of the retirement or disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in equity and/or revaluation reserve of the insurance funds as a revaluation of property, plant and equipment. However, if a fair value gains reverses a previous impairment loss, the gain is recognised in the income statements and/or revenue accounts. Upon the disposal of such investment property, any surplus previously recorded in equity and/or revaluation reserve of the insurance funds is transferred to the retained earnings and/or life policyholders' fund.

(f) Financial assets

The Group classifies its financial assets into the following categories: financial assets measured at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

(i) Financial assets measured at fair value through profit or loss

The Group classifies investments acquired for the purpose of selling in the short-term as held for trading. Derivatives are also classified as held for trading unless they are designated as hedge.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale.

(iii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities – other than those that meet the definition of loans and receivables – that the Group's management has the positive intention and ability to hold to maturity.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial assets (continued)

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

<u>**Valuation principles**</u>

Financial assets are initially measured at fair value plus transaction costs except for investments held for trading, which are recognised at fair value.

For investments held for trading, gains and losses arising from changes in fair value are included in the income statements and/or revenue accounts.

For available-for sale investments, gains and losses arising from changes in fair value are recognised in equity until the investment is disposed off or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statements and/or revenue accounts.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

Investment in subsidiary and associated companies are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy note 2(g) on impairment of assets.

(g) Impairment of assets

(i) Financial assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statements and/or revenue accounts. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statements and/or revenue accounts.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of assets (continued)

(ii) Financial assets carried at fair value

The Group assesses at each balance sheet date whether there is objective evidence that an available-for-sale financial asset is impaired, including in the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statements and/or revenue accounts. Impairment losses recognised in the income statements and/or revenue accounts on equity instruments are not subsequently reversed. The impairment loss is reversed through the income statements and/or revenue accounts, if in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(iii) Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of impairment at each reporting date.

An impairment loss is charged to the income statements and/or revenue accounts immediately.

A subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statements and/or revenue accounts immediately.

(h) Derivative financial instruments

Derivatives are initially recognised at fair values at inception and are subsequently remeasured at their fair values. Fair values are obtained from quoted market price in active markets, including recent market transactions, and valuation techniques including discounted cash flow models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. As the Group's derivative financial instruments do not qualify for hedge accounting, changes in the fair value of all such derivative instruments are recognised immediately in the income statements and/or revenue accounts.

(i) Loans and receivables

Loans and receivables, except for those relating to insurance contracts, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. This includes interest that is suspended and/or recognised to the extent of the recoverable amount.

The amount of specific provision also takes into account the collateral value and recoverable amount of interest due, which may be discounted to reflect the impact of recovery process. The recovery process is estimated to be between one to five years, depending on default condition of the loan, type of collateral and whether under litigations. The amount of the provision is recognised in the income statements and/or revenue accounts.

Where the collateral is property, the net realisable value for the property is determined by using its fair value which is based on open market value by independent property valuers, adjusted if necessary, for any difference in the nature, location or condition of the specific asset, while share is based on last transacted price. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets, adjusted if necessary, for any difference in the nature, location or condition of the specific asset or discounted cash flow projections. The sensitivity analysis is described in note 8 to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Loans and receivables (continued)

During the financial year, the Group has reassessed and changed its basis of net realisable values of loans secured by property and shares as follows:

(i) For property located in prime area, this is determined based on open market value provided by independent valuers, adjusted with a 20% discount; while for non-prime area, the value assigned is the forced sale value provided by the independent valuers.

The assigned value is discounted over 3 years for unhindered loans; while for hindered loans, the assigned value is discounted over 5 years. Hindered loans are those with litigation made against the borrowers or the lenders.

(ii) For shares which are traded, this is based on last bid price; while no value is assigned for shares which are suspended.

The change resulted in an additional allowance of RM7,678,000 for the general fund and RM130,758,000 for the life fund, as recognised in the income statements and/or revenue accounts during the financial year.

Consistent with previous years, loans are classified as non-performing when repayments of interest are in arrears for more than six (6) months from the first day of default or after maturity date.

(j) Insurance receivables

For the insurance subsidiary companies with insurance receivables, known bad debts are written-off and specific allowances are made for any premiums including agents balances or reinsurance balances which remain outstanding for more than six months from the date on which they become receivable except for motor premiums for which allowance is made for amount outstanding for more than 30 days, and for all debts which are considered doubtful.

(k) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate company at the acquisition date. Goodwill on acquisition of subsidiary companies made on or after 1 January 2005 is included in intangible assets.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. All goodwill is allocated to cash generating units for the purpose of impairment testing.

(ii) Management rights

This represents the purchase consideration to acquire the rights to manage unit trust funds. The purchase consideration on the acquired right is capitalised and amortised over a period of 20 years, the period in which the Group expects to recognise the related revenue.

(iii) Computer software

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

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Cost that are directly associated with identifiable software systems controlled by the Company, which do not form an integral part of the hardware, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Computer software development costs recognised as assets are amortised using straight line method over their estimated useful lives, ranging between 5 to 10 years.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Employee benefits

Short-term employee benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits, which are short-term employee benefits, are accrued in the financial year in which the associated services are rendered by employees of the Group and Company.

Post employment benefits

The Group and Company has post-employment benefit schemes for eligible employees, which are defined contribution plans.

A defined contribution plan is a pension plan under which the Group and Company pay fixed contributions or variable contributions as determined yearly, into a separate entity ("a fund"), and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior financial years.

The Group's and Company's contributions to defined contribution plans, including the Employees' Provident Fund, are charged to the income statements and/or revenue accounts in the financial year to which they relate. Once the contributions have been paid, the Group and Company have no further payment obligations.

(m) Provision for life agents' retirement benefits

An insurance subsidiary company of the Group operates a retirement benefits scheme for its eligible life agents, calculated in accordance with the terms and conditions as per respective Agent Retirement Plan Arrangement with the insurance subsidiary company.

The retirement benefits earned by the eligible life agents on and subsequent to year 2001 were funded through investments in an investment-linked business managed by the insurance subsidiary company.

The retirement benefits earned by the eligible life agents who opted to remain in the scheme prior to year 2001 were unfunded and have been recorded as provision for life agents' retirement benefits.

In accordance with the requirements of the FRS 119 - Employee Benefits, the scheme is treated as a funded defined benefit scheme or an unfunded defined benefit scheme as appropriate.

(n) General insurance underwriting results

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

Premium income

Premium income is recognised in a financial year in respect of risks assumed during that particular year. Premiums from direct business are recognised during the financial year upon the issuance of insurance policies. Premiums in respect of risks incepted for which insurance policies have not been raised 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 accounting period as the original policy to which the reinsurance relates.

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 the policies at the end of the financial year.

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; and
- 1/24th method for all other classes of Malaysian general policies reduced by the percentage of accounted gross direct business commissions to the corresponding premiums.
- time apportionment method for policies with insurance periods other than 12 months

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) General insurance underwriting results (continued)

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 obligation 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 an independent qualified actuary.

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.

(o) Life insurance underwriting results

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

Premium income

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

Premium income of the life fund is recognised as soon as the amount of the premium can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

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

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

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

Commission and agency expenses

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

Provision for claims

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

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

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

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

(b) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) General Takaful underwriting results

The General Takaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 and consists of unearned contribution reserves, and accumulated surplus attributable to participants which represents the participants' share in the net surplus of the General Takaful revenue account, distributable in accordance with the terms and conditions prescribed by the Shariah Advisory Committee of the subsidiary company engaged in takaful businesses. The General Takaful underwriting results are determined for each class of general takaful business after taking into account retakaful, wakalah fee, unearned contributions and claims incurred. Any deficit in the participants' special account will be made good by the Shareholders' fund via a benevolent loan or Qardhul Hassan.

Contribution income

Contribution income is recognised in a financial year in respect of risks assumed during that particular year. Contributions from direct business are recognised during the financial year upon the issuance of takaful certificates. Contributions in respect of risks incepted for which takaful certificates have not been raised as of the balance sheet date are accrued at that date.

Outward retakaful contributions are recognised in the same accounting period as the original certificate to which the retakaful relates.

Unearned Contribution Reserves

Unearned contribution reserves ("UCR") represent the portion of the net contributions of takaful certificate written that relate to the unexpired periods of the certificates at the end of the financial year.

In determining the UCR at the balance sheet date, the method that most accurately reflects the actual unearned contribution is used, as follows:

- 1/365th method for all classes of general takaful business within Malaysia as reduced by the corresponding percentage of accounted gross direct business commission and agency-related expenses not exceeding the limit specified by BNM; and

- Time apportionment method for non-annual certificates and first year annual certificates cover period of more than one year reduced by the percentage of accounted gross direct business commission to the corresponding contribution not exceeding the limits specified by Bank Negara Malaysia.

Provision for claims

A liability for outstanding claims is recognised in respect of both direct takaful and inward retakaful, the amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation 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 an independent qualified actuary.

(q) Family Takaful underwriting results

The Family Takaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 and includes the amount attributable to participants. The amount attributable to participants represents the accumulated surplus attributable in accordance with the terms and conditions prescribed by the Shariah Advisory Committee of the subsidiary company engaged in takaful businesses. The Family Takaful fund surplus/deficit is determined by an annual actuarial valuation of the Family Takaful fund. Any actuarial deficit in the Family Takaful fund will be made good by the Shareholders' fund via a benevolent loan or Qardhul Hassan.

Contribution income

Contribution income represents contribution recognised in the investment-linked fund.

Contribution income of the investment-linked fund includes net creation of units represent contributions paid by participants as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of unit is recognised on receipt basis.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Family Takaful underwriting results (continued)

Provision for claims

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

Recoveries on retakaful claims are accounted for in the same financial year as the original claims are recognized.

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

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

(ii) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

(r) Management expenses, commission expenses and Wakalah fee

Acquisition costs, commissions and management expenses are borne by the Family Takaful and General Takaful funds respectively in the revenue accounts at an agreed percentage of the gross contribution, in accordance with the principles of Wakalah as approved by the Shariah Advisory Committee of the subsidiary company engaged in takaful businesses and agreed between the participants and the subsidiary company and is allocated to the Shareholders' fund and recognised as income upon issuance of certificates.

(s) Other revenue recognition

Interest income for financial assets that are not classified as fair value through profit or loss is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the investment and continues unwinding the discount as interest income.

Other interest income including the amount of amortisation of premiums and accretion of discounts is recognised on a time proportion basis that takes into account the effective yield of the asset.

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

Lease rental income net of payment of lease rental expenses made under operating lease of the same properties is recognised on the straight line basis over the lease term.

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

Management, investment advisory, security and consultancy services fees are recognised when the services are provided.

(t) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic movement in which the entity operates ('functional currency').

The consolidated financial statements are presented in Ringgit Malaysia which is the Group's functional and presentational currency.

(ii) Transactions and balances

Translation differences on non-monetary items, such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equities classified as available-for-sale financial assets are included in the fair value reserve.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Foreign currencies (continued)

(ii) Transactions and balances (continued)

Foreign currency transactions in the Group are accounted for at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statements and/or revenue accounts.

(iii) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed off or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. This will be applied prospectively.

(u) Income taxes

Current tax expense is determined according to the tax laws of the jurisdictions in which the Group operates and includes all taxes based upon the taxable profits.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purpose and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiary and associated companies expect where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

(v) Zakat

Zakat represents tithes payable by the subsidiary company engaged in takaful businesses to comply with Shariah principles and as approved by the Shariah Advisory Committee. Zakat provision is calculated on 2.5% of the profit before zakat and taxation of the subsidiary company for the financial year.

(w) Finance leases - lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the sum of digits method.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Operating leases

Leases in which a significant risks and rewards are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to the income statements and/or revenue accounts on a straight line basis over the period of the lease.

(y) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statements over the period of the borrowings using the effective interest method.

(z) Dividends

Dividends are recognised as liabilities when the obligation to pay is established.

(aa) Contingent liabilities and contingent assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(ab) Provisions

Provisions are recognised when the Group has a present legal constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

(ac) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances less bank overdrafts, excluding fixed and call deposits.

(ad) Financial instruments

Description

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

Recognition method

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual accounting policy note associated with each item.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(ae) Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risk and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

(af) Assets acquired under hire purchase agreements

Assets financed by hire purchase agreements which transfer substantially all the risks and rewards of ownership to the Group are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets. Finance charges are allocated to the income statements over the period of the agreements to give a constant periodic rate of charge on the remaining hire purchase liabilities.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Estimates and judgments are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(i) Incurred but not reported ("IBNR") claims

The estimation of IBNR claims or equivalently, the ultimate claims liability arising from claims made under insurance contract, is one of the Group's most critical accounting estimates.

The Group engaged independent external actuaries to perform the IBNR claims reserve estimation. A number of methods were employed initially in the estimation of IBNR claims reserves using the Group's own historical experience and other relevant market quantitative and qualitative information. The final estimates were selected after due consideration was given to the strengths and weaknesses of the various methods used and the information available at hand. To mitigate the potential effect of uncertainty, a risk margin was also incorporated into the IBNR claims estimates.

In the current financial year, the Group raised its statutory IBNR claims reserve from 65% level of confidence to above 75% level of confidence, the minimum level required by the Risk Based Capital Framework scheduled to be effective on 1 January 2009, for the subsidiary company that carried on conventional insurance business.

For the subsidiary company that carries on takaful business, the ultimate loss ratios of the conventional insurance industry and that of the takaful industry were used as benchmarks in determining the IBNR reserves as at 31 December 2007, in view of its first year of operations.

Due to the fact that the ultimate claims liability is dependent upon the outcome of future events such as the size of court awards, the attitudes of claimants towards settlement of their claims, and social and economic inflation, there is an inherent uncertainty in any estimate of ultimate claims liability. As such, there is a limitation to the accuracy of those estimates. In fact, it is certain that actual future losses and loss adjustment expenses will not develop exactly as projected and may vary significantly from the projections.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(a) Critical accounting estimates and assumptions (continued)

(ii) Liabilities of life insurance business

For life insurance contracts, estimates are made for future deaths, disabilities, voluntary terminations, investment returns and administration expenses. The Group's estimation is based on expected number of deaths on standard industry and national mortality tables that reflect historical mortality experience, adjusted where appropriate to reflect the Group's unique risk exposure. Provision for future administrative expenses are implicitly allowed for in the conservatism of the estimates for future deaths, disabilities and investment returns. For those contracts where the provisions for liabilities are not explicitly prescribed under the Insurance Act, 1996, the appointed actuary shall set aside such liabilities on an appropriate basis which is disclosed in a valuation report to Bank Negara Malaysia.

At such reporting date, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability. In addition to the expected outcome, solvency margins prescribed by regulations are included in these key estimates.

(iii) Actuarial liabilities for family takaful fund

For family takaful plans, actuarial liabilities are determined by the Company's Appointed Actuary of the subsidiary company engaged in takaful businesses and were set up based on the unearned contribution reserve basis in which the proportion is equivalent to the ratio of the period from the valuation date to the period of next Tabarru' dripping period and the period of cover provided by risk charges recognised.

(iv) Impairment review of available-for-sale and held-to-maturity financial assets

The Group performs an impairment review when changes in circumstances indicate that the carrying amounts of available-for-sale and held-to-maturity financial assets may not be recoverable. The recoverable amount represents the current fair value or present value of the estimated future cash flows discounted at the original effective interest rate expected to arise from the affected financial assets. In arriving at the current fair value or estimated future cash flows, management exercise judgement in estimating the collectible or realisable amounts including extent of credit loss.

(v) Derivative financial instruments

Fair values of derivatives are obtained from valuation techniques, including discounting cash flow models, as appropriate.

During current financial year, the Group entered into an interest rate swap that involves the exchange of interest obligations with a licensed bank for a specified period without exchanging the underlying (or notional principal).

The Group has relied on the fair value statements provided by the licensed bank to record the fair value changes during the current financial year which is determined by using valuation techniques. In assessing fair value of the interest rate swap, estimates are made for future interest rates, discount rates, future cash flows and other factors used in valuation process. The Group uses discounted cashflow analysis for its interest rate swap arrangement which is not traded in active markets.

The carrying value of the derivative liabilities would increase or decrease by an estimated amount of RM6,000,000 if the discount rate used in the discounted cashflow analysis differs by 100 basis points from the current estimates.

The interest rate swap does not qualify for hedge accounting and accordingly changes in fair value are recognised immediately in the income statements.

(b) Critical judgment in applying the entity's accounting policies

In determining and applying accounting policies, judgment is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Group. The following accounting policy requires subjective judgement, often as a result of the need to make estimates about the effect of the matters that are inherently uncertain.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(b) Critical judgment in applying the entity's accounting policies (continued)

(i) Impairment assessment on non-performing loans

As stated in the Group's accounting policy on loans (see note 2(i)), the Group has reassessed and changed its basis of the fair value of loan balances. Judgement is applied in determining the amount that may be recovered from long outstanding non-performing loans via collaterals pledged to those loans. Management has applied a 20% discount on the open market value of prime-located collateral and for non-prime located collateral, the forced sale value as recommended by independent external valuers is used. The assigned values as determined for the non-performing loans are discounted over 3 years for unhindered loans and over 5 years for those hindered loans.

The actual amount that will be recovered from these non-performing loans is largely dependent on the values that those collaterals can fetch should foreclosure take place or if the borrowers agreed to a settlement with the Group, and lastly the time taken to complete recovery of these loans. As such, there is a limitation to the accuracy of those estimates. In fact, it is certain that the actual results as explained above may not develop exactly as projected and may vary significantly from the projections.

4 PROPERTY, PLANT AND EQUIPMENT

(a) GENERAL AND SHAREHOLDERS' FUNDS

	Note	Freehold land RM'000	Freehold buildings RM'000	Plant and machinery RM'000	Furniture, fitting and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Assets under construction RM'000	Total RM'000
GROUP									
Net book value									
At 1 January 2007		14,544	58,480	153	6,024	8,012	3,829	6,536	97,578
Additions at cost		-	-	2	2,661	780	363	20	3,826
Disposals at net book value		-	-	-	(372)	(203)	(194)	-	(769)
Write off at net book value		-	-	-	(7)	-	-	-	(7)
Impairment loss		-	(4,731)	-	-	-	-	(2,798)	(7,529)
Reversal of impairment loss		-	-	-	-	36	-	-	36
Reversal of revaluation surplus	26(a)	-	(822)	-	-	-	-	-	(822)
Currency translation differences		-	-	-	(11)	20	(3)	(90)	(84)
Depreciation charge for the financial year		-	(1,360)	(10)	(2,845)	(1,541)	(827)	-	(6,583)
At 31 December 2007		14,544	51,567	145	5,450	7,104	3,168	3,668	85,646
At 1 January 2006									
- as previously stated		-	-	161	8,048	6,970	3,579	4,027	22,785
- reclassified from investment properties	6(a)	14,544	60,231	-	-	-	-	-	74,775
- as restated		14,544	60,231	161	8,048	6,970	3,579	4,027	97,560
Reclassified to intangible assets	5(a)	-	-	-	(1,274)	-	-	-	(1,274)
Additions at cost		-	-	3	1,646	2,987	1,319	2,684	8,639
Disposals at net book value		-	-	-	(1)	(511)	(90)	-	(602)
Write off at net book value		-	-	-	(6)	-	(1)	-	(7)
Reversal of revaluation surplus	26(a)	-	(382)	-	-	-	-	-	(382)
Currency translation differences		-	-	-	(32)	(27)	(7)	(175)	(241)
Depreciation charge for the financial year		-	(1,369)	(11)	(2,357)	(1,407)	(971)	-	(6,115)
At 31 December 2006		14,544	58,480	153	6,024	8,012	3,829	6,536	97,578

4 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) GENERAL AND SHAREHOLDERS' FUNDS (continued)

	Freehold land RM'000	Freehold buildings RM'000	Plant and machinery RM'000	Furniture, fitting and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Assets under construction RM'000	Total RM'000
GROUP								
At 31 December 2007								
Cost	-	-	180	32,427	16,162	10,833	6,466	66,068
Valuation	14,544	51,567	-	-	-	-	-	66,111
Accumulated impairment loss	-	-	-	(65)	(55)	-	(2,798)	(2,918)
Accumulated depreciation	-	-	(35)	(26,912)	(9,003)	(7,665)	-	(43,615)
Net book value	14,544	51,567	145	5,450	7,104	3,168	3,668	85,646
At 31 December 2006								
Cost	-	-	178	30,232	15,932	10,683	6,536	63,561
Valuation	14,544	58,480	-	-	-	-	-	73,024
Accumulated impairment loss	-	-	-	(65)	(91)	-	-	(156)
Accumulated depreciation	-	-	(25)	(24,143)	(7,829)	(6,854)	-	(38,851)
Net book value	14,544	58,480	153	6,024	8,012	3,829	6,536	97,578

The net book value of assets acquired under hire purchase agreements was RM2,494,000 (2006: RM2,518,000).

4 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) GENERAL AND SHAREHOLDERS' FUNDS (continued)

	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
COMPANY				
Net book value				
At 1 January 2007	269	2,515	41	2,825
Additions at cost	145	4	14	163
Disposals at net book value	(2)	(1)	-	(3)
Write off at net book value	(1)	-	-	(1)
Depreciation charge for the financial year	(132)	(396)	(8)	(536)
At 31 December 2007	279	2,122	47	2,448
At 31 December 2007				
Cost	699	3,959	80	4,738
Accumulated depreciation	(420)	(1,837)	(33)	(2,290)
Net book value	279	2,122	47	2,448
Net book value				
At 1 January 2006	248	1,735	46	2,029
Additions at cost	75	1,284	2	1,361
Disposals at net book value	-	(108)	-	(108)
Write off at net book value	(6)	-	-	(6)
Depreciation charge for the financial year	(48)	(396)	(7)	(451)
At 31 December 2006	269	2,515	41	2,825
At 31 December 2006				
Cost	561	3,960	66	4,587
Accumulated depreciation	(292)	(1,445)	(25)	(1,762)
Net book value	269	2,515	41	2,825

The net book value of assets acquired under hire purchase agreements was RM1,015,000 (2006: RM1,141,000).

4 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) LIFE FUND

	Note	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Furniture, fitting and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
GROUP								
Net book value								
At 1 January 2007		52,228	184,835	16,268	9,734	3,632	14,572	281,269
Additions at cost		-	-	-	2,135	97	1,195	3,427
Disposals at net book value		-	-	-	(14)	(158)	-	(172)
Impairment loss		-	(11,066)	-	-	-	-	(11,066)
Reversal of revaluation surplus	26(b)	-	(1,892)	-	-	-	-	(1,892)
Currency translation differences		-	-	-	1	-	-	1
Depreciation charge for the financial year		-	(4,215)	(442)	(3,010)	(752)	(3,616)	(12,035)
At 31 December 2007		52,228	167,662	15,826	8,846	2,819	12,151	259,532
At 1 January 2006								
- as previously stated		-	-	-	13,806	3,518	14,781	32,105
- reclassified from investment properties	6(b)	52,228	163,150	16,710	-	-	-	232,088
- as restated		52,228	163,150	16,710	13,806	3,518	14,781	264,193
Reclassified to intangible assets	5(b)	-	-	-	(1,763)	-	-	(1,763)
Additions at cost		-	415	-	2,117	885	3,871	7,288
Reclassification from investment properties, at net book value	6(b)	-	43,811	-	-	-	-	43,811
Disposals at net book value		-	-	-	(39)	(48)	(43)	(130)
Impairment loss		-	(17,011)	-	-	-	-	(17,011)
Reversal of revaluation surplus	26(b)	-	(878)	-	-	-	-	(878)
Depreciation charge for the financial year		-	(4,652)	(442)	(4,387)	(723)	(4,037)	(14,241)
At 31 December 2006		52,228	184,835	16,268	9,734	3,632	14,572	281,269

4 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) LIFE FUND (CONTINUED)

	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Furniture, fitting and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
GROUP							
At 31 December 2007							
Cost	-	-	-	58,980	6,622	46,258	111,860
Valuation	52,228	169,926	16,710	-	-	-	238,864
Accumulated depreciation	-	(2,264)	(884)	(50,134)	(3,803)	(34,107)	(91,192)
Net book value	52,228	167,662	15,826	8,846	2,819	12,151	259,532
At 31 December 2006							
Cost	-	-	-	56,857	6,859	45,063	108,779
Valuation	52,228	186,012	16,710	-	-	-	254,950
Accumulated depreciation	-	(1,177)	(442)	(47,123)	(3,227)	(30,491)	(82,460)
Net book value	52,228	184,835	16,268	9,734	3,632	14,572	281,269

The land and buildings were revalued in 2006 and 2007. The properties are valued by independent valuation experts where the fair values are determined by reference to observable prices in an active market or recent market transactions on arm's length terms, adjusted if necessary, for any differences in the nature, location or condition of the specific asset.

Had the freehold land and freehold and long term leasehold buildings been carried at historical cost less accumulated depreciation and impairment loss, the carrying amounts that would have been included in the financial statements at the end of the year are as follows:

	General and Shareholders' funds		Life fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Freehold land	14,544	14,544	45,164	45,164
Freehold and leasehold buildings	51,567	53,004	171,267	176,011
	66,111	67,548	216,431	221,175

The titles to certain properties of the life fund held by an insurance subsidiary company, amounting to RM30,898,000 (2006: RM33,761,000) are in the process of being transferred to the insurance subsidiary company. Risks, rewards and effective titles to these properties have been passed to the insurance subsidiary company upon unconditional completion of the acquisition of those properties. The insurance subsidiary company has submitted the relevant documents to the authorities for transfer of legal titles to them and is awaiting the process and finalisation of these transfers to be completed.

5 INTANGIBLE ASSETS

(a) GENERAL AND SHAREHOLDERS' FUNDS

GROUP	Management rights RM'000	Computer software RM'000	Total RM'000
Net book value			
At 1 January 2007	5,842	2,997	8,839
Additions at cost	-	1,708	1,708
Amortisation charge for the financial year	(347)	(1,221)	(1,568)
At 31 December 2007	5,495	3,484	8,979
At 31 December 2007			
Cost	7,000	6,595	13,595
Accumulated amortisation	(1,505)	(3,111)	(4,616)
Net book value	5,495	3,484	8,979
Net book value			
At 1 January 2006	6,189	-	6,189
Reclassified from property, plant and equipment (note 4(a))	-	1,274	1,274
Additions at cost	-	2,784	2,784
Disposals at net book value	-	(450)	(450)
Amortisation charge for the financial year	(347)	(611)	(958)
At 31 December 2006	5,842	2,997	8,839
At 31 December 2006			
Cost	7,000	4,887	11,887
Accumulated amortisation	(1,158)	(1,890)	(3,048)
Net book value	5,842	2,997	8,839

	Computer Software	
	2007 RM'000	2006 RM'000
COMPANY		
Net book value		
At 1 January	-	-
Additions at cost	179	-
Amortisation charge for the financial year	(36)	-
At 31 December	143	-
At 31 December		
Cost	179	-
Accumulated amortisation	(36)	-
Net book value	143	-

5 INTANGIBLE ASSETS (continued)

(b) LIFE FUND

	Computer Software	
	2007	**2006**
	RM'000	**RM'000**
GROUP		
Net book value		
At 1 January	2,685	-
Reclassified from property, plant and equipment (note 4(b))	-	1,763
Additions at cost	3,844	1,793
Amortisation charge for the financial year	(1,639)	(871)
At 31 December	4,890	2,685
At 31 December		
Cost	8,199	4,355
Accumulated amortisation	(3,309)	(1,670)
Net book value	4,890	2,685

The intangible assets of the Group consist of computer software and management rights.

Computer Software

Computer software consists mainly of development costs and costs that are directly associated with identifiable software systems controlled by the Group, that do not form the integral part of the hardware, and that will probably generate economic benefits exceeding costs beyond one year.

Management Rights

Management rights represent the acquired rights to manage unit trust funds ("the Rights"). Pursuant to the Sale of Business Agreement dated 5 August 2003 between MAAKL Mutual Bhd ("MAAKL"), a 70% owned subsidiary company of MAA Corporation Sdn Bhd which in turn a wholly owned subsidiary company of the Company, and MBf Unit Trust Management Berhad ("MUTMB"), MAAKL acquired the Rights from MUTMB to manage four unit trust funds ("the Funds") managed by MUTMB. The Funds are MAAKL Equity Index Fund, MAAKL Value Fund, MAAKL Mutual Balanced Fund and MAAKL Syariah Index Fund. The effective date of the transfer of the management of the Funds was on 1 December 2003.

The Rights is amortised over a straight line basis, over a period of 20 years (2006: 20 years), the period in which the Group expects to recognise the related revenue.

6 INVESTMENT PROPERTIES

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Balance as at 1 January	48,423	130,183	-	-
Adjustments due to:				
- reclassified to property, plant and equipment (note 4(a))	-	(74,775)	-	-
Balance as at 1 January - restated	48,423	55,408	-	-
Additions at cost	2,496	1,668	-	-
Disposals/transfer out	(16,438)	(5,370)	-	-
Fair value gain/(loss)	3,423	(3,297)	-	-
Currency translation differences	(208)	14	-	-
Balance as at 31 December	37,696	48,423	-	-
Comprising of:				
Freehold land and buildings	35,186	29,733	-	-
Leasehold land and buildings	2,510	18,690	-	-
	37,696	48,423	-	-

(b) LIFE FUND

	GROUP	
	2007 RM'000	2006 RM'000
Balance as at 1 January	686,514	962,482
Adjustments due to:		
- prior year adjustment	-	(57,500)
- reclassified to property, plant and equipment (note 4(b))	-	(232,088)
- reclassified to prepaid lease rentals	-	(6,537)
Balance as at 1 January - restated	686,514	666,357
Reclassified to property, plant and equipment (note 4(b))	-	(43,811)
Additions at cost/transfer in	54,916	82,577
Disposals	(143,708)	(169)
Fair value gain/(loss)	1,934	(18,440)
Balance as at 31 December	599,656	686,514
Comprising of:		
Freehold land and buildings	405,224	480,312
Leasehold land and buildings	194,432	206,202
	599,656	686,514

The titles to certain investment properties of the general and shareholders' fund and the life fund of an insurance subsidiary company, amounting to RM3,570,000 (2006: RM20,700,000) and RM111,438,000 (2006: RM184,959,000) respectively, are in the process of being transferred to the insurance subsidiary company. Risks, rewards and effective titles to these investment properties have been passed to the insurance subsidiary company upon unconditional completion of the acquisition of those properties. The insurance subsidiary company has submitted the relevant documents to the authorities for transfer of legal titles to them and is awaiting the process and finalisation of these transfers to be completed.

During the current financial year, investment properties of an insurance subsidiary company of approximately RM16,438,000 were transferred from the general and shareholders' fund to the life fund to comply with Section 41 of the Insurance Act, 1996.

7 INVESTMENTS

The Group's financial assets are summarised by measurement category in the following presentation:

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At fair value through profit or loss	106,095	86,370	17,317	11,610
Available-for-sale	241,402	181,740	-	-
Held to maturity	20,418	21,027	-	-
	367,915	289,137	17,317	11,610

The Group's current portion of financial assets is RM15,137,000 (2006: RM77,806,000), the remaining portion being non-current. The assets included in each of the categories above are detailed in the tables below:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Investments held at fair value through profit or loss				
Equity securities				
- Quoted	80,743	53,062	17,317	11,610
- Unquoted	3,069	1,696	-	-
	83,812	54,758	17,317	11,610
Corporate debt securities				
- Quoted	7,944	9,344	-	-
- Unquoted	-	5,113	-	-
	7,944	14,457	-	-
Unit trusts				
- Quoted	-	271	-	-
- Unquoted	1,295	1,247	-	-
	1,295	1,518	-	-
Investment-linked units				
- Unquoted	13,044	15,637	-	-
Total financial assets at fair value through profit or loss	106,095	86,370	17,317	11,610

All assets above are held for trading.

7 INVESTMENTS (continued)

(a) GENERAL AND SHAREHOLDERS' FUNDS (continued)

	GROUP		COMPANY	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Available-for-sale financial assets				
Equity securities				
- Unquoted	24,661	-	-	-
Corporate debt securities				
- Unquoted	77,103	63,752	-	-
Malaysian Government Securities/ Government Investment Issues	121,478	92,991	-	-
Cagamas papers	2,940	24,997	-	-
Investment-linked units				
- Unquoted	15,220	-	-	-
Total available-for-sale financial assets	241,402	181,740	-	-
Held to maturity financial assets				
Corporate debt securities				
- Unquoted	15,272	15,765	-	-
Malaysian Government Securities/ Government Investment Issues	5,146	5,262	-	-
Total held to maturity financial assets	20,418	21,027	-	-

Financial assets held to maturity are not presented on the Group's balance sheet at their fair value. The fair value of the held to maturity assets is RM20,644,000 (2006: RM21,750,000).

Fair values for held to maturity debt securities are based on market prices or broker/dealer price quotations. Where the information is not available, fair value has been estimated using quoted market prices for securities with similar credit maturity and yield characteristics.

Certain equity investments of the offshore subsidiary company are held as collateral for a term loan facility obtained as disclosed in note 19 to the financial statements.

7 INVESTMENTS (continued)

(b) LIFE FUND AND LIFE FUND - INVESTMENT – LINKED FUND

	GROUP			
		LIFE FUND		LIFE FUND-INVESTMENT-LINKED FUND
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At fair value through profit or loss	997,907	670,399	534,790	440,027
Available-for-sale	1,548,317	1,540,446	-	-
Held to maturity	484,908	514,234	-	-
	3,031,132	2,725,079	534,790	440,027

The Group's current portion of financial assets is RM258,429,000 (2006: RM334,966,000), the remaining portion being non-current. The assets included in each of the categories above are detailed in the tables below:

	GROUP			
		LIFE FUND		LIFE FUND-INVESTMENT-LINKED FUND
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Investments held at fair value through profit or loss				
Equity securities				
- Quoted	911,849	587,532	333,159	217,095
- Unquoted	2,092	2,092	-	-
	913,941	589,624	333,159	217,095
Unit trusts				
- Quoted	16,846	12,936	36,469	10,195
- Unquoted	-	3,901	-	-
	16,846	16,837	36,469	10,195
Corporate debt securities				
- Quoted	29,560	25,945	535	628
- Unquoted	35,356	35,754	96,970	94,785
	64,916	61,699	97,505	95,413
Malaysian Government Securities/ Government Investment Issues	-	-	57,580	86,119
Cagamas papers	-	-	4,959	10,153
Investment-linked units				
- Unquoted	2,204	2,239	5,118	21,052
Total financial assets at fair value through profit or loss	997,907	670,399	534,790	440,027

All assets above are held for trading.

7 INVESTMENTS (continued)

(b) LIFE FUND AND LIFE FUND - INVESTMENT – LINKED FUND (continued)

	GROUP			
	LIFE FUND		LIFE FUND-INVESTMENT-LINKED FUND	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Available-for-sale financial assets				
Corporate debt securities				
- Unquoted	643,563	774,423	-	-
Less: impairment loss	(25,779)	-	-	-
	617,784	774,423	-	-
Malaysian Government Securities/ Government Investment Issues	898,937	731,027	-	-
Cagamas papers	31,596	34,996	-	-
Total available-for-sale financial assets	1,548,317	1,540,446	-	-
Held to maturity financial assets				
Corporate debt securities				
- Unquoted	457,045	425,848	-	-
Less: impairment loss	(27,782)	(13,656)	-	-
	429,263	412,192	-	-
Malaysian Government Securities/ Government Investment Issues	55,645	102,042	-	-
Total held to maturity financial assets	484,908	514,234	-	-

Financial assets held to maturity are not presented on the Group's balance sheet at their fair value. The fair value of the held to maturity assets is RM507,760,000 (2006: RM553,129,000).

Fair values for held to maturity debt securities are based on market prices or broker/dealer price quotations. Where the information is not available, fair value has been estimated using quoted market prices for securities with similar credit maturity and yield characteristics.

7 INVESTMENTS (continued)

(c) FAMILY TAKAFUL FUND - INVESTMENT – LINKED FUND

	GROUP 2007 RM'000
At fair value through profit or loss	16,327
Investments held at fair value through profit or loss	
Equity securities	
- Quoted	12,346
Corporate debt securities	
- Unquoted	3,981
	16,327

All assets above are held for trading.

8 LOANS AND RECEIVABLES

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Loans arising from:				
Mortgage loans	41,194	61,953	420	635
Other secured loans	74,285	72,005	-	-
Unsecured loans	133	101	14	13
	115,612	134,059	434	648
Interest-in-suspense	(29,615)	(16,627)	-	-
Allowance for doubtful debts	(15,295)	(12,404)	-	-
Net loans	70,702	105,028	434	648
Gross lease, hire purchase and other loan receivables	205,985	222,850	-	-
Interest-in-suspense	(25,773)	(20,922)	-	-
Allowance for doubtful debts	(68,093)	(13,492)	-	-
Net lease, hire purchase and other loan receivables	112,119	188,436	-	-
	182,821	293,464	-	-
Receivables:				
Trade receivables of non- insurance subsidiary companies	8,073	7,968	-	-
Amount due from subsidiary companies	-	-	182,923	130,691
Amount due from associated company	-	-	2,489	-
Amount due from related companies	8,489	6,136	-	-
Outstanding proceeds from disposal of investments	1,367	2,087	-	-
Investment income due and accrued	4,034	3,873	42	1
Assets held under Malaysian Motor Insurance Pool	2,450	2,450	-	-
Amount due from life fund (note 15(b))	15,726	41,097	-	-
Amount due from general takaful fund (note 15(c))	2	-	-	-
Amount due from family takaful fund (note 15(d))	9	-	-	-
Qardhul Hassan (note 23(a))	285	-	-	-
Wakalah fee receivable (note 15(c), note 15(d))	2,950	-	-	-
Manager's stocks	14,330	6,947	-	-
Other receivables, deposits and prepayments	28,788	16,607	8,377	5,506
	86,503	87,165	193,831	136,198
	269,324	380,629	194,265	136,846

8 LOANS AND RECEIVABLES

(a) GENERAL AND SHAREHOLDERS' FUNDS (continued)

Qardhul Hassan represents a benevolent loan to the General Takaful fund to make good the underwriting deficit in the General Takaful fund. The amount is unsecured, not subject to any profit elements and has no fixed terms of payment.

