



**Kurnia Insurans (Malaysia) Berhad**  
(Company No. 44191-P)  
(Incorporated in Malaysia)

**Financial statements for the period ended**  
**31 December 2009**  
(In Ringgit Malaysia)

# **Kurnia Insurans (Malaysia) Berhad**

(Company No. 44191-P)

(Incorporated in Malaysia)

## **Reports and financial statements for the period ended 31 December 2009**

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# **Kurnia Insurans (Malaysia) Berhad**

(Company No. 44191-P)  
(Incorporated in Malaysia)

## **Directors' report for the period ended 31 December 2009**

The Directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial period ended 31 December 2009.

### **Principal activity**

The Company is principally engaged in the underwriting of general insurance. There has been no significant change in the nature of this activity during the financial period.

### **Results**

	<b>RM'000</b>
Profit for the period	61,381 =====

### **Reserves and provisions**

There were no material transfers to or from reserves and provisions during the financial period.

### **Dividend**

No dividend was paid during the financial period and the Directors do not recommend any dividend to be paid for the financial period ended 31 December 2009.

### **Insurance claims liabilities and premium liabilities**

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that the insurance claims liabilities and insurance premium liabilities are adequate in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework.

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## **Bad and doubtful debts**

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and adequate provision had been made for doubtful debts.

At the date of this report, the Directors of the Company are not aware of any circumstances that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

## **Current assets**

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the financial statements of the Company, have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

## **Valuation methods**

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities in the financial statements of the Company misleading or inappropriate.

## **Contingent and other liabilities**

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

- (i) any charge on the assets of the Company that has arisen since the end of the financial period and which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Company that has arisen since the end of the financial period.

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

For the purpose of this paragraph, contingent liability and other liability do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

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## **Change of circumstances**

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company, that would render any amount stated in the financial statements misleading.

## **Items of an unusual nature**

In the opinion of the Directors, except for the write back of allowance for diminution in value of investments in quoted shares and unit trusts as disclosed in Note 31, the results of the operations of the Company for the financial period ended 31 December 2009 have not been substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the financial period in which this report is made.

## **Issue of shares and debentures**

There were no changes in the authorised, issued and paid-up capital of the Company during the financial period.

There were no debentures issued during the financial period.

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## **Options granted over unissued shares**

No options were granted to any person to take up unissued shares of the Company during the period.

## **Statement on corporate governance and internal controls**

### *i) Board responsibilities*

The Board is responsible for the overall governance of the Company and discharges this responsibility through compliance with the Insurance Act, 1996 (“the Act”), Insurance Regulations, 1996 (“the Regulations”), Companies Act, 1965, Guidelines on Duties and Responsibilities of Directors and Chief Executives of Insurers (“JPI/GPI 1”) and Prudential Framework of Corporate Governance for Insurers (“JPI/GPI 25”) issued by Bank Negara Malaysia (“BNM”) and other directives, in addition to adopting other best practices on corporate governance.

The responsibilities of the Board include setting the strategic direction of the Company, monitoring performance goals, formalising documentation on matters specifically reserved for its decision and ensuring that the Company’s internal controls and reporting procedures are adequate, effective and ethical. The Board receives regular reports and updates on key aspects of the Company’s operations, including changes in industry, economic and legislative environment that affect the Company.

During the financial period, the Board has held five meetings where it deliberated upon and considered a variety of matters, including the Company’s financial results, major investments and strategic decisions, the business direction of the Company and corporate governance matters.

The Board comprises five non-executive Directors and one executive Director, ensuring that issues are considered with independence and objectivity.

### *ii) Management accountability*

The Company has an organisational structure that is appropriately documented and establishes the job descriptions, authority limits and other operating boundaries of each management and executive employee and formal performance appraisal is done annually. Information is effectively communicated to the relevant employee within the Company. None of the Directors and senior management of the Company has, in any circumstances, conflict of interest referred to in Sections 54 and 55 of the Act.

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## **Statