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 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 12 April 2010.

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 arising from the early adoption of FRS 139 "Financial Instruments – Recognition and Measurements", since the financial year ended 31 December 2005. The financial statements 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.

In November 2008, BNM issued detailed guidelines under the Risk-Based Capital ("RBC") Framework for insurers, which is effective for annual periods beginning on or after 1 January 2009. As required under the RBC Framework, the Group's wholly-owned insurance subsidiary company, Malaysian Assurance Alliance Berhad ("MAA") has adopted a new accounting policy on the valuation of insurance liabilities as specified under the RBC Framework.

The impact of adopting this new accounting policy to the Group is disclosed in Notes 2(p), 2(q) and 21 to the financial statements.

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 statements are disclosed in Note 3 to the financial statements.

In preparing the financial statements of the Group and the Company for the financial ended 31 December 2009, the Directors of the Company have taken into consideration the following matters:

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(i) Compliance by MAA with insurance regulatory requirements

Following the implementation of the RBC Framework on 1 January 2009, MAA undertook various measures during the financial year to further strengthen its financial and capital base, including actively working to finalise its capital resolution plan, to comply with the following regulatory requirements:

- Section 41 of the Insurance Act, 1996, which states that a licensed insurer should maintain at all times, assets in its insurance fund which is of a value equivalent to or higher than the liabilities of that insurance fund; and
- the minimum supervisory target level capital adequacy ratio ("CAR") of 130% that is required to be maintained by all insurers under the RBC Framework, replacing the admitted assets based computation of margin of solvency.

MAA initially recorded a shortfall in the value of assets over liabilities including long term policy liabilities, in its Life Participating ("Par") fund and Life Annuity fund at 31 December 2009, due to the changes in the basis of valuation of insurance liabilities following the implementation of RBC, which requires explicit provisions to be set aside for future non-guaranteed liabilities which have yet to be declared and vested. MAA also did not comply with the minimum CAR of 130% at that date. MAA however has sufficient assets to cover the vested guaranteed liabilities in both the Life Par fund and Life Annuity fund as at 31 December 2009.

Subsequent to the balance sheet date on 11 March 2010, MAA obtained approval from the insurance regulatory authority for its capital resolution plan, including implementation of the following measures amongst others:

(1) applying a bonus revision of RM420 million to reduce the non-guaranteed future liabilities of the Life Par Fund as at 31 December 2009;
(2) assigning surplus assets of RM159 million from the Life Non-Par fund to the Par fund, and RM89 million, consisting of RM18 million from the Life Non-Par fund and RM71 million from the Shareholders' fund, to the Life Annuity fund as at 31 December 2009; and
(3) injecting proceeds from the proposed sale of the general insurance business in 2010 (as disclosed in Note 41(b) to the financial statements) into the life insurance business.

Following the implementation of the measures stated in (1) and (2) above, the requirements of Section 41 of the Insurance Act, 1996 were subsequently met as of the balance sheet date, 31 December 2009. The Directors of MAA are also of the opinion that based on their projections, the above measures, together with the completion of the sale of the general insurance business in 2010 stated in (3) above, will result in MAA being able to meet the minimum CAR of 130% in the financial year ending 31 December 2010.

In addition, on 10 April 2010, the Directors of the Company and a significant shareholder have provided undertakings to the insurance regulatory authority that they will carry out certain merger and acquisition activities, including the potential sale of MAA, within 12 months of the aforementioned regulatory approval. Part of the proceeds from this exercise will be used to inject capital into MAA to strengthen its capital base, and the repayment of borrowings as stated in Note 2(a)(ii) to the financial statements.

(ii) Compliance with undertakings/covenants in respect of borrowings of the Company

The Company has provided certain undertakings and covenants in respect of its ownership and control over MAA, relating to Medium Term Notes issued by the Company and a term loan with a licensed bank, as disclosed in Notes 15 and 16 to the financial statements respectively.

As disclosed in Note 2(a)(i) above, the Directors of the Company have provided undertakings to the insurance regulatory authority, which are subject to the consent of the lenders of the respective borrowings. The Company will obtain the necessary consent in due course.

(iii) Cash flow projections of the Company

As a consequence of the matter disclosed in Note 2(a)(i) above, MAA is not allowed to distribute dividends to the Company until such time that the regulatory conditions have been adequately addressed.

The Directors of the Company have assessed the cash flow projections of the Company for the financial years ending 31 December 2010 and 31 December 2011, and are of the opinion that, there will be sufficient cash flows to enable the Company to meet its financial obligations as and when they fall due, including full repayment of the borrowings if necessary on the basis of the successful completion of the aforementioned merger and acquisition exercise.

Accordingly, the Directors have prepared the financial statements of the Group and the Company on a going concern basis.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective

The following are standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective and not early adopted by the Group and Company:

- The revised FRS 3 "Business Combinations" (effective prospectively from 1 July 2010). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group and Company will apply this standard from financial periods beginning on 1 January 2011.

- FRS 8 "Operating Segments" (effective from 1 July 2009) replaces FRS 114_{2004} Segment Reporting. The new standard requires a 'management approach', under which segment information is reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The improvement to FRS 8 (effective from 1 January 2010) clarifies that entities that do not provide information about segment assets to the chief operating decision-maker will no longer need to report this information. Prior year comparatives must be restated. The Group and Company will apply this standard from financial periods beginning on 1 January 2010.

- The revised FRS 101 "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2010) prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. 'Non-owner changes in equity' are to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group and Company will apply this standard from financial periods beginning on 1 January 2010 and it is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

- FRS 123 "Borrowing Costs" (effective from 1 January 2010) which replaces FRS 123_{2004}, requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The improvement to FRS 123 clarifies that the definition of borrowing costs includes interest expense calculated using the effective interest method defined in FRS 139. The Group and Company will apply this standard from financial periods beginning on 1 January 2010. It is not expected to have a material impact on the Group's and Company's financial statements.

- The revised FRS 127 "Consolidated and Separate Financial Statements" (effective prospectively from 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the income statements. The Group and Company will apply this standard from financial periods beginning on 1 January 2011. It is not expected to have a material impact on the Group's and Company's financial statements.

- FRS 4 "Insurance Contract" (effective for annual periods beginning on or after 1 January 2010) allows entities to continue with their existing accounting policies for insurance contracts if those policies meet certain minimum criteria. One of the minimum criteria is that the amount of the insurance liability is subject to a liability adequacy test. The Group will apply this standard from financial periods beginning on 1 January 2010. This FRS is not applicable to the Company.

- FRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning on or after 1 January 2010) provides information to users of financial statements about an entity's exposure to risks and how the entity manages those risks. The improvement FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the income statement. The Group and Company will apply this standard from financial periods beginning on 1 January 2010.

- The amendments to FRS 132 "Financial Instruments: Presentation" and FRS 101 (revised) "Presentation of Financial Statements - Puttable financial instruments and obligations arising on liquidation" (effective for annual periods beginning on or after 1 January 2010) require entities to classify puttable financial instruments and instruments that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation as equity, if they have particular features and meet specific conditions. The Group and Company will apply this standard from financial periods beginning on 1 January 2010.

2 **SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective (continued)

- FRS 139 "Financial Instruments: Recognition and Measurement" (effective from 1 January 2010) establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted under strict circumstances. The amendments to FRS 139 provide further guidance on eligible hedged items. The amendments provide guidance for two situations. On the designation of a one-sided risk in a hedged item, the amendment concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. The amendment on reclassification of financial assets permits the reclassifications of financial assets upon meeting certain criterias and introduces extensive disclosure requirements relating to assets reclassified. The improvement to FRS 139 clarifies that the scope exemption in FRS 139 only applies to forward contracts but not options for business combinations that are firmly committed to being completed within a reasonable timeframe. The Group and Company will apply this Standard from financial periods beginning on 1 January 2010.

- IC Interpretation 9 "Reassessment of Embedded Derivatives" (effective from 1 January 2010) requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The amendment to IC Interpretation 9 and FRS 139 clarifies that if an asset is reclassified under the recent reclassifications amendment, it must be assessed for embedded derivatives at the date of reclassification. The improvement to IC Interpretation 9 (effective from 1 July 2010) clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture. The Group and Company will apply this standard from financial periods beginning on 1 January 2010.

- IC Interpretation 10 "Interim Financial Reporting and Impairment" (effective from 1 January 2010) prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group and Company will apply this standard from financial periods beginning on 1 January 2010. This interpretation is not expected to have significant changes to the Group's and the Company's accounting policies.

- IC Interpretation 17 "Distribution of Non-Cash Assets to Owners" (effective from 1 July 2010) provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require assets to be classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group and Company will apply this standard from financial periods beginning on 1 January 2011. This interpretation is not expected to have significant changes to the Group's and Company's accounting policies.

- Amendments to FRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" - Improvement effective from 1 January 2010 clarify that FRS 5 disclosures apply to non-current assets or disposal groups that are classified as held for sale and discontinued operations. The Group and Company will apply this standard from financial periods beginning on 1 January 2010.

- Amendments to FRS 107 "Statement of Cash Flows" (effective from 1 January 2010) clarify that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities. The Group and Company will apply this standard from financial periods beginning on 1 January 2010. It is not expected to have a material impact on the Group and Company's financial statements.

- Amendments to FRS 110 "Events After the Balance Sheet Date" (effective from 1 January 2010) reinforce existing guidance that a dividend declared after the reporting date is not a liability of an entity at that date given that there is no obligation at that time. The Group and Company will apply this standard from financial periods beginning on 1 January 2010. It is not expected to have a material impact on the Group and Company's financial statements.

- Amendments to FRS 116 "Property, Plant and Equipment" (consequential amendments to FRS 107 "Statement of cash flows") (effective from 1 January 2010) require entities whose ordinary activities comprise of renting and subsequently selling assets to present proceeds from the sale of those assets as revenue, should transfer the carrying amounts of the assets to inventories when the assets become held for sale. A consequential amendment to FRS 107 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. The Group and Company will apply this standard from financial periods beginning on 1 January 2010. It is not expected to have a material impact on the Group's and Company's financial statements.

- Amendments to FRS 117 "Leases" (effective from 1 January 2010) clarify that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117. The Group and Company will apply this standard from financial periods beginning on 1 January 2010. It is not expected to have a material impact on the Group's and Company's financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective (continued)

- Amendments to FRS 118 "Revenue" (effective from 1 January 2010) provide more guidance when determining whether an entity is acting as a 'principal' or as an 'agent'. The Group and Company will apply this standard from financial periods beginning on 1 January 2010. It is not expected to have a material impact on the Group's and Company's financial statements.

- Amendments to FRS 119 "Employee Benefits" (effective from 1 January 2010) clarify that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary Increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. The Group and Company will apply this standard from financial periods beginning on 1 January 2010. It is not expected to have a material impact on the Group's and Company's financial statements.

- Amendments to FRS 127 "Consolidated & Separate Financial Statements" (effective from 1 January 2010) clarify that where an investment in a subsidiary that is accounted for under FRS 139 is classified as held for sale under FRS 5, FRS 139 would continue to be applied. The Group and Company will apply this standard from financial periods beginning on 1 January 2010. It is not expected to have a material impact on the Group's and Company's financial statements.

- Amendments to FRS 128 "Investments in Associates" (effective from 1 January 2010) clarify that an investment in an associate is treated as a single asset for impairment testing purposes. Reversals of impairment are recorded as an adjustment to the carrying amount of the investment to the extent that the recoverable amount of the associate increases. The Group and Company will apply this standard from financial periods beginning on 1 January 2010. It is not expected to have a material impact on the Group's and Company's financial statements.

- Amendments to FRS 128 "Investments in Associates" and FRS 131 "Interests in Joint Ventures" (consequential amendments to FRS 132 "Financial Instruments: Presentation" and FRS 7 "Financial Instruments: Disclosure" (effective from 1 January 2010) clarify that where an investment in associate or joint venture is accounted for in accordance with FRS 139, only certain, rather than all disclosure requirements in FRS 128 or FRS 131 need to be made in addition to disclosures required by FRS 132 and FRS 7. The Group and Company will apply this standard from financial periods beginning on 1 January 2010. It is not expected to have a material impact on the Group's and Company's financial statements.

- Amendments to FRS 134 "Interim Financial Reporting" (effective from 1 January 2010) clarify that basic and diluted earnings per share ("EPS") must be presented in an interim report only in the case when the entity is required to disclose EPS in its annual report. The Group and Company will apply this standard from financial periods beginning on 1 January 2010. It is not expected to have a material impact on the Group's and Company's financial statements.

- Amendments to FRS 136 "Impairment of Assets" (effective from 1 January 2010) clarify that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment before the aggregation of segments with similar economic characteristics. The improvement also clarifies that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value in use should be made. The Group and Company will apply this standard from financial periods beginning on 1 January 2010. It is not expected to have a material impact on the Group's and Company's financial statements.

- Amendments to FRS 138 "Intangible Assets" - Improvement effective from 1 January 2010 clarify that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This means that an expense will be recognised for mail order catalogues when the entity has access to the catalogues and not when the catalogues are distributed to customers. It confirms that the unit of production method of amortisation is allowed. The Group and Company will apply this standard from financial periods beginning on 1 January 2010. The amendment will not have an impact on the Group's and Company's operations, as all intangible assets are amortised using the straight-line method.

- Amendments to FRS 140 "Investment Property" (effective from 1 January 2010) require assets under construction/ development for future use as investment property to be accounted as investment property rather than property, plant and equipment. Where the fair value model is applied, such property is measured at fair value. However, where fair value is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and fair value becomes reliably measurable. It also clarifies that if a valuation obtained for an investment property held under lease is net of all expected payments, any recognised lease liability is added back in order to determine the carrying amount of the investment property under the fair value model. The Group and Company will apply this improvement from financial periods beginning on 1 January 2010. It is not expected to have a material impact on the Group's and Company's financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective (continued)

The followings are standards, amendments to published standards and IC interpretations that are not relevant and not yet effective for the Group's and Company's operations:

- Amendment to FRS 1 "First-time adoption of financial reporting standards" and FRS 127 "Consolidated and separate financial statements: Cost of an investment in a subsidiary, jointly controlled entity or associate" (effective from 1 January 2010)
- Amendments to FRS 2 "Share-based payment: Vesting conditions and cancellations" (effective from 1 January 2010)
- Amendments to FRS 129 "Financial reporting in hyperinflationary economies" (effective from 1 January 2010)
- Amendments to FRS 120 "Accounting for government grants" (effective from 1 January 2010)
- IC Interpretation 11 "FRS 2 Group and treasury share transactions" (effective from 1 January 2010)
- IC Interpretation 12 "Service concession arrangements" (effective from 1 July 2010)
- IC Interpretation 13 "Customer loyalty programmes" (effective from 1 January 2010)
- IC Interpretation 14 "FRS 119 The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2010)
- IC Interpretation 15 "Agreements for construction of real estates" (effective from 1 July 2010)
- IC Interpretation 16 "Hedges of a net investment in a foreign operation" (effective from 1 July 2010)

(c) 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.

(i) Subsidiary companies

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 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 2008 have not been restated to comply with this Standard. In addition, FRS 3 requires business combinations to be accounted for using purchase 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 the fair values 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of consolidation (continued)

(i) Subsidiary companies (continued)

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

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.

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

(ii) Transactions with minority interests

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

The Group applies a policy of treating transactions with minority interest as transactions with parties external to the Group. Disposals to minority interest result in gains and losses for the Group that are recorded in the income statements. Purchases from minority interest result in goodwill, being the difference between any considerations paid and the relevant shares acquired of the carrying values of net assets of the subsidiary company.

(d) 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 investments in associated companies include goodwill identified on acquisition, net of any accumulated impairment loss (see Note 2(l)).

Equity accounting involves recognising in the income statements, 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 is 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 long term interests that is substance form part of the Group's net investment in the associate company, 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 the income statements.

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 values of assets and liabilities identified. The previously acquired stake is stepped up to fair values and the share of profits and equity movements for the previously acquired stake are not recognised since they are embedded in the step-up.

(e) Property, plant and equipment

Property, plant and equipment are initially stated at cost or valuation, less accumulated depreciation and accumulated impairment loss. Costs include expenditure that is directly attributed to the acquisition of the asset. Land and buildings are shown at fair values, based on periodic, but at least triennial, valuations 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 values.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (continued)

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated 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 year 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. Assets under construction are not depreciated until they are ready for their intended use. 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(h) on impairment of non-financial assets.

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 revenue accounts.

(f) Investment properties

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

Investments properties are initially stated at cost including related and incidental expenditure incurred and are subsequently carried at fair values. 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 or other expenses.

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 is derecognised (eliminated from the balance sheet). The difference between net proceeds and the carrying amount is recognised in the income statements and/or revenue accounts in the financial year of the retirement or disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Investment properties (continued)

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 gain 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 revenue accounts.

(g) 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.

(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.

Valuation principles

The fair values of Malaysian Government Securities, Government Investment Issues and unquoted corporate securities are based on indicative fair market prices by reference to the Reference Pricing Service provided by Bondweb Malaysia Sdn. Bhd.

The fair values of quoted securities are based on current market prices. If the market for a financial asset is not active, fair value is established 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.

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

The fair value of structured deposits and interet-rate-swap is based on the prices quoted by the issuing financial institution.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit or placement and accrued interest or profit. The fair value of fixed interest or yield-bearing deposits is measured at the face value or market value, whichever is lower.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

Investments in subsidiary and associated companies are stated at costs less accumulated impairment losses. Investments in subsidiary companies include amounts owing from subsidiary companies that have no fixed repayment terms, and are interest free. Such amounts are considered to be akin to investment in subsidiary companies. 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(h) on impairment of assets.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

(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 amounts 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 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Derivative financial instruments

Derivatives are initially recognised at fair value at inception and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices 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 values of all such derivative instruments are recognised immediately in the income statements and/or revenue accounts. Gain or loss upon termination or maturity of the derivative contract is recognised immediately to the income statements and/or revenue accounts.

(j) Loans and receivables

Loans and receivables, except for those relating to insurance contracts, are recognised initially at fair value and subsequently measured at amortised costs using the effective interest method, less allowance for impairment. An allowance 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 allowance is the difference between the assets' carrying amounts and the present value of estimated future cash flows discounted at the effective interest rates. This includes interest that is suspended and/or recognised to the extent of the recoverable amount.

The amount of specific allowance 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 allowance 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.

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.

(k) 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 amounts outstanding for more than 30 days, and for all debts which are considered doubtful.

(l) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair values 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Intangible assets (continued)

(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 Group and 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.

(m) Non-current assets (or disposal groups) held for sale and discontinued operations

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

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

(n) 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 have 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.

(o) 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 the 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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.

Premium liabilities

For the insurance subsidiary company regulated by BNM, premium liabilities refer to the higher of:

(i) the aggregate of the unearned premium reserves ("UPR"); or

(ii) the best estimate value of the insurer's unexpired risk reserves ("URR") at the valuation date and the Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at the overall company level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expense including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and allows for expected future premium refunds.

For insurance subsidiary companies not regulated by BNM, premium liabilities refer to UPR.

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:

(i) 25% method for marine and aviation cargo, and transit business;

(ii) 1/24th method for all other classes of general business except for non-annual policies, reduced by the percentage of accounted gross direct business commission to the corresponding premium; and

(iii) time apportionment method for non-annual policies (including long term inwards treaty business) reduced by the percentage of accounted gross direct business commission to the corresponding premium.

Claim liabilities

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

Provision is also made for the cost of claims, together with related expenses, incurred but not reported ("IBNR") at the balance sheet date based on an actuarial valuation with a PRAD at a 75% confidence level as required for an insurance subsidiary company regulated by BNM. The RBC Framework introduced with effect from 1 January 2009 includes new features in the estimation of general insurance claims liabilities such as allowing discounting and diversification as well as requiring the actuary to take into account, inflation. In addition, prior to 1 January 2009, claims handling costs were not included in the computation of the outstanding claims provision.

However, this change in accounting policy has no material impact to the Group's financial statements, and hence no prior year adjustments have been made.

Acquisition costs

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Life insurance underwriting results

The surplus transferable from the life fund to the income statements is based on the surplus determined by an annual actuarial valuation of the long term liabilities to policyholders. In the event the actuarial valuation indicates that a transfer is required from the shareholders' fund, the transfer from the income statements to the life insurance fund is made in the financial year of the actuarial valuation.

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 a 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.