The net loans can be analysed as follows:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Receivable within 12 months	67,796	84,608	94	80
Receivable after 12 months	2,906	20,420	340	568
	70,702	105,028	434	648

(b) LIFE FUND AND LIFE FUND - INVESTMENT- LINKED FUND

	GROUP			
	LIFE FUND		LIFE FUND-INVESTMENT-LINKED FUND	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Loans arising from:				
Policy loans	298,220	273,658	-	-
Mortgage loans	480,042	479,542	-	-
Other secured loans	292,522	287,124	-	-
Unsecured loans	4,560	4,057	-	-
	1,075,344	1,044,381	-	-
Interest-in-suspense	(91,643)	(13,041)	-	-
Allowance for doubtful debts	(151,110)	(21,825)	-	-
Net loans	832,591	1,009,515	-	-
Receivables:				
Outstanding proceeds from disposal of investments	348	146	747	581
Investment income due and accrued	37,801	38,600	3,469	2,812
Amount due from investment-linked fund (note 15(b))	12,791	9,572	-	-
Amount due from shareholders' fund (note 15(a))	16,969	29,225	-	-
Amount due from life fund (note 15(b))	-	-	25,743	7,903
Prepaid lease rentals	5,740	5,802	-	-
Outstanding proceeds from disposal of investment properties	35,472	33	-	-
Other receivables, deposits and prepayments	23,064	22,770	215	342
	132,185	106,148	30,174	11,638
	964,776	1,115,663	30,174	11,638

8 LOANS AND RECEIVABLES (continued)

(b) LIFE FUND AND LIFE FUND - INVESTMENT- LINKED FUND (continued)

	GROUP			
		LIFE FUND		LIFE FUND-INVESTMENT-LINKED FUND
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
The net loans can be analysed as follows:				
Receivable within 12 months	801,036	899,030	-	-
Receivable after 12 months	31,555	110,485	-	-
	832,591	1,009,515	-	-

(c) GENERAL TAKAFUL FUND

	GROUP 2007 RM'000
Receivables:	
Amounts due from shareholders' fund (note 15(a))	285

(d) FAMILY TAKAFUL FUND

Receivables:	
Other receivables, deposits and prepayments	84

(e) FAMILY TAKAFUL FUND - INVESTMENT-LINKED FUND

Receivables:	
Amounts due from family takaful fund (note 15(d))	8,579

Included in the total loans portfolio net of allowance for doubtful debts and interest-in-suspense of an insurance subsidiary company are non-performing loans ("NPL") amounting to approximately RM67,608,000 (2006: RM80,286,000) and RM476,781,000 (2006: RM520,400,000) in the general and shareholders' fund and life fund respectively, as at 31 December 2007. Concurrently, included in the total loans portfolio of the subsidiary company engaged in hire purchase, leasing and other credit activities are NPL amounting to approximately RM105,535,000 (2006: RM163,311,000) in the shareholders' fund as at 31 December 2007. These NPL were collateralised by properties and/or shares as pledged by the borrowers.

The subsidiary companies have assessed the value of the collaterals based on the methods prescribed in note 3(b)(i) and have made additional allowances on doubtful debts where appropriate. Should the market value or adjusted value on the collateral deviate by 10% or the recovery process be delayed by a year, particularly those loans with properties as collaterals, there may a potential shortfall of approximately RM2,422,000 and RM29,531,000 for the NPL of the insurance subsidiary company in the general and shareholders' fund and life fund respectively and RM3,150,000 for the NPL of the subsidiary company engaged in hire purchase, leasing and other credit activities.

8 LOANS AND RECEIVABLES (continued)

	General and Shareholders' fund		Life fund	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
(i) Loans analysed by loan type are as follows:				
Policy loans	-	-	298,220	273,658
Term loans	290,089	324,915	757,458	752,462
Housing loans	2,563	3,093	18,554	16,940
Leasing	25,697	24,738	-	-
Hire purchase	2,682	3,117	-	-
Staff loans	566	1,046	1,112	1,321
	321,597	356,909	1,075,344	1,044,381
Interest-in-suspense	(55,388)	(37,549)	(91,643)	(13,041)
Allowance for doubtful debts	(83,388)	(25,896)	(151,110)	(21,825)
	182,821	293,464	832,591	1,009,515
(ii) Gross loans analysed by type of customers are as follows:				
Policyholders	-	-	313,130	285,889
Business enterprises	301,437	323,506	681,318	678,710
Staff	3,129	4,139	3,203	4,195
Agents	-	-	1,538	1,835
Individuals	17,031	29,264	76,155	73,752
	321,597	356,909	1,075,344	1,044,381
(iii) Gross loans analysed by economic purpose are as follows:				
Policy loans	-	-	298,220	273,658
Constructions	17,550	16,926	120,973	136,806
Purchase of landed properties/securities	102,346	132,589	421,039	394,537
Fixed assets other than land and buildings	74,211	70,421	803	970
Personal use	5,422	5,336	434	551
Working capital	120,183	125,425	233,875	237,859
Others	1,885	6,212	-	-
	321,597	356,909	1,075,344	1,044,381
(iv) Movement of NPL are as follows:				
Gross balance at the beginning year	306,404	222,429	555,266	245,917
Classified as non-performing during the year	14,663	90,278	138,987	281,149
Interest movement	24,623	22,877	58,946	53,183
Recovered during the year	(34,151)	(10,194)	(33,665)	(24,983)
Amount written off	(102)	(18,986)	-	-
	311,437	306,404	719,534	555,266
Interest-in-suspense	(54,906)	(36,911)	(91,643)	(13,041)
Allowance for doubtful debts	(83,388)	(25,896)	(151,110)	(21,825)
	173,143	243,597	476,781	520,400

8 LOANS AND RECEIVABLES (continued)

	General and Shareholders' fund		Life fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
(v) Movement in the allowance for doubtful debts for NPL are as follows:				
Balance at the beginning of year	25,896	21,528	21,825	1,240
Allowance made during the year	67,964	16,801	129,379	20,586
Amount written back in respect of recoveries	(10,472)	(12,433)	(94)	(1)
Balance at the end of year	83,388	25,896	151,110	21,825
(vi) NPL analysed by loan type are as follows:				
Term loans	284,189	279,972	715,183	552,252
Housing loans	-	-	4,217	2,880
Leasing	25,697	24,738	-	-
Hire purchase	1,516	1,659	-	-
Staff loans	35	35	134	134
	311,437	306,404	719,534	555,266
Interest-in-suspense	(54,906)	(36,911)	(91,643)	(13,041)
Allowance for doubtful debts	(83,388)	(25,896)	(151,110)	(21,825)
	173,143	243,597	476,781	520,400
(vii) Gross NPL analysed by type of customers are as follows:				
Policyholders	-	-	3,499	-
Business enterprises	295,958	281,042	639,042	539,286
Staff	35	35	134	134
Agents	-	-	718	2,880
Individuals	15,444	25,327	76,141	12,966
	311,437	306,404	719,534	555,266
(viii) Gross NPL analysed by economic purpose are as follows:				
Constructions	17,550	16,926	92,021	89,184
Purchase of landed properties/securities	99,634	108,350	393,377	352,735
Fixed assets other than land and buildings	72,540	68,062	117	119
Personal use	4,775	3,100	141	215
Working capital	115,984	108,622	233,878	113,013
Others	954	1,344	-	-
	311,437	306,404	719,534	555,266
(ix) Aging of gross NPL are as follows:				
Up to 1 year	174,323	182,010	136,277	189,109
1 to 5 years	59,353	44,114	520,993	330,362
More than 5 years	77,761	80,280	62,264	35,795
	311,437	306,404	719,534	555,266

8 LOANS AND RECEIVABLES (continued)

Lease, hire purchase and other loan receivables included loans to the following related parties:

	GROUP	
	2007 RM'000	2006 RM'000
Mithril Berhad	-	3,491
Mithril Saferay Sdn Bhd	12	78
Mithril Marketing Sdn Bhd	8,951	8,184
Mithril Clay Manufacturing Berhad (formerly known as Tajo Berhad)	25,628	24,666
	34,591	36,419
Interest-in-suspense	(10,238)	(8,652)
Allowance for doubtful debts	(21,787)	-
Net loans	2,566	27,767

The relationships of the above related parties are disclosed in note 46 to the financial statements.

Included in amounts due from subsidiary companies are advances to subsidiary companies amounting to RM84,366,000 (2006: RM 64,863,000) which bear interest rates ranging from 7.0% to 9.0% (2006: 7.0% to 9.0%) per annum and are currently rolled over on a monthly basis.

Amounts due from related companies are unsecured, interest free and have no fixed terms of repayment.

The estimated fair values of loans and receivables are the discounted amount of the estimated future cash flows expected to be received. Expected cash flows are discounted at effective interest rates to determine the fair values, as shown below:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Loans arising from:				
- mortgage loans	593,636	697,855	463	504
- other secured loans	268,471	344,378	-	-
Lease, hire purchase and other loan receivables	113,652	192,541	-	-
	976,759	1,234,774	463	504

The effective interest rates of non-current receivables were as follows:

	GROUP		COMPANY	
	2007 %	2006 %	2007 %	2006 %
Mortgage loans	10.4	10.6	5.7	6.0
Other secured loans	11.1	11.1	-	-
Unsecured loans	4.5	4.4	5.0	5.0
Lease, hire purchase and other loan receivables	6.3	6.1	-	-

9 INSURANCE RECEIVABLES

	GROUP 2007 RM'000	GROUP 2006 RM'000
(a) GENERAL AND SHAREHOLDERS' FUNDS		
Due premiums including agents, brokers and co-insurers balances	87,619	91,181
Due from reinsurers and cedants	26,723	20,985
	114,342	112,166
Allowance for doubtful debts	(25,490)	(27,120)
	88,852	85,046
(b) LIFE FUND		
Due premiums including agents, brokers and co-insurers balances	42,381	40,262

(c) GENERAL TAKAFUL FUND

	GROUP 2007 RM'000
Due contributions including agents, brokers and co-takaful balances	252

10 SUBSIDIARY COMPANIES

	COMPANY 2007 Carrying value RM'000	COMPANY 2007 Net tangible assets RM'000	COMPANY 2006 Carrying value RM'000	COMPANY 2006 Net tangible assets RM'000
Unquoted shares, at cost	366,409	328,877	252,076	318,443

10 SUBSIDIARY COMPANIES (continued)

Details of the subsidiary companies are as follows:

	Name of company	Country of incorporation	Group's effective interest 2007 %	Group's effective interest 2006 %	Principal activities
	Malaysian Assurance Alliance Berhad	Malaysia	100	100	General and life insurance businesses
	MAA Corporation Sdn Bhd	Malaysia	100	100	Investment holding and general trading
	MAA Takaful Berhad	Malaysia	75	50	General Takaful and Family Takaful businesses
	<u>Subsidiary companies of MAA Corporation Sdn Bhd</u>				
	MAA-Medicare Sdn Bhd	Malaysia	100	100	Operation of charitable dialysis centres
	MAA Credit Sdn Bhd	Malaysia	100	100	Hire purchase, leasing and other credit activities
	Malaysian Alliance Property Services Sdn Bhd	Malaysia	100	100	Property management services
	MAA International Assurance Ltd	Labuan, Malaysia	100	100	Offshore insurance and reinsurance businesses
*	MAAKL Mutual Bhd	Malaysia	70	70	Unit trust funds management
	MAA Holdings (BVI) Ltd	British Virgin Islands	100	100	Providing insurance technical and financial consultancy services
	MAA Corporate Advisory Sdn Bhd	Malaysia	100	100	Providing corporate advisory and consultancy services
	Wira Security Services Sdn Bhd	Malaysia	100	100	Providing security services and trading in security equipment
	Maagnet Systems Sdn Bhd	Malaysia	100	100	Providing information technology consultancy services
#	Meridian Asset Management Holdings Sdn Bhd	Malaysia	51	51	Investment holding
	MAA International Corporation Ltd	Labuan, Malaysia	100	100	Investment holding
	Chelsea Parking Services Sdn Bhd	Malaysia	100	100	Operating, maintaining and managing car parks
	Multioto Services Sdn Bhd (formerly known as Multioto Breakdown Assistance Sdn Bhd)	Malaysia	100	100	Provision of motor breakdown assistance services
	MAA Universal Sdn Bhd	Malaysia	100	100	Multi-level marketing business

10 SUBSIDIARY COMPANIES (continued)

	Name of company	Country of incorporation	Group's effective interest 2007 %	Group's effective interest 2006 %	Principal activities
	Subsidiary companies of MAA Corporation Sdn Bhd (continued)				
	MAA International Investments Ltd	Labuan, Malaysia	100	100	Investment holding
	Menang Bernas Sdn Bhd	Malaysia	100	100	Restaurant operator
	MAA Fire-X Sdn Bhd	Malaysia	55	55	Providing fire risk assessment and prevention services
	Ukay Sentral Sdn Bhd	Malaysia	100	100	Dormant
	Jendela Sutera Sdn Bhd	Malaysia	100	100	Dormant
	Valiant Properties Sdn Bhd	Malaysia	100	100	Dormant
	Daman Development Sdn Bhd	Malaysia	100	100	Dormant
	MyTele Direct Sdn Bhd	Malaysia	100	100	Dormant
	Maaple Eldercare Sdn Bhd	Malaysia	100	100	Dormant
	MAA Cards Sdn Bhd	Malaysia	100	100	Dormant
	MAA Financial Advisors Sdn Bhd	Malaysia	100	100	Dormant
	MAA Cash Converter Sdn Bhd	Malaysia	100	100	Dormant
#	High Sphere Sdn Bhd	Malaysia	100	100	Dormant
	Subsidiary companies of Wira Security Services Sdn Bhd				
	Wira Security Services (Sabah) Sdn Bhd	Malaysia	-	100	Dormant
	Wira Security Services (Sarawak) Sdn Bhd	Malaysia	-	100	Dormant
	Subsidiary companies of MAA Corporate Advisory Sdn Bhd				
	MAACA Labuan Ltd	Labuan, Malaysia	51	51	Providing offshore corporate advisory and consultancy services
	MAACA Corporate Services Sdn Bhd (formerly known as MAA Claims Investigation & Survey Sdn Bhd)	Malaysia	100	100	Providing corporate advisory and consultaning services
	MPE Private Equity Sdn Bhd (formerly known as MAA Private Equity Sdn Bhd)	Malaysia	100	100	Dormant

10 SUBSIDIARY COMPANIES (continued)

	Name of company	Country of incorporation	Group's effective interest 2007 %	Group's effective interest 2006 %	Principal activities
	Subsidiary company of Maagnet Systems Sdn Bhd				
	MAAGNET – SSMS Sdn Bhd	Malaysia	100	100	Providing information technology consultancy services
	Subsidiary companies of Meridian Asset Management Holdings Sdn Bhd				
#	Meridian Asset Management Sdn Bhd	Malaysia	51	51	Fund management and investment advisory services
#	Meridian Asset Management (Asia) Ltd	British Virgin Islands	51	51	Fund management and investment advisory service
	Subsidiary companies of MAA International Assurance Ltd				
#	P.T. MAA Life Assurance	Indonesia	98	98	Life insurance business
#	P.T. MAA General Assurance	Indonesia	94	94	General insurance business
#	Tuang Thai Co. Ltd	Thailand	49	49	Dormant
	Subsidiary companies of MAA International Investments Ltd				
#	MAA Mutualife Philippines, Inc.	Philippines	100	100	Unit trust funds management
#	Columbus Capital Singapore Pte Ltd	Singapore	100	100	Investment holding
	Subsidiary company of MAA International Corporation Ltd				
#	MAA Corporate & Compliance Phils. Inc.	Philippines	100	100	Investment holding and providing management services

* A company that is 70% owned by the Company, 20% owned by a company controlled by a Director of the Company and the balance 10% owned by certain directors of the company.

\# Subsidiary companies not audited by PricewaterhouseCoopers.

11 ASSOCIATED COMPANIES

	GROUP			
	2007 Carrying value RM'000	2007 Market value RM'000	2006 Carrying value RM'000	2006 Market value RM'000
Quoted shares, at cost	36,609	5,491	36,609	7,139
Less: Impairment loss	(31,025)		(31,025)	
	5,584		5,584	
Unquoted shares, at cost	60,730		50,494	
Less: Impairment loss	(6,409)		(6,409)	
	54,321		44,085	
Dividend received	(69)		-	
Share of post acquisition (loss)/profit	(6,217)		3,670	
	53,619		53,339	

The Group's interests in its associated companies are as follows:

	GROUP 2007 RM'000	GROUP 2006 RM'000
Revenue	34,263	33,542
Loss after taxation	(9,887)	(2,853)
Non-current assets	63,319	59,168
Current assets	871,202	62,025
Non-current liabilities	(25,920)	(24,614)
Current liabilities	(854,982)	(43,240)
	53,619	53,339

On 13 December 2007, Columbus Capital Singapore Pte Ltd ("CCS") a wholly owned subsidiary company, subscribed for 3,500,000 Preference Shares at an issue price of AUD1.00 per share, being 9.1% of the enlarged equity interest in Columbus Capital Pty Limited ("CCAU") for a total cash consideration of AUD3.5 million ("the Subscription"). The cash consideration of AUD3.5 million was satisfied by way of internal generated funds of the Group.

Upon completion of the Subscription, CCS held a total of 18.5 million Preference Shares representing 48.1% equity interest in CCAU.

The Group has not recognised losses from Mithril Berhad ("Mithril") as the investment has been written down to a nominal carrying amount of RM1 in 2004, the year of acquisition. In addition, the Group has not recovered the extent of net liabilities which the Group had acquired in the year of acquisition. The net liabilities that the Group had acquired then amounted to RM16,477,000.