Life insurance liabilities

The valuation of life insurance liabilities is made based on the principles determined by the Appointed Actuaries of the insurance and takaful subsidiary companies, having regard to the insurance regulations applicable to the Group's Malaysian and overseas insurance and takaful subsidiary companies respectively. In the case of life policies where the minimum valuation basis is specified under the insurance regulations, a reserve is set up such that it would not fall below the reserve determined on the minimum valuation basis. For other policies where the nature of benefit suggested that the minimum valuation basis is not applicable, a reserve is set up such that this reserve together with future premiums would be sufficient to meet the future policy liabilities.

For the insurance subsidiary company regulated by BNM, following the implementation of the RBC Framework on 1 January 2009, the insurance subsidiary company adopts future cash flow projections that are the gross premium valuation method, in which provision for future deaths, disabilities, administrative expenses, investment returns, bonuses and cancellations are explicitly allowed for in determining the value of future liability. The estimates for future deaths, disabilities, cancellations etc. are derived from the company's past experience, adjusted to reflect expected future trends. For those contracts where the provisions for liabilities are not explicitly prescribed under the RBC Framework, the Appointed Actuary shall set aside such liabilities on an appropriate basis which is disclosed in a valuation report to BNM.

The change in the valuation basis for insurance liabilities has resulted in adjustments within the components of the life policyholders' fund of the insurance subsidiary company regulated by BNM, as disclosed in Note 21 to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) 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 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 reserves 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 with a 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 BNM.

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.

(s) 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 to the participants as determined by an annual actuarial valuation of the Family takaful fund and is attributable in accordance with the terms and conditions prescribed by the Shariah Committee of the subsidiary company engaged in takaful businesses.

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 Family takaful and investment-linked fund.

Contribution income from the Family takaful fund is recognised as soon as the amount can be reliably measured. First contribution is recognised from inception date and subsequent contribution is recognised when it is due. At the end of the financial year, all the contributions are accounted for to the extent that they can be reliably measured.

Outward retakaful contributions are recognised in the same accounting periods as the original certificates to which the retakaful relates.

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 which payments to increase the amount of that contract. Net creation of unit is recognised on a receipt basis.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) 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 recognised.

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; and

(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.

(t) 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 Committee of the subsidiary company engaged in takaful businesses and agreed between the participants and the subsidiary company, and are allocated to the Shareholders' fund and recognised as income upon issuance of certificates.

(u) 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.

Profit income of the subsidiary company engaged in takaful businesses 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.

(v) 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Foreign currencies (continued)

(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 statements 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 rates 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 statements 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.

(w) 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 except 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.

(x) Zakat

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

(y) 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.

(z) Operating leases

Leases in which 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.

(aa) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Dividends

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

(ac) 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 their existence where inflows of economic benefits are probable, but not virtually certain.

(ad) 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.

(ae) Cash and cash equivalents

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

(af) 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.

(ag) 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.

(ah) 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 judgements 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) Valuation of general insurance claim liabilities

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

Provision is made for the estimated cost of claims incurred but not settled at the balance sheet date and a provision of risk margin for adverse deviation ("PRAD") for the insurance subsidiary company regulated by BNM. PRAD is the component value of the insurance liabilities that relates to the uncertainty inherent in the best estimates. It is also an additional component to the liability value aimed at ensuring that the value of the insurance liabilities is established at a level such that there is a higher level of confidence (or probability) that the provisions will ultimately be sufficient. This provision consists of estimates of both the expected ultimate cost of claims reported to those insurance subsidiary companies at balance sheet date and for the expected ultimate cost of claims incurred but not yet reported to those insurance subsidiary companies at balance sheet date. The estimated cost of claims includes both direct and indirect expenses that are expected to be incurred in settling those claims.

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, incurred but not reported claims form the majority of the balance sheet liability.

Independent external actuaries are engaged to perform the claim liabilities estimation for the Group's insurance subsidiary companies. A number of methods were employed initially in the estimation of ultimate claims reserves using historical experience of those insurance subsidiary companies 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 ultimate claims estimates.

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.

(ii) Liabilities of life insurance business

For life insurance contracts of the insurance subsidiary company regulated by BNM, following implementation of the RBC Framework, the Group adopts future cash flow projections that are the gross premium valuation method for the valuation of life insurance liabilities, in which provision for future deaths, disabilities, administrative expenses, investment returns, bonuses and cancellations are explicitly allowed for in determining the value of future liability. The estimates for future deaths, disabilities, cancellations, etc. are derived from the Group's past experience, adjusted to reflect expected future trend. For those contracts where the provisions for liabilities are not explicitly prescribed under the RBC Framework, the Appointed Actuary shall set aside such liabilities on an appropriate basis which is disclosed in a valuation report to BNM.

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, the Group also sets aside capital charges to address other risks not covered above, namely market risk, adverse claim risk and operational risk as prescribed by the RBC Framework.

For life insurance contracts of the other insurance and takaful subsidiary companies not regulated by BNM, 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 applicable insurance regulations, the Appointed Actuaries shall set aside such liabilities on an appropriate basis which is disclosed in a valuation report to relevant insurance authorities.

At each 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.

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

(a) Critical accounting estimates and assumptions (continued)

(iii) 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 exercises judgement in estimating the collectible or realisable amounts including extent of credit loss.

(iv) Impairment assessment on non-performing loans

Judgement is applied in determining the amounts 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.

There has not been any significant addition to the loan portfolios held by the Group. The Group, after taking into consideration the current economic environment and the possibility of delay in recovering those outstanding loans, has continued to discount the assigned values of those loans over 3 or 5 years, which is an extension of 1 year as compared to if the assigned value is discounted over a period of 2 or 4 years.

The actual amounts that will be recovered from these non-performing loans are largely dependent on the values that those collaterals can fetch should foreclosure take place or if the borrowers agreed to settlements 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.

(v) Fair value of an investment property

The Group's investment properties are stated at fair value, as stated in Note 2(f) of the significant accounting policies.

Included in an insurance subsidiary company's Life Participating fund is an investment property consisting of a piece of vacant land in Malaysia which is valued at RM171,000,000 as at the balance sheet date, based on a valuation performed by an independent property valuer on 1 December 2009. Several events occurred during the current financial year, whereas at the balance sheet date, the outcomes of these events are still unresolved or uncertain. These events, which include a legal suit by residents of the surrounding area against the local council, and a proposed draft local plan by the same local council, have cast uncertainties over the fair value of the said property.

Accordingly, the insurance subsidiary company has obtained confirmations from the independent property valuer and a legal opinion on the legal suit subsequent to the balance sheet date. On the premise of the legal opinion and the confirmation letter from the valuer which reaffirmed the fair value of the property, the Directors are of the view that the fair value of the property of RM171,000,000 is fairly stated.

(vi) Actuarial liabilities for Family Takaful fund

For Family Takaful plans, the actuarial liabilities are determined by the Appointed Actuary and were set up based on the type of products as follows:

(aa) Investment-Linked Personal Risk Investment Account ("PRIA Investment-Linked")

This is the risk fund that involves investment-linked certificates including unit deducting riders. The Tabarru' rates are dripped from Participant Investment Account ("PIA") to this risk fund on a monthly basis. The liabilities in this fund are calculated as unearned contribution reserve, which is half of the total monthly drip at the valuation date. In addition to this liability, IBNR reserve is also included for Critical Illness and Medical unit deducting riders. From the experience study, 2 months average claims were assumed in calculating IBNR.

(bb) Ordinary Personal Risk Investment Account ("PRIA Ordinary Life")

This fund consists of two products, Cancer Care and SmartMedic.

Cancer Care is a guaranteed renewable medical takaful product with an additional death benefit. The contribution reserve is calculated at 45% of unearned gross cancer contribution using 1/24th method. For the death benefit, a net contribution valuation reserve is calculated using DGI94 mortality table discounted at 4% per annum. In addition, 2 months of average claims are set aside for IBNR.

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

(a) Critical accounting estimates and assumptions (continued)

(vi) Actuarial liabilities for Family Takaful fund (continued)

For Family Takaful plans, the actuarial liabilities are determined by the Appointed Actuary and were set up based on the type of product as follows: (continued)

(bb) Ordinary Personal Risk Investment Account ("PRIA Ordinary Life") (continued)

SmartMedic is an individual H&S product with guaranteed renewability up to age 80. It also provides an additional benefit, Funeral Expense, which is payable upon death due to all causes. The contribution reserve is calculated at 30% or 60% of unearned gross medical contribution using 1/24th method for first policy year and renewal policy year respectively. Reserve for Funeral Expense benefit is calculated at 80% of unearned gross funeral expense contribution using 1/24th method. An additional provision of 2 months of average claims are set aside as IBNR.

Reserves for SmartMedic are adjusted to reflect the 50% retained portion after reinsurance arrangement.

(cc) Group Fund Risk Investment Account ("GFRIA")

Currently there are 3 products in this fund, which are Group Term Takaful, Comprehensive Group Takaful Scheme and Group Mortgage Protection Plan.

The net liability for Group Term Takaful has been calculated on Unexpired Risk Reserve ("URR") basis using 1/24th method, with the risk rates assumed to be 130% of LIAM risk rates.

For Comprehensive Group Takaful Scheme, the reserve is calculated at 100% of unearned contribution using 1/24th method.

The reserving method used for Group Mortgage Protection Plan is based on statutory requirement. The present value of future benefits is discounted at 4% using 90% of DGI94 mortality table on the retained portion of the risk.

At subsequent reporting dates, these estimates will be reassessed for adequacy and reasonableness and changes will be made accordingly.

(vii) Impairment review of Qardhul Hassan

The subsidiary company that carries on takaful businesses performs an impairment review whenever changes in circumstances indicate that the carrying amount of Qardhul Hassan may not be recoverable. The recoverable amount represents the estimated future surplus generating from the General takaful fund.

In arriving at the estimated future surplus, management has applied projected growth in contributions based on the subsidiary company's business plan. The underwriting surplus was arrived at after deducting underwriting outgo. Claim outgo was projected based on the subsidiary company's experience and industry information. The subsidiary company has incorporated current retakaful arrangement in the estimation of net contributions, claims recovery and retakaful commissions. The surplus generated from General takaful fund includes investment income from investment assets of the fund projected based on current return on investment.

Assumptions used in estimating the future surplus from the General takaful fund include business growth projection that is based on the subsidiary company's strategy as a new entrant in the industry and the takaful industry forecast growth of 16% to 20% per annum.

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

In determining and applying accounting policies, judgement 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 and Company. The Directors are of their view that currently there are no accounting policies which requires significant judgement to be exercised.

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, fittings 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 2009		14,544	50,339	136	1,976	5,733	1,578	3,668	77,974
Additions at cost		-	-	-	860	708	265	990	2,823
Disposals at net book value		-	-	-	(15)	(930)	(32)	-	(977)
Write off at net book value		-	-	-	(18)	(4)	(38)	-	(60)
Currency translation differences		-	-	-	-	(6)	-	-	(6)
Depreciation charge for the financial year		-	(1,228)	(10)	(1,025)	(899)	(297)	-	(3,459)
Transferred from assets classified as held for sale		-	-	-	263	-	-	-	263
At 31 December 2009		14,544	49,111	126	2,041	4,602	1,476	4,658	76,558
Net book value									
At 1 January 2008		14,544	51,567	145	5,450	7,104	3,168	3,668	85,646
Additions at cost		-	-	3	1,205	2,498	365	-	4,071
Disposals at net book value		-	-	-	(26)	(760)	(61)	-	(847)
Write off at net book value		-	-	-	(19)	(52)	-	-	(71)
Currency translation differences		-	-	-	(5)	(35)	(5)	-	(45)
Depreciation charge for the financial year		-	(1,228)	(12)	(2,110)	(1,503)	(659)	-	(5,512)
Transferred to assets classified as held for sale	41(b)	-	-	-	(2,519)	(1,519)	(1,230)	-	(5,268)
At 31 December 2008		14,544	50,339	136	1,976	5,733	1,578	3,668	77,974

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) GENERAL AND SHAREHOLDERS' FUNDS (CONTINUED)

	Note	Freehold land RM'000	Freehold buildings RM'000	Plant and machinery RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Assets under construction RM'000	Total RM'000
GROUP									
At 31 December 2009									
Cost		-	-	183	11,248	11,375	2,574	7,456	32,836
Valuation		14,544	51,567	-	-	-	-	-	66,111
Accumulated impairment loss		-	-	-	(65)	(55)	-	(2,798)	(2,918)
Accumulated depreciation		-	(2,456)	(57)	(9,142)	(6,718)	(1,098)	-	(19,471)
Net book value		14,544	49,111	126	2,041	4,602	1,476	4,658	76,558
At 31 December 2008									
Cost		-	-	183	30,972	16,208	10,764	6,466	64,593
Valuation		14,544	51,567	-	-	-	-	-	66,111
Accumulated impairment loss		-	-	-	(65)	(55)	-	(2,798)	(2,918)
Accumulated depreciation		-	(1,228)	(47)	(26,412)	(8,901)	(7,956)	-	(44,544)
Transferred to assets classified as held for sale	41(b)	-	-	-	(2,519)	(1,519)	(1,230)	-	(5,268)
Net book value		14,544	50,339	136	1,976	5,733	1,578	3,668	77,974

The net book value of assets acquired under hire purchase agreements was RM1,862,000 (2008: RM2,305,000).

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 2009	356	2,690	123	3,169
Additions at cost	65	-	16	81
Disposals at net book value	-	(636)	-	(636)
Write off at net book value	(1)	-	-	(1)
Depreciation charge for the financial year	(99)	(262)	(19)	(380)
At 31 December 2009	321	1,792	120	2,233
At 31 December 2009				
Cost	916	2,627	189	3,732
Accumulated depreciation	(595)	(835)	(69)	(1,499)
Net book value	321	1,792	120	2,233
Net book value				
At 1 January 2008	279	2,122	47	2,448
Additions at cost	183	1,212	93	1,488
Disposals at net book value	(2)	(206)	-	(208)
Depreciation charge for the financial year	(104)	(438)	(17)	(559)
At 31 December 2008	356	2,690	123	3,169
At 31 December 2008				
Cost	862	4,383	173	5,418
Accumulated depreciation	(506)	(1,693)	(50)	(2,249)
Net book value	356	2,690	123	3,169

The net book value of assets acquired under hire purchase agreements was RM761,000 (2008: RM887,000).

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) LIFE FUND

	Note	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
GROUP								
Net book value								
At 1 January 2009		52,228	161,467	11,701	8,154	880	12,870	247,300
Additions at cost		-	1,166	-	1,416	86	1,580	4,248
Transferred to investment properties	6(b)	(77)	(197)	-	-	-	-	(274)
Disposals at net book value		(1,336)	(1,642)	(2,788)	(18)	(126)	-	(5,910)
Write off at net book value		-	-	-	(4)	-	-	(4)
Impairment loss		-	(1,944)	-	-	-	-	(1,944)
Reversal of revaluation surplus on disposal	21	(54)	(93)	(48)	-	-	-	(195)
Revaluation surplus during the financial year	21	-	334	-	-	-	-	334
Depreciation charge for the financial year		-	(3,857)	(288)	(2,629)	(552)	(3,754)	(11,080)
At 31 December 2009		50,761	155,234	8,577	6,919	288	10,696	232,475
Net book value								
At 1 January 2008		52,228	167,662	15,826	8,846	2,819	12,151	259,532
Additions at cost		-	260	-	2,181	226	4,076	6,743
Disposals at net book value		-	-	(2,846)	(4)	(1,030)	(18)	(3,898)
Write off at net book value		-	-	-	(4)	-	-	(4)
Impairment loss		-	(2,565)	(636)	-	-	-	(3,201)
Reversal of revaluation surplus on disposal	21	-	-	(234)	-	-	-	(234)
Depreciation charge for the financial year		-	(3,890)	(409)	(2,865)	(1,135)	(3,339)	(11,638)
At 31 December 2008		52,228	161,467	11,701	8,154	880	12,870	247,300

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) LIFE FUND (CONTINUED)

	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
GROUP							
At 31 December 2009							
Cost	-	-	-	62,546	4,949	51,891	119,386
Valuation	50,761	164,358	9,366	-	-	-	224,485
Accumulated depreciation	-	(9,124)	(789)	(55,627)	(4,661)	(41,195)	(111,396)
Net book value	50,761	155,234	8,577	6,919	288	10,696	232,475
At 31 December 2008							
Cost	-	-	-	61,155	5,095	50,310	116,560
Valuation	52,228	165,536	12,485	-	-	-	230,249
Accumulated depreciation	-	(4,069)	(784)	(53,001)	(4,215)	(37,440)	(99,509)
Net book value	52,228	161,467	11,701	8,154	880	12,870	247,300

Certain land and buildings of the insurance subsidiary companies were revalued in 2009 by independent valuation experts where the fair values were 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 as at the balance sheet as follows:

	General and Shareholders' funds		Life fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Freehold land	14,544	14,544	43,827	45,164
Freehold and leasehold buildings	49,111	50,339	153,146	161,275
	63,655	64,883	196,973	206,439

The titles to certain properties of the life fund held by an insurance subsidiary company, amounting to RM25,446,000 (2008: RM27,974,000) 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

	Management rights RM'000	Computer software RM'000	Total RM'000
GROUP			
Net book value			
At 1 January 2009	5,148	3,752	8,900
Additions at cost	-	1,348	1,348
Disposals at net book value	-	(59)	(59)
Amortisation charge for the financial year	(347)	(1,153)	(1,500)
Transferred from assets classified as held for sale	-	8	8
At 31 December 2009	4,801	3,896	8,697
At 31 December 2009			
Cost	7,000	7,024	14,024
Accumulated amortisation	(2,199)	(3,128)	(5,327)
Net book value	4,801	3,896	8,697
Net book value			
At 1 January 2008	5,495	3,484	8,979
Additions at cost	-	3,566	3,566
Amortisation charge for the financial year	(347)	(1,520)	(1,867)
Transferred to assets classified as held for sale (Note 41(b))	-	(1,778)	(1,778)
At 31 December 2008	5,148	3,752	8,900
At 31 December 2008			
Cost	7,000	10,161	17,161
Accumulated amortisation	(1,852)	(4,631)	(6,483)
Transferred to assets classified as held for sale (Note 41(b))	-	(1,778)	(1,778)
Net book value	5,148	3,752	8,900

5 **INTANGIBLE ASSETS** (CONTINUED)

(a) GENERAL AND SHAREHOLDERS' FUNDS (CONTINUED)

	Computer software	
	2009	**2008**
	RM'000	**RM'000**
COMPANY		
Net book value		
At 1 January	148	143
Additions at cost	1	51
Amortisation charge for the financial year	(46)	(46)
At 31 December	103	148
At 31 December		
Cost	231	230
Accumulated amortisation	(128)	(82)
Net book value	103	148

(b) LIFE FUND

GROUP		
Net book value		
At 1 January	4,190	4,890
Additions at cost	1,515	1,169
Amortisation charge for the financial year	(1,883)	(1,869)
At 31 December	3,822	4,190
At 31 December		
Cost	10,883	9,368
Accumulated amortisation	(7,061)	(5,178)
Net book value	3,822	4,190

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 is 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 are amortised over a straight line basis, over a period of 20 years (2008: 20 years), the period in which the Group expects to recognise the related revenue. The remaining expected unamortised period at the balance sheet date is 14 (2008: 15) years.

6 INVESTMENT PROPERTIES

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Balance as at 1 January	39,316	37,696	-	-
Additions at cost	787	12,207	-	-
Disposals	(5,821)	(7,855)	-	-
Fair value gain/(loss)	67	(1,486)	-	-
Currency translation differences	461	(1,246)	-	-
Balance as at 31 December	34,810	39,316	-	-
Comprising:				
Freehold land and buildings	11,287	17,429	-	-
Leasehold land and buildings	23,523	21,887	-	-
	34,810	39,316	-	-

(b) LIFE FUND

	GROUP	
	2009 RM'000	2008 RM'000
Balance as at 1 January	546,100	599,656
Additions at cost	2,045	17,464
Transferred from property, plant and equipment (Note 4(b))	274	-
Disposals	(12,339)	(47,553)
Fair value loss	(725)	(23,467)
Balance as at 31 December	535,355	546,100
Comprising:		
Freehold land and buildings	378,525	383,165
Leasehold land and buildings	156,830	162,935
	535,355	546,100

The titles to certain investment properties of the General and Shareholders' fund and the Life fund of an insurance subsidiary company, amounting to RM15,010,000 (2008: RM14,629,000) and RM74,176,000 (2008: RM85,379,000) 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.

7 INVESTMENTS

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

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
At fair value through profit or loss	20,132	16,048	-	5
Available-for-sale	227,549	75,273	-	-
Held to maturity	-	2,209	-	-
	247,681	93,530	-	5

The Group's current portion of financial assets is RM4,591,000 (2008: RM2,718,000), with the remaining portion being non-current. The assets included in each of the categories above are detailed in the tables below:

	GROUP		COMPANY	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Financial assets held at fair value through profit or loss				
Equity securities				
- Quoted	947	774	-	5
- Unquoted	24	1,297	-	-
	971	2,071	-	5
Corporate debt securities				
- Quoted	6,050	6,487	-	-
Unit trusts				
- Unquoted	5,704	5,369	-	-
Investment-linked units				
- Unquoted	7,407	2,121	-	-
Total financial assets at fair value through profit or loss	20,132	16,048	-	5

Financial assets at fair value through profit and loss above are held for trading.

7 **INVESTMENTS** (CONTINUED)

(a) GENERAL AND SHAREHOLDERS' FUNDS (CONTINUED)

	GROUP		COMPANY	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Available-for-sale financial assets				
Equity securities				
- Unquoted	26,716	25,883	-	-
Corporate debt securities				
- Unquoted	135,202	36,370	-	-
Malaysian Government Securities/ Government Investment Issues	60,631	-	-	-
Investment-linked units				
- Unquoted	5,000	13,020	-	-
Total available-for-sale financial assets	227,549	75,273	-	-
Held to maturity financial assets				
Corporate debt securities				
- Unquoted	-	2,209	-	-
Total held to maturity financial assets	-	2,209	-	-

Financial assets held to maturity are not presented on the Group's balance sheet at their fair values. The fair values of the held to maturity assets are nil (2008: RM2,276,000) as at 31 December 2009. 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.

The Group has reclassified financial assets held to maturity to available-for-sale with effect from 1 January 2009. The reclassification was carried out to allow for sale of those assets arising from a change in the Group's intention to hold those assets to maturity due to changes in the credit risk of the assets.

Included in the above balances as at 31 December 2009 are Malaysian Government Securities, Government Investment Issues and corporate debt securities amounting to RM71,000,000 that are assigned from the Shareholders' fund of an insurance subsidiary company to partially rectify the deficit of assets over liabilities of the Annuity fund in the Life Insurance Fund until the deficiency ceases in that insurance subsidiary company, as disclosed in Note 2(a) to the financial statements. In the previous financial year, the Shareholders' fund of that insurance subsidiary company had assigned fixed and call deposits amounted to approximately RM71,000,000 to partially rectify the deficit of assets over liabilities of the Annuity fund in the Life Insurance Fund until the deficiency ceases, as disclosed in Note 38 (a) to the financial statements.

7 **INVESTMENTS** (CONTINUED)

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

	GROUP			
	Life fund		Life fund- investment-linked fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At fair value through profit or loss	395,430	128,930	532,956	366,136
Available-for-sale	3,266,935	2,680,310	-	-
Held to maturity	-	481,974	-	-
	3,662,365	3,291,214	532,956	366,136

The Group's current portion of financial assets is RM158,097,000 (2008: RM571,800,000), with 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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Financial assets held at fair value through profit or loss				
Equity securities				
- Quoted	365,427	68,903	392,907	179,914
- Unquoted	-	2,092	-	-
	365,427	70,995	392,907	179,914
Unit trusts				
- Quoted	9,004	7,683	10,928	7,714
- Unquoted	-	-	-	33,824
	9,004	7,683	10,928	41,538
Corporate debt securities				
- Quoted	19,350	18,104	4,401	-
- Unquoted	-	30,890	114,823	141,123
	19,350	48,994	119,224	141,123
Malaysian Government Securities/ Government Investment Issues	-	-	5,123	-
Investment-linked units				
- Unquoted	1,649	1,258	4,774	3,561
Total financial assets at fair value through profit or loss	395,430	128,930	532,956	366,136

Financial assets at fair value through profit and loss 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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Available-for-sale financial assets				
Equity securities				
- Unquoted	2,091	-	-	-
Corporate debt securities				
- Quoted	30,426	-	-	-
- Unquoted	3,202,854	2,328,117	-	-
Less: Accumulated impairment loss	(86,115)	(57,519)	-	-
	3,147,165	2,270,598	-	-
Malaysian Government Securities/ Government Investment Issues	117,679	409,712	-	-
Total available-for-sale financial assets	3,266,935	2,680,310	-	-
Held to maturity financial assets				
Corporate debt securities				
- Unquoted	-	445,465	-	-
Less: Accumulated impairment loss	-	(18,577)	-	-
	-	426,888	-	-
Malaysian Government Securities/ Government Investment Issues	-	55,086	-	-
Total held to maturity financial assets	-	481,974	-	-

Financial assets held to maturity are not presented on the Group's balance sheet at their fair values. The fair values of the held to maturity assets are nil (2008: RM475,088,000) as at 31 December 2009.

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.

The Group has reclassified financial assets held to maturity to available-for-sale with effect from 1 January 2009. The reclassification was carried out to allow for sale of those assets arising from a change in the Group's intention to hold to those assets to maturity due to changes in the credit risk of the assets.

Included in the above balances as at 31 December 2009 are Malaysian Government Securities, Government Investment Issues and corporate debt securities amounting to RM177,000,000 that are assigned from the Life Non-participating fund of an insurance subsidiary company to rectify the deficit of assets over liabilities of the Life Participating Fund of RM159,000,000 and Life Annuity Participating fund of RM18,000,000 until the deficiency ceases in that insurance company, as disclosed in Note 2(a) to the financial statements.

7 INVESTMENTS (CONTINUED)

	GROUP 2009 RM'000	GROUP 2008 RM'000
(c) GENERAL TAKAFUL FUND		
Available-for-sale	4,973	-
Available-for-sale financial assets		
Malaysian Government Guaranteed financing	4,973	-
Total available-for-sale financial assets	4,973	-
(d) FAMILY TAKAFUL FUND		
Available-for-sale	5,018	-
Available-for-sale financial assets		
Malaysian Government Guaranteed financing	5,018	-
Total available-for-sale financial assets	5,018	-
(e) FAMILY TAKAFUL FUND - INVESTMENT–LINKED FUND		
At fair value through profit or loss	37,524	13,829
Financial assets held at fair value through profit or loss		
Equity securities		
- Quoted	24,192	10,841
Islamic debt securities		
- Unquoted	13,332	2,988
Total financial assets held at fair value through profit or loss	37,524	13,829

Financial assets at fair value through profit or loss above are held for trading.

8 LOANS AND RECEIVABLES

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Loans arising from:				
Mortgage loans	8,252	14,194	233	276
Other secured loans	24,320	24,342	-	18
Unsecured loans	313	182	22	12
	32,885	38,718	255	306
Allowance for doubtful debts	(11,410)	(14,672)	-	-
Net loans	21,475	24,046	255	306
Loans from leasing, hire purchase and others	104,424	106,272	-	-
Allowance for doubtful debts	(67,135)	(68,505)	-	-
Net loans from leasing, hire purchase and others	37,289	37,767	-	-
	58,764	61,813	255	306
Receivables:				
Trade receivables of non- insurance subsidiary companies	6,375	7,323	-	-
Amount due from subsidiary companies	-	-	84,293	79,630
Amount due from associated companies	11,488	11,594	1,239	1,209
Investment income due and accrued	3,199	1,574	77	107
Amount due from Life fund (Note 18(b))	-	11,413	-	-
Amount due from Family takaful fund - Investment-linked fund (Note 18(e))	1	3	-	-
Qardhul Hassan (Note 22(a),(b))	11,112	8,132	-	-
Wakalah fee receivable (Note 18(c),18(d))	7,740	28,697	-	-
Surplus receivables from Family takaful fund (Note 18(d))	1,650	-	-	-
Manager's stocks	4,530	4,186	-	-
Other receivables, deposits and prepayments	11,849	8,416	5,783	6,859
	57,944	81,338	91,392	87,805
	116,708	143,151	91,647	88,111

Qardhul Hassan represents a benevolent loan to the General takaful fund and the Family takaful fund to make good the underwriting deficit in the respective funds. The amount is unsecured, not subject to any profit element and has no fixed terms of repayment.

The net loans and net loans from leasing, hire purchase and others can be analysed as follows:

	GROUP		COMPANY	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Receivable within 12 months	35,497	48,135	65	70
Receivable after 12 months	23,267	13,678	190	236
	58,764	61,813	255	306

8 LOANS AND RECEIVABLES (CONTINUED)

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

	GROUP			
	Life fund		Life fund-investment-linked fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Loans arising from:				
Policy loans	340,913	322,737	-	-
Mortgage loans	341,624	393,059	-	-
Other secured loans	196,076	208,827	-	-
Unsecured loans	579	712	-	-
	879,192	925,335	-	-
Allowance for doubtful debts	(174,518)	(165,103)	-	-
Net loans	704,674	760,232	-	-
Receivables:				
Outstanding proceeds from disposal of investments	15,466	17,603	-	-
Investment income due and accrued	45,236	43,560	1,902	1,905
Amount due from Life fund-Investment -linked fund (Note 18(b))	3,187	7,963	-	-
Amount due from Shareholders' fund (Note 18(a))	23,513	37,690	-	-
Amount due from Life fund (Note 18(b))	-	-	2,957	7,795
Prepaid lease rentals	3,558	5,249	-	-
Other receivables, deposits and prepayments	24,708	26,928	728	3,842
	115,668	138,993	5,587	13,542
	820,342	899,225	5,587	13,542

The net loans can be analysed as follows:

	GROUP			
	Life fund		Life fund-investment-linked fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Receivable within 12 months	686,625	747,361	-	-
Receivable after 12 months	18,049	12,871	-	-
	704,674	760,232	-	-

8 LOANS AND RECEIVABLES (CONTINUED)

	GROUP	
	2009	**2008**
	RM'000	**RM'000**
(c) GENERAL TAKAFUL FUND		
Receivables:		
Profit and dividend receivable	64	2
Amount due from Shareholders' fund (Note 18(a))	4,593	4,108
Amount due from Family takaful fund (Note 18(d))	-	905
Qardhul Hassan receivable from Shareholders' fund (Note 18(a))	528	8,132
	5,185	13,147
(d) FAMILY TAKAFUL FUND		
Receivables:		
Profit and dividend receivable	70	-
Amount due from Shareholders' fund (Note 18(a))	8,687	15,221
Qardhul Hassan receivable from Shareholders' fund (Note 18(a))	455	-
Other receivables, deposits and prepayments	376	89
	9,588	15,310
(e) FAMILY TAKAFUL FUND - INVESTMENT-LINKED FUND		
Receivables:		
Profit and dividend receivable	332	107
Amount due from Family takaful fund (Note 18(d))	4,887	42,616
Other receivables, deposits and prepayments	25	-
	5,244	42,723

Included in the total loans portfolio net of allowance for doubtful debts of an insurance subsidiary company as at 31 December 2009 are non-performing loans ("NPL") amounting to approximately RM20,846,000 (2008: RM23,470,000) and RM341,467,000 (2008: RM413,750,000) in the General and Shareholders' funds and Life fund respectively, Concurrently, included in the total loans portfolio net of allowance for doubtful debts of the subsidiary company engaged in hire purchase, leasing and other credit activities as at 31 December 2009 are NPL amounting to approximately RM21,364,000 (2008: RM13,259,000) in the Shareholders' fund. These NPL were collateralised by properties and/or shares as pledged by the borrowers.

The subsidiary companies have assessed the value of the collaterals or agreed settlements plans and have made additional allowances for 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 be a potential shortfall of approximately RM2,050,000 and RM33,095,000 for the NPL of the insurance subsidiary company in the General and Shareholders' fund, and Life fund respectively, and RM2,485,000 (2008: RM332,000) for the NPL of the subsidiary company engaged in hire purchase, leasing and other credit activities.

8 LOANS AND RECEIVABLES (CONTINUED)

	GROUP			
	General and Shareholders' fund		Life fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(i) Outstanding loans before allowance for doubtful debts analysed by loan type are as follows:				
Policy loans	-	-	340,914	322,739
Term loans	123,880	126,304	514,823	582,110
Housing loans	233	276	23,013	19,745
Leasing	10,889	15,969	-	-
Hire purchase	1,911	2,141	-	-
Staff loans	396	300	442	741
	137,309	144,990	879,192	925,335
(ii) Outstanding loans before allowance for doubtful debts analysed by types of customers are as follows:				
Policyholders	-	-	352,347	335,032
Business enterprises	130,065	136,080	457,125	524,181
Staff	629	576	1,575	2,480
Agents	-	-	1,263	1,357
Individuals	6,615	8,334	66,882	62,285
	137,309	144,990	879,192	925,335
(iii) Outstanding loans before allowance for doubtful debts analysed by economic purpose are as follows:				
Policy loans	-	-	340,914	322,737
Constructions	29,289	28,511	72,083	72,629
Purchase of landed properties/securities	36,886	52,691	323,050	332,391
Purchase of property, plant and equipment other than land and buildings	12,800	18,110	263	429
Personal use	4,817	5,167	200	334
Working capital	35,218	39,203	142,682	196,815
Others	18,299	1,308	-	-
	137,309	144,990	879,192	925,335

8 LOANS AND RECEIVABLES (CONTINUED)

	GROUP			
	General and Shareholders' fund		Life fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(iv) Movement of NPL before allowance for doubtful debts are as follows:				
Outstanding loans before allowance for doubtful debts at the beginning year	120,454	262,505	573,701	641,946
Classified as non-performing during the financial year	25,532	407	5,836	18,145
Classified as performing during the financial year (*)	(15,053)	-	-	-
Interest movement	53	(258)	817	1,217
Recovered during the financial year	(11,920)	(133,451)	(69,124)	(82,456)
Transferred to assets classified as held for sale (Note 41(b)(I)(ii))	-	(35)	-	-
Amounts written off	(190)	(9,262)	-	-
	118,876	119,906	511,230	578,852

* Included in the NPL portfolio of the subsidiary company engaged in hire purchase, leasing and other credit activities, is an amount of approximately RM15,022,000 (2008: Nil) which was reclassified as performing loans arising from a loan restructuring exercise during the financial year.

	GROUP			
	General and Shareholders' fund		Life fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(v) Movement in the allowance for doubtful debts for NPL are as follows:				
Balance at the beginning of financial year	83,177	83,388	165,103	151,110
Classified as performing during the financial year	-	-	(4,402)	-
Allowance made during the financial year	8,795	4,127	14,795	13,993
Amounts written back in respect of recoveries		(7,286)	(3,077)	-
Amounts written back in respect of restructured of loan	(7,830)	-	-	-
Transfer to assets classified as held for sale (Note 41(b)(ii))	-	(35)	-	-
Bad debts written off	(190)	(1,226)	(5,733)	-
Balance at the end of financial year	76,666	83,177	169,763	165,103

8 LOANS AND RECEIVABLES (CONTINUED)

	GROUP			
	General and Shareholders' fund		Life fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(vi) Outstanding NPL before allowance for doubtful debts analysed by loan type are as follows:				
Term loans	106,361	102,306	504,857	573,329
Housing loans	-	-	6,373	5,389
Leasing	10,889	15,969	-	-
Hire purchase	1,626	1,631	-	-
Staff loans	-	-	-	134
	118,876	119,906	511,230	578,852
(vii) Outstanding NPL before allowance for doubtful debts analysed by type of customers are as follows:				
Policyholders	-	-	4,929	4,754
Business enterprises	112,639	112,606	457,124	515,396
Staff	-	-	-	134
Agents	-	-	634	636
Individuals	6,237	7,300	48,543	57,932
	118,876	119,906	511,230	578,852
(viii) Outstanding NPL before allowance for doubtful debts analysed by economic purpose are as follows:				
Constructions	29,289	11,438	72,083	71,935
Purchase of landed properties/securities	36,826	41,298	296,443	309,949
Purchase of property, plant and equipment other than land and buildings	12,516	17,600	-	-
Personal use	4,096	3,927	22	155
Working capital	35,218	44,689	142,682	196,813
Others	931	954	-	-
	118,876	119,906	511,230	578,852
(ix) Aging of NPL before allowance for doubtful debts is as follows:				
Up to 1 year	41,730	51,750	5,910	81,776
1 to 5 years	75,641	53,560	410,575	466,764
More than 5 years	1,505	14,596	94,745	30,312
	118,876	119,906	511,230	578,852

8 LOANS AND RECEIVABLES (CONTINUED)

Loans from leasing, hire purchase and others included loans to the following related parties:

	GROUP	
	2009	2008
	RM'000	RM'000
Mithril Berhad	-	5,042
Mithril Saferay Sdn Bhd	-	1
Mithril Marketing Sdn Bhd	8,353	8,372
Mithril Clay Manufacturing Berhad	10,889	15,969
	19,242	29,384
Allowance for doubtful debts	(19,242)	(21,943)
Net loans	-	7,441

The relationships of the above related parties are disclosed in Note 44 to the financial statements.

Included in amounts due from subsidiary companies are interest-bearing advances to subsidiary companies amounting to RM67,049,000 (2008: RM65,907,000). The interest-bearing advances bear interest rates ranging from 4.35% to 8.0% (2008: 4.35% to 9.0%) per annum and are currently rolled over on a monthly basis.

Included in other receivables, deposits and prepayment are advance rental payments to a related party, Mithril Berhad amounting to RM7,430,000 (2008: RM1,700,000).

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

	GROUP		COMPANY	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Loans arising from:				
- mortgage loans	298,119	394,739	209	241
- other secured loans	121,118	148,417	-	-
Loans from leasing, hire purchase and others	41,762	39,159	-	-
	460,999	582,315	209	241

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

	GROUP		COMPANY	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Mortgage loans	10.5	10.2	5.8	5.8
Other secured loans	11.1	11.1	-	-
Unsecured loans	4.4	4.4	5.0	5.0
Loans from leasing, hire purchase and others	9.0	1.7	-	-

9 INSURANCE RECEIVABLES

	COMPANY	
	2009	2008
	RM'000	RM'000
(a) GENERAL AND SHAREHOLDERS' FUNDS		
Due premiums including agents, brokers and co-insurers balances	5,331	5,779
Due from reinsurers and cedants	37,187	25,246
	42,518	31,025
Allowance for doubtful debts	(1,846)	(409)
	40,672	30,616
(b) LIFE FUND		
Due premiums including agents, brokers and co-insurers balances	39,061	38,905
Due from reinsurers and cedants	63	-
	39,124	38,905
(c) GENERAL TAKAFUL FUND		
Due contributions including agents, brokers and co-takaful balances	36,945	23,000
Allowance for doubtful debts	(540)	(901)
	36,405	22,099

10 SUBSIDIARY COMPANIES

	COMPANY	
	2009	2008
	RM'000	RM'000
Interest in subsidiary companies	396,855	391,565

Included in interest in subsidiary companies are amounts due from subsidiary companies of RM30,446,000 (2008: RM 25,156,000) which are akin to investments in subsidiary companies.

Details of the subsidiary companies are as follows:

	Name of company	Country of incorporation	Group's effective interest 2009 %	Group's effective interest 2008 %	Principal activities
	Malaysian Assurance Alliance Berhad ("MAA")	Malaysia	100	100	General and life insurance businesses
	MAA Corporation Sdn Bhd ("MAA Corp")	Malaysia	100	100	Investment holding and general trading
	MAA Takaful Berhad	Malaysia	75	75	General Takaful and Family Takaful businesses
	Subsidiary companies of MAA Corp				
	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

10 SUBSIDIARY COMPANIES (CONTINUED)

	Name of company	Country of incorporation	Group's effective interest 2009 %	Group's effective interest 2008 %	Principal activities
	Subsidiary companies of MAA Corp (continued)				
	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	Malaysia	100	100	Provision of motor breakdown assistance services
	MAA Universal Sdn Bhd	Malaysia	100	100	Multi-level marketing business
	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	Dormant
	Jendela Sutera Sdn Bhd	Malaysia	-	100	Dormant
	Valiant Properties Sdn Bhd	Malaysia	100	100	Property development
	Daman Development Sdn Bhd	Malaysia	-	100	Dormant
	MyTele Direct Sdn Bhd	Malaysia	-	100	Dormant
	Maaple Eldercare Sdn Bhd	Malaysia	-	100	Dormant

10 **SUBSIDIARY COMPANIES** (CONTINUED)

	Name of company	Country of incorporation	Group's effective interest 2009 %	Group's effective interest 2008 %	Principal activities
	Subsidiary companies of MAA Corp (continued)				
	MAA Cards Sdn Bhd	Malaysia	100	100	Dormant
	MAA Financial Advisors Sdn Bhd	Malaysia	-	100	Dormant
	MAA Cash Converter Sdn Bhd	Malaysia	-	100	Dormant
#	High Sphere Sdn Bhd	Malaysia	100	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	Malaysia	100	100	Providing corporate advisory and consultancy services
	MPE Private Equity Sdn Bhd	Malaysia	100	100	Dormant
	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 services

10 SUBSIDIARY COMPANIES (CONTINUED)

	Name of company	Country of incorporation	Group's effective interest 2009 %	2008 %	Principal activities
	Subsidiary companies of MAA International Assurance Ltd				
#	P.T. MAA Life Assurance	Indonesia	99.5	99.5	Life insurance business
#	P.T. MAA General Assurance	Indonesia	83	83	General insurance business
	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			
		2009		2008
	Carrying value RM'000	Market value RM'000	Carrying value RM'000	Market value RM'000
Quoted shares, at cost	36,609	6,407	36,609	2,380
Less: Accumulated impairment loss	(31,025)		(31,025)	
	5,584		5,584	
Unquoted shares, at cost	58,150		63,919	
Less: Accumulated impairment loss	(6,409)		(6,409)	
	51,741		57,510	
Dividend received	(165)		(69)	
Share of post acquisition loss	(298)		(4,086)	
	56,862		58,939	

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

	GROUP	
	2009 RM'000	2008 RM'000
Revenue	70,624	86,101
Profit after taxation	3,788	2,131
Non-current assets	495,492	573,258
Current assets	110,593	101,162
Non-current liabilities	(414,610)	(460,441)
Current liabilities	(134,613)	(155,040)
Net assets	56,862	58,939

11 ASSOCIATED COMPANIES (CONTINUED)

The Group has not recognised losses from the associated company, 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.