11 ASSOCIATED COMPANIES (continued)

Share of post acquisition losses in Mithril not recognised:

	GROUP	
	2007 RM'000	2006 RM'000
At beginning of financial year	6,703	2,010
Share of post acquisition loss during the financial year	6,001	4,693
At end of financial year	12,704	6,703

In April 2006, holders of Irredeemable Convertible Unsecured Loan Stock 2004/2009 ("ICULS") of Mithril converted in total RM920,500 ICULS to 920,500 new ordinary shares of RM1 each in Mithril, diluted the Group's interest in Mithril from 34% to 33%.

Gain on dilution of interest in Mithril not recognised:

	GROUP	
	2007 RM'000	2006 RM'000
At beginning of financial year	8,250	7,884
Gain on dilution of investment arising during the financial year	-	366
At end of financial year	8,250	8,250

	COMPANY			
	2007		2006	
	Carrying value RM'000	Market value RM'000	Carrying value RM'000	Market value RM'000
Quoted shares, at cost	30,536	5,066	29,894	5,829
Less : Impairment loss	(25,470)		(24,065)	
	5,066		5,829	
Unquoted shares, at cost	2,904		2,764	
	7,970		8,593	

11 ASSOCIATED COMPANIES (continued)

Details of the associated companies are as follows:

Name of company	Country of incorporation	Group's effective interest 2007 %	Group's effective interest 2006 %	Principal activities
* Nishio Rent All (M) Sdn Bhd	Malaysia	30	30	Renting of construction and industrial equipment
MAA Bancwell Trustee Berhad	Malaysia	49	49	Trust fund management and trust services
* Mithril Berhad	Malaysia	33	33	Investment holding
* Maybach Logistics Sdn Bhd	Malaysia	45	45	Provision of transportation and logistics
Associated company of MAA International Assurance Ltd				
MAA General Assurance Philippines, Inc	Philippines	40	40	General insurance business
Associated company of Columbus Capital Singapore Pte Ltd				
Columbus Capital Pty Limited	Australia	48	43	Retail mortgage lending and loan securitisation

* The financial year-ends of these associated companies are not co-terminous with the Group. However, for purposes of consolidation, these associated companies had prepared financial statements as at the same balance sheet date as the financial statements of the Group.

12 DEFERRED TAX

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

The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	GROUP					
	General and Shareholders' funds		Life fund		Life fund-Investment-linked fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deferred tax assets	20,999	6,890	16,514	10,305	156	31
Deferred tax liabilities	(667)	(1,890)	-	(3,948)	(4,318)	(3,467)
	20,332	5,000	16,514	6,357	(4,162)	(3,436)
At 1 January	5,000	4,792	6,357	9,593	(3,436)	(9)
(Charged)/credited to income statements/ revenue accounts (note 34) :						
- property, plant and equipment	1,696	628	961	1,343	-	-
- investments and loans	(430)	(5,064)	9,056	(4,840)	(726)	(3,427)
- unabsorbed tax losses	11,457	451	-	-	-	-
- unabsorbed capital allowances	(3,975)	3,982	-	-	-	-
- derivative liabilities	6,285	-	-	-	-	-
- others	88	(90)	(322)	(5)	-	-
	15,121	(93)	9,695	(3,502)	(726)	(3,427)
Credited to asset revaluation reserve	108	159	265	177	-	-
Credited to revaluation reserve	230	107	151	70	-	-
Currency translation differences	(127)	35	46	19	-	-
At 31 December	20,332	5,000	16,514	6,357	(4,162)	(3,436)

12 DEFERRED TAX (continued)

	GROUP					
	General and Shareholders' funds		Life fund		Life fund-Investment-linked fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Subject to income tax:						
Deferred tax assets (before offsetting)						
Property, plant and equipment						
- to income statements/ revenue accounts	892	67	1,575	611	-	-
Investments and loans	(131)	3,547	15,094	9,986	156	31
Unabsorbed tax losses	13,640	2,183	-	-	-	-
Unabsorbed capital allowances	220	4,195	-	-	-	-
Derivative liabilities	6,285	-	-	-	-	-
Others	204	135	26	37	-	-
	21,110	10,127	16,695	10,634	156	31
Offsetting	(111)	(3,237)	(181)	(329)	-	-
Deferred tax assets (after offsetting)	20,999	6,890	16,514	10,305	156	31
Deferred tax liabilities (before offsetting)						
Property, plant and equipment						
- to revaluation reserve	-	(230)	(178)	(329)	-	-
- to income statements/ revenue accounts	(610)	(1,481)	(3)	-	-	-
Investments and loans	(168)	(3,416)	-	(3,948)	(4,318)	(3,467)
	(778)	(5,127)	(181)	(4,277)	(4,318)	(3,467)
Offsetting	111	3,237	181	329	-	-
Deferred tax liabilities (after offsetting)	(667)	(1,890)	-	(3,948)	(4,318)	(3,467)

12 DEFERRED TAX (continued)

	COMPANY 2007 RM'000	COMPANY 2006 RM'000
Deferred tax assets	13,002	6,847
At 1 January	6,847	690
(Charged)/credited to income statements (note 34):		
- property, plant and equipment	10	(22)
- investments	(125)	6,172
- unabsorbed capital allowances	(15)	7
- derivative liabilities	6,285	-
	6,155	6,157
At 31 December	13,002	6,847
Subject to income tax:		
Deferred tax assets (before offsetting)		
Investments	6,613	6,738
Unabsorbed capital allowances	205	220
Derivative liabilities	6,285	-
	13,103	6,958
Offsetting	(101)	(111)
Deferred tax assets (after offsetting)	13,002	6,847
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	(101)	(111)
Offsetting	101	111
Deferred tax liabilities (after offsetting)	-	-

The amount of deductible temporary differences and unused tax losses (both of which have no expiry date) for which no deferred tax assets are recognised in the balance sheet is as follows:

	GROUP 2007 RM'000	GROUP 2006 RM'000
Deductible temporary differences	58,297	514
Tax losses	9,132	2,307
	67,429	2,821

The deferred tax liabilities arising from the temporary differences associated with the unallocated surplus carried forward of the Group's life fund to be transferred to the shareholders' fund have not been disclosed in the financial statements due to the subjectivity in determining the amount to be transferred.

13 PROVISION FOR OUTSTANDING CLAIMS

	GROUP	
	2007 RM'000	2006 RM'000
(a) GENERAL AND SHAREHOLDERS' FUNDS		
Provision for outstanding claims	471,666	442,820
Less: Recoverable from reinsurers	(153,343)	(137,793)
Net outstanding claims	318,323	305,027
(b) LIFE FUND		
Provision for outstanding claims	32,659	26,915
Less: Recoverable from reinsurers	(12,184)	(10,186)
Net outstanding claims	20,475	16,729

	GROUP
	2007 RM'000
(c) GENERAL TAKAFUL FUND	
Provision for outstanding claims	52
Less: Recoverable from retakaful companies	(13)
Net outstanding claims	39

14 INSURANCE PAYABLES

	GROUP	
	2007 RM'000	2006 RM'000
(a) GENERAL AND SHAREHOLDERS' FUNDS		
Due to agents, brokers and co-insurers	32,242	26,877
Due to reinsurers and cedants	51,067	42,410
Reinsurers' deposits withheld	8,933	8,085
	92,242	77,372
(b) LIFE FUND		
Due to agents, brokers and co-insurers	515,634	442,102
Due to reinsurers and cedants	13,182	2,102
Premium deposits	17,486	16,027
	546,302	460,231

	GROUP
	2007 RM'000
(c) GENERAL TAKAFUL FUND	
Due to agents, brokers and co-takaful	150
Due to retakaful companies and cedants	199
Retakaful deposits withheld	34
	383
(d) FAMILY TAKAFUL FUND	
Premium deposits	1,970

15 TRADE AND OTHER PAYABLES

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade payables from non-insurance subsidiary companies	6,556	4,662	-	-
Other payables				
Cash collaterals held for bond business	41,334	27,223	-	-
Unclaimed monies	4,185	3,140	-	-
Amount due to a Director	100	145	-	-
Amount due to life fund (note 8(b))	16,969	29,225	-	-
Amount due to general takaful fund (note 8(c))	285	-	-	-
Defined contribution retirement plan payable	1,192	1,595	186	147
Accrual for unutilised staff leave	1,953	1,945	300	223
Stakeholders' deposits	1,876	1,450	-	-
Hire purchase creditors	1,673	1,751	779	987
Duties and other taxes payable	1,646	2,061	-	-
Other payables and accruals	34,062	26,150	3,971	719
	105,275	94,685	5,236	2,076
	111,831	99,347	5,236	2,076

Amount due to a Director by a subsidiary company is unsecured, interest free and has no fixed terms of repayment.

The hire purchase creditors can be analysed as follows:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Payable within 1 year	483	391	218	208
Payable between 2 years to 5 years	1,190	1,360	561	779
	1,673	1,751	779	987

The hire purchase creditors of the Group and the Company bear interest at the rates ranging from 2.4% to 3.9% (2006: 2.4% to 3.9%) per annum and 2.4% to 3.9% (2006: 2.4% to 3.9%) per annum respectively.

15 TRADE AND OTHER PAYABLES (continued)

(b) LIFE FUND AND INVESTMENT-LINKED FUND

	GROUP			
	LIFE FUND		INVESTMENT-LINKED FUND	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Other payables				
Accrued interest payable	34,169	30,044	-	-
Unclaimed monies	7,822	7,542	-	-
Amount due to shareholders' fund (note 8(a))	15,726	41,097	-	-
Amount due to investment-linked fund (note 8(b))	25,743	7,903	-	-
Amount due to life fund (note 8(b))	-	-	12,791	9,572
Defined contribution retirement plan payable	512	621	-	-
Accrual of unutilised staff leave	958	987	-	-
Rental deposits	3,419	6,159	-	-
Payroll liabilities	4,016	4,871	-	-
Amount due to stockbrokers	-	8,865	-	-
Duties and other taxes payable	144	327	-	-
Other payables and accruals	29,256	14,292	12,907	9,866
	121,765	122,708	25,698	19,438

(c) GENERAL TAKAFUL FUND

	GROUP
	2007 RM'000
Other payables	
Wakalah fee payable to shareholders' fund (note 8(a))	285
Amount due to related company	301
Amount due to shareholders' fund (note 8(a))	2
Other payables and accruals	4
	592

(d) FAMILY TAKAFUL FUND

Other payables	
Wakalah fee payable to shareholders' fund (note 8(a))	2,665
Amount due to shareholders' fund (note 8(a))	9
Amount due to family takaful fund - investment-linked fund (note 8(e))	8,579
Other payables and accruals	45
	11,298

(e) FAMILY TAKAFUL FUND - INVESTMENT-LINKED FUND

Other payables	
Investments purchased payable	1,793
Other payables and accrual	82
	1,875

16 DERIVATIVE LIABILITIES

	GROUP/COMPANY	
	2007 RM'000	2006 RM'000
Interest rate derivative (at fair value)		
- interest rate swap	24,173	-

The interest rate swap transaction with notional amount of RM200,000,000 entered into by the Company with a licensed bank bears interest rates of average 3 months USD LIBOR and MUNI BMA Index. During the financial year, the average 3 months USD LIBOR and MUNI BMA Index range from 5.23% to 5.47% per annum and 3.56% to 3.70% per annum respectively.

As at balance sheet date, the average 3 months USD LIBOR and MUNI BMA Index stood at 5.23% per annum and 3.56% per annum respectively.

17 BONDS - UNSECURED

	GROUP/COMPANY	
	2007 RM'000	2006 RM'000
RM120 million 6-year structured serial bonds	-	30,000
Payable within 1 year	-	30,000

In the financial year ended 31 December 2001, the Company issued RM120 million 6-year structured serial bonds ("the Bonds") in a total of 5 tranches, comprising 3 tranches with a nominal value of RM20 million each and 2 tranches with a nominal value of RM30 million each, to the primary subscribers. The tenure of the Bonds ranges from 2 to 6 years from the date of issue and bear interest rates ranging from 5.80% to 8.20% per annum, payable semi-annually in advance, beginning from the date of issue and every 6 months thereafter. The Bonds are traded in a secondary market on a willing-buyer willing-seller basis.

During the financial year, the interest rates charged was 8.20% (2006: 7.70% to 8.20%) per annum.

The Bonds were constituted by a trust deed dated 6 August 2001 between the Company and the trustee, to act for the benefit of the bondholders.

The Bonds are secured against an assignment of dividend proceeds from the Company's wholly owned subsidiary company, Malaysian Assurance Alliance Berhad ("MAA"), a first fixed charge over the designated accounts, a first fixed charge over all permitted investments out of all designated accounts and an assignment over the Company's rights under a Dividend Upstream Agreement which was signed on 6 August 2001.

Under the Dividend Upstream Agreement, MAA shall, so long as the Bonds remain outstanding, declare and pay by a date to be agreed each year, a minimum dividend which after deduction of the Company's projected tax and operating expenses for the financial year, would leave the Company with a net amount of RM20 million. Such declaration and payment of dividend shall be subject to the availability of distributable reserves, legal and regulatory constraints.

Proceeds from the issue of the Bonds were utilised to finance the purchase of redeemable preference shares issued by the Company's wholly owned subsidiary company, MAA Corporation Sdn Bhd, from MAA, to refinance its bank borrowings, to fund the Company's investment in MAA Corporation Sdn Bhd, to pre-fund the first two interest service payments and to supplement the Company's working capital requirements including discount on the issue of the Bonds and expenses in connection with the arrangement of the facility.

The Bonds unless repurchased and cancelled, shall be redeemed at the price of 100% of the nominal value of the Bonds at the maturity dates.

On 21 August 2007, the Bonds were fully redeemed with payment of the last tranche of principal amounted to RM 30 million.

18 MEDIUM TERM NOTES - SECURED

	GROUP/COMPANY	
	2007 RM'000	2006 RM'000
Issued during the financial year and at end of the financial year	200,000	-

On 8 January 2007, the Company issued the first RM200 million nominal amount of Medium Term Notes up to a tenure of 5 years ("the MTNs") in a total of 3 tranches, comprising 2 tranches with a nominal value of RM30 million each and 1 tranche with a nominal value of RM140 million, to the primary subscribers. The tenure of the MTNs ranges from 3 to 5 years from the date of issue and bear interest rates ranging from 4.45% to 4.51% per annum, payable semi-annually in advance, beginning from the date of issue and every 6 months thereafter.

The first issuance of MTNs are secured by a bank guarantee facility from DBS Bank Ltd, Labuan Branch up to the maximum aggregate principal amount of United States Dollars equivalent to RM200 million. The bank guarantee bears a commission of 1.0% per annum, payable annually in advance, beginning from the date of issue and thereafter annually on each anniversary of the issue date.

During the financial year, the interest rates charged were in the range of 4.45% to 4.51% per annum.

The MTNs were constituted by a trust deed dated 13 October 2006 between the Company and the trustee, to act for the benefit of the noteholders.

The proceeds from the issuance of the MTNs were utilised to finance repayment of existing bank borrowings of the Company and its subsidiaries, to finance redemption of the final tranche ("series E") of the Company's existing RM120 million Structured Serial Bonds matured on 21 August 2007, to pre-fund the Debt Service Reserve Account ("DSRA") and to finance the working capital requirements of the Company and its subsidiaries, including issuance expenses in connection with the arrangement of the facility.

19 TERM LOANS

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Term loans:				
- Unsecured	30,000	30,000	30,000	30,000
- Secured	-	39,935	-	-
	30,000	69,935	30,000	30,000
Payable within 1 year	30,000	39,935	30,000	-
Payable between 1 year to 2 years	-	30,000	-	30,000
	30,000	69,935	30,000	30,000

The unsecured term loan of RM30,000,000 from a licensed bank of the Company bears a fixed interest rate of 7.5% (2006: 7.5%) per annum. The loan is to be settled by a bullet repayment at the end of seven years from the date of full disbursement of the loan.

In connection with this term loan, the Company has signed a deed of assignment of dividend proceeds with the said bank on 29 June 2001. Under the terms of the deed, the Company has assigned unto the bank, the dividend proceeds payable to the Company by its subsidiary companies, MAA and MAA Corporation Sdn Bhd, for the financial year ended 31 December 2007 ("the Dividend Payment") and all rights, titles and benefits of the Dividend Payment to the bank by way of continuing security.

19 TERM LOANS (continued)

In the previous financial year, the offshore subsidiary company of the Group obtained a term loan facility of US$12 million from an offshore financial institution. The loan is secured against certain offshore equity investments of the offshore subsidiary company and corporate guarantee from the Company and to be settled at the end of 6 months from the date of drawdown. As at 31 December 2006, an amount of US$11.2 million has been drawdown. The secured term loan bears an interest rate of 1.0% per annum above the applicable SIBOR payable monthly basis in arrears. During the previous financial year, the interest rate charged was in the range of 5.40% to 6.40% per annum. The loan is fully settled during the financial year with proceeds raised from the MTNs.

20 BANK OVERDRAFTS - UNSECURED

The unsecured bank overdraft facility of the Company has a limit of RM20 million and bears an interest rate of 2.0% per annum above the prevailing base lending rate. During the financial year, the interest rate charged was 8.75% (2006: 8.25% to 8.75%) per annum.

The unsecured bank overdraft facility of a subsidiary company has a limit of RM10 million and bears an interest rate of 2.5% per annum above the prevailing base lending rate. During the financial year, the interest rate charged was 9.25% (2006: 8.75% to 9.25%) per annum.

The unsecured bank overdraft facilities of the shareholders' fund, general fund and life fund of an insurance subsidiary company of the Company have limits of RM2.0 million, RM2.0 million and RM2.0 million (2006: RM3.5 million, RM2.0 million and RM3.0 million) respectively. During the financial year, the interest rates charged were 8.50% (2006: 8.50%) per annum. There were no overdrawn facilities utilised at the balance sheet date by the insurance subsidiary company.

21 UNEARNED PREMIUM/CONTRIBUTION RESERVES

(a) GENERAL FUND

	Fire RM'000	Motor vehicles RM'000	Motor cycles RM'000	Marine, Aviation & Transit RM'000	Misce-llaneous RM'000	Total RM'000
GROUP						
2007						
At beginning of financial year	13,637	83,260	15,755	3,270	30,052	145,974
Currency translation differences	1,017	(736)	(61)	(246)	(940)	(966)
(Decrease)/increase in reserves	(740)	(11,136)	(2,173)	3,459	(5,277)	(15,867)
At end of financial year	13,914	71,388	13,521	6,483	23,835	129,141
2006						
At beginning of financial year	13,189	92,219	16,787	1,573	27,581	151,349
Currency translation differences	(16)	(435)	-	8	(135)	(578)
(Decrease)/increase in reserves	464	(8,524)	(1,032)	1,689	2,606	(4,797)
At end of financial year	13,637	83,260	15,755	3,270	30,052	145,974

(b) GENERAL TAKAFUL FUND

	Fire RM'000	Motor vehicles RM'000	Marine, Aviation & Transit RM'000	Misce-llaneous RM'000	Total RM'000
GROUP					
2007					
At beginning of financial year	-	-	-	-	-
Increase in reserves	-	80	-	125	205
At end of financial year	-	80	-	125	205

22 LIFE POLICYHOLDERS' FUND

	GROUP	
	2007 RM'000	2006 RM'000
Actuarial liabilities		
At beginning of financial year	4,818,043	4,350,602
Add: Increase in policy reserves		
- on normal business during the financial year	193,567	298,465
Bonus allocated to participating policyholders, including interim bonus from normal surplus	215,248	199,878
	408,815	498,343
Less: Interim bonus	(34,172)	(30,902)
At end of financial year	5,192,686	4,818,043
Unallocated surplus		
At beginning of financial year	560,338	522,814
Add: Surplus arising during the financial year	163,914	271,725
Less: Bonus allocated to participating policyholders, including interim bonus from normal surplus	(215,248)	(199,878)
Transfer from/(to) Income Statements	42,812	(34,323)
	(8,522)	37,524
At end of financial year	551,816	560,338
Life policyholders' fund at end of financial year:		
Actuarial liabilities	5,192,686	4,818,043
Unallocated surplus	551,816	560,338
	5,744,502	5,378,381

23 (a) GENERAL TAKAFUL FUND

	GROUP
	2007 RM'000
At beginning of financial year	-
Underwriting deficit for the financial year	(285)
Increase in Qardhul Hassan (note 8(a))	285
Increase in unearned contribution reserves (note 21(b))	205
At end of financial year	205

Included in the above is the transfer of funds from the shareholders' fund of the takaful subsidiary company to General Takaful fund under the Qardhul Hassan principle as disclosed in note 2(p). The amount was transferred to the General Takaful fund subsequent to the financial year end.

23 (b) FAMILY TAKAFUL FUND

	GROUP
	2007 RM'000
Participants' Account ("PA")	
At beginning of financial year	-
Add: Increase in PA	38,481
At end of financial year	38,481
Participants' Special Account ("PSA")	
At beginning of financial year	-
Add: Increase in PSA	18
At end of financial year	18
Liabilities to participants at end of the financial year	38,499
Unallocated surplus:	
At beginning of financial year	-
Surplus arising during the financial year	38,546
Increase liabilities to participants	(38,499)
Unallocated surplus at end of the financial year	47
Family takaful fund at end of the financial year:	
Liabilities to participants	38,499
Unallocated surplus	47
	38,546

24 SHARE CAPITAL

	GROUP/COMPANY	
	2007 RM'000	2006 RM'000
Authorised ordinary shares of RM1 each:		
At beginning and end of financial year	500,000	500,000
Issued and fully paid ordinary shares of RM1 each:		
At beginning of financial year	304,354	152,177
Issue of bonus shares during the financial year	-	152,177
At end of financial year	304,354	304,354

On 8 September 2006, the Company made a bonus issue of 152,176,876 new ordinary shares of RM1 each on the basis of 1 new ordinary share of RM1 each for every 1 existing ordinary shares of RM1 each, by capitalising RM11,744,389 from share premium and RM140,432,487 from retained earnings.

The newly issued shares rank pari passu in all respect with the existing shares of the Company.

25 SHARE PREMIUM

	GROUP/COMPANY 2007 RM'000	GROUP/COMPANY 2006 RM'000
At beginning of financial year	-	11,744
Capitalisation for bonus issue	-	(11,744)
At end of financial year	-	-

26 RESERVES

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP 2007 RM'000	GROUP 2006 RM'000	COMPANY 2007 RM'000	COMPANY 2006 RM'000
(Accumulated losses)/retained earnings	(12,166)	67,688	55,336	41,442
Reserves:				
- Foreign exchange reserve	(4,996)	(5,203)	-	-
- Asset revaluation reserve	775	825	-	-
- Revaluation reserve	-	592	-	-
	(4,221)	(3,786)	-	-
	(16,387)	63,902	55,336	41,442
Movement in (accumulated losses)/ retained earnings				
At beginning of financial year	67,688	225,515	41,442	181,626
(Loss)/profit for the financial year	(73,767)	(2,176)	19,981	15,467
Capitalisation for bonus issue	-	(140,433)	-	(140,433)
Dividends paid for the previous financial year	(6,087)	(15,218)	(6,087)	(15,218)
At end of financial year	(12,166)	67,688	55,336	41,442
Movement in foreign exchange reserve				
At beginning of financial year	(5,203)	122	-	-
Currency translation differences arising during the financial year	207	(5,325)	-	-
At end of financial year	(4,996)	(5,203)	-	-
Movement in asset revaluation reserve				
At beginning of financial year	825	941	-	-
Revaluation - gross	(428)	(566)	-	-
Revaluation - tax	108	159	-	-
Reversal of realised loss on disposals	270	291	-	-
	(50)	(116)	-	-
At end of financial year	775	825	-	-

26 RESERVES (continued)

(a) GENERAL AND SHAREHOLDERS' FUNDS (continued)

	GROUP		COMPANY	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Movement in revaluation reserve				
At beginning of financial year	592	867	-	-
Reversal of surplus arising on revaluation:				
- gross	(822)	(382)	-	-
- tax	230	107	-	-
	(592)	(275)	-	-
At end of financial year	-	592	-	-

The asset revaluation reserve represents the fair value gains or losses from available-for-sale financial assets.

The revaluation reserve represents the surplus arising from the revaluation of self-occupied freehold land and buildings and leasehold buildings of the Group.

The retained earnings balance represents the amount available for dividend distribution to the equity shareholders of the Company.

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt account under Section 12 of the Income Tax (Amendment) Act, 1999 to frank all of its retained earnings at 31 December 2007, if paid out as dividends.

(b) LIFE FUND

	GROUP	
	2007 RM'000	**2006 RM'000**
Asset revaluation reserve	8,285	9,340
Revaluation reserve	2,049	3,790
	10,334	13,130
Movement in asset revaluation reserve		
At beginning of financial year	9,340	9,040
Revaluation – gross	(3,313)	(2,213)
Revaluation – tax	265	177
Reversal of realised loss on disposals	1,993	2,336
	(1,055)	300
At end of financial year	8,285	9,340

26 RESERVES (continued)

(b) LIFE FUND (continued)

	GROUP 2007 RM'000	GROUP 2006 RM'000
Movement in revaluation reserve		
At beginning of financial year	3,790	4,598
Reversal of surplus arising on revaluation:		
– gross	(1,892)	(878)
– tax	151	70
	(1,741)	(808)
At end of financial year	2,049	3,790

The asset revaluation reserve represents the fair value gains or losses from available-for-sale financial assets.

The revaluation reserve represents the surplus arising from the revaluation of self-occupied freehold land and buildings and leasehold buildings of the Group.

Distribution of the surplus arising from the revaluation of the Life Fund's assets in the insurance subsidiary company may be made by way of bonuses to life policyholders, subject to the limit that the amount distributed should not be more than 30% of the revaluation reserve or 10% of the fair value of the revalued property, whichever is lower.

27 OPERATING REVENUE

GROUP	Shareholders' fund RM'000	General fund RM'000	Life fund RM'000	Life fund -Investment -linked fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Family takaful fund -Investment -linked fund RM'000	Total RM'000
2007								
Gross premium/contribution	-	459,654	1,162,548	297,762	848	25,754	-	1,946,566
Investment income (note 28)	6,399	19,813	214,532	26,776	-	-	137	267,657
Interest income from hire purchase, leasing and other credit activities	11,422	-	-	-	-	-	-	11,422
Income from property management, unit trust fund management, security services and consultancy services	74,748	-	-	-	-	-	-	74,748
Wakalah fee income (note 30)	2,950	-	-	-	-	-	-	2,950
	95,519	479,467	1,377,080	324,538	848	25,754	137	2,303,343

27 OPERATING REVENUE (continued)

					GROUP
	Shareholders' fund RM'000	General fund RM'000	Life fund RM'000	Life fund -Investment -linked fund RM'000	Total RM'000
2006					
Gross premium	-	452,637	1,229,163	218,797	1,900,597
Investment income (note 28)	3,573	23,921	277,341	18,861	323,696
Interest income from hire purchase, leasing and other credit activities	11,472	-	-	-	11,472
Income from property management, unit trust fund management, security services and consultancy services	48,120	-	-	-	48,120
	63,165	476,558	1,506,504	237,658	2,283,885

Gross premium stated in the life insurance revenue account comprises both gross premium income from the life fund and the investment-linked fund.

There was no contribution income from the takaful business for the financial year ended 31 December 2006 as the takaful subsidiary company only commenced operations in the current financial year.

		COMPANY
	2007 RM'000	2006 RM'000
Investment income (note 28(a))	10,992	56,168
Management fees (note 31(a))	6,957	2,868
	17,949	59,036

28 INVESTMENT INCOME

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
(a) SHAREHOLDERS' FUND				
Interest income from:				
Financial assets				
Corporate debt securities				
- at available-for-sale	6	-	-	-
Loans and receivables				
- mortgage loans	29	42	29	42
- other secured and unsecured loans	382	884	1	1
- other receivables	1	4	8,230	6,984
Fixed and call deposits	4,608	1,107	1,634	241
	5,026	2,037	9,894	7,268
Gross dividends from equity securities of corporations:				
- at fair value through profit or loss	1,425	1,642	1,098	-
- subsidiary companies	-	-	-	48,900
	1,425	1,642	1,098	48,900
Gross rental income	253	208	-	-
Less: Rates and maintenance for investment properties	(305)	(314)	-	-
	(52)	(106)	-	-
	6,399	3,573	10,992	56,168

	GROUP	
	2007 RM'000	2006 RM'000
(b) GENERAL FUND		
Interest income from:		
Financial assets:		
Malaysian Government Securities/Government Investment Issues		
- at available-for-sale	6,232	2,857
- at held to maturity	355	164
Cagamas papers		
- at available-for-sale	233	983
Corporate debt securities		
- at fair value through profit or loss	1,166	1,327
- at available-for-sale	3,415	4,371
- at held to maturity	994	858
Loans and receivables		
- mortgage loans	173	2,825
- other secured and unsecured loans	1,858	5,890
Fixed and call deposits	4,571	4,776
	18,997	24,051

28 INVESTMENT INCOME (continued)

	GROUP	
	2007 RM'000	2006 RM'000
(b) GENERAL FUND (continued)		
(Amortisation of premiums)/accretion of discounts from:		
Financial assets:		
Malaysian Government Securities/Government Investment Issues		
- at available-for-sale	(1,677)	(1,335)
- at held to maturity	(116)	167
Corporate debt securities		
- at fair value through profit or loss	43	(189)
- at available-for-sale	301	302
- at held to maturity	(53)	-
	(1,502)	(1,055)
Gross dividends from equity securities of corporations		
- at fair value through profit or loss	2,033	1,069
Gross rental income	2,025	1,861
Less: Rates and maintenance for investment properties	(1,805)	(2,006)
	220	(145)
Others	65	1
	19,813	23,921

(c) LIFE FUND		
Interest income from:		
Financial assets:		
Malaysian Government Securities/Government Investment Issues		
- at available-for-sale	34,541	17,464
- at held to maturity	5,649	2,581
Cagamas papers		
- at available-for-sale	766	3,589
Corporate debt securities		
- at fair value through profit or loss	4,588	6,994
- at available-for-sale	36,366	48,842
- at held to maturity	20,160	14,264
Loans and receivables		
- mortgage loans	8,199	60,126
- policy loans	22,054	21,059
- other secured and unsecured loans	3,771	33,616
Fixed and call deposits	25,667	24,833
	161,761	233,368

28 INVESTMENT INCOME (continued)

	GROUP 2007 RM'000	GROUP 2006 RM'000
(c) LIFE FUND (continued)		
(Amortisation of premiums)/accretion of discounts from:		
Financial assets:		
Malaysian Government Securities/Government Investment Issues		
- at available-for-sale	(2,301)	(3,807)
- at held to maturity	(1,488)	(49)
Cagamas papers		
- at available-for-sale	(1)	56
Corporate debt securities		
- at fair value through profit or loss	251	-
- at available-for-sale	758	1,099
- at held to maturity	10,679	10,177
	7,898	7,476
Gross dividends from equity securities of corporations		
- at fair value through profit or loss	34,398	28,985
Gross rental income	22,943	23,417
Less: Rates and maintenance for investment properties	(12,873)	(15,905)
	10,070	7,512
Others	405	-
	214,532	277,341
(d) LIFE FUND - INVESTMENT-LINKED FUND		
Interest income from:		
Financial assets:		
Malaysian Government Securities/Government Investment Issues	3,297	852
Cagamas papers	315	154
Corporate debt securities	4,805	5,496
Fixed and call deposits	7,122	3,067
	15,539	9,569
(Amortisation of premium)/accretion of discounts from:		
Financial assets:		
Malaysian Government Securities/Government Investment Issues	(377)	(75)
Cagamas papers	(8)	(6)
Corporate debt securities	245	318
	(140)	237
Gross dividends from equity securities of corporations:		
- at fair value through profit or loss	12,956	7,546
Others	(1,579)	1,509
	26,776	18,861

28 INVESTMENT INCOME (continued)

(e) FAMILY TAKAFUL FUND - INVESTMENT-LINKED FUND

	GROUP
	2007 RM'000
Interest income from:	
Fixed and call deposits	111
Gross dividends income from equity securities of corporations:	
- at fair value through profit or loss	26
	137

There was no interest income in 2006 as the takaful subsidiary company had not commenced its takaful operations in the previous financial year.

29 OPERATING REVENUE FROM NON-INSURANCE SUBSIDIARIES

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Revenue from non-insurance businesses:				
- management fee income	3,041	2,833	-	-
- unit trust fund management fee income	29,060	10,305	-	-
- unit trust fund initial service fee	14,933	12,310	-	-
- interest income from hire purchase, leasing and other credit activities	11,422	11,472	-	-
- billings for securities services	21,590	19,714	-	-
- others	6,124	2,958	-	-
	86,170	59,592	-	-

30 WAKALAH FEE FROM TAKAFUL BUSINESS

	General Takaful fund RM'000	Family Takaful fund RM'000	Total RM'000
2007			
Management expenses	135	744	879
Commission expenses	150	1,921	2,071
	285	2,665	2,950

There was no Wakalah fee in 2006 as the takaful subsidiary company had not commenced its takaful operations in the previous financial year.

31 OTHER OPERATING INCOME/(EXPENSES) – NET

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
(a) SHAREHOLDERS' FUND				
Loss on disposal of financial assets:				
Equity securities				
- at fair value through profit or loss	(1,719)	(1,025)	-	-
Net fair value gain/(loss) of financial assets at fair value through profit or loss:				
- equity securities	8,079	4,667	5,627	731
- corporate debt securities	(2)	-	-	-
- unit trusts	245	51	-	-
	8,322	4,718	5,627	731
Net fair value loss on investment properties	(58)	(3,045)	-	-
Impairment loss on associated company	-	-	(1,405)	(24,065)
Property, plant and equipment:				
- gain/(loss) on disposal	6	(56)	-	(56)
- write off	(7)	(7)	(1)	(6)
- impairment loss-net	(2,762)	-	-	-
Management fee income	-	-	6,957	2,868
Fair value loss on interest rate swap	(24,173)	-	(24,173)	-
Premium income on goodwill (i)	50,000	-	50,000	-
Commission paid and payable to unit trusts agents	(25,410)	(10,582)	-	-
(Allowance for)/write back of doubtful debts on loans	(35)	492	-	-
(Allowance for)/write back of doubtful debts on lease, hire purchase and other loan receivables - net	(54,601)	1,061	-	-
Bad debts recovered/(written off) - net	285	(10,737)	-	-
Loss on disposal of associated company	-	(793)	-	-
Others	1,985	1,368	64	5
Other operating (expenses)/income - net	(48,167)	(18,606)	37,069	(20,523)

(i) Premium income on goodwill represents the income received by the Group/Company in respect of the access of rights to the network of operations and the infrastructure of the insurance subsidiary company provided to the minority interest of the takaful subsidiary company.

31 OTHER OPERATING INCOME/(EXPENSES) – NET (continued)

	GROUP	
	2007 RM'000	**2006 RM'000**
(b) GENERAL FUND		
Gain/(loss) on disposal of:		
Financial assets:		
Equity securities		
- at fair value through profit or loss	18,479	(9,372)
Corporate debt securities		
- at available-for-sale	(10)	(239)
Unit trusts		
- at fair value through profit or loss	(14)	128
Investment properties	-	(686)
	18,455	(10,169)
Net fair value gain/(loss) of financial assets at fair value through profit or loss:		
- equity securities	9,246	17,310
- corporate debt securities	(1,074)	(3,872)
- unit trusts	13	203
- investment-linked units	505	643
	8,690	14,284
Net fair value gain/(loss) on investment properties	3,481	(252)
Property, plant and equipment		
- loss on disposal	-	(51)
- impairment loss	(4,731)	-
Allowance for doubtful debts on loans	(2,856)	(5,921)
Others	1,046	1,412
Other operating income/(expenses) - net	24,085	(697)
(c) LIFE FUND		
Gain/(loss) on disposal of:		
Financial assets:		
Equity securities		
- at fair value through profit or loss	99,439	(4,146)
Corporate debt securities		
- at fair value through profit or loss	2,172	558
- at available-for-sale	(1,993)	(2,335)
Unit trusts		
- at fair value through profit or loss	176	(4,248)
Investment properties	2,436	5
	102,230	(10,166)
Net fair value gain/(loss) of financial assets at fair value through profit or loss:		
- equity securities	70,568	81,766
- corporate debt securities	(4,798)	(407)
- unit trusts	381	8,735
- investment-linked units	(35)	126
	66,116	90,220

31 OTHER OPERATING INCOME/(EXPENSES) – NET (continued)

	GROUP	
	2007 RM'000	2006 RM'000
(c) LIFE FUND (continued)		
Allowance for diminution in value of investments:		
Unquoted corporate debt securities	(39,905)	(3,656)
Net fair value gain/(loss) on investment properties	1,934	(18,440)
Property, plant and equipment		
- (loss)/gain on disposal	(13)	10
- impairment loss	(11,066)	(17,011)
Allowance for doubtful debts on loans	(129,285)	(20,585)
Others	4,306	8,382
Other operating (expenses)/income - net	(5,683)	28,754
(d) LIFE FUND - INVESTMENT-LINKED FUND		
Gain/(loss) on disposal of:		
Financial assets:		
Equity securities		
- at fair value through profit or loss	77,114	737
Corporate debt securities		
- at fair value through profit or loss	138	251
Loan stocks	-	(7)
Malaysian Government Securities	14	-
Cagamas papers	82	-
Unit trusts	(26)	166
Structured deposit	11	-
	77,333	1,147
Increase in value of investments	8,383	42,435
Others	(9,269)	(4,737)
	(886)	37,698
Other operating income - net	76,447	38,845

(e) FAMILY TAKAFUL FUND - INVESTMENT-LINKED FUND

	GROUP
	2007 RM'000
Increase in value of investments	423
Others	(12)
Other operating income - net	411

There was no other operating income in 2006 as the takaful subsidiary company had not commenced its takaful operations in the previous financial year.