The share of post acquisition losses in Mithril not recognised is as follows:

	GROUP 2009 RM'000	GROUP 2008 RM'000
At beginning of financial year	18,673	12,704
Share of post acquisition (profit)/loss during the financial year	(6)	5,969
At end of financial year	18,667	18,673

On 12 March 2009, the Group's interest in Mithril reduced from 33.29% to 29.89% as a result of the conversion of RM12,518,187 Irredeemable Cumulative Preference Shares ("ICCPS") to 12,518,187 million ordinary shares of RM1 each in Mithril by holders of the ICCPS.

On 7 April 2009, holders of the Irredeemable Convertible Unsecured Loan Stock ("ICULS") of Mithril converted RM59,779,500 ICULS to 59,779,500 ordinary shares of RM1 each in Mithril, which further diluted the Group's interest in Mithril from 29.89% to 20.08%.

The gain on dilution of interest in Mithril, which has not been recognised in the financial statements due to the aforementioned cumulative post-acquisition losses and acquired net liabilities, is as follows:

	GROUP 2009 RM'000	GROUP 2008 RM'000
At beginning financial year	8,220	8,220
Gain on dilution of investments during the financial year	21,426	-
At end of financial year	29,646	8,220

	COMPANY 2009 Carrying value RM'000	2009 Market value RM'000	2008 Carrying value RM'000	2008 Market value RM'000
Quoted shares, at cost	30,536	5,910	30,536	2,195
Less: Accumulated impairment loss	(24,626)		(28,341)	
	5,910		2,195	
Unquoted shares, at cost	2,904		2,904	
	8,814		5,099	

11 ASSOCIATED COMPANIES (CONTINUED)

Details of the associated companies are as follows:

	Name of company	Country of incorporation	Group's effective interest 2009 %	Group's effective interest 2008 %	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	20	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	48	Retail mortgage lending and loan securitisation

* The financial year-ends of these associated companies are not co-terminus 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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deferred tax assets	10,046	12,462	13,495	17,249	121	7,968
Deferred tax liabilities	(6,773)	(5,514)	-	-	(3,269)	(122)
	3,273	6,948	13,495	17,249	(3,148)	7,846
At 1 January	6,948	20,332	17,249	16,514	7,846	(4,162)
(Charged)/credited to income statements/ revenue accounts (Note 32(a),(b)) :						
- property, plant and equipment	925	471	913	976	-	-
- investments and loans	(6,160)	210	(6,568)	9,589	(10,994)	12,008
- unabsorbed tax losses	(382)	(3,766)	-	-	-	-
- unabsorbed capital allowances	2	(201)	-	-	-	-
- derivative liabilities	-	(6,285)	-	-	-	-
- others	(195)	609	19	17	-	-
	(5,810)	(8,962)	(5,636)	10,582	(10,994)	12,008
Transferred from/(to) assets classified as held for sale (Note 41(b))	3,588	(3,588)	-	-	-	-
	(2,222)	(12,550)	(5,636)	10,582	(3,148)	12,008
(Charged)/credited to reserve accounts:						
- available-for-sale reserve	(1,489)	(785)	1,887	(9,863)	-	-
- asset revaluation reserve	-	-	(11)	19	-	-
Currency translation differences	36	(49)	6	(3)	-	-
At 31 December	3,273	6,948	13,495	17,249	(3,148)	7,846

12 DEFERRED TAX (CONTINUED)

	GROUP					
	General and Shareholders' funds		Life fund		Life fund-Investment-linked fund	
	2009	2008	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Subject to income tax:						
<u>Deferred tax assets (before offsetting)</u>						
Property, plant and equipment						
- to income statements/revenue accounts	2,244	1,378	3,464	2,551	-	-
Investments and loans	355	4,000	20,685	24,894	121	7,968
Unabsorbed tax losses	9,467	9,849	-	-	-	-
Unabsorbed capital allowances	19	17	-	-	-	-
Others	1,541	1,719	62	37	-	-
	13,626	16,963	24,211	27,482	121	7,968
Offsetting	(3,580)	(913)	(10,716)	(10,233)	-	-
Transferred to assets classified as held for sale (Note 41(b))	-	(3,588)	-	-	-	-
Deferred tax assets (after offsetting)	10,046	12,462	10,495	17,249	121	7,968
<u>Deferred tax liabilities (before offsetting)</u>						
Property, plant and equipment						
- to asset revaluation reserve	-	-	(170)	(159)	-	-
- to income statements/revenue accounts	(673)	(732)	-	-	-	-
Available-for-sale reserve	(2,371)	(882)	(8,187)	(10,074)	-	-
Investments and loans	(7,309)	(4,813)	(2,359)	-	(3,269)	(122)
	(10,353)	(6,427)	(10,716)	(10,233)	(3,269)	(122)
Offsetting	3,580	913	10,716	10,233	-	-
Deferred tax liabilities (after offsetting)	(6,773)	(5,514)	-	-	(3,269)	(122)

12 **DEFERRED TAX** (CONTINUED)

	GROUP					
	General takaful funds		Family fund		Family takaful fund-Investment-linked fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deferred tax assets	7	-	-	-	39	551
Deferred tax liabilities	-	-	(5)	-	-	-
	7	-	(5)	-	39	551
At 1 January	-	-	-	-	551	(34)
(Charged)/credited to income statements (Note 32 (c))						
- investments	-	-	-	-	(512)	585
	-	-	-	-	(512)	585
(Charged)/credited to available-for-sale reserve	7	-	(5)	-	-	-
	7	-	(5)	-	39	551
Subject to income tax:						
Deferred tax assets (before and after offsetting)						
Investments	-	-	-	-	39	551
Available-for-sale reserve	7	-	-	-	-	-
	7	-	-	-	39	551
Deferred tax liabilities (before and after offsetting)						
Available-for-sale reserve	-	-	(5)	-	-	-
	-	-	(5)	-	-	-

12 DEFERRED TAX (CONTINUED)

	COMPANY	
	2009	**2008**
	RM'000	**RM'000**
Deferred tax liabilities	(104)	(129)
At 1 January	(129)	13,002
(Charged)/credited to income statements (Note 32(a)):		
- property, plant and equipment	25	(28)
- investments	-	(6,613)
- unabsorbed capital allowances	-	(205)
- derivative liabilities	-	(6,285)
	25	(13,131)
At 31 December	(104)	(129)
Subject to income tax:		
<u>Deferred tax liabilities (before and after offsetting)</u>		
Property, plant and equipment	(104)	(129)

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 are as follows:

	GROUP	
	2009	**2008**
	RM'000	**RM'000**
Deductible temporary differences	23,885	36,784
Unabsorbed tax losses	19,234	15,649
Unabsorbed capital allowances	13,385	15,144
	56,504	67,577

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	
	2009	2008
	RM'000	RM'000
(a) GENERAL AND SHAREHOLDERS' FUNDS		
Provision for outstanding claims	67,649	64,473
Less: Recoverable from reinsurers	(31,215)	(31,502)
Net outstanding claims	36,434	32,971
(b) LIFE FUND		
Provision for outstanding claims	42,490	33,209
Less: Recoverable from reinsurers	(5,290)	(6,427)
Net outstanding claims	37,200	26,782
(c) GENERAL TAKAFUL FUND		
Provision for outstanding claims	21,273	2,835
Less: Recoverable from retakaful companies	(16,539)	(1,509)
Net outstanding claims	4,734	1,326
(d) FAMILY TAKAFUL FUND		
Provision for outstanding claims	4,025	182
Less: Recoverable from retakaful companies	(872)	-
Net outstanding claims	3,153	182

14 INSURANCE PAYABLES

	GROUP	
	2009	2008
	RM'000	RM'000
(a) GENERAL AND SHAREHOLDERS' FUNDS		
Due to reinsurers and cedants	16,238	12,443
Reinsurers' deposits withheld	5,135	5,822
	21,373	18,265
(b) LIFE FUND		
Due to agents, brokers and co-insurers	674,989	579,145
Due to reinsurers and cedants	3,695	3,920
Premium deposits	8,010	9,132
	686,694	592,197
(c) GENERAL TAKAFUL FUND		
Due to agents, brokers and co-takaful	4,541	1,173
Due to retakaful companies and cedants	23,431	19,851
Retakaful deposits withheld	212	301
	28,184	21,325
(d) FAMILY TAKAFUL FUND		
Due to retakaful companies and cedants	748	106
Contribution deposits	2,037	1,236
	2,785	1,342

15 MEDIUM TERM NOTES - SECURED

	GROUP/COMPANY	
	2009	2008
	RM'000	RM'000
RM200 million Medium Term Notes ("MTN')	200,000	200,000
Analysis of the MTNs:		
Payable between 1 year to 2 years	60,000	30,000
Payable between 2 years to 5 years	140,000	170,000
	200,000	200,000

In the financial year ended 31 December 2007, the Company issued RM200 million nominal amount of Medium Term Notes ("MTN") up to a tenure of 5 years 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 MTNs are secured by a bank guarantee facility from DBS Bank Ltd, Labuan Branch ("DBS") 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. The Company has further provided undertakings to DBS under the bank guarantee facility, which amongst others include undertakings not to dispose of any part of the business and assets of its wholly-owned insurance subsidiary company, MAA, and not to dilute the Company's interest in MAA without the prior consent of DBS.

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. Under the trust deed, the Company provided covenants to the trustee for the benefit of the noteholders. The covenants include amongst others not to dispose of the business or assets of MAA except where such disposal is to an investor of good standing and acknowledged reputation in the insurance industry who has the expertise, skills and strategic direction necessary to significantly enhance the value of MAA's business with the Company maintaining control of both the management and Board of Directors of MAA, and also the Company shall at all times remain the legal and beneficial owner of at least 51% interest in MAA, unless the prior consent of the noteholders by way of ordinary resolution or the trustee has been obtained in accordance with the terms of the trust deed.

During the financial year, interest rates of MTNs charged were in the range of 4.45% to 4.51% (2008: 4.45% to 4.51%) per annum.

16 TERM LOAN - UNSECURED

	GROUP/COMPANY	
	2009	**2008**
	RM'000	**RM'000**
Term loan:		
- Unsecured	10,000	20,000
Payable within 1 year	10,000	10,000
Payable between 1 year to 2 years	-	10,000
	10,000	20,000

The unsecured term loan of RM20,000,000 from a licensed bank of the Company bears an interest rate of 2.0% per annum above the prevailing base lending rate (2008: 2.0%). During the financial year, the interest rate charged was 7.55% to 8.50% (2008: 8.50% to 8.75%) per annum. The loan was originally to be settled by a bullet repayment in June 2008. It was extended in June 2008 for a further two years with progressive principal repayment and will be settled in full by June 2010.

In connection with the extended terms of the term loan, the Company has signed the following deeds of assignment with the said bank in June 2008:

(a) Assignment of the dividend proceeds payable to the Company by its subsidiary companies, MAA and MAA Corp, during the extended loan period;

(b) Assignment of the repayment of loans from its subsidiary companies, MAA Credit Sdn Bhd and MAA Corp, to the Company. The assignment of loan repayment shall exclude management and administrative fees for the services rendered by the Company to the said subsidiary companies; and

(c) Assignment and charge over the Sinking Fund Account.

The Company has further provided covenants to the licensed bank under the terms of the term loan, which amongst others include:

(i) to maintain its equity interests in MAA and MAA Corp such that they shall remain subsidiary companies at all times during the tenure of the term loan;

(ii) not to incur additional indebtedness other than the term loan and its existing borrowings without prior consent of the licensed bank; and

(iii) not to dispose of any of the Company's assets other than in the ordinary course of business or trade without prior consent of the licensed bank.

17 BANK OVERDRAFTS - UNSECURED

The unsecured bank overdraft facility of the Company has a limit of RM2 million and bears an interest rate of 2.0% (2008: 2.0%) per annum above the prevailing base lending rate. During the financial year, the interest rates charged were 7.55% to 8.50% (2008: 8.50% 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% (2008: 2.5%) per annum above the prevailing base lending rate. During the financial year, the interest rates charged were 8.05% to 9.0% (2008: 9.0% 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 (2008: RM2.0 million, RM2.0 million and RM2.0 million) respectively. During the financial year, the interest rates charged was 7.05% (2008: 8.30%) per annum. There were no overdrawn facilities utilised at the balance sheet date by the insurance subsidiary company.

18 TRADE AND OTHER PAYABLES

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Trade payables from non-insurance subsidiary companies	34,369	2,378	-	-
Other payables:				
Amounts due to a Director	2,200	1,934	-	-
Amount due to related companies	-	110	-	-
Amount due to Life fund (Note 8(b))	23,513	37,690	-	-
Amount due to General takaful fund (Note 8(c))	4,593	4,108	-	-
Amount due to Family takaful fund (Note 8(d))	8,687	15,221	-	-
Qardhul Hassan payable to General takaful fund (Note 8(c))	528	8,132	-	-
Qardhul Hassan payable to Family takaful fund (Note 8(d))	455	-	-	-
Defined contribution retirement plan payable	1,361	1,140	247	241
Accrual for unutilised staff leave	905	1,006	213	311
Hire purchase creditors	1,001	1,417	332	561
Commission payable	4,910	2,595	-	-
Other payables and accruals	28,907	28,159	10,218	9,798
	77,060	101,512	11,010	10,911
	111,429	103,890	11,010	10,911

Amounts due to a Director by subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

The hire purchase creditors can be analysed as follows:

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Payable within 1 year	505	498	240	229
Payable between 2 years to 5 years	496	919	92	332
	1,001	1,417	332	561

The hire purchase creditors of the Group and the Company bear interest rates ranging from 2.3% to 3.9% (2008: 2.3% to 3.9%) per annum and 2.4% to 2.8% per annum (2008: 2.4% to 2.8%) respectively.

18 TRADE AND OTHER PAYABLES (CONTINUED)

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

	GROUP			
	Life fund		Life fund-investment-linked fund	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Other payables:				
Accrued interest payable	41,660	39,564	-	-
Unclaimed monies	10,284	9,200	-	-
Amount due to Shareholders' fund (Note 8(a))	-	11,413	-	-
Amount due to Life fund - Investment-linked fund (Note 8(b))	2,957	7,795	-	-
Amount due to Life fund (Note 8(b))	-	-	3,187	7,963
Defined contribution retirement plan payable	782	810	-	-
Accrual of unutilised staff leave	1,020	949	-	-
Rental deposits	3,858	3,747	-	-
Other payables and accruals	56,956	31,607	1,821	1,851
	117,517	105,085	5,008	9,814

(c) GENERAL TAKAFUL FUND

	GROUP	
	2009	2008
	RM'000	RM'000
Other payables:		
Wakalah fee payable to Shareholders' fund (Note 8(a))	1,826	10,564
Other payables and accruals	1,321	61
	3,147	10,625

18 TRADE AND OTHER PAYABLES (CONTINUED)

(d) FAMILY TAKAFUL FUND

	GROUP 2009 RM'000	GROUP 2008 RM'000
Other payables:		
Wakalah fee payable to Shareholders' fund (Note 8(a))	5,914	18,133
Amount due to General takaful fund (Note 8(c))	-	905
Amount due to Family takaful fund – Investment-linked fund (Note 8(e))	4,887	42,616
Qardhul Hassan payable to Shareholders' fund	455	-
Surplus payable to Shareholders' fund (Note 8(a))	1,650	-
Other payables and accruals	816	1,590
	13,722	63,244

(e) FAMILY TAKAFUL FUND - INVESTMENT-LINKED FUND

	GROUP 2009 RM'000	GROUP 2008 RM'000
Other payables:		
Amount due to Shareholders' fund (Note 8(a))	1	3
Other payables and accruals	701	342
	702	345

19 DERIVATIVE LIABILITIES

	GROUP/COMPANY 2009 RM'000	GROUP/COMPANY 2008 RM'000
Interest rate derivative (at fair value) - interest rate swap	-	46,733

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 ranged from 0.74% to 1.43% (2008: 2.92% to 5.21%) per annum and 0.43% to 0.90% (2008: 2.11% to 3.54%) per annum respectively.

During the financial year, the Company has terminated its interest swap, resulting in a gain on unwinding of derivatives, amounting to RM46,733,000, which has been recognised in the income statement for the current financial year.

20 PREMIUM LIABILITIES/UNEARNED CONTRIBUTION RESERVES

(a) GENERAL FUND

CONTINUING OPERATIONS

	Fire RM'000	Motor vehicles RM'000	Motor cycles RM'000	Marine, Aviation & Transit RM'000	Misce-llaneous RM'000	Total RM'000
GROUP						
2009						
At beginning of financial year	4,505	6,686	14	1,564	3,813	16,582
Currency translation differences	1,101	(159)	(1,189)	1,144	236	1,133
Increase/(decrease) in premium liabilities	126	4,402	1,194	(1,061)	3,826	8,487
At end of financial year	5,732	10,929	19	1,647	7,875	26,202
2008						
At beginning of financial year	3,297	7,022	27	610	2,670	13,626
Currency translation differences	187	(867)	12	313	(499)	(854)
Increase/(decrease) in premium liabilities	1,021	531	(25)	641	1,642	3,810
At end of financial year	4,505	6,686	14	1,564	3,813	16,582

20 PREMIUM LIABILITIES/UNEARNED CONTRIBUTION RESERVES (CONTINUED)

(a) GENERAL FUND (CONTINUED)

DISCONTINUED OPERATIONS

	Fire RM'000	Motor vehicles RM'000	Motor cycles RM'000	Marine, Aviation & Transit RM'000	Misce-llaneous RM'000	Total RM'000
GROUP						
2009						
At beginning of financial year	10,571	58,956	16,960	5,762	21,487	113,736
(Decrease)/increase in premium liabilities	(6,028)	45,449	10,514	2,254	(3,281)	48,908
At end of financial year	4,543	104,405	27,474	8,016	18,206	162,644
2008						
At beginning of financial year	10,617	64,366	13,494	5,873	21,165	115,515
(Decrease)/increase in premium liabilities	(46)	(5,410)	3,466	(111)	322	(1,779)
At end of financial year	10,571	58,956	16,960	5,762	21,487	113,736

(b) GENERAL TAKAFUL FUND

	Fire RM'000	Motor vehicles RM'000	Aviation & Transit RM'000	Marine, Misce-llaneous RM'000	Total RM'000
GROUP					
2009					
At beginning of financial year	737	541	2,831	1,572	5,681
Increase in reserves (Note 22(a))	1,752	3,602	2,128	3,433	10,915
At end of financial year	2,489	4,143	4,959	5,005	16,596
2008					
At beginning of financial year	-	80	-	125	205
Increase in reserves (Note 22(a))	737	461	2,831	1,447	5,476
At end of financial year	737	541	2,831	1,572	5,681

21 LIFE POLICYHOLDERS' FUND

With effect from 1 January 2009, liabilities of insurance business are determined in accordance with the RBC Framework for the insurance subsidiary company regulated by BNM. Prior to 1 January 2009, life insurance liabilities were assessed using prescribed fixed interest rates for discounting purposes, future benefits and future income were assessed without considering the relevant expenses, and fixed mortality assumptions. The RBC Framework had introduced a new measurement basis for life insurance liabilities, requiring insurers to assess insurance liabilities based on current assumptions, reflecting the best estimates at the time increased with a margin for risk and adverse deviation. This includes the consideration of all cash flows, including estimates of future expenses.

The above changes in the valuation basis have resulted in the following retrospective adjustments within the components of the life policyholders' fund:

	As previously stated RM'000	Effects of change in accounting policies RM'000	As restated RM'000
At 1 January 2008			
Actuarial liabilities	5,192,686	943,860	6,136,546
Unallocated surplus/(deficit)	551,816	(943,860)	(392,044)
At 1 January 2009			
Actuarial liabilities	5,027,397	523,572	5,550,969
Unallocated surplus/(deficit)	321,665	(523,572)	(201,907)

	GROUP	
	2009 RM'000	2008 RM'000
Life policyholders' fund consists of:		
Actuarial liabilities	5,553,373	5,550,969
Unallocated deficit	(24,352)	(201,907)
Available-for-sale reserve	95,211	121,707
Asset revaluation reserve	1,958	1,834
	5,626,190	5,472,603

21 **LIFE POLICYHOLDERS' FUND** (CONTINUED)

		GROUP	
		2009	2008
		RM'000	RM'000
Actuarial liabilities			
At beginning of financial year			
- as previously stated		5,027,397	5,192,686
- change in accounting policies		523,572	943,860
- as restated		5,550,969	6,136,546
Add:	Decrease in policy reserves		
	- on normal business during the financial year	(206,969)	(361,977)
	Bonus allocated to participating policyholders, including interim bonus from normal surplus	209,373	230,312
	Change in accounting policies	-	(420,288)
		2,404	(551,953)
Less:	Interim bonus	-	(33,624)
At end of financial year		5,553,373	5,550,969
Unallocated surplus/(deficit)			
At beginning of financial year			
- as previously stated		321,665	551,816
- change in accounting policies		(523,572)	(943,860)
- as restated		(201,907)	(392,044)
Add:	Surplus arising during the financial year	389,069	33,957
Less:	Bonus allocated to participating policyholders, including interim bonus from normal surplus	(209,373)	(230,312)
	Change in accounting policies	-	420,288
	Surplus transferred to Income Statements	(2,141)	(33,796)
		177,555	190,137
At end of financial year		(24,352)	(201,907)

21 LIFE POLICYHOLDERS' FUND (CONTINUED)

	GROUP	
	2009	2008
	RM'000	RM'000
Available-for-sale reserve		
At beginning of financial year	121,707	8,285
Movement in fair value for available-for-sale financial assets, net of tax	(26,496)	113,422
At end of financial year	95,211	121,707
Asset revaluation reserve		
At beginning of financial year	1,834	2,049
Realisation of revaluation surplus on disposal of self-occupied properties, net of tax	(183)	(215)
Revaluation surplus during the financial year, net of tax	307	-
	124	(215)
At end of financial year	1,958	1,834

The available-for-sale reserve represents the fair value gains from available-for-sale securities of the Life fund.

The asset revaluation reserve represents the surplus arising from the revaluation of self-occupied freehold land and buildings and leasehold buildings of the Life fund. This reserve cannot be transferred to the Shareholders' fund except to the extent approved by the insurance regulatory authority.

Available-for-sale reserve, asset revaluation reserve and unallocated surplus/(deficit) represent the total reserves available in the Life fund. As at 31 December 2009, the Life fund has sufficient available-for-sale reserves and asset revaluation reserves to cover the unallocated deficit in the Life fund.

22 (a) GENERAL TAKAFUL FUND

	GROUP	
	2009	2008
	RM'000	RM'000
At beginning of financial year	5,681	205
Underwriting deficit for the financial year	(2,525)	(7,847)
Increase in Qardhul Hassan (Note 8(a))	2,525	7,847
Increase in unearned contribution reserves (Note 20(b))	10,915	5,476
At end of financial year	16,596	5,681

Included in the above is the transfer of funds made during the financial year from the Shareholders' fund of the takaful subsidiary company to the General takaful fund of RM2,525,000 (2008: RM7,847,000) under the Qardhul Hassan principle as disclosed in Note 2(r). As at 31 December 2009, the total Qardhul Hassan payable by the General takaful fund to Shareholders' fund amounted to RM10,657,000 (2008: RM8,132,000).

(b) FAMILY TAKAFUL FUND

	GROUP	
	2009	2008
	RM'000	RM'000
Participants' Account ("PA")		
At beginning of financial year	74,816	38,481
Add: Increase in PA	17,829	36,335
At end of financial year	92,645	74,816
Participants' Special Account ("PSA")		
At beginning of financial year	1,027	18
Add: Increase in PSA	8,939	1,009
At end of financial year	9,966	1,027
Liabilities to participants at end of the financial year	102,611	75,843

22 (b) FAMILY TAKAFUL FUND (CONTINUED)

	GROUP	
	2009	**2008**
	RM'000	**RM'000**
Unallocated surplus		
At beginning of financial year	868	47
Surplus attributable to the participants for the financial year	29,452	38,165
Increase in liabilities to participants	(26,768)	(37,344)
Unallocated surplus at end of the financial year	3,552	868
Family Takaful fund at end of the financial year:		
Liabilities to participants	102,611	75,843
Unallocated surplus	3,552	868
	106,163	76,711

Included in the above is a transfer of funds of RM455,000 (2008: Nil) from the Shareholders' fund of the takaful subsidiary company to Family takaful fund under the Qardhul Hassan principle as disclosed in Note 2(s). As at 31 December 2009, the total Qardhul Hassan payable by the Family takaful fund to the Shareholders' fund amounted to RM455,000 (2008: Nil).

23 SHARE CAPITAL

	GROUP/COMPANY	
	2009	**2008**
	RM'000	**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 and end of financial year	304,354	304,354

24 RESERVES

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
(Accumulated losses)/retained earnings	(28,855)	(81,473)	21,997	(2,268)
Reserves				
- Foreign exchange reserve	(5,927)	(10,832)	-	-
- Available-for-sale reserve	6,992	(329)	-	-
	1,065	(11,161)	-	-
	(27,790)	(92,634)	21,997	(2,268)
Movement in (accumulated losses)/ retained earnings				
At beginning of financial year	(81,473)	(12,166)	(2,268)	55,336
Profit/(loss) for the financial year	52,618	(69,307)	24,265	(57,604)
At end of financial year	(28,855)	(81,473)	21,997	(2,268)
Movement in foreign exchange reserve				
At beginning of financial year	(10,832)	(4,996)	-	-
Currency translation differences arising during the financial year	4,905	(5,836)	-	-
At end of financial year	(5,927)	(10,832)	-	-
Movement in available-for-sale reserve				
At beginning of financial year	(329)	775	-	-
Movement in far value for available-for-sale financial assets, net of tax	3,844	2,373	-	-
Transferred from/(to) assets classified as held for sale (Note 41(b)(II))	3,477	(3,477)	-	-
	7,321	(1,104)	-	-
At end of financial year	6,992	(329)	-	-

24 RESERVES (CONTINUED)

(a) GENERAL AND SHAREHOLDERS' FUNDS (CONTINUED)

The available-for-sale reserve represents the fair value gains or losses from available-for-sale financial assets of the General and Shareholders' fund.

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

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders. Companies with Section 108 credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013, whichever is earlier, unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act 2007.

As at 31 December 2009, subject to agreement with the tax authorities, the Company has:

(a) tax exempt income of approximately RM18,223,000 (2008: RM18,223,000), arising from tax exempt dividends received and a chargeable income related to the financial year ended 31 December 1999 which was waived in accordance with Section 8 of the Income Tax (Amendment) Act, 1999.

(b) tax credit under Section 108 of the Income Tax Act, 1967 and a balance in the exempt account to declare dividends amounting to RM89,090,000 (2008: RM89,096,000) and RM88,000 (2008: RM88,000) respectively.

	GROUP	
	2009	**2008**
	RM'000	**RM'000**
(b) GENERAL TAKAFUL FUND		
Available-for-sale reserve	(20)	-
Movement in available-for-sale reserve		
At beginning of financial year	-	-
Movement in fair value for available-for-sale financial assets, net of tax	(20)	-
At end of financial year	(20)	-
(c) FAMILY TAKAFUL FUND		
Available-for-sale reserve	13	-
Movement in available-for-sale reserve		
At beginning of financial year	-	-
Movement in fair value for available-for-sale financial assets, net of tax	13	-
At end of financial year	13	-

The available-for-sale reserve represents the fair value gains or losses from available-for-sale financial assets of General takaful and Family takaful fund.

25 OPERATING REVENUE

GROUP

	CONTINUING OPERATIONS								DISCONTINUED OPERATIONS		
	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	Shareholders' fund RM'000	General fund RM'000	Total RM'000
2009											
Gross premium/contribution	-	82,239	974,603	120,377	72,730	84,714	-	1,334,663	-	476,144	476,144
Investment income (Note 26)	8,464	982	252,608	24,030	195	250	1,089	287,618	48	22,387	22,435
Interest income from hire purchase, leasing and other credit activities	7,765	-	-	-	-	-	-	7,765	-	-	-
Income from property management, unit trust fund management, security services and consultancy services	53,134	-	-	-	-	-	-	53,134	-	-	-
	69,363	83,221	1,227,211	144,407	72,925	84,964	1,089	1,683,180	48	498,531	498,579
2008											
Gross premium/contribution	-	64,671	1,068,314	209,617	33,882	76,097	-	1,452,581	-	372,075	372,075
Investment income (Note 26)	9,530	950	251,799	26,245	37	29	1,136	289,726	2	42,600	42,602
Interest income from hire purchase, leasing and other credit activities	1,163	-	-	-	-	-	-	1,163	-	-	-
Income from property management, unit trust fund management, security services and consultancy services	60,883	-	-	-	-	-	-	60,883	-	-	-
	71,576	65,621	1,320,113	235,862	33,919	76,126	1,136	1,804,353	2	414,675	414,677

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

25 OPERATING REVENUE (CONTINUED)

	COMPANY	
	2009	2008
	RM'000	RM'000
Investment income (Note 26(a))	5,328	9,061
Management fee income (Note 27)	6,842	8,304
	12,170	17,365

26 INVESTMENT INCOME

	CONTINUING OPERATIONS			
	GROUP		COMPANY	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
(a) SHAREHOLDERS' FUND				
Interest income from:				
Financial assets				
Malaysian Government Securities/				
Government Investment Issues				
- available-for-sale	507	-	-	-
Corporate debt securities				
- at fair value through profit or loss	2,654	1,429	-	-
- at available-for-sale	151	-	-	-
Loans and receivables				
- mortgage loans	15	21	15	21
- other secured and unsecured loans	415	619	2	1
- other receivables	-	-	3,901	5,167
Fixed and call deposits	4,108	6,100	1,410	2,972
	7,850	8,169	5,328	8,161
Amortisation of premiums from:				
Financial assets				
Malaysian Government Securities/				
Government Investment Issues				
- available-for-sale	(63)	-	-	-
Gross dividends from equity securities				
of corporations:				
- at fair value through profit or loss	200	1,249	-	900
- available-for-sale	98	-	-	-
	298	1,249	-	900

26 INVESTMENT INCOME (CONTINUED)

	CONTINUING OPERATIONS			
	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(a) SHAREHOLDERS' FUND (CONTINUED)				
Gross rental income	126	32	-	-
Less: Rates and maintenance for investment properties	-	(16)	-	-
	126	16	-	-
Others	253	96	-	-
	8,464	9,530	5,328	9,061

	DISCONTINUED OPERATIONS	
	GROUP	
	2009 RM'000	2008 RM'000
Interest income from:		
Fixed and call deposits	48	2
	48	2

	CONTINUING OPERATIONS	
	GROUP	
	2009 RM'000	2008 RM'000
(b) GENERAL FUND		
Interest income from:		
Fixed and call deposits	978	950
Gross rental income	4	-
	982	950

26 INVESTMENT INCOME (CONTINUED)

	DISCONTINUED OPERATIONS	
	GROUP	
	2009	2008
	RM'000	RM'000
(c) GENERAL FUND		
Interest income from:		
Financial assets		
Malaysian Government Securities/Government Investment Issues		
- available-for-sale	2,862	3,936
- held to maturity	-	351
Cagamas papers		
- at available-for-sale	-	414
Corporate debt securities		
- at fair value through profit or loss	288	944
- available-for-sale	13,578	6,368
- held to maturity	-	609
Loans and receivables		
- mortgage loans	54	20,142
- other secured and unsecured loans	15	2,953
Fixed and call deposits	3,037	4,811
	19,834	40,528
Accretion of discounts/(amortisation of premiums) from:		
Financial assets		
Malaysian Government Securities/Government Investment Issues		
- available-for-sale	(579)	(991)
- held to maturity	-	(122)
Corporate debt securities		
- available-for-sale	783	277
- held to maturity	-	(42)
	204	(878)
Gross dividends from equity securities of corporations		
- at fair value through profit or loss	799	1,742
Gross rental income	3,399	2,839
Less: Rates and maintenance for investment properties	(1,849)	(1,631)
	1,550	1,208
	22,387	42,600

26 INVESTMENT INCOME (CONTINUED)

	CONTINUING OPERATIONS	
		GROUP
	2009	2008
	RM'000	RM'000
(d) LIFE FUND		
Interest income from:		
Financial assets		
Malaysian Government Securities/Government Investment Issues		
- available-for-sale	12,813	25,384
- held to maturity	-	3,078
Cagamas papers		
- available-for-sale	-	5,451
Corporate debt securities		
- at fair value through profit or loss	820	2,652
- available-for-sale	125,265	60,902
- held to maturity	-	17,528
Loans and receivables		
- mortgage loans	13,618	21,851
- policy loans	21,241	22,526
- other secured and unsecured loans	9,735	18,358
Fixed and call deposits	16,955	32,288
	200,447	210,018
Accretion of discounts/(amortisation of premiums) from:		
Financial assets		
Malaysian Government Securities/Government Investment Issues		
- available-for-sale	(1,452)	(1,558)
- held to maturity	-	(560)
Cagamas papers		
- available-for-sale	-	23
Corporate debt securities		
- at fair value through profit or loss	-	69
- available-for-sale	40,448	11,642
- held to maturity	-	11,312
	38,996	20,928
Gross dividends from:		
- equity securities of corporations at fair value through profit or loss	7,109	16,320
- unit trust	-	41
	7,109	16,361
Gross rental income	21,885	18,899
Less: Rates and maintenance for investment properties	(15,829)	(14,407)
	6,056	4,492
	252,608	251,799

26 INVESTMENT INCOME (CONTINUED)

	CONTINUING OPERATIONS	
		GROUP
	2009	2008
	RM'000	RM'000
(e) LIFE FUND - INVESTMENT-LINKED FUND		
Interest income from:		
Financial assets at fair value through profit or loss		
- Malaysian Government Securities/Government Investment Issues	47	250
- Corporate debt securities	7,417	7,377
Fixed and call deposits	4,602	3,585
	12,066	11,212
Gross dividends from equity securities of corporations		
- at fair value through profit or loss	11,964	15,033
	24,030	26,245
(f) GENERAL TAKAFUL FUND		
Profit from:		
Financial assets		
Malaysian Government Guaranteed financing		
- available-for-sale	63	-
Fixed and call deposits	132	37
	195	37
(g) FAMILY TAKAFUL FUND		
Profit from:		
Financial assets		
Malaysian Government Guaranteed financing		
- available-for-sale	66	-
Fixed and call deposits	184	29
	250	29
(h) FAMILY TAKAFUL FUND - INVESTMENT-LINKED FUND		
Profit from:		
Financial assets		
Islamic debt securities		
- at fair value through profit or loss	281	25
Fixed and call deposits	395	472
	676	497
Gross dividends income from equity securities of corporations		
- at fair value through profit or loss	413	639
	1,089	1,136

27 OPERATING REVENUE FROM NON-INSURANCE BUSINESS

	CONTINUING OPERATIONS			
	GROUP		COMPANY	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Revenue from non-insurance businesses:				
- management fee income	2,809	4,609	6,842	8,304
- unit trust fund management fee income	16,436	15,118	-	-
- unit trust fund initial service fee	9,593	11,178	-	-
- interest income from hire purchase, leasing and other credit activities	7,765	1,163	-	-
- billings for securities services	18,933	20,869	-	-
- others	5,363	9,109	-	-
	60,899	62,046	6,842	8,304

28 WAKALAH FEE FROM TAKAFUL BUSINESS

	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000
2009			
Management expenses	7,300	8,464	15,764
Commission expenses	10,523	27,416	37,939
	17,823	35,880	53,703
2008			
Management expenses	4,711	4,721	9,432
Commission expenses	5,569	10,747	16,316
	10,280	15,468	25,748

29 OTHER OPERATING INCOME/(EXPENSES) – NET

	CONTINUING OPERATIONS			
	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(a) SHAREHOLDERS' FUND				
Gain/(loss) on disposal of:				
Financial assets				
Equity securities				
- at fair value through profit or loss	-	112	-	112
Corporate debt securities				
- at fair value through profit or loss	(1)	-	-	-
- available-for-sale	29	-	-	-
Investment-linked units				
- available-for-sale	1,538	-	-	-
	1,566	112	-	112
Net fair value gain/(loss) of financial assets at fair value through profit or loss:				
- equity securities	(5)	318	(5)	318
- corporate debt securities	275	(2,068)	-	-
- unit trusts	8	(22)	-	-
	278	(1,772)	(5)	318
Net impairment loss on unquoted corporate debt securities				
- available-for-sale	(100)	-	-	-
Net fair value loss on investment properties	-	(97)	-	-
Reversal of /(allowance for) impairment loss on associated company	-	-	3,715	(2,871)
Property, plant and equipment				
- loss on disposal	(359)	(66)	(229)	(31)
- written off	(60)	(71)	(1)	-
Fair value loss on interest rate swap	-	(22,560)	-	(22,560)
Gain on unwinding of derivatives	46,733	-	46,733	-
Termination charge on interest rate swap	(4,500)	-	(4,500)	-
Commission paid and payable to unit trust agents	(11,205)	(12,051)	-	-
Allowance for doubtful debts on loans	-	(16)	-	-

29 OTHER OPERATING INCOME/(EXPENSES) – NET (CONTINUED)

	CONTINUING OPERATIONS			
	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(a) SHAREHOLDERS' FUND (CONTINUED)				
Write back of/(allowance for) doubtful debts on loans from leasing, hire purchase and others - net	1,180	(1,638)	-	-
Bad debts recovered - net	233	311	-	-
Loss on disposal of shares in a subsidiary company	-	(5,879)	-	-
Loss on accretion of shares in subsidiary companies	-	(370)	-	-
Others	4,932	2,069	694	147
Other operating income/(expenses) – net	38,698	(42,028)	46,407	(24,885)

	DISCONTINUED OPERATIONS	
	GROUP	
	2009 RM'000	2008 RM'000
Others	21	-

	CONTINUING OPERATIONS	
	GROUP	
	2009 RM'000	2008 RM'000
(b) GENERAL FUND		
Net fair value gain/(loss) of financial assets at fair value through profit or loss:		
- equity securities	-	(619)
- investment-linked units	499	-
	499	(619)
Net fair value gain/(loss) on investment properties	407	(1,014)
Property, plant and equipment		
- gain on disposal	77	-
Others	996	100
Other operating income/(expenses) - net	1,979	(1,533)

29 OTHER OPERATING INCOME/(EXPENSES) – NET (CONTINUED)

	DISCONTINUED OPERATIONS	
	GROUP	
	2009	**2008**
	RM'000	**RM'000**
(c) GENERAL FUND		
Gain/(loss) on disposal of:		
Financial assets		
Equity securities		
- at fair value through profit or loss	3,018	(7,424)
Corporate debt securities		
- at fair value through profit or loss	(40)	447
- available-for-sale	447	(98)
Malaysian Government Securities/Government Investment Issues		
- available-for-sale	(178)	112
Investment properties	1,473	1,432
	4,720	(5,531)
Net fair value gain/(loss) of financial assets at fair value through profit or loss:		
- equity securities	11,952	(20,938)
- corporate debt securities	2,601	(4,030)
- investment-linked units	1,216	(1,561)
	15,769	(26,529)
Net impairment loss on unquoted corporate debt securities		
- available-for-sale	(472)	-
Net fair value loss on investment properties	(340)	(375)
Property, plant and equipment		
- loss on disposal	(181)	(32)
Write back of doubtful debts on loans	3,263	604
Non-performing loans written off	-	(13,179)
Unrealised (loss)/gain on foreign exchange	(138)	233
Others	(1,518)	(25)
Other operating income/(expenses) - net	21,103	(44,834)