32 MANAGEMENT EXPENSES

	GROUP					
	Shareholders' fund		General fund		Life fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Staff costs (including executive directors):						
- salaries and bonus	42,482	37,606	31,031	36,837	30,916	32,526
- defined contribution retirement benefits	4,712	4,670	6,951	7,534	6,921	6,940
	47,194	42,276	37,982	44,371	37,837	39,466
Depreciation of property, plant and equipment	2,533	2,003	4,050	4,112	12,035	14,241
Amortisation of intangible assets	698	405	870	553	1,639	871
Amortisation of leases	-	-	-	-	63	62
Auditors' remuneration						
- statutory audit	220	144	82	72	170	106
- under provision in prior financial year	21	148	13	-	17	-
Auditors' remuneration payable/ paid to other audit firms	28	15	38	32	20	-
Fees paid to a company in which certain Directors have an interest	272	227	29	45	30	46
(Write back of)/allowance for doubtful debts	(1,543)	1,612	(1,224)	267	-	-
Bad debts written off	2,835	2,901	-	-	-	656
Office rental	353	233	2,665	3,011	6,962	5,615
Rental of office equipment	515	199	607	616	732	850
Training expenses	431	317	1,057	1,739	3,674	7,351
Repairs and maintenance	703	663	2,199	2,237	5,842	5,008
EDP expenses	531	537	2,328	2,885	2,307	1,287
Advertising, promotional and entertainment	5,507	2,704	6,550	9,225	5,583	8,633
Motor vehicle and travelling expenses	5,228	4,473	2,546	3,015	2,129	2,374
Printing and stationery	922	565	2,093	2,525	2,552	3,249
Postage, telephone, telex and fax	917	810	1,736	2,008	2,760	2,951
Management expenses	47	-	2,768	688	9,284	7,327
Commission expenses of takaful business	2,160	-	-	-	-	-
Professional fee	6,428	2,174	-	-	-	-
Foreign exchange loss / (gain)	2,024	(666)	(32)	-	(447)	-
Other expenses	14,939	5,385	2,267	5,353	4,608	1,277
	92,963	67,125	68,624	82,754	97,797	101,370

32 MANAGEMENT EXPENSES (continued)

Included in management expenses were emoluments receivable by Directors of the Group during the financial year:

	GROUP					
	Shareholders' fund		General fund		Life fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Executive directors:						
- salaries	4,060	3,630	435	396	435	420
- bonus	1,320	1,186	130	141	131	140
- defined contribution retirement benefits	845	707	59	81	59	84
- other emoluments	5	8	15	3	15	2
Non-executive directors:						
- salaries	90	-	12	-	18	-
- defined contribution retirement benefits	11	-	1	-	2	-
- fees	714	346	161	201	160	200
- other emoluments	187	92	53	24	52	24
	7,232	5,969	866	846	872	870

	COMPANY	
	2007 RM'000	2006 RM'000
Staff costs (including executive directors):		
- staff costs	7,579	6,756
- defined contribution retirement benefits	1,843	1,793
	9,422	8,549
Depreciation of property, plant and equipment	536	451
Amortisation intangible assets	36	-
Auditors' remuneration		
- statutory audit	32	25
- under provision in prior financial year	16	128
Fees paid to a company in which certain Directors have an interest	170	187
Office rental payable to a subsidiary company	497	474
Rental of office equipment	453	153
Advertising and entertainment expenses	1,170	975
Motor vehicle and travelling expenses	1,226	607
Professional fee	2,675	689
Other expenses	4,694	2,045
	20,927	14,283

Included in management expenses were emoluments receivable by Directors of the Company during the financial year:

	COMPANY	
	2007 RM'000	2006 RM'000
Executive directors:		
- salaries	2,508	2,049
- bonus	1,026	1,006
- defined contribution retirement benefits	508	445
Non-executive directors:		
- fees	429	278
- other emoluments	98	58
	4,569	3,836

32 MANAGEMENT EXPENSES (continued)

The estimated monetary value of benefits provided to Directors during the financial year by way of usage of the Group's and Company's assets amounted to RM273,300 (2006: RM251,200) and RM156,400 (2006: RM130,600) respectively.

The Directors of the Company in office during the financial year were as follows:

Tunku Tan Sri Abdullah Ibni Almarhum Tuanku Abdul Rahman	
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	
Major General (Rtd) Lai Chung Wah	
Dato' Iskandar Michael bin Abdullah	
General Dato' Sri Hj Suleiman bin Mahmud (Rtd)	
Tan Sri Ahmad bin Mohd Don	
Datuk Razman Md Hashim bin Che Din Md Hashim	
Muhamad Umar Swift	
Yeo Took Keat	
Dr Zaha Rina binti Zahari	(appointed on 01.11.2007)
Datuk Ramlan bin Abdul Rashid	(resigned on 24.08.2007)
Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah	(resigned on 12.02.2008)

33 FINANCE COSTS

	GROUP			
	Shareholders' fund		Life fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Interest on bonds	1,537	3,904	-	-
Interest on term loans	2,360	4,630	-	-
Interest on bank overdrafts	626	2,237	27	43
Interest on revolving credit facility	93	69	-	-
Hire purchase interest	82	52	-	-
Interest on medium term notes	8,797	-	-	-
Interest on interest rate swap – net	(1,399)	-	-	-
Bank guarantee commission	2,000	-	-	-
Others	102	480	-	-
	14,198	11,372	27	43

	COMPANY	
	2007 RM'000	2006 RM'000
Interest on bonds	1,537	3,904
Interest on term loan	2,250	2,250
Interest on bank overdraft	74	1,425
Interest on revolving credit facility	-	63
Hire purchase interest	42	31
Interest on advances paid to subsidiary companies	7	52
Interest on medium term notes	8,797	-
Interest on interest rate swap - net	(1,399)	-
Bank guarantee commission	2,000	-
Others	-	480
	13,308	8,205

The interest rates charged during the financial year for bonds, medium term notes, term loans and bank overdrafts are disclosed in notes 17, 18, 19 and 20 to the financial statements respectively.

34 TAXATION

	GROUP					
	General and Shareholders' funds		Life fund		Life fund-Investment-linked fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current tax	3,851	4,679	27,038	14,150	7,761	(87)
Deferred tax (note 12)	(15,121)	93	(9,695)	3,502	726	3,427
Tax (income)/expense	(11,270)	4,772	17,343	17,652	8,487	3,340
Current tax						
Current financial year	5,819	5,254	27,038	15,663	8,113	1,379
Over accrual in prior financial years	(1,968)	(575)	-	(1,513)	(352)	(1,466)
	3,851	4,679	27,038	14,150	7,761	(87)
Deferred tax						
Origination and reversal of temporary differences	(15,442)	1,378	(9,695)	3,502	726	3,427
(Over)/under accrual in prior financial years	(510)	391	-	-	-	-
Benefits from previously unrecognised tax loss	824	(1,688)	-	-	-	-
Effect of changes in tax rates on opening balance of deferred tax	7	12	-	-	-	-
	(15,121)	93	(9,695)	3,502	726	3,427
	(11,270)	4,772	17,343	17,652	8,487	3,340

	General Takaful fund RM'000	Family Takaful fund RM'000	Family Takaful fund-Investment-linked fund RM'000
2007			
Current tax	-	-	8
Deferred tax	-	-	37
	-	-	45

The taxation of the Family Takaful fund, General Takaful fund and Family Takaful fund - Investment-linked fund is based on the method prescribed under the Income Tax Act, 1967.

34 TAXATION (continued)

	COMPANY	
	2007 RM'000	2006 RM'000
Current tax	-	3,847
Deferred tax (note 12)	(6,155)	(6,157)
Tax income	(6,155)	(2,310)
Current tax		
Current financial year	-	3,847
Deferred tax		
Origination and reversal of temporary differences	(6,155)	(6,157)
	(6,155)	(2,310)

Numerical reconciliation between the average effective tax rate and the statutory tax rate:

	GROUP	
	2007 %	2006 %
Malaysian tax rate	27	28
Tax effects of:		
- expenses not deductible for tax purposes	(5)	85
- income not taxable for tax purposes	16	-
- different taxation rates of subsidiary companies	-	(15)
- tax losses not recognised	(11)	80
- deductible temporary differences not recognised	(16)	(7)
- recognition of previously unrecognised temporary differences	-	(12)
- over accrual in prior financial year	3	(6)
Average effective tax rate	14	153

Numerical reconciliation between the average effective tax rate and the statutory tax rate:

	COMPANY	
	2007 %	2006 %
Malaysian tax rate	27	28
Tax effects of expenses not deductible for tax purposes	21	(26)
Tax effects of income not taxable for tax purposes	(98)	(20)
Tax effects of a change in tax rate	5	-
Average effective tax rate	(45)	(18)

The taxation charge in the income statement of the Group relates to income attributable to the Company and the general and shareholders' funds.

The taxation charge on the Group's life fund is based on the method prescribed under the Income Tax Act, 1967 for life business, where the income tax in the life fund is calculated at 8% on investment income.

35 DIVIDENDS

	GROUP/COMPANY			
	2007		2006	
	Gross dividend per share Sen	Amount of dividend, tax exempt RM'000	Gross dividend per share Sen	Amount of dividend, tax exempt RM'000
Proposed final dividend	-	-	2.0	6,087
Dividends paid:				
Proposed final dividend of prior financial year	2.0	6,087	10.0	15,218

The Board of Directors does not recommend any payment of dividend (2006: 2 sen per share) in respect of the financial year ended 31 December 2007.

36 LOSS PER SHARE - GROUP

The basic loss per ordinary share has been calculated by dividing the Group's net loss for the financial year of RM73,767,000 (2006: net loss of RM2,176,000) by the weighted average number of ordinary shares of the Company in issue during the financial year of 304,354,000 shares (2006: 304,354,000 shares).

The effects on the basic earnings per ordinary share for the financial year ended 31 December 2007 arising from the assumed conversion of redeemable convertible secured loan stocks, redeemable convertible unsecured loan stocks, irredeemable cumulative convertible preference shares, irredeemable convertible unsecured loan stocks and warrants of the associated company of the Group is anti-dilutive. Accordingly, the diluted earnings per ordinary share for the financial year ended 31 December 2007 has not been presented.

37 NET CLAIMS INCURRED

(a) GENERAL FUND

	Fire RM'000	Motor vehicles RM'000	Motor cycles RM'000	Marine, Aviation & Transit RM'000	Misce-llaneous RM'000	Total RM'000
GROUP						
2007						
Gross claims paid less salvage	49,497	164,911	36,810	37,594	40,456	329,268
Reinsurance recoveries	(32,372)	(28,187)	(6,314)	(35,049)	(12,346)	(114,268)
Net claims paid	17,125	136,724	30,496	2,545	28,110	215,000
Net outstanding claims:						
At end of financial year	18,180	195,756	51,763	5,328	47,296	318,323
Currency translation differences	61	651	2	18	645	1,377
At beginning of financial year	(21,690)	(188,362)	(50,010)	(3,909)	(41,056)	(305,027)
Net claims incurred	13,676	144,769	32,251	3,982	34,995	229,673
2006						
Gross claims paid less salvage	42,688	170,132	32,143	9,003	37,832	291,798
Reinsurance recoveries	(28,161)	(29,703)	(5,866)	(6,140)	(9,101)	(78,971)
Net claims paid	14,527	140,429	26,277	2,863	28,731	212,827
Net outstanding claims:						
At end of financial year	21,690	188,362	50,010	3,909	41,056	305,027
Currency translation differences	55	1,806	-	49	(215)	1,695
At beginning of financial year	(17,837)	(179,953)	(42,453)	(5,751)	(41,339)	(287,333)
Net claims incurred	18,435	150,644	33,834	1,070	28,233	232,216

(b) GENERAL TAKAFUL FUND

	Fire RM'000	Motor vehicles RM'000	Marine, Aviation & Transit RM'000	Misce-llaneous RM'000	Total RM'000
GROUP					
2007					
Gross claims paid less salvages	5	-	-	-	5
Retakaful recoveries	(5)	-	-	-	(5)
Net claims paid	-	-	-	-	-
Net outstanding claims:					
At end of financial year	12	10	-	17	39
At beginning of financial year	-	-	-	-	-
Net claims incurred	12	10	-	17	39

There was no net claim incurred in 2006 as the takaful subsidiary company had not commenced its takaful operations in the previous financial year.

38 INVESTMENT-LINKED FUND

(a) LIFE FUND

	GROUP 2007 RM'000	GROUP 2006 RM'000
BALANCE SHEET		
ASSETS		
Financial assets		
Investments		
- at fair value through profit or loss (note 7(b))	534,790	440,027
Loans and receivables (note 8(b))	30,174	11,638
Tax recoverable	146	3,330
Deferred tax assets (note 12)	156	31
Fixed and call deposits (note 41(b))	151,794	78,054
Cash and bank balances (note 40)	10,945	8,915
	728,005	541,995
LIABILITIES		
Trade and other payables (note 15(b))	25,698	19,438
Current tax liabilities	2,727	625
Deferred tax liabilities (note 12)	4,318	3,467
	32,743	23,530
NET ASSET VALUE OF FUNDS	695,262	518,465
REPRESENTED BY:		
UNITHOLDERS' ACCOUNT		
At beginning of financial year	518,465	322,816
Net creation of units	84,521	144,304
Net surplus for the financial year after taxation	94,736	54,366
Foreign exchange reserve	(1,678)	(1,218)
	696,044	520,268
Distribution during the financial year	(782)	(1,803)
At end of financial year	695,262	518,465
INCOME STATEMENT		
Investment income (note 28(e))	26,776	18,861
Other operating income - net (note 31(d))	76,447	38,845
Surplus before taxation	103,223	57,706
Taxation (note 34)	(8,487)	(3,340)
Net surplus for the financial year after taxation	94,736	54,366

38 INVESTMENT-LINKED FUND (continued)

(b) FAMILY TAKAFUL FUND

	GROUP 2007 RM'000
BALANCE SHEET	
ASSETS	
Financial assets	
Investments	
- at fair value through profit or loss (note 7(c))	16,327
Loan and receivables (note 8(e))	8,579
Fixed and call deposits (note 41(c))	15,446
Cash and bank balances (note 40)	49
	40,401
LIABILITIES	
Trade and other payables (note 15(e))	1,875
Current tax liabilities (note 34)	8
Deferred tax liabilities (note 34)	37
	1,920
NET ASSET VALUE OF FUNDS	38,481
REPRESENTED BY:	
UNITHOLDERS' ACCOUNT	
Net creation of units	37,978
Net surplus for the financial year after taxation	503
At end of financial year	38,481
INCOME STATEMENT	
Investment income (note 28(e))	137
Other operating income (note 31(e))	411
Surplus before taxation	548
Taxation (note 34)	(45)
Net surplus for the financial year after taxation	503

39 PROVISION FOR LIFE AGENTS' RETIREMENT BENEFITS

	GROUP	
	Life fund	
	2007 RM'000	2006 RM'000
At beginning of financial year	3,910	5,001
Provision for the financial year	157	393
Utilised during the financial year	(820)	(1,484)
At end of financial year	3,247	3,910
Payable within 12 months	954	957
Payable after 12 months	2,293	2,953
	3,247	3,910

The amount recognised in the balance sheet is analysed as follows:

	2007 RM'000	2006 RM'000
Present value of funded obligations	20,291	18,216
Fair value of plan assets	(20,291)	(18,216)
Status of funded plan	-	-
Present value of unfunded obligations	3,247	3,910
Liability in the balance sheet	3,247	3,910

The expense recognised in the life insurance revenue account under commission and agency expenses may be analysed as follows:

	GROUP	
	Life fund	
	2007 RM'000	2006 RM'000
Current service cost	(5)	218
Interest cost	162	175
	157	393

The actual return on plan asset was RM336,000 (2006: RM791,000).

Present value of funded obligations is always equal to the fair value of plan assets of funded retirement benefit scheme as actual payment to agents is based on actual fair value of plan assets at the time of retirement. The insurance subsidiary company assumes that all agents who have served the company for more than 10 years will continue to serve the company until their age of retirement and eligible for the retirement benefit.

40 CASH AND CASH EQUIVALENTS

	GROUP 2007 RM'000	GROUP 2006 RM'000	COMPANY 2007 RM'000	COMPANY 2006 RM'000
Cash and bank balances:				
- General and shareholders' funds	24,296	27,165	119	972
- Life fund	17,622	50,203	-	-
- Life fund-Investment-linked fund (note 38(a))	10,945	8,915	-	-
- General takaful fund	682	-	-	-
- Family takaful fund	13,249	-	-	-
- Family takaful fund-Investment–linked fund (note 38(b))	49	-	-	-
	66,843	86,283	119	972
Bank overdrafts:				
- General and shareholders' funds	(11,159)	(26,002)	(1,992)	(17,382)
	55,684	60,281	(1,873)	(16,410)

The cash and cash equivalents of the life fund and family takaful fund are applicable only to meet such part of the liabilities and expenses of the life fund and family takaful fund as are properly so attributable.

41 FIXED AND CALL DEPOSITS

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP 2007 RM'000	GROUP 2006 RM'000	COMPANY 2007 RM'000	COMPANY 2006 RM'000
Fixed and call deposits with:				
Licensed banks	237,532	110,317	17,000	1,230
Other corporations	24,532	4,913	-	-
	262,064	115,230	17,000	1,230

(b) LIFE FUND AND INVESTMENT-LINKED FUND

	GROUP			
	Life Fund		Investment-linked fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Fixed and call deposits with:				
Licensed banks	620,820	444,912	151,794	40,902
Other corporations	179,891	106,126	-	37,152
	800,711	551,038	151,794	78,054

(c) FAMILY TAKAFUL FUND – INVESTMENT LINKED FUND

	GROUP 2007 RM'000
Fixed and call deposits with:	
Licensed financial corporations (note 38(b))	15,446

42 CASH FLOW SEGMENT INFORMATION

GROUP

	General fund RM'000	Shareholders' fund RM'000	Life fund RM'000	Life fund-Investment linked-fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Family Takaful fund-Investment linked-fund RM'000	Total RM'000
2007								
Cash flows from:								
Operating activities	1,145	(99,862)	(29,313)	2,030	682	13,249	49	(112,020)
Investing activities	(1,327)	(11,960)	(3,268)	-	-	-	-	(16,555)
Financing activities	-	123,978	-	-	-	-	-	123,978
	(182)	12,156	(32,581)	2,030	682	13,249	49	(4,597)
Net increase/(decrease) in cash and cash equivalents	(182)	12,156	(32,581)	2,030	682	13,249	49	(4,597)
Cash and cash equivalents:								
At beginning of financial year	10,917	(9,754)	50,203	8,915	-	-	-	60,281
At end of financial year	10,735	2,402	17,622	10,945	682	13,249	49	55,684
2006								
Cash flows from:								
Operating activities	(5,795)	85,855	29,589	3,112	-	-	-	112,761
Investing activities	(1,512)	(49,589)	(7,148)	-	-	-	-	(58,249)
Financing activities	-	(42,438)	-	-	-	-	-	(42,438)
	(7,307)	(6,172)	22,441	3,112	-	-	-	12,074
Net increase/(decrease) in cash and cash equivalents	(7,307)	(6,172)	22,441	3,112	-	-	-	12,074
Cash and cash equivalents:								
At beginning of financial year	18,224	(3,582)	27,762	5,803	-	-	-	48,207
At end of financial year	10,917	(9,754)	50,203	8,915	-	-	-	60,281

43 CAPITAL AND OTHER COMMITMENTS

Capital expenditure not provided for in the financial statements are as follows:

	GROUP			
	General and Shareholders' funds			Life fund
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Authorised and contracted for:				
- property, plant and equipment	3,690	3,538	-	-
- acquisition of investment properties	563	591	33,178	57,734
- intangible assets	2,360	-	-	-
	6,613	4,129	33,178	57,734
Authorised but not contracted for:				
- acquisition of investment properties	-	-	-	4,171

	COMPANY	
	2007 RM'000	2006 RM'000
Authorised and contracted for:		
- subscription of shares in a Takaful Insurance subsidiary	-	75,000

44 CONTINGENT LIABILITIES

During the financial year ended 31 December 2005 ("FY 2005"), Meridian Asset Management Sdn Bhd ("MAM") a subsidiary company had commenced legal proceeding against one of its custodian of its fund under management to recover, inter alia, the loss of investment moneys of its clients, Malaysian Assurance Alliance Berhad ("MAA") and Kumpulan Wang Amanah Pencen ("KWAP") of RM19.6 million and RM7.3 million respectively placed with the custodian ("Custodian"). The Custodian had filed an Application under Order 14A of the Rules of High Court ("Order 14A Application") to dismiss the case but the Order 14A Application was dismissed by the Court. The Custodian is appealing against the decision. The court has fixed 26 June 2008 for Pre Trial Case Management and hearing of the Custodian's application for stay of proceedings pending the appeal on the decision of the Order 14A Application.

MAM has also during FY 2005 commenced legal proceedings against its former employee and other related parties to the former employee to recover, inter alia, the loss of investment moneys of its clients, MAA and KWAP together with interest and general damages. The case has been fixed for Pre Trial Case Management on 28 May 2008.

MAA has during the financial year ended 31 December 2006 commenced legal proceeding against the Custodian for negligence to recover, inter alia, its loss of investment moneys amounting to RM19.6 million. The Custodian has served a Third Party Notice to bring MAM as a third party to the legal proceedings. The case has been fixed for Pre Trial Case Management on 26 June 2008.

In November 2007, KWAP had commenced a legal proceeding against MAM to recover, inter alia, its loss of investment moneys amounting to RM7.3 million together with interest. KWAP had since filed an Application under Order 14 of the Rules of the High Court ("Order 14 Application"). The Order 14 Application has been fixed for mention on 5 May 2008 pending MAM's filing of Affidavit in Reply.

The directors of MAA Holdings Berhad, supported by legal advice to MAM, are of the opinion that MAM has a good chance in both their cases against the Custodian and the former employee and other parties related to the former employee. Its solicitors are also of the opinion that MAM has a good defence to the case taken by KWAP against MAM and even if MAM is found to be liable for the loss, it would be able to recover the same from the Custodian and/or its former employee and other parties related to the former employee. However, for prudence purposes, MAA has made full allowance of RM19.6 million relating to its investments in the financial year ended 31 December 2005. This allowance remains in the current financial year.

45 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

	GROUP			
	General and Shareholders' funds		Life fund	
	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000
2007				
Not later than 1 year	1,463	875	5,247	2,228
Later than 1 year and not later than 5 years	-	-	-	-
	1,463	875	5,247	2,228
2006				
Not later than 1 year	1,553	875	5,247	2,228
Later than 1 year and not later than 5 years	1,463	875	5,247	2,228
	3,016	1,750	10,494	4,456

46 SIGNIFICANT RELATED PARTY DISCLOSURES

Related parties and relationships

The subsidiary and associated companies of the Company are disclosed in notes 10 and 11 to the financial statements respectively.

The other related parties of, and their relationships with the Group and the Company are as follows:

Related party	Relationship
Melewar Equities Sdn Bhd	Substantial shareholder of the Company
Melewar Khyra Sdn Bhd	Substantial shareholder of the Company
Trace Management Services Sdn Bhd	Company controlled by certain Directors of the Company
Melewar Group Berhad	Company controlled by certain Directors of the Company
Melewar Industrial Group Berhad ("MIG")	Company controlled by certain Directors of the Company
Mitra Malaysia Sdn Bhd	Company controlled by a Director of the Company
Masterconsult Sdn Bhd	Company controlled by a Director of the Company
Melewar Apex Sdn Bhd	Company controlled by person connected to certain Directors of the Company
Mycron Steel Berhad	A subsidiary company of MIG
Melewar Integrated Engineering Sdn Bhd	A subsidiary company of MIG
Mperial Power Ltd	A subsidiary company of MIG
Melewar Steel Engineering Sdn Bhd	A subsidiary company of MIG
Mithril Berhad ("Mithril")	An associated company of the Group
Mithril Saferay Sdn Bhd	A subsidiary company of Mithril
Mithril Marketing Sdn Bhd	A subsidiary company of Mithril
Mithril Clay Manufacturing Berhad (formerly known as Tajo Berhad)	A subsidiary company of Mithril
Maybach Logistics Sdn Bhd	An associated company of the Company
MAA Bancwell Trustee Berhad	An associated company of the Group
MAA Key Executive Retirement Scheme ("MAAKER")	Retirement fund for the benefits of employees of the Group

During the financial year, the Group and the Company undertook various transactions with its subsidiary companies, associated companies and other companies deemed related parties as disclosed above.

46 SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

Significant related party transactions

The significant related party transactions during the financial year are as follows:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Transactions with subsidiary companies:				
Interest income from advances to subsidiary companies	-	-	8,230	6,984
Gross dividend income from subsidiary companies	-	-	-	48,900
Management fee income from subsidiary companies	-	-	6,957	2,868
* Rental expense payable to a subsidiary company	-	-	(497)	(474)
* Rental income receivable from related parties:				
Trace Management Services Sdn Bhd	110	94	-	-
Melewar Group Berhad	72	66	-	-
Melewar Equities Sdn Bhd	-	35	-	-
Melewar Integrated Engineering Sdn Bhd	261	261	-	-
Mithril Berhad	158	158	-	-
Melewar Industrial Group Berhad	230	195	-	-
Mperial Power Ltd	83	-	-	-
Masterconsult Sdn Bhd	-	53	-	-
Melewar Apex Sdn Bhd	63	45	-	-
* Other transactions with related parties:				
Purchase of air tickets and travel packages from Mitra Malaysia Sdn Bhd	(2,977)	(3,374)	(93)	(169)
Company secretarial and related fees payable to Trace Management Services Sdn Bhd	(331)	(242)	(170)	(187)
Rental expenses payable to Mithril Berhad	(6,800)	(6,800)	-	-
Consultancy advisory fee receivable from Melewar Steel Engineering Sdn Bhd	190	-	-	-
* Interest income receivable from related parties:				
Mithril Saferay Sdn Bhd	7	10	-	-
Mithril Marketing Sdn Bhd	236	1,200	-	-
Mithril Berhad	176	4	-	-
Melewar Steel Enginerring Sdn Bhd	2,539	-	-	-
Transactions with associated companies:				
* Trustee fee payable by MAAKER to MAA Bancwell Trustee Berhad	(192)	(178)	-	-
Management fee income receivable from MAA Bancwell Trustee Berhad	-	-	2,849	350
Transportation charges payable to Maybach Logistics Sdn Bhd	-	-	(379)	(85)
Retirement benefit fund contributed to MAAKER	1,341	1,416	737	779
* Security services fee receivable from related parties:				
Mycron Steel Berhad	135	124	-	-
Melewar Industrial Group Berhad	144	135	-	-
Mithril Saferay Sdn Bhd	79	57		

* Related party transactions on terms and conditions equivalent to those in arm's length transactions with unrelated parties.

46 SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

Related party receivables/payables

The balances with related companies at the financial year end are disclosed in note 8 and 15 to the financial statements. Other significant balances with other related parties at the financial year end are as below:

Investments in related parties, namely Melewar Industrial Group Berhad and Mycron Steel Berhad's quoted equity securities and Mithril Berhad's quoted corporate debt securities (included in note 7 to the financial statements):

	General and Shareholders' funds			Life fund
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
At carrying value:				
- Quoted equity securities	938	2,466	29,026	17,392
- Quoted corporate debts securities	7,982	9,281	22,407	25,945
At end of financial year	8,920	11,747	51,433	43,337

In addition, executive directors and key management personnel received remuneration for services rendered during the financial year. The total compensation paid to the Group and the Company's executive directors and key management personnel as well as fees paid to directors were as follows:

		GROUP		COMPANY
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Salaries and other short-term employee benefits	12,478	10,375	4,218	3,521
Defined contribution retirement benefits	1,493	1,314	508	445
	13,971	11,689	4,726	3,966

The financial year end balances with key management personnel were as follows:

		GROUP		COMPANY
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Amount receivable from mortgage loans	1,515	2,093	316	355
Amount payable to a director	100	145	-	-

The amount receivable from mortgage loans are secured against the properties pledged, with fixed repayment terms and bearing interest at the rates ranging from 5% to 8.5% per annum (2006: 5% to 8.5% per annum).

The amount payable to a director is unsecured, interest free and with no fixed terms of repayment.

47 SEGMENTAL INFORMATION

(a) Business segments

The Group operates in three main business segments:

- Life insurance - underwriting life insurance business, including investment-linked business
- General insurance - underwriting all classes of general insurance business
- Unit trust fund management - management of unit trust funds

Other operations of the Group mainly comprise investment holding, Takaful businesses, hire purchase, leasing and other credit activities, unit trust, property management and investment advising, security and consultancy services, none of which are of a significant size to be reported separately.

Intersegment sales comprise property management, fund management, security and consultancy services provided to the insurance business segments on an arms-length basis.

	Life insurance				Shareholders'		
	Investment -linked fund RM'000	Non-investment -linked fund RM'000	General insurance fund RM'000	Unit trust fund management RM'000	fund and other operations RM'000	Eliminations RM'000	Group RM'000
2007							
Operating revenue							
External revenue	324,538	1,377,081	479,467	44,430	77,827	-	2,303,343
Inter-segment sales	-	3,074	411	-	20,084	(23,569)	-
Total operating revenue	324,538	1,380,155	479,878	44,430	97,911	(23,569)	2,303,343
Results							
Segment results	94,736	(152,862)	21,129	5,325	(34,846)	(2,456)	(68,974)
Transfer from life reserve	-	8,522	-	-	-	-	8,522
(Loss)/profit from operations	94,736	(144,340)	21,129	5,325	(34,846)	(2,456)	(60,452)
Finance costs							(14,198)
Share of loss of associated companies							(9,887)
Taxation							11,270
Loss for the financial year							(73,267)
Other information							
Segment assets	728,005	5,754,158	707,058	35,604	500,928	6,723	7,732,476
Investments in associated companies							53,619
Total assets							7,786,095
Segment liabilities/total liabilities	32,743	6,466,908	603,304	12,072	355,148	-	7,470,175
Capital expenditure	-	3,427	1,327	180	2,319	-	7,253
Depreciation of property, plant and equipment	-	12,035	4,050	315	2,218	-	18,618

47 SEGMENTAL INFORMATION (continued)

(a) Business segments (continued)

	Life insurance				Shareholders'		
	Investment -linked fund RM'000	Non-investment -linked fund RM'000	General insurance fund RM'000	Unit trust fund management RM'000	fund and other operations RM'000	Eliminations RM'000	Group RM'000
2006							
Operating revenue							
External revenue	237,658	1,506,506	476,557	22,865	40,299	-	2,283,885
Inter-segment sales	-	2,967	125	-	18,670	(21,762)	-
Total operating revenue	237,658	1,509,473	476,682	22,865	58,969	(21,762)	2,283,885
Results							
Segment results	54,366	8,180	(1,520)	2,792	(11,855)	2,896	54,859
Transfer to life reserve	-	(37,524)	-	-	-	-	(37,524)
Profit/(loss) from operations	54,366	(29,344)	(1,520)	2,792	(11,855)	2,896	17,335
Finance costs							(11,372)
Share of loss of associated companies							(2,853)
Taxation							(4,772)
Loss for the financial year							(1,662)
Other information							
Segment assets	541,995	5,471,880	724,986	27,656	340,855	6,515	7,113,887
Investments in associated companies							53,339
Total assets							7,167,226
Segment liabilities/total liabilities	23,530	6,013,590	595,411	7,088	156,898	-	6,796,517
Capital expenditure	-	7,288	1,733	534	6,372	-	15,927
Depreciation of property, plant and equipment	-	14,241	4,112	277	1,726	-	20,356

47 SEGMENTAL INFORMATION (continued)

(b) Geographical segments

The Group operates mainly in Malaysia, Indonesia, Philippines and Australia. In determining the geographical segments of the Group, revenue is based on the geographical location of customers. Total assets and capital expenditure are based on the geographical location of assets.

	Operating revenue		Total assets		Capital expenditure	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Malaysia	2,174,432	2,203,860	7,634,745	7,095,221	7,037	15,626
Indonesia	128,611	79,569	94,864	63,189	216	285
Others	300	456	56,486	8,816	-	16
	2,303,343	2,283,885	7,786,095	7,167,226	7,253	15,927

48 MANAGEMENT OF FINANCIAL RISK

Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including underwriting risk, credit risk, settlement risk, market risk, equity price risk, liquidity risk, foreign currency exchange risk and operational risk.

The Group carried out its financial risk management through internal control systems, standard operating procedures, investment strategies and adherence to all rules and regulations as stipulated by the Guidelines for Investments issued by Bank Negara Malaysia, Labuan Offshore Financial Services Authority and the Ministry of Finance, Indonesia, for its local and overseas insurance subsidiary companies.

The Board regularly reviews these risks and approves policies for managing each of these risks.

Underwriting risk

For the Group's insurance subsidiary companies, underwriting risk represents the inherent risk in insurance of incurring higher claims costs than expected. This is due to the random nature of claims, changes in legal or economic conditions or behavioural patterns affecting the frequency and severity of claims.

The Group seeks to manage underwriting risks through the following means:

- Maintaining a measure of conservatism with respect to the adequacy of insurance premium rate levels and provisions with respect to insurance liabilities;
- Writing a balanced mix and spread of business, geographically and between classes of business;
- Observing underwriting guidelines, which cover exclusions, loadings and cover limits;
- Transferring risk through a program of reinsurance that seeks to limit the exposure to any one risk or life as well as protect the overall retained portfolio from a general deterioration in claims as well as catastrophic events.

Credit risk

Credit risk is the risk of loss from the default by a debtor or counter party. Credit risks arise in the Group's lending and investment activities.

In lending and investment activities, the Group undertakes credit analysis whereby the credit standing of borrowers, structure of loans and the general risk entered into are assessed and evaluated.

Minimum credit quality applies to investments carried out by the Group in private debt securities with a minimum rating of BBB-/BBB3 (at date of investment) accorded by reputable rating agencies. The Group however intends to maintain a minimum A/A2 portfolio average under current returns objectives. The Group does not solely depend on the ratings provided but as in all credit applications, reviews the credit based on publicly available information together with in-house analysis based on information provided by the borrowers/issuers, peer group comparisons, industry comparisons and other quantitative tools.

Debtor recoverability and risk concentration monitoring, including on-going monitoring of the financial standing of these debtors or counter parties, are part of credit risk management of the Group to ensure that the Group is exposed to minimal credit risk. For the Group's insurance subsidiary companies, allowance for doubtful debts is made on those loans (or part of remaining amounts) where the level of required security has been impaired.

48 MANAGEMENT OF FINANCIAL RISK (continued)

Credit risk (continued)

The Group's credit risk exposure in the insurance subsidiary companies is analysed as follows:

	2007			2006		
	Quoted corporate debt securities RM'000	Unquoted corporate debt securities RM'000	Loans RM'000	Quoted corporate debt securities RM'000	Unquoted corporate debt securities RM'000	Loans RM'000
Carrying amount						
Analysed by rating						
Government Guaranteed	-	60,883	-	-	59,765	-
AAA	-	180,523	-	-	155,120	-
AA	-	475,450	-	-	401,955	-
A	-	451,614	-	-	564,740	-
BBB	29,938	54,728	-	35,226	178,562	-
BB or lower	-	37,395*	-	-	31,750*	-
D	-	182*	-	-	250*	-
Non-investment grade	8,101	14,954	903,293	691	9,642	1,114,543
	38,039	1,275,729	903,293	35,917	1,401,784	1,114,543

* Full allowance for diminution in value of investments held in certain D rated corporate debt securities were made during the financial year. Allowance for diminution in value of investments in two BB or lower and D rated corporate debt securities were made to the extent of the net realisable values of the securities pledged against the carrying amouts of that corporate debt securities.

The above rating categories are based on the gradings of reputable rating agencies.

	2007			2006		
	Quoted corporate debt securities RM'000	Unquoted corporate debt securities RM'000	Loans RM'000	Quoted corporate debt securities RM'000	Unquoted corporate debt securities RM'000	Loans RM'000
Carrying amount						
Analysed by industry						
Agriculture, forestry, fisheries	-	85,253	32,119	-	138,644	39,942
Construction	-	107,864	-	-	126,589	-
Finance	-	236,367	21,762	-	191,575	171,065
Industrial/Manufacturing	38,039	142,859	-	35,917	147,613	-
Infrastructure	-	299,032	-	-	327,961	-
Power	-	227,305	-	-	215,048	-
Property	-	52,986	373,999	-	114,357	512,474
Trading/Services	-	50,193	53,758	-	139,997	57,409
Technology	-	73,870	-	-	-	-
Others	-	-	421,655	-	-	333,653
	38,039	1,275,729	903,293	35,917	1,401,784	1,114,543

The Group's insurance subsidiary company encountered occurrence of rating default events for four unquoted corporate debt securities. The renegotiated terms of one of the securities has been approved by the Securities Commission but the proposed restructuring program of the issuer is pending the approval of the Securities Commission. As for the other three securities, the bondholders are pursuing recovery actions through negotiations and taking legal actions against the issuers.