29 OTHER OPERATING INCOME/(EXPENSES) - NET (CONTINUED)

	CONTINUING OPERATIONS	
		GROUP
	2009	2008
	RM'000	RM'000
(d) LIFE FUND		
Gain/(loss) on disposal of:		
Financial assets		
Equity securities		
- at fair value through profit or loss	6,484	(110,888)
Corporate debt securities		
- at fair value through profit or loss	(105)	1,518
- available-for-sale	1,601	(2,354)
Unit trusts		
- at fair value through profit or loss	-	75
Malaysian Government Securities/Government Investment Issues		
- available-for-sale	(1,054)	(160)
Investment properties	2,395	1,463
	9,321	(110,346)
Net fair value gain/(loss) of financial assets at fair value through profit or loss:		
- equity securities	55,563	(83,691)
- corporate debt securities	7,462	(3,327)
- unit trusts	421	(741)
- investment-linked units	391	(946)
	63,837	(88,705)
Net impairment loss on unquoted corporate debt securities		
- available-for-sale	(12,228)	(22,545)
Net fair value loss on investment properties	(725)	(23,467)
Realisation of revaluation surplus on disposal of self-occupied properties	183	215
Property, plant and equipment		
- loss on disposal	(13)	(243)
- written off	(4)	(4)
- impairment loss	(1,944)	(3,201)
Allowance for doubtful debts on loans	(38,202)	(13,993)
Others	7,369	6,099
Other operating income/(expenses) - net	27,594	(256,190)

29 OPERATING INCOME/(EXPENSES) - NET (CONTINUED)

	CONTINUING OPERATIONS	
		GROUP
	2009	2008
	RM'000	RM'000
(e) LIFE FUND - INVESTMENT-LINKED FUND		
Gain/(loss) on disposal of:		
Financial assets		
Equity securities		
- at fair value through profit or loss	2,801	(11,714)
Corporate debt securities		
- at fair value through profit or loss	(195)	410
Malaysian Government Securities/Government Investment Issues		
- at fair value through profit or loss	-	249
Unit trusts		
- at fair value through profit or loss	1	(19)
Structured deposits	-	(84)
	2,607	(11,158)
Net fair value gain/(loss) of financial assets at fair value through profit or loss:		
- equity securities	105,210	(142,266)
- corporate debt securities	5,239	(4,615)
- Malaysian Government Securities/Government Investment issues	-	(29)
- unit trusts	2,595	(1,554)
- structured deposit	2,987	-
- investment-linked units	(1,114)	(7,721)
	114,917	(156,185)
Net impairment loss on unquoted corporate debt securities		
- at fair value through profit or loss	(2,195)	-
Others	(10,048)	(10,679)
Other operating income/(expenses) - net	105,281	(178,022)

29 OTHER OPERATING INCOME/(EXPENSES) - NET (CONTINUED)

	CONTINUING OPERATIONS	
		GROUP
	2009	2008
	RM'000	RM'000
(f) FAMILY TAKAFUL FUND		
Policy fee expenses	(2,018)	(788)
Switching fee expenses	(1)	(4)
Others	(249)	-
Other operating expenses - net	(2,268)	(792)
(g) FAMILY TAKAFUL FUND - INVESTMENT-LINKED FUND		
Net fair value gain/(loss) of financial assets at fair value through profit or loss		
- equity securities	6,393	(7,312)
- Islamic debt securities	(24)	7
	6,369	(7,305)
Loss on disposal of quoted equities at fair value through profit or loss	(273)	(441)
Tharawat expenses	(696)	(330)
Others	-	(1)
Other operating income/(expenses) - net	5,400	(8,077)

30 MANAGEMENT EXPENSES

	CONTINUING OPERATIONS					
	GROUP					
	Shareholders' fund		General fund		Life fund	
	2009	2008	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Staff costs (including Executive Directors):						
- salaries and bonus	48,909	46,046	3,344	2,668	28,253	31,773
- defined contribution retirement benefits	4,916	4,243	7	11	4,627	5,696
	53,825	50,289	3,351	2,679	32,880	37,469
Depreciation of property, plant and equipment	1,988	2,291	141	116	11,080	11,638
Amortisation of intangible assets	1,493	1,208	-	-	1,883	1,869
Amortisation of leases	-	-	-	-	46	63
Auditors' remuneration						
- statutory audit	311	272	6	6	432	223
- other services	25	-	-	-	-	-
- under provision in prior financial year	63	49	-	-	46	27
Auditors' remuneration paid to other audit firms	37	26	21	17	24	17
Fees paid to a company in which certain Directors have an interest	298	304	1	1	71	83
(Write back of)/ allowance for doubtful debts	(314)	1,850	(6)	520	-	-
Bad debts written off	124	118	-	-	-	-
Office rental	282	385	613	789	6,492	6,679
Rental of office equipment	696	470	5	4	657	635
Training expenses	1,095	370	149	146	1,874	2,230
Repairs and maintenance	117	115	-	1	5,116	5,453
EDP expenses	1,296	700	1	-	6,508	7,850
Advertising, promotional and entertainment	3,320	2,632	273	288	5,752	6,460
Motor vehicle and travelling expenses	2,960	5,005	218	211	1,972	1,999
Printing and stationery	1,152	1,107	78	77	1,804	2,080
Postage, telephone, telex and fax	739	826	32	202	2,401	2,412
Management fees	-	32	-	-	3,634	4,981
Commission expenses of takaful business	38,905	17,499	-	-	-	-
Professional fees	1,680	2,919	-	-	72	184
Foreign exchange loss/(gain)	630	(1,794)	1,224	1,117	224	369
Other expenses	17,930	13,643	1,715	1,847	3,728	4,073
	128,652	100,316	7,822	8,021	86,696	96,794

30 MANAGEMENT EXPENSES (CONTINUED)

	DISCONTINUED OPERATIONS			
	GROUP			
	Shareholders' fund		General fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Staff costs (including Executive Directors):				
- salaries and bonus	-	-	31,142	29,228
- defined contribution retirement benefits	-	-	7,179	6,902
	-	-	38,321	36,130
Depreciation of property, plant and equipment	-	-	1,330	3,105
Amortisation of intangible assets	-	-	7	659
Impairment loss on property, plant and equipment	-	-	2,502	-
Auditors' remuneration				
- statutory audit	2	2	159	85
- under provision in prior financial year	-	-	23	13
Fees paid to a company in which certain Directors have an interest	1	1	68	80
Write back of allowance for doubtful debts	-	-	(2,073)	(1,487)
Office rental	-	-	2,068	2,100
Rental of office equipment	-	-	618	576
Training expenses	-	-	826	927
Repairs and maintenance	-	-	2,029	2,083
EDP expenses	-	-	3,044	3,552
Advertising, promotional and entertainment	-	-	4,460	6,108
Motor vehicle and traveling expenses	1	-	2,497	2,344
Printing and stationery	-	-	5,260	2,540
Postage, telephone, telex and fax	-	-	911	1,381
Management fees	-	-	1,006	682
Other expenses	268	2	1,896	2,135
	272	5	64,952	63,013

30 MANAGEMENT EXPENSES (CONTINUED)

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

	CONTINUING OPERATIONS					
	GROUP					
	Shareholders' fund		General fund		Life fund	
	2009	2008	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Directors:						
- salaries	4,312	4,246	37	27	37	27
- bonus	774	1,016	5	2	5	2
- defined contribution retirement benefits	747	810	-	-	-	-
- other emoluments	2	3	-	-	-	-
Non-executive Directors:						
- fees	774	804	82	41	218	256
- other emoluments	226	271	-	-	32	46
	6,835	7,150	124	70	292	331

	DISCONTINUED OPERATIONS	
	GROUP	
	General fund	
	2009	2008
	RM'000	RM'000
Non-executive Directors:		
- fees	140	140
- other emoluments	31	46
	171	186

30 MANAGEMENT EXPENSES (CONTINUED)

	CONTINUING OPERATIONS	
	COMPANY	
	2009	2008
	RM'000	RM'000
Staff costs (including Executive Directors):		
- staff costs	8,651	7,710
- defined contribution retirement benefits	1,471	1,241
	10,122	8,951
Depreciation of property, plant and equipment	380	559
Amortisation intangible assets	46	46
Auditors' remuneration		
- statutory audit	70	41
- under provision in prior financial year	29	10
- other services	25	-
Fees paid to a company in which certain Directors have an interest	161	185
Office rental payable to a subsidiary company	670	567
Rental of office equipment	624	408
Advertising and entertainment expenses	818	843
Motor vehicle and travelling expenses	865	994
Professional fee	590	609
Amortisation of capitalised MTNs issue expenses	1,949	1,986
Allowance for doubtful debts	130	-
Other expenses	4,715	2,624
	21,194	17,823

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

	COMPANY	
	2009	2008
	RM'000	RM'000
Executive Directors:		
- salaries	2,508	2,508
- bonus	418	418
- defined contribution retirement benefits	435	435
Non-executive Directors:		
- fees	315	380
- other emoluments	128	129
	3,804	3,870

30 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 RM227,800 (2008: RM242,000) and RM125,600 (2008: RM150,400) respectively.

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

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah
Major General Datuk (Rtd) Lai Chung Wah
Dato' Iskandar Michael bin Abdullah
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)
Yeo Took Keat
Datuk Razman Md Hashim bin Che Din Md Hashim
Tan Sri Ahmad bin Mohd Don
Muhamad Umar Swift
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
Dr Zaha Rina binti Zahari

31 FINANCE COSTS

	CONTINUING OPERATIONS			
	GROUP			
	Shareholders' fund		Life fund	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Interest on term loan	1,343	2,213	-	-
Interest on bank overdrafts	912	1,039	-	-
Hire purchase interest	66	77	-	-
Interest on medium term notes	8,993	9,017	-	-
Interest on interest rate swap – net	598	5,696	-	-
Bank guarantee commission	2,025	2,000	-	-
Others	33	69	19	19
	13,970	20,111	19	19

	COMPANY	
	2009	2008
	RM'000	RM'000
Interest on term loan	1,343	2,213
Interest on bank overdrafts	152	173
Hire purchase interest	20	31
Interest on medium term notes	8,993	9,017
Interest on interest rate swap - net	598	5,696
Bank guarantee commission	2,025	2,000
Others	12	-
	13,143	19,130

The interest rates charged during the financial year for medium term notes, term loan and bank overdrafts are disclosed in Notes 15, 16, and 17 to the financial statements respectively.

32 TAXATION

(a)

	CONTINUING OPERATIONS		DISCONTINUED OPERATIONS	
	General and Shareholders' funds		General fund	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Current tax	(618)	11,460	2,448	(2,771)
Deferred tax (Note 12)	(73)	17,677	5,883	(8,715)
Tax (income)/expenses	(691)	29,137	8,331	(11,486)
Current tax				
Current financial year	1,895	11,342	2,101	2,500
(Over)/under accrual in prior financial years	(2,513)	118	347	(5,271)
	(618)	11,460	2,448	(2,771)
Deferred tax				
Origination and reversal of temporary differences	(809)	12,474	5,883	(8,715)
(Over)/under accrual in prior financial years	(5)	2	-	-
Benefits from previously unrecognised tax loss	741	-	-	-
Reversal of previously recognised deferred tax assets	-	5,201	-	-
	(73)	17,677	5,883	(8,715)
	(691)	29,137	8,331	(11,486)

	COMPANY	
	2009	2008
	RM'000	RM'000
Deferred tax (Note 12)	(25)	13,131
Tax (income)/expenses	(25)	13,131
Deferred tax		
Origination and reversal of temporary differences	(25)	13,131
	(25)	13,131

32 TAXATION (CONTINUED)

(b)

	CONTINUING OPERATIONS			
	Life fund		Life fund-Investment -linked fund	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Current tax	16,217	9,527	(917)	1,844
Deferred tax (Note 12)	5,636	(10,582)	10,994	(12,008)
Tax expenses/(income)	21,853	(1,055)	10,077	(10,164)
Current tax				
Current financial year	16,675	9,762	450	2,454
Over accrual in prior financial years	(458)	(235)	(1,367)	(610)
	16,217	9,527	(917)	1,844
Deferred tax				
Origination and reversal of temporary differences	5,636	(10,582)	10,994	(12,008)
	5,636	(10,582)	10,994	(12,008)
	21,853	(1,055)	10,077	(10,164)

(c)

	CONTINUING OPERATIONS					
	General takaful fund		Family takaful fund		Family takaful fund-Investment-linked fund	
	2009	2008	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current tax	-	-	-	-	63	56
Deferred tax (Note 12)	-	-	-	-	512	(585)
Tax expense/(income)	-	-	-	-	575	(529)

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.

32 TAXATION (CONTINUED)

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

	GROUP	
	2009	2008
	%	%
Malaysian tax rate	25	26
Tax effects of:		
- expenses not deductible for tax purposes	(19)	(4)
- income not taxable for tax purposes	(21)	-
- tax losses not recognised	32	(30)
- reversal of previously recognised deferred tax assets	-	(36)
- over accrual in prior financial year	(4)	10
Average effective tax rate	13	(34)

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

	COMPANY	
	2009	2008
	%	%
Malaysian tax rate	25	26
Tax effects of:		
- expenses not deductible for tax purposes	27	(11)
- income not taxable for tax purposes	(52)	-
- change in tax rate	-	(2)
- reversal of previously recognised deferred tax assets	-	(43)
Average effective tax rate	-	(30)

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

33 DIVIDENDS

The Board of Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2009.

34 EARNINGS OR LOSS PER SHARE - GROUP

The basic earnings or loss per ordinary share has been calculated by dividing the Group's net profit or loss from continuing and discontinued operations as stated below over the weighted average number of ordinary shares of the Company in issue during the financial year of 304,354,000 shares (2008: 304,354,000 shares).

	2009	2008
	RM'000	RM'000
Profit/(loss) for the financial year from continuing operations	23,810	(63,850)
Profit/(loss) for the financial year from discontinued operations	29,002	(6,152)

The effects on the basic earnings per ordinary share for the financial year ended 31 December 2009 arising from the assumed conversion of redeemable convertible secured loan stocks of the associated company of the Group is anti-dilutive. Accordingly, the diluted earnings per ordinary share for the financial year ended 31 December 2009 have not been presented.

35 NET CLAIMS INCURRED

(a) GENERAL FUND

CONTINUING OPERATIONS

	Fire RM'000	Motor vehicles RM'000	Motor cycles RM'000	Marine, Aviation & Transit RM'000	Misce-llaneous RM'000	Total RM'000
GROUP						
2009						
Gross claims paid less salvage	6,888	20,455	18	12,201	25,154	64,716
Reinsurance recoveries	(5,066)	(24,035)	-	(10,321)	(18,885)	(58,307)
Net claims paid	1,822	(3,580)	18	1,880	6,269	6,409
Net claims liabilities:						
At end of financial year	3,252	28,659	(2)	995	3,530	36,434
Currency translation differences	(778)	(168)	1	(206)	(287)	(1,438)
At beginning of financial year	(1,282)	(28,481)	(24)	(247)	(2,937)	(32,971)
Net claims incurred	3,014	(3,570)	(7)	2,422	6,575	8,434
2008						
Gross claims paid less salvage	10,743	19,545	46	3,737	6,465	40,536
Reinsurance recoveries	(10,128)	(20,702)	-	(3,364)	(4,150)	(38,344)
Net claims paid	615	(1,157)	46	373	2,315	2,192
Net claims liabilities:						
At end of financial year	1,282	28,481	24	247	2,937	32,971
Currency translation differences	141	220	1	27	136	525
At beginning of financial year	(799)	(25,582)	(32)	(159)	(3,175)	(29,747)
Net claims incurred	1,239	1,962	39	488	2,213	5,941

35 NET CLAIMS INCURRED (CONTINUED)

(b) GENERAL FUND

DISCONTINUED OPERATIONS

	Fire RM'000	Motor vehicles RM'000	Motor cycles RM'000	Marine, Aviation & Transit RM'000	Misce-llaneous RM'000	Total RM'000
GROUP						
2009						
Gross claims paid less salvage	46,174	151,040	35,395	6,898	33,878	273,385
Reinsurance recoveries	(35,331)	(8,987)	(5,084)	(5,524)	(10,837)	(65,763)
Net claims paid	10,843	142,053	30,311	1,374	23,041	207,622
Net claims liabilities:						
At end of financial year	9,405	186,165	66,876	5,698	38,962	307,106
At beginning of financial year	(13,001)	(184,463)	(53,091)	(6,688)	(43,044)	(300,287)
Net claims incurred	7,247	143,755	44,096	384	18,959	214,441
2008						
Gross claims paid less salvage	21,403	126,682	30,643	7,023	32,375	218,126
Reinsurance recoveries	(10,130)	(4,108)	(5,534)	(4,828)	(9,172)	(33,772)
Net claims paid	11,273	122,574	25,109	2,195	23,203	184,354
Net claims liabilities:						
At end of financial year	13,001	184,463	53,091	6,688	43,044	300,287
At beginning of financial year	(17,381)	(170,174)	(51,731)	(5,169)	(44,121)	(288,576)
Net claims incurred	6,893	136,863	26,469	3,714	22,126	196,065

35 NET CLAIMS INCURRED (CONTINUED)

(c) GENERAL TAKAFUL FUND

CONTINUING OPERATIONS

	Fire RM'000	Motor vehicles RM'000	Marine, Aviation & Transit RM'000	Misce-llaneous RM'000	Total RM'000
GROUP					
2009					
Gross claims paid less salvages	1,197	1,091	1,061	2,379	5,728
Retakaful recoveries	(916)	(418)	(938)	(1,214)	(3,486)
Net claims paid	281	673	123	1,165	2,242
Net outstanding claims:					
At end of financial year	367	1,383	223	2,761	4,734
At beginning of financial year	(313)	(271)	(26)	(716)	(1,326)
Net claims incurred	335	1,785	320	3,210	5,650
2008					
Gross claims paid less salvages	143	122	582	292	1,139
Retakaful recoveries	(87)	(34)	(538)	(118)	(777)
Net claims paid	56	88	44	174	362
Net outstanding claims:					
At end of financial year	313	271	26	716	1,326
At beginning of financial year	(12)	(10)	-	(17)	(39)
Net claims incurred	357	349	70	873	1,649

36 INVESTMENT-LINKED FUND

(a) LIFE FUND

	GROUP	
	2009	**2008**
	RM'000	**RM'000**
BALANCE SHEET		
ASSETS		
Financial assets		
Investments		
- at fair value through profit or loss (Note 7(b))	532,956	366,136
Loans and receivables (Note 8(b))	5,587	13,542
Tax recoverable	4,003	4,159
Deferred tax assets (Note 12)	121	7,968
Fixed and call deposits (Note 38(b))	157,415	163,156
Cash and bank balances (Note 39)	9,283	5,566
	709,365	560,527
LIABILITIES		
Trade and other payables (Note 18(b))	5,008	9,814
Current tax liabilities	370	865
Deferred tax liabilities (Note 12)	3,269	122
	8,647	10,801
NET ASSET VALUE OF FUNDS	700,718	549,726
REPRESENTED BY:		
UNITHOLDERS' ACCOUNT		
At beginning of financial year	549,726	695,262
Net creation/(cancellation) of units	31,440	(5,699)
Net surplus/(deficit) for the financial year after taxation	119,234	(141,613)
Foreign exchange reserve	442	2,222
	700,842	550,172
Distribution during the financial year	(124)	(446)
At end of financial year	700,718	549,726
INCOME STATEMENT		
Investment income (Note 26(e))	24,030	26,245
Other operating income/(expenses) - net (Note 29(e))	105,281	(178,022)
Surplus/(deficit) before taxation	129,311	(151,777)
Taxation (Note 32(b))	(10,077)	10,164
Net surplus/(deficit) for the financial year after taxation	119,234	(141,613)

36 INVESTMENT-LINKED FUND (CONTINUED)

(b) FAMILY TAKAFUL FUND

	GROUP	
	2009	**2008**
	RM'000	**RM'000**
BALANCE SHEET		
ASSETS		
Financial assets		
Investments		
- at fair value through profit or loss (Note 7(c))	37,524	13,829
Loan and receivables (Note 8(e))	5,244	42,723
Tax recoverable	64	65
Deferred tax assets (Note 12)	39	551
Fixed and call deposits (Note 38(e))	50,376	18,003
Cash and bank balances (Note 39)	72	8
	93,319	75,179
LIABILITIES		
Trade and other payables (Note 18(e))	702	345
Current tax liabilities	51	18
	753	363
NET ASSET VALUE OF FUNDS	92,566	74,816
REPRESENTED BY:		
UNITHOLDERS' ACCOUNT		
At beginning of financial year	74,816	38,481
Net creation of units	11,836	42,747
Net surplus/(deficit) for the financial year after taxation	5,914	(6,412)
At end of financial year	92,566	74,816
INCOME STATEMENT		
Investment income (Note 26(h))	1,089	1,136
Other operating income/(expenses) (Note 29(g))	5,400	(8,077)
Surplus/(deficit) before taxation	6,489	(6,941)
Taxation (Note 32 (c))	(575)	529
Net surplus/(deficit) for the financial year after taxation	5,914	(6,412)

37 PROVISION FOR LIFE AGENTS' RETIREMENT BENEFITS

	GROUP	
	Life fund	
	2009	2008
	RM'000	RM'000
At beginning of financial year	3,104	3,247
Provision for the financial year	152	180
Utilised during the financial year	(476)	(323)
At end of financial year	2,780	3,104
Payable within 12 months	895	1,124
Payable after 12 months	1,885	1,980
	2,780	3,104

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

Present value of funded obligations	25,750	21,047
Fair value of plan assets	(25,750)	(21,047)
Status of funded plan	-	-
Present value of unfunded obligations	2,780	3,104
Liability in the balance sheet	2,780	3,104

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

	GROUP	
	Life fund	
	2009	2008
	RM'000	RM'000
Current service cost	20	30
Interest cost	132	150
	152	180

The actual return on plan assets was RM1,973,000 (2008: RM829,000).