48 MANAGEMENT OF FINANCIAL RISK (continued)

Settlement risk

Settlement risk arises when there is an exchange of value for the same or different value dates and is not verified or expected until the Group has paid or delivered its obligation to the trade. All transactions currently entered into are mainly with approved counter parties for settlement methods i.e. RENTAS System Intraday Credit Facility that minimises the risks.

Market risk

Market risk is the risk of loss due to adverse changes or volatility of prices in financial markets on the Group's investments.

Interest rate risk is the market risk due to movements in interest rates and may affect valuation and reinvestment issues to the Group. The Investment Committee actively monitors such developments as well as discusses changes in maturity profiles of assets and liabilities to minimise overall mismatch.

Interest rate exposure also arises from the Group's borrowings. The Group finances its operations through a mixture of retained profits and borrowings. Borrowings are managed through the use of fixed and floating rate debts.

The following table provides information about financial assets and financial liabilities, showing the weighted average effective interest rate and the contractual maturing date for each class of interest-bearing financial instrument in the balance sheet.

								GROUP
		Interest-bearing/contractual maturity date						
	Non-interest bearing RM'000	Up to 1 year RM'000	1 to 2 years RM'000	2 to 3 years RM'000	3 to 5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2007								
Financial assets								
Financial assets at fair value through profit or loss:								
Malaysian Government Securities/ Government Investment Issues	-	-	55,568	2,012	-	-	57,580	3.60
Cagamas papers	-	-	-	4,959	-	-	4,959	3.72
Equity securities								
- quoted	1,338,097	-	-	-	-	-	1,338,097	
- unquoted	5,161	-	-	-	-	-	5,161	
Corporate debt securities								
- quoted	-	177	10,542	2,856	22,697	1,767	38,039	7.04
- unquoted	-	27,044	31,619	36,663	11,811	29,170	136,307	5.48
Unit trusts and investment-linked units								
- quoted	53,315	-	-	-	-	-	53,315	
- unquoted	21,661	-	-	-	-	-	21,661	
	1,418,234	27,221	97,729	46,490	34,508	30,937	1,655,119	

48 MANAGEMENT OF FINANCIAL RISK (continued)

Market risk (continued)

								GROUP
		Interest-bearing/contractual maturity date						
	Non-interest bearing RM'000	Up to 1 year RM'000	1 to 2 years RM'000	2 to 3 years RM'000	3 to 5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2007 (continued)								
Financial assets (continued)								
Financial assets at available-for-sale:								
Malaysian Government Securities/ Government Investment Issues	-	21,053	592,498	376,816	30,048	-	1,020,415	3.60
Cagamas papers	-	-	-	19,836	14,700	-	34,536	3.72
Equity securities								
- unquoted	24,661	-	-	-	-	-	24,661	
Corporate debt securities								
- unquoted	-	193,119	171,003	67,727	111,272	151,264	694,887	5.48
Unit trusts and investment-linked units								
- unquoted	15,220	-	-	-	-	-	15,220	
	39,881	214,674	763,501	464,379	156,020	151,264	1,789,719	
Financial assets at held to maturity:								
Malaysian Government Securities/ Government Investment Issues	-	-	40,795	-	19,996	-	60,791	3.60
Corporate debt securities								
- unquoted	-	32,173	5,015	-	45,143	362,204	444,535	5.48
	-	32,173	45,810	-	65,139	362,204	505,326	
Loans:								
Policy loans	-	298,220	-	-	-	-	298,220	7.57
Mortgage loans	-	357,803	16,908	739	1,753	13,744	390,947	10.38
Other secured loans	-	212,895	155	135	342	412	213,939	11.14
Unsecured loans	-	92	95	-	-	-	187	4.54
	-	869,010	17,158	874	2,095	14,156	903,293	
Other receivables:								
Investment income due and accrued	45,304	-	-	-	-	-	45,304	
Lease, hire-purchase and other loan receivables	-	100,384	5,641	603	2,869	2,622	112,119	6.30
Others	210,370	-	-	-	-	-	210,370	
	255,674	100,384	5,641	603	2,869	2,622	367,793	
Fixed and call deposits	-	1,131,238	-	-	98,777	-	1,230,015	3.30

48 MANAGEMENT OF FINANCIAL RISK (continued)

Market risk (continued)

								GROUP
		Interest-bearing/contractual maturity date						
	Non-interest bearing RM'000	Up to 1 year RM'000	1 to 2 years RM'000	2 to 3 years RM'000	3 to 5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2007 (continued)								
Financial assets (continued)								
Cash and bank balances							66,843	
Other financial assets*							115,138	
Total financial assets							6,633,246	
Other assets:								
Property, plant and equipment							345,178	
Investment properties							637,352	
Intangible assets							13,869	
Associated companies							53,619	
Tax recoverable							46,679	
Deferred tax assets							37,669	
Other receivables							18,483	
Total assets							7,786,095	
Financial liabilities								
Medium term notes - secured	-	-	-	30,000	30,000	140,000	200,000	4.50
Term loans	-	30,000	-	-	-	-	30,000	7.50
Bank overdrafts - unsecured	-	11,159	-	-	-	-	11,159	8.75
Hire purchase creditors	-	483	657	346	187	-	1,673	2.43
Derivative liabilities	24,173	-	-	-	-	-	24,173	
Other payables	1,254,368	-	-	-	-	-	1,254,368	
	1,278,541	41,642	657	30,346	30,187	140,000	1,521,373	
Other financial liabilities*							5,922,728	
Total financial liabilities							7,444,101	
Other liabilities:								
Current tax liabilities							21,053	
Deferred tax liabilities							5,021	
Total liabilities							7,470,175	

* Disclosure information for financial assets and liabilities that relate to rights and obligations arising under employee benefits, insurance contracts and leases are not shown as they are excluded from the scope of FRS Standard 132 - Financial Instruments: Disclosure and Presentation.

48 MANAGEMENT OF FINANCIAL RISK (continued)

Market risk (continued)

								GROUP
		Interest-bearing/contractual maturity date						
	Non-interest bearing RM'000	Up to 1 year RM'000	1 to 2 years RM'000	2 to 3 years RM'000	3 to 5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2006								
Financial assets								
Financial assets at fair value through profit or loss:								
Malaysian Government Securities/ Government Investment Issues	-	-	-	86,119	-	-	86,119	3.88
Cagamas papers	-	-	-	10,153	-	-	10,153	3.66
Equity securities								
- quoted	857,689	-	-	-	-	-	857,689	
- unquoted	3,788	-	-	-	-	-	3,788	
Corporate debt securities								
- quoted	-	-	628	-	12,194	23,095	35,917	7.04
- unquoted	-	37,468	26,956	32,205	27,131	11,892	135,652	6.64
Unit trusts and investment-linked units								
- quoted	23,402	-	-	-	-	-	23,402	
- unquoted	44,076	-	-	-	-	-	44,076	
	928,955	37,468	27,584	128,477	39,325	34,987	1,196,796	
Financial assets at available-for-sale:								
Malaysian Government Securities/ Government Investment Issues	-	30,682	20,930	586,199	186,207	-	824,018	3.88
Cagamas papers	-	59,993	-	-	-	-	59,993	3.66
Corporate debt securities								
- Unquoted	-	197,864	241,816	211,513	137,340	49,642	838,175	6.64
	-	288,539	262,746	797,712	323,547	49,642	1,722,186	
Financial assets at held to maturity:								
Malaysian Government Securities/ Government Investment Issues	-	45,863	-	41,446	19,995	-	107,304	3.88
Corporate debt securities								
- unquoted	-	40,902	-	5,023	32,518	349,514	427,957	6.64
	-	86,765	-	46,469	52,513	349,514	535,261	
Loans:								
Policy loans	-	273,658	-	-	-	-	273,658	7.57
Mortgage loans	-	423,566	82,305	1,358	2,289	13,429	522,947	10.56
Other secured loans	-	286,252	30,168	259	497	545	317,721	11.09
Unsecured loans	-	162	55	-	-	-	217	4.36
	-	983,638	112,528	1,617	2,786	13,974	1,114,543	

48 MANAGEMENT OF FINANCIAL RISK (continued)

Market risk (continued)

								GROUP
		Interest-bearing/contractual maturity date						
	Non-interest bearing RM'000	Up to 1 year RM'000	1 to 2 years RM'000	2 to 3 years RM'000	3 to 5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2006 (continued)								
Financial assets (continued)								
Other receivables:								
Investment income due and accrued	45,285	-	-	-	-	-	45,285	
Lease, hire-purchase and other loan receivables	-	170,663	3,896	2,378	4,893	6,606	188,436	6.14
Others		150,841	-	-	-	-	-	150,841
	196,126	170,663	3,896	2,378	4,893	6,606	384,562	
Fixed and call deposits	-	645,949	-	-	98,373	-	744,322	3.33
Cash and bank balances							86,283	
Other financial assets*							113,834	
Total financial assets							5,897,787	
Other assets:								
Property, plant and equipment							378,847	
Investment properties							734,937	
Intangible assets							11,524	
Associated companies							53,339	
Tax recoverable							53,267	
Deferred tax assets							17,226	
Other receivables							20,299	
Total assets							7,167,226	
Financial liabilities								
Bonds - unsecured	-	30,000	-	-	-	-	30,000	7.96
Term loans	-	39,935	30,000	-	-	-	69,935	7.50
Bank overdrafts- unsecured	-	26,002	-	-	-	-	26,002	8.20
Other payables	1,103,011	-	-	-	-	-	1,103,011	
Hire purchase creditors	-	391	611	391	358	-	1,751	2.43
	1,103,011	96,328	30,611	391	358	-	1,230,699	
Other financial liabilities*							5,537,485	
Total financial liabilities							6,768,184	
Other liabilities:								
Current tax liabilities							19,028	
Deferred tax liabilities							9,305	
Total liabilities							6,796,517	

* Disclosure information for financial assets and liabilities that relate to rights and obligations arising under employee benefits, insurance contracts and leases are not shown as they are excluded from the scope of FRS Standard 132 - Financial Instruments: Disclosure and Presentation.

48 MANAGEMENT OF FINANCIAL RISK (continued)

Market risk (continued)

COMPANY

	Non-interest bearing RM'000	Interest-bearing/contractual maturity date: Up to 1 year RM'000	1 to 2 years RM'000	2 to 3 years RM'000	3 to 5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2007								
Financial assets								
Financial assets at fair value through profit or loss:								
Quoted equity securities of corporations	17,317	-	-	-	-	-	17,317	
Loans:								
Mortgage loans	-	81	89	59	99	92	420	5.63
Unsecured loans	-	13	1	-	-	-	14	5.00
	-	94	90	59	99	92	434	
Other receivables:								
Amounts due from subsidiary companies	98,557	84,366	-	-	-	-	182,923	7.41
Amounts due from associated company	2,489	-	-	-	-	-	2,489	
Investment income due and accrued	42	-	-	-	-	-	42	
	101,088	84,366	-	-	-	-	185,454	
Fixed and call deposits	-	17,000	-	-	-	-	17,000	3.10
Cash and bank balances							119	
							220,324	
Other assets:								
Property, plant and equipment							2,448	
Intangible assets							143	
Investment in subsidiary and associated companies							374,379	
Tax recoverable							2,418	
Deferred tax assets							13,002	
Others receivables							8,377	
Total assets							621,091	

48 MANAGEMENT OF FINANCIAL RISK (continued)

Market risk (continued)

COMPANY

	Non-interest bearing RM'000	Interest-bearing/contractual maturity date: Up to 1 year RM'000	1 to 2 years RM'000	2 to 3 years RM'000	3 to 5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2007 (continued)								
Financial liabilities								
Medium term notes - secured	-	-	-	30,000	30,000	140,000	200,000	4.50
Term loan - unsecured	-	30,000	-	-	-	-	30,000	7.50
Bank overdraft - unsecured	-	1,992	-	-	-	-	1,992	8.75
Hire purchase creditors	-	218	229	240	92	-	779	2.43
Derivative liabilities	24,173	-	-	-	-	-	24,173	
	24,173	32,210	229	30,240	30,092	140,000	256,944	
Other liabilities:								
Others payables							4,457	
Total liabilities							261,401	
2006								
Financial assets								
Financial assets at fair value through profit or loss:								
Quoted equity securities of corporations	11,610	-	-	-	-	-	11,610	
Loans:								
Mortgage loans	-	67	74	79	132	283	635	6.04
Unsecured loans	-	13	-	-	-	-	13	5.00
	-	80	74	79	132	283	648	
Other receivables:								
Amounts due from subsidiary companies	65,828	64,863	-	-	-	-	130,691	6.79
Investment income due and accrued	1	-	-	-	-	-	1	
	65,829	64,863	-	-	-	-	130,692	
Fixed and call deposits	-	1,230	-	-	-	-	1,230	2.84
Cash and bank balances							972	
							145,152	
Other assets:								
Property, plant and equipment							2,825	
Investment in subsidiary and associated companies							260,669	
Tax recoverable							4,255	
Deferred tax assets							6,847	
Others receivables							5,506	
Total assets							425,254	

48 MANAGEMENT OF FINANCIAL RISK (continued)

Market risk (continued)

	COMPANY							
		Interest-bearing/contractual maturity date						
	Non-interest bearing RM'000	Up to 1 year RM'000	1 to 2 years RM'000	2 to 3 years RM'000	3 to 5 years RM'000	More than 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2006 (continued)								
Financial liabilities								
Bonds – unsecured	-	30,000	-	-	-	-	30,000	7.96
Term loan - unsecured	-	-	30,000	-	-	-	30,000	7.50
Bank overdraft - unsecured	-	17,382	-	-	-	-	17,382	8.20
Hire purchase creditors	-	208	218	229	332	-	987	2.43
	-	47,590	30,218	229	332	-	78,369	
Other liabilities:								
Others payables							1,089	
Total liabilities							79,458	

Equity price risk

The equity investment portfolio of the Group is exposed to movements in equity markets. The Group monitors its equity price risk through regular stress testing. The Group uses historical stock betas, index levels and equity prices, and estimates the volatility and correlation of each of these share prices and index levels to calculate the gain or loss that could occur over a defined period of time, given a certain index level.

The Group uses derivative financial instruments (index futures contracts) as a means of hedging against the impact of market movements on the value of assets in the portfolio so as to reduce and eliminate risks. The Group's policy is to trade in derivatives only to hedge existing financial market risk and not for the purpose of speculation.

In respect of the risks associated with the use of derivative financial instruments, price risk is controlled through the setting of exposure limits, which are subject to detailed monitoring and review.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations when due. To ensure and avoid such occurrences, an adequate cushion in the form of cash and very liquid investments are always maintained. The Group also ensures the availability of funding through an adequate amount of committed credit facilities. The Group monitors on a weekly basis all known obligations outstanding together with unplanned obligation reserve (as projected by the actuary) for the insurance subsidiary companies, to monitor mismatches in the investment portfolio.

Foreign currency risk

The Group has overseas subsidiary and associated companies that operate in Indonesia, British Virgin Islands, Philippines and Australia whose revenue and expenses are denominated in Indonesian Rupiah, United States Dollar, Peso and Australia Dollar respectively. It also has subsidiary companies that operate in Labuan whose revenue and expenses are denominated mainly in United States Dollar. In order to protect the Group's exposure to the exchange rate movements of the foreign currencies against Ringgit Malaysia, the Group finances its net investments in the foreign subsidiary and associated companies by means of composition of Ringgit Malaysia and United States Dollar denominated funds based on assessment of the exchange rate exposure.

The Group also has transactional currency exposures entered into by subsidiary companies, mainly in United States Dollar.

48 MANAGEMENT OF FINANCIAL RISK (continued)

Operational risk

Operational risk includes risks that arise from internal processes of an organisation. These may result from inadequacies or failures in processes, controls or project due to fraud, unauthorised activities, error, omission, inefficiency, system failure or from external event. Operational risk is less direct than credit and market risks, but managing them is critical, particularly in a rapidly changing environment with increasing transaction volumes. In order to reduce or mitigate these risks, the Group has comprehensive operating policies and procedures manuals which have been approved by the Board of Directors. Furthermore, the Group has established a Compliance Department (which included a Risk Management Unit) and Internal Audit Department to review and check the current procedures adhere to all rules and regulations and the procedures manuals.

Fair values

The carrying amounts of the financial assets and liabilities of the Group and the Company as at the balance sheet date approximate their fair values, except as set out below:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Amounts due from subsidiary companies	-	-	182,923	130,691
Amounts due from associated company	-	-	2,489	-
Amounts due from related companies	8,489	6,136	-	-

It is not practicable to determine the fair values of amounts due from subsidiary, associated and related companies because these balances have no fixed terms of repayment and are repayable on demand.

49 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) MAA Takaful Berhad ("MAA Takaful"), a subsidiary company of the Company, had on 12 June 2007 allotted 99,999,998 ordinary shares of RM1.00 each comprising 74,999,998 and 25,000,000 ordinary shares to the Company and Solidarity Company BSC (Closed) ("Solidarity") respectively. Subsequent to the allotment, the total issued and paid up capital of MAA Takaful increased to RM100,000,000 and the equity participation of the Company and Solidarity in MAA Takaful is 75% and 25% respectively.

Bank Negara Malaysia had via its letter dated 15 June 2007 registered MAA Takaful as a takaful operator under Section 8 of Takaful Act 1984 to undertake family takaful and general takaful businesses effective from 1 July 2007.

(b) On 13 December 2007, Columbus Capital Singapore Pte Ltd ("CCS"), a wholly-owned subsidiary company of MAA International Investments Ltd which in turn a wholly-owned subsidiary of the Company, subscribed for 3,500,000 preference shares at an issue price of AUD1.00 per share, being 9.1% of the enlarged equity interest in Columbus Capital Pty Limited ("CCAU"), an associated company for a total cash consideration of AUD 3.5 million ("the Subscription"). The cash consideration was satisfied by way of internal generated funds.

Upon completion of the Subscription, CCS held a total of 18.5 million preference shares representing 48.1% equity interest in CCAU.

50 REGULATORY DEVELOPMENT

During the current financial year, Bank Negara Malaysia ("BNM") issued a Revised Concept Paper on the Risk-Based Capital Framework ("RBC") for Insurers which will require insurers to maintain capital adequacy level that commensurate with its risk profile. The implementation date of the RBC is scheduled on 1 January 2009.

With the implementation of the RBC, MAA, a wholly owned subsidiary company may potentially be required to inject additional capital to comply with the new prescribed capital requirements. In this regard, the subsidiary company has taken efforts, which include the rebalancing of the investment portfolios, realigning investment strategy and reorganising the product offerings. In addition, the Board of Directors of MAA Holdings Berhad will consider divesting part of its assets and/or the need for fund raising, internally or externally, by the Company.

The Board of Directors of MAA Holdings Berhad is of the view that with the implementation of the above strategies and initiatives, the subsidiary company will be on its track to meet the said capital requirements.