The present value of funded obligations is always equal to the fair value of plan assets of the funded retirement benefit scheme as the 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 retirement age and are eligible for the retirement benefit.

38 FIXED AND CALL DEPOSITS

(a) GENERAL AND SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Fixed and call deposits with:				
Licensed banks	182,592	253,464	47,103	91,063

Included in the above balances as at 31 December 2008 are fixed deposits amounting to approximately RM71,000,000 that were assigned from the Shareholders' fund of an insurance subsidiary company to rectify the deficit of assets over liabilities of the Annuity fund of RM57,000,000 in the Life Insurance Fund until the deficiency ceases. The excess in assignment was to provide additional support to the Life Insurance Fund. As at 31 December 2009, the assignment of assets from Shareholders' fund of MAA has been converted to Malaysian Government Securities, Government Investment Issues and corporate debt securities as disclosed in Note 7(a) to the financial statements.

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

	GROUP			
	Life fund		Life fund-Investment-linked fund	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Fixed and call deposits with:				
Licensed banks	324,281	381,323	157,415	163,156
Other corporations	134,935	178,160	-	-
	459,216	559,483	157,415	163,156

	GROUP	
	2009	2008
	RM'000	RM'000
(c) GENERAL TAKAFUL FUND		
Fixed and call deposits with:		
Licensed banks	5,000	3,500
(d) FAMILY TAKAFUL FUND		
Fixed and call deposits with:		
Licensed banks	8,231	43,900
(e) FAMILY TAKAFUL FUND – INVESTMENT-LINKED FUND		
Fixed and call deposits with:		
Licensed financial corporations	10,984	18,003
Licensed banks	39,392	-
	50,376	18,003

The maturity structures of the above fixed and call deposits and the interest rates are disclosed in Note 46 to the financial statements.

39 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances:				
- General and Shareholders' funds	7,381	5,746	19	19
- Life fund	5,441	34,627	-	-
- Life fund - Investment-linked fund (Note 36(a))	9,283	5,566	-	-
- General takaful fund	1,071	211	-	-
- Family takaful fund	10,438	7,453	-	-
- Family takaful fund - Investment–linked fund (Note 36(b))	72	8	-	-
	33,686	53,611	19	19
Bank overdrafts:				
- General and Shareholders' funds	(11,419)	(11,382)	(1,976)	(1,985)
	22,267	42,229	(1,957)	(1,966)
Assets classified as held for sale (Note 41(a),(b))	10,624	9,118	-	-
	32,891	51,347	(1,957)	(1,966)

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.

40 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
2009								
Cash flows from:								
Operating activities	2,668	2,652	(31,109)	3,717	860	2,985	64	(18,143)
Investing activities	(983)	3,842	1,923	-	-	-	-	4,782
Financing activities	-	(10,000)	-	-	-	-	-	(10,000)
	1,705	(3,506)	(29,186)	3,717	860	2,985	64	(23,361)
Net increase/(decrease) in cash and cash equivalents	1,705	(3,506)	(29,186)	3,717	860	2,985	64	(23,361)
Currency translation differences	-	4,905	-	-	-	-	-	4,905
Cash and cash equivalents:								
At beginning of financial year	10,584	(7,102)	34,627	5,566	211	7,453	8	51,347
At end of financial year	12,289	(5,703)	5,441	9,283	1,071	10,438	72	32,891
2008								
Cash flows from:								
Operating activities	221	12,471	20,093	(5,379)	(471)	(5,796)	(41)	21,098
Investing activities	(372)	(6,139)	(3,088)	-	-	-	-	(9,599)
Financing activities	-	(10,000)	-	-	-	-	-	(10,000)
	(151)	(3,668)	17,005	(5,379)	(471)	(5,796)	(41)	1,499
Net (decrease)/increase in cash and cash equivalents	(151)	(3,668)	17,005	(5,379)	(471)	(5,796)	(41)	1,499
Currency translation differences	-	(5,836)	-	-	-	-	-	(5,836)
Cash and cash equivalents:								
At beginning of financial year	10,735	2,402	17,622	10,945	682	13,249	49	55,684
At end of financial year	10,584	(7,102)	34,627	5,566	211	7,453	8	51,347

41 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	GROUP		
	Shareholders' fund RM'000	General fund RM'000	Total RM'000
2009			
Assets classified as held for sale	1,455	555,921	557,376
Liabilities classified as held for sale	3	617,929	617,932
2008			
Assets classified as held for sale	-	537,489	537,489
Liabilities classified as held for sale	-	563,094	563,094

(a) SHAREHOLDERS' FUND

The disposal group classified as held for sale is in respect of the proposed disposal of 100% equity interest in Valiant Properties Sdn Bhd ("VPSB") by MAA Corporation Sdn Bhd ("MAA Corp"), a wholly-owned subsidiary of the Company to K.K. Point Sdn Bhd ("KKSB") via a Sale of Share Agreement on 24 August 2009, as disclosed in Note 47(c) to the financial statements, for a cash consideration of RM182,000 (based on VPSB's net assets as at 31 March 2009) arrived at on a willing-buyer willing-seller basis, including an amount of RM1,229,000 to be paid by KKSB to MAA Corp as agreed settlement for the inter-company debt as at 31 March 2009 due by VPSB to MAA Corp. The Proposed Disposal was completed on 6 April 2010.

Accordingly the related assets and liabilities of VPSB identified for disposal have been classified under assets and liabilities held for sale.

The components of assets and liabilities held for sale and the related net cash flows attributable to the discontinued operations are as follows:

	2009 RM'000
(I) Assets classified as held for sale comprise:	
Loans and receivables	2
Fixed and call deposits	1,400
Cash and bank balances	53
Total	1,455
(II) Liabilities classified as held for sale comprise:	
Trade and other payables	3
(III) Net cash flows attributable to the discontinued operations comprise:	
Net inflow from operating activities	46
Net inflow from investing activities	2
Total net cash inflows	48

41 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(b) GENERAL FUND

The disposal group classified as held for sale is in respect of the proposed disposal of the General Insurance Business of MAA to AMG following the signing of a non-binding memorandum of understanding ("MOU") between the company on 10 November 2008 as disclosed in Note 47 (a) to the financial statements ("the Proposed Disposal"). The Proposed Disposal is expected to be completed in the next financial year.

On 5 January 2010, BNM granted its approval for the Proposed Disposal pursuant to Section 130 of the Insurance Act, 1996 with a revised headline price of RM180 million ("Disposal Consideration") (subject to adjustments) and the SC approved the Proposed Disposal via its letter dated 10 February 2010. The Disposal Consideration based on a willing-buyer willing-seller basis was arrived at after taking into consideration the standalone value of the General Insurance Business of MAA without a strategic cooperation arrangement on takaful business with MAA Takaful, after taking into consideration the net asset value of General Insurance Business of approximately RM104.4 million based on the audited financial statements as at 31 December 2007. The profit for the financial years ended 31 December 2008 and 31 December 2009, and prior to the completion date of the General Insurance Business of MAA will be recognised in the books of MAA accordingly.

Accordingly the related assets and liabilities of the General Insurance Business identified for the disposal have been classified under assets and liabilities held for sale.

The components of assets and liabilities held for sale and the related net cash flows attributable to the discontinued operations are as follows:

(I) Assets classified as held for sale comprise:

	2009 RM'000	2008 RM'000
Property, plant and equipment (Note 4(a))	3,959	5,268
Intangible assets (Note 5(a))	1,522	1,778
Financial assets		
Investments (i)		
- at fair value through profit and loss	28,692	26,431
- available-for-sale	312,343	262,322
- held to maturity	-	14,456
Loans and receivables		
- loans (ii)	1,065	2,063
- other receivables (iii)	7,991	8,860
Insurance receivables (iv)	48,083	61,611
Tax recoverable	-	7,132
Deferred tax assets (Note 12)	-	3,588
Fixed and call deposits	141,695	134,862
Cash and bank balances	10,571	9,118
Total	555,921	537,489

41 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(b) GENERAL FUND (CONTINUED)

(I) Assets classified as held for sale comprise (continued):

	2009 RM'000	2008 RM'000
(i) The analysis of investments is as follows:		
At fair value through profit or loss		
Equity securities		
- Quoted	28,692	22,860
Investment-linked units		
- Unquoted	-	3,571
Total	28,692	26,431
Available-for-sale		
Corporate debt securities		
- Unquoted	234,404	193,364
Malaysian Government Securities	77,939	68,958
Total	312,343	262,322
Held to maturity		
Corporate debt securities		
- Unquoted	-	9,431
Malaysian Government Securities	-	5,025
Total	-	14,456
(ii) The analysis of loans is as follows:		
Mortgage loans	953	1,781
Other secured loans	73	285
Unsecured loans	39	32
	1,065	2,098
Allowance for doubtful debts (Note 8(iv),(v))	-	(35)
Total	1,065	2,063
(iii) The analysis of other receivables is as follows:		
Assets held under Malaysian Motor Insurance Pool	3,484	1,032
Investment income due and accrued	3,269	4,130
Deposits, prepayments and other receivables	1,238	3,698
Total	7,991	8,860

41 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(b) GENERAL FUND (CONTINUED)

(I) Assets classified as held for sale comprise (continued):

	2009 RM'000	2008 RM'000
(iv) The analysis of insurance receivables is as follows:		
Due premium including agents, brokers and co-insurers balances	58,283	72,107
Due from reinsurers and cedants	11,729	13,506
	70,012	85,613
Allowance for doubtful debts	(21,929)	(24,002)
Total	48,083	61,611

(II) Liabilities classified as held for sale comprise:

	2009 RM'000	2008 RM'000
Provision for outstanding claims (v)	307,106	300,287
Insurance payables (vi)	77,453	82,086
Other payables (vii)	70,726	63,030
Current tax liabilities	-	478
Premium liabilities (Note 20(a))	162,644	113,736
Available-for-sale reserve (Note 24(a))	-	3,477
Total	617,929	563,094

(v) The analysis of provision for outstanding claims is as follows:

	2009 RM'000	2008 RM'000
Gross claims	445,928	435,202
Less: Recoverable from reinsurers	(138,822)	(134,915)
	307,106	300,287

(vi) The analysis of insurance payables is as follows:

	2009 RM'000	2008 RM'000
Due to agents, brokers and co-insurers	32,983	32,297
Due to reinsurers and cedants	26,827	34,631
Reinsurers' deposits withheld	17,643	15,158
	77,453	82,086

(vii) The analysis of other payables is as follows:

	2009 RM'000	2008 RM'000
Cash collaterals held for bond business	51,010	45,513
Unclaimed money	3,332	3,887
Other payables and accruals	16,384	13,630
	70,726	63,030

(III) Net cash flows attributable to the discontinued operations comprise:

	2009 RM'000	2008 RM'000
Net inflow/(outflow) from operating activities	2,235	(749)
Net outflow from investing activities	(782)	(194)
Total net cash inflow/(outflow)	1,453	(943)

42 CAPITAL AND OTHER COMMITMENTS

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

	GROUP			
	General and Shareholders' funds		Life fund	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Authorised and contracted for:				
- property, plant and equipment	3,624	2,813	-	-
- investment properties	45	-	15,045	17,194
	3,669	2,813	15,045	17,194
Authorised and not contracted for:				
- property, plant and equipment	-	67	-	-

43 CONTINGENT LIABILITIES

During the financial year ended 31 December 2005 ("FY 2005"), Meridian Asset Management Sdn Bhd ("MAM"), a subsidiary company of MAA Corp, had commenced legal proceedings against a custodian of its fund under management to recover, inter alia, the loss of investment moneys of its clients, 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 has filed an appeal against the decision. On 26 June 2008, the Custodian's Application for Stay of Proceedings was dismissed with costs and the Court had fixed 16 September 2008 for Pre Trial Case Management. On 16 September 2008, the Court directed the matter to be tried together with MAA's case. On 23 January 2009, the Court allowed MAM's application to amend the Statement of Claim to include the damages suffered by MAM but disallowed the amendment to include an associate company of the Custodian as the Second Defendant. The matter is now fixed for Pre Trial Case Management on 23 March 2010.

MAM had 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 matter is now fixed for trial on 28 June 2010 to 1 July 2010.

MAA had during the financial year ended 31 December 2006 commenced legal proceedings 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 is now fixed for Pre Trial Case Management on 23 March 2010.

In November 2007, KWAP had commenced legal proceedings against MAM to recover, inter alia, its loss of investment moneys amounting to RM7.3 million together with interest. KWAP had filed an Application under Order 14 of the Rules of the High Court ("Order 14 Application"). The Order 14 Application was dismissed by Court on 23 September 2008. On 20 July 2009, MAM obtained leave from the Court to file and serve the Third Party Notice to the Custodian. The case is now fixed for Pre Trial Case Management on 23 March 2010.

The Directors of the Company, 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.

44 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 person connected to certain Directors 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 Tube Sdn Bhd	A subsidiary company of MIG
Melewar Steel Mills Sdn Bhd	A subsidiary company of MIG
M3nergy Berhad	An associated company of MIG
Mithril Berhad ("Mithril")	An associated company of the Group
Mithril Saferay Sdn Bhd	A subsidiary company of Mithril
Mithril PVC Sdn Bhd	A subsidiary company of Mithril
Mithril FRP Industrial Sdn Bhd	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.

44 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions

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

	GROUP		COMPANY	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Transactions with subsidiary companies:				
Interest income from advances to subsidiary companies	-	-	3,901	5,167
Management fee income from subsidiary companies	-	-	4,043	3,705
*Rental expense payable to a subsidiary company	-	-	(670)	(567)
*Rental income receivable from related parties:				
Trace Management Services Sdn Bhd	121	121	-	-
Melewar Group Berhad	67	66	-	-
Melewar Integrated Engineering Sdn Bhd	485	381	-	-
Mithril Berhad	1,214	1,481	-	-
Melewar Industrial Group Berhad	256	213	-	-
Mperial Power Ltd	46	76	-	-
Melewar Apex Sdn Bhd	54	45	-	-
*Other transactions with related parties:				
Purchase of air tickets and travel packages from Mitra Malaysia Sdn Bhd	(1,816)	(2,521)	(9)	(29)
Company secretarial and related fees payable to Trace Management Services Sdn Bhd	(439)	(469)	(161)	(185)
Rental expenses payable to Mithril Berhad	(4,177)	(6,800)	-	-
*Interest income receivable from related parties:				
Mithril Berhad	248	339	-	-
Transactions with associated companies:				
*Trustee fee payable by MAAKER to MAA Bancwell Trustee Berhad	(205)	(196)	-	-
Management fee income receivable from MAA Bancwell Trustee Berhad	-	-	2,799	4,599
Transportation charges payable to Maybach Logistics Sdn Bhd	(446)	(334)	(446)	(334)
Retirement benefit fund contributed to MAAKER	(583)	(612)	(84)	(113)

44 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions (continued)

	GROUP		COMPANY	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
*Security services fee receivable from related parties:				
Mycron Steel Berhad	159	159	-	-
Melewar Steel Tube Sdn Bhd	116	115	-	-
Melewar Steel Mills Sdn Bhd	9	61	-	-

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

Related party receivables/payables

The balances with related parties at the financial year end are disclosed in Note 8 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, M3nergy 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	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At carrying value:				
- Quoted equity securities	946	769	10,977	8,704
- Quoted corporate debts securities	6,050	6,405	17,230	18,104
At end of financial year	6,996	7,174	28,207	26,808

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	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries and other short-term employee benefits	12,322	12,426	3,495	3,585
Defined contribution retirement benefits	1,487	1,445	435	435
	13,809	13,871	3,930	4,020

44 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

	GROUP		COMPANY	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Amounts receivable from mortgage loans	651	1,176	233	276
Amounts payable to a director	2,200	1,934	-	-

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 (2008: 5% to 8.5% per annum).

The amounts payable to a Director are unsecured, interest free and with no fixed terms of repayment.

45 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 trusts, 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.

45 SEGMENTAL INFORMATION (CONTINUED)

(a) Business segments (continued)

	Continuing operations						Discontinued operations		
	Life insurance								
	Investment -linked fund	Non-investment -linked fund	General insurance fund	Unit trust fund management	Shareholders' fund and other operations	General Insurance fund	Shareholders' fund and other operations	Eliminations	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2009									
Operating revenue									
External revenue	144,407	1,227,211	83,221	26,452	201,889	498,531	48	-	2,181,759
Inter-segment sales	-	3,670	-	-	16,572	200	500	(20,942)	-
Total operating revenue	144,407	1,230,881	83,221	26,452	218,461	498,731	548	(20,942)	2,181,759
Results									
Segment results	119,234	58,871	(4,087)	3,703	37,330	33,512	264	(561)	248,266
Transfer to life reserve	(119,234)	(58,321)	-	-	-	-	-	-	(177,555)
Profit/(loss) from operations	-	550	(4,087)	3,703	37,330	33,512	264	(561)	70,711
Finance costs									(13,970)
Share of profit of associated companies									3,788
Taxation									(7,640)
Zakat									(77)
Profit for the financial year									52,812
Other information									
Segment assets	709,365	5,778,251	73,965	59,089	616,336	740,647	1,455	(2,195)	7,976,913
Investments in associated companies									56,862
Total assets									8,033,775
Segment liabilities/total liabilities	8,647	6,481,772	77,856	38,869	376,729	739,388	3	-	7,723,264
Capital expenditure	-	4,248	319	608	1,896	-	-	-	7,071
Depreciation of property, plant and equipment	-	11,080	141	350	1,638	1,330	-	-	14,539

45 SEGMENTAL INFORMATION (CONTINUED)

(a) Business segments (continued)

	Continuing operations					Continuing operations	Discontinued operations		
	Life insurance				Shareholders'		Shareholders'		
	Investment -linked fund	Non-investment -linked fund	General insurance fund	Unit trust fund management	fund and other operations	General Insurance fund	fund and other operations	Eliminations	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2008									
Operating revenue									
External revenue	235,862	1,320,113	65,621	26,830	155,927	414,675	2	-	2,219,030
Inter-segment sales	-	3,194	-	-	18,114	478	-	(21,786)	-
Total operating revenue	235,862	1,323,307	65,621	26,830	174,041	415,153	2	(21,786)	2,219,030
Results									
Segment results	(141,613)	(59,671)	(6,045)	3,817	(37,251)	(22,387)	(3)	(1,369)	(264,522)
Transfer from life reserve	141,613	88,538	-	-	-	-	-	-	230,151
(Loss)/profit from operations	-	28,867	(6,045)	3,817	(37,251)	(22,387)	(3)	(1,369)	(34,371)
Finance costs									(20,111)
Share of profit of associated companies									2,131
Taxation									(17,651)
Loss for the financial year									(70,002)
Other information									
Segment assets	560,527	5,655,680	56,669	30,663	658,317	667,805	206	(3,169)	7,626,698
Investments in associated companies									58,939
Total assets									7,685,637
Segment liabilities/total liabilities	10,801	6,213,179	71,670	6,161	575,235	563,094	24	-	7,440,164
Capital expenditure	-	6,743	310	155	3,242	364	-	-	10,814
Depreciation of property, plant and equipment	-	11,638	116	327	1,964	3,105	-	-	17,150

45 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	
	2009	2008	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	2,073,444	2,091,517	7,978,686	7,611,343	552	10,199
Indonesia	108,178	127,353	49,055	69,210	6,519	615
Others	137	160	6,034	5,084	-	-
	2,181,759	2,219,030	8,033,775	7,685,637	7,071	10,814

46 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 BNM, 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; and
- 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, by failing to repay principal and interest in a timely manner. 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.

46 MANAGEMENT OF FINANCIAL RISK (CONTINUED)

Credit risk (continued)

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.

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

	Corporate debt securities				
	Fair value through profit or loss		Available-for-sale		
	Quoted	Unquoted	Quoted	Unquoted	Loans
	RM'000	RM'000	RM'000	RM'000	RM'000
Carrying amounts – Analysed by rating					
2009					
Government Guaranteed	-	-	-	642,083	-
AAA	-	23,591	-	840,870	-
AA	-	70,871	-	1,383,864	-
A	26,142	17,279	-	458,570	-
BBB	-	-	-	31,955	-
BB or lower	-	-	-	530	-
D	-	1,246	-	37,406*	-
P1	-	-	-	14,548	-
Non-investment grade	3,659	15,168	30,426	76,519	727,214
	29,801	128,155	30,426	3,486,345	727,214
2008					
Government Guaranteed	-	-	669,708	26,384	-
AAA	-	18,646	520,331	73,659	-
AA	-	96,794	999,126	211,691	-
A	24,509	20,697	242,375	101,412	-
BBB	-	27,505	6,493*	-	-
BB or lower	-	2,262	25,929*	23,173	-
D	-	182	-	-	-
P1	-	-	-	-	-
Non-investment grade	82	8,915	36,370	2,209	786,341
	24,591	175,001	2,500,332	438,528	786,341

* Full allowance for diminution in value of investments was made for one (1) defaulted corporate debt security. Additional allowances for diminution in value of investments were made for two (2) defaulted corporate debt securities due to shortfall in fair value of collaterals. These allowances were offset with a partial write back of allowance of a defaulted corporate debt security due to surplus in fair value of collaterals.

The above rating categories are based on the grading by reputable rating agencies.

46 MANAGEMENT OF FINANCIAL RISK (CONTINUED)

Credit risk (continued)

	Corporate debt securities				
	Fair value through profit or loss		Available-for-sale		
	Quoted RM'000	Unquoted RM'000	Quoted RM'000	Unquoted RM'000	Loans RM'000
Carrying amounts – Analysed by industry					
2009					
Agriculture, forest, fisheries	-	182	-	20,553	31,235
Construction	-	571	-	59,209	-
Finance	-	33,097	-	1,786,182	23,582
Industrial/Manufacturing	29,801	-	-	2,035	-
Infrastructure	-	40,797	-	637,982	-
Power	-	34,786	-	637,309	-
Property	-	-	-	8,141	267,195
Trading/Services	-	15,168	30,426	95,707	2,645
Technology	-	-	-	-	-
Consumer products	-	1,064	-	46,398	-
Others	-	2,490	-	192,829	402,557
	29,801	128,155	30,426	3,486,345	727,214
2008					
Agriculture, forest, fisheries	-	-	-	4,253	31,235
Construction	-	-	89,193	30,864	-
Finance	-	36,586	1,389,148	26,387	18,901
Industrial/Manufacturing	24,591	9,012	167,685	28,179	-
Infrastructure	-	7,861	210,260	216,794	-
Power	-	10,253	366,204	127,835	-
Property	-	14,168	104,365	-	287,413
Trading/Services	-	14,926	56,361	4,219	36,352
Technology	-	82,195	117,116	-	-
Consumer products	-	-	-	-	-
Others	-	-	-	-	412,440
	24,591	175,001	2,500,332	438,531	786,341

The Group's insurance subsidiary company encountered occurrence of rating default events for three (3) unquoted corporate debt securities during the financial year, bringing the occurrence of rating default events to eight (8) unquoted corporate debt securities since financial year ended 2005. During the financial year, one of the defaulted debt securities has been restructured by replacing with the corporate debt securities issued by the issuer's holding company rated at B+. The renegotiated terms of one of the securities are on the discussion stage. As for the other seven (7) unquoted corporate debt securities, the bondholders are pursuing recovery actions through negotiations and taking legal actions against the issuers. During the financial year, one (1) unsecured corporate debt security was fully written down to RM1.00.

46 MANAGEMENT OF FINANCIAL RISK (CONTINUED)

Settlement risk

Settlement risk arises when one party fails to deliver the terms of a contract/financial instruments with another party at the time of settlement or any timing differences in settlement between the two parties. All transactions currently entered into are mainly with approved counter parties for settlement methods 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 internally generated funds 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	2 years RM'000	3 years RM'000	4 to 5 years RM'000	Above 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2009								
Financial assets								
Financial assets at fair value through profit or loss:								
Malaysian Government Securities/ Government Investment Issues	-	-	5,123	-	-	-	5,123	2.55
Equity securities								
- quoted	783,473	-	-	-	-	-	783,473	
- unquoted	24	-	-	-	-	-	24	
Corporate debt securities								
- quoted	-	-	-	23,280	6,521	-	29,801	3.55
- unquoted	-	13,714	6,080	2,830	35,028	70,503	128,155	6.23
Unit trusts and investment-linked units								
- quoted	19,932	-	-	-	-	-	19,932	
- unquoted	19,534	-	-	-	-	-	19,534	
	822,963	13,714	11,203	26,110	41,549	70,503	986,042	

46 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	2 years RM'000	3 years RM'000	4 to 5 years RM'000	Above 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2009 (Continued)								
Financial assets (Continued)								
Financial assets at available-for-sale:								
Malaysian Government Securities/ Government Investment Issues	-	-	41,188	19,812	117,310	9,991	188,301	3.78
Equity securities								
- unquoted	28,807	-	-	-	-	-	28,807	
Corporate debt securities								
- quoted	-	5,002	5,035	5,064	10,072	5,253	30,426	5.02
- unquoted	503	128,093	209,775	116,348	521,068	2,276,154	3,251,941	6.12
Unit trusts and investment-linked units								
- unquoted	5,000	-	-	-	-	-	5,000	
	34,310	133,095	255,998	141,224	648,450	2,291,398	3,504,475	
Loans:								
Policy loans	-	340,913	-	-	-	-	340,913	7.57
Mortgage loans	-	259,770	1,735	1,600	2,907	8,305	274,317	10.48
Other secured loans	-	106,699	1,919	1,412	398	-	110,428	11.09
Unsecured loans	4	207	46	11	45	178	491	4.40
	4	707,589	3,700	3,023	3,350	8,483	726,149	
Other receivables:								
Investment income due and accrued	50,803	-	-	-	-	-	50,803	
Lease, hire-purchase and other loan receivables	-	14,508	1,045	21,623	95	18	37,289	8.96
Others	22,602	93,970	-	-	-	-	116,572	
	73,405	108,478	1,045	21,623	95	18	204,664	
Fixed and call deposits	-	824,872	37,958	-	-	-	862,830	2.45

46 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	2 years RM'000	3 years RM'000	4 to 5 years RM'000	Above 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2009 (Continued)								
Financial assets (Continued)								
Cash and bank balances							33,686	
Other financial assets*							116,201	
Total financial assets							6,434,047	
Other assets								
Property, plant and equipment							309,033	
Investment properties							570,165	
Intangible assets							12,519	
Associated companies							56,862	
Tax recoverable							38,224	
Deferred tax assets							23,708	
Other receivables							31,841	
Assets classified as held for sale							557,376	
Total assets							8,033,775	
Financial liabilities								
Medium term notes - secured	-	30,000	30,000	140,000	-	-	200,000	4.50
Term loan - unsecured	-	10,000	-	-	-	-	10,000	7.69
Bank overdrafts - unsecured	-	11,419	-	-	-	-	11,419	7.66
Hire purchase creditors	-	505	428	51	17	-	1,001	2.44
Other payables	225,637	-	-	-	-	-	225,637	
	225,637	51,924	30,428	140,051	17	-	448,057	
Other financial liabilities*							6,598,481	
Total financial liabilities							7,046,538	
Other liabilities								
Current tax liabilities							23,860	
Deferred tax liabilities							10,047	
Other payables							24,887	
Liabilities directly associated with assets classified as held for sale							617,932	
Total liabilities							7,723,264	

* 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 it is excluded from the scope of FRS Standard 132 - Financial Instruments: Disclosure and Presentation.

46 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	2 years RM'000	3 years RM'000	4 to 5 years RM'000	Above 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2008								
Financial assets								
Financial assets at fair value through profit or loss:								
Equity securities								
- quoted	260,432	-	-	-	-	-	260,432	
- unquoted	3,389	-	-	-	-	-	3,389	
Corporate debt securities								
- quoted	-	3,262	24	58	21,247	-	24,591	7.04
- unquoted	-	35,420	35,357	10,835	18,354	75,035	175,001	6.01
Unit trusts and investment-linked units								
- quoted	15,397	-	-	-	-	-	15,397	
- unquoted	46,133	-	-	-	-	-	46,133	
	325,351	38,682	35,381	10,893	39,601	75,035	524,943	
Financial assets at available-for-sale:								
Malaysian Government Securities/ Government Investment Issues	-	287,924	30,378	20,388	51,120	19,902	409,712	4.00
Equity securities								
- unquoted	25,883	-	-	-	-	-	25,883	
Corporate debt securities								
- unquoted	-	185,779	98,032	184,678	314,500	1,523,979	2,306,968	6.01
Unit trusts and investment-linked units								
- unquoted	13,020	-	-	-	-	-	13,020	
	38,903	473,703	128,410	205,066	365,620	1,543,881	2,755,583	
Financial assets at held to maturity:								
Malaysian Government Securities/ Government Investment Issues	-	35,089	-	19,997	-	-	55,086	4.00
Corporate debt securities								
- unquoted	-	30,385	-	33,092	36,455	329,165	429,097	6.01
	-	65,474	-	53,089	36,455	329,165	484,183	

46 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	2 years RM'000	3 years RM'000	4 to 5 years RM'000	Above 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2008 (Continued)								
Financial assets (Continued)								
Loans:								
Policy loans	-	322,737	-	-	-	-	322,737	7.57
Mortgage loans	-	310,227	987	936	1,297	9,629	323,076	10.15
Other secured loans	-	137,703	124	79	68	27	138,001	11.09
Unsecured loans	-	282	53	13	111	5	464	4.40
	-	770,949	1,164	1,028	1,476	9,661	784,278	
Other receivables:								
Investment income due and accrued	47,148	-	-	-	-	-	47,148	
Lease, hire-purchase and other loan receivables	-	24,547	6,044	1,915	3,427	1,834	37,767	1.65
Others	163,568	2,274	-	-	-	-	165,842	
	210,716	26,821	6,044	1,915	3,427	1,834	250,757	
Fixed and call deposits	-	916,527	-	-	124,979	-	1,041,506	3.21
Cash and bank balances							53,611	
Other financial assets*							92,631	
Total financial assets							146,242	
Other assets								
Property, plant and equipment							325,274	
Investment properties							13,090	
Intangible assets							585,416	
Associated companies							58,939	
Tax recoverable							48,655	
Deferred tax assets							38,230	
Other receivables							91,052	
Assets classified as held for sale							537,489	
Total assets							7,685,637	

46 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	2 years RM'000	3 years RM'000	4 to 5 years RM'000	Above 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2008 (Continued)								
Financial liabilities								
Medium term notes - secured	-	-	30,000	30,000	140,000	-	200,000	4.50
Term loan - unsecured	-	10,000	10,000	-	-	-	20,000	8.83
Bank overdrafts - unsecured	-	11,382	-	-	-	-	11,382	8.50
Hire purchase creditors	-	498	658	193	68	-	1,417	2.43
Derivative liabilities	46,733	-	-	-	-	-	46,733	
Other payables	217,475	-	-	-	-	-	217,475	
	264,208	21,880	40,658	30,193	140,068	-	497,007	
Other financial liabilities*							6,269,071	
Total financial liabilities							6,766,078	
Other liabilities								
Current tax liabilities							31,245	
Deferred tax liabilities							5,636	
Other payables							74,111	
Liabilities directly associated with assets classified as held for sale							563,094	
Total liabilities							7,440,164	

* 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 it is excluded from the scope of FRS Standard 132 - Financial Instruments: Disclosure and Presentation.

46 **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	2 years RM'000	3 years RM'000	4 to 5 years RM'000	Above 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2009								
Financial assets								
Loans:								
Mortgage loans	-	46	48	52	87	-	233	5.83
Unsecured loans	-	19	3	-	-	-	22	5.00
	-	65	51	52	87	-	255	
Other receivables:								
Amounts due from subsidiary companies	17,244	67,049	-	-	-	-	84,293	5.86
Amounts due from associated company	1,239	-	-	-	-	-	1,239	
Investment income due and accrued	77	-	-	-	-	-	77	
	18,560	67,049	-	-	-	-	85,609	
Fixed and call deposits	-	47,103	-	-	-	-	47,103	2.24
Cash and bank balances							19	
							132,986	
Other assets								
Property, plant and equipment							2,233	
Intangible assets							103	
Investment in subsidiary and associated companies							405,669	
Tax recoverable							2,667	
Others receivables							5,783	
Total assets							549,441	

46 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	2 years RM'000	3 years RM'000	4 to 5 years RM'000	Above 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2009 (Continued)								
Financial liabilities								
Medium term notes - secured	-	30,000	30,000	140,000	-	-	200,000	4.50
Term loan - unsecured	-	10,000	-	-	-	-	10,000	7.69
Bank overdraft - unsecured	-	1,976	-	-	-	-	1,976	7.66
Hire purchase creditors	-	240	92	-	-	-	332	2.44
	-	42,216	30,092	140,000	-	-	212,308	
Other liabilities								
Deferred tax liabilities							104	
Others payables							10,678	4.22
Total liabilities							223,090	

46 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	2 years RM'000	3 years RM'000	4 to 5 years RM'000	Above 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2008								
Financial assets								
Financial assets at fair value through profit or loss:								
Quoted equity securities of corporations	5	-	-	-	-	-	5	
Loans:								
Mortgage loans	-	43	94	139	-	-	276	5.80
Other secured and unsecured loans	-	27	3	-	-	-	30	5.00
	-	70	97	139	-	-	306	
Other receivables:								
Amounts due from subsidiary companies	13,723	65,907	-	-	-	-	79,630	6.14
Amounts due from associated company	1,209	-	-	-	-	-	1,209	
Investment income due and accrued	107	-	-	-	-	-	107	
	15,039	65,907	-	-	-	-	80,946	
Fixed and call deposits	-	91,063	-	-	-	-	91,063	3.45
Cash and bank balances							19	
							172,339	
Other assets								
Property, plant and equipment							3,169	
Intangible assets							148	
Investment in subsidiary and associated companies							396,664	
Tax recoverable							2,665	
Others receivables							6,859	
Total assets							581,844	

46 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	2 years RM'000	3 years RM'000	4 to 5 years RM'000	Above 5 years RM'000	Total carrying amount RM'000	Weighted average effective interest rate %
2008 (Continued)								
Financial liabilities								
Medium term notes - secured	-	-	30,000	30,000	140,000	-	200,000	4.50
Term loan - unsecured	-	10,000	10,000	-	-	-	20,000	8.83
Bank overdraft - unsecured	-	1,985	-	-	-	-	1,985	8.50
Hire purchase creditors	-	229	240	92	-	-	561	2.43
Derivative liabilities	46,733	-	-	-	-	-	46,733	
	46,733	12,214	40,240	30,092	140,000	-	269,279	
Other liabilities								
Deferred tax liabilities							129	
Others payables							10,350	
Total liabilities							279,758	

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 negative 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. In addition, the Company prepares cash flow projections including regular monitoring to assess adequacy of funds to meeting repayment obligations of its borrowings.

Foreign currency risk

The Group has overseas subsidiary and associated companies that operate in Indonesia, British Virgin Islands, Philippines, Singapore and Australia whose revenue and expenses are denominated in Indonesian Rupiah, United States Dollar, Peso, Singapore Dollar 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.

46 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	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Amount due from subsidiary companies	-	-	84,293	79,630
Amount due from associated companies	11,488	11,594	1,239	1,209
Amount due to related companies	-	(110)	-	-

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.

47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 10 November 2008, the Company announced the entering into a non-binding memorandum of understanding ("MoU") between its wholly-owned subsidiary company, Malaysian Alliance Assurance Berhad ("MAA") and AMG Insurance Berhad ("AMG") to formalise discussions on the proposed acquisition by AMG of the General Insurance Business of MAA at a headline price of RM274.8 million (subject to adjustments), and the acquisition of a 4.9% stake in a 75% owned subsidiary company, MAA Takaful Berhad ("MAA Takaful") for a total consideration of RM16.2 million, equivalent to RM3.30 per share (collectively "Proposed Transactions").

The Proposed Transactions are subject to the approvals being obtained from the following:

(i) Bank Negara Malaysia ("BNM") for the scheme of transfer under the business transfer agreement;
(ii) Minister of Finance, based on the recommendation of BNM, pursuant to the Insurance Act,1996;
(iii) Foreign Investment Committee (if required);
(iv) Securities Commission ("SC") (if required);
(v) Malaysian High Court for the confirmation of scheme of transfer;
(vi) Shareholders of the Company

On 26 February 2009, the Company announced that both MAA and AMG were working towards finalising a business transfer agreement ("BTA") in relation to the proposed disposal of the General Insurance Business of MAA prior to submission of the said agreement to BNM for approval.

On 24 April 2009, the Company announced that the headline price was revised to RM254.8 million (subject to adjustments) and an application to BNM seeking its approval for the proposed disposal of the General Insurance Business of MAA to AMG ("the Proposed Disposal") was submitted. The execution of the BTA was subject to BNM's approval which is currently pending. The Company and MAA had also granted AMG an extension of 120 days to the exclusivity period under the MoU.

47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

On 27 April 2009, the Company submitted an application to the SC on the Proposed Disposal.

On 21 July 2009, the Company announced that the SC approved the Proposed Disposal via its letter dated 20 July 2009 (which was received on 21 July 2009). However, the Proposed Disposal was still subject to the approval from BNM and shareholders of the Company.

On 17 November 2009, the Company announced that after further negotiations, the headline price was revised to RM180 million (subject to adjustments). The revised headline price was arrived at after taking into consideration the standalone value of the General Insurance Business without a strategic cooperation arrangement on the takaful business with MAA Takaful. The profit for the financial year ended 31 December 2009 and prior to the completion date of the General Insurance Business of MAA will be recognised in the books of MAA accordingly.

An application in respect of the revised terms of the Proposed Disposal was submitted to BNM for approval. On 6 January 2010, the Company announced that BNM had via its letter dated 5 January 2010 granted its approval on the Proposed Disposal pursuant to Section 130 of the Insurance Act, 1996. On 12 February 2010, the Company further announced that the SC had approved the revised indicative headline price of RM180 million (subject to adjustments) for the Proposed Disposal via its letter dated 10 February 2010.

(b) On 13 January 2009, the Board of Directors of Company announced that its wholly-owned subsidiary company, MAA Corporation Sdn Bhd ("MAA Corp"), had on the same day disposed its entire equity in a dormant subsidiary, Maaple Eldercare Sdn Bhd, for a cash consideration of RM10, being the paid up capital of the company.

(c) On 24 August 2009, MAA Corp disposed its 100% equity interest in a subsidiary company Valiant Properties Sdn Bhd ("VPSB") for a cash consideration of RM182,292 (based on VPSB's net assets as at 31 March 2009), arrived at on a willing buyer willing seller basis to K.K. Point Sdn Bhd ("KKSB") via a Sale of Share Agreement entered into on event date, including an amount of RM1,228,805 to be paid by KKSB to MAA Corp as agreed settlement for the inter-company debt as at 31 March 2009 due by VPSB to MAA Corp. The sale was completed on 6 April 2010.

(d) On 28 December 2009, MAA Corp disposed its 100% equity in six (6) dormant subsidiary companies, namely Jendela Sutera Sdn Bhd, Mytele Direct Sdn Bhd, MAA Cash Converter Sdn Bhd, Daman Development Sdn Bhd, Ukay Sentral Sdn Bhd and MAA Financial Advisors Sdn Bhd, for a cash consideration of RM1 each totaling RM6.

48 SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

The Board of Directors of the Company announced on 29 April 2010 that its wholly-owned subsidiary, MAA, had received approval from BNM vide BNM's letter dated 11 March 2010 for MAA to undertake the necessary measures to meet the minimum supervisory target level of capital adequacy ratio that is required to be maintained by all insurers under the Risk-Based Capital Framework, as further explained in Note 2(a) to the financial statements.

49 COMPARATIVE BALANCES

Certain amounts have been reclassified for 2008 comparative balances in order to conform to the current financial year's presentation.

	As previously stated RM'000	Reclassification RM'000	As restated RM'000
LIFE BALANCE SHEET – GROUP			
Life policyholders' fund	5,349,062	123,541	5,472,603
Reserves			
- Available - for - sale reserves	121,707	(121,707)	-
- Asset revaluation reserves	1,834	(1,834)	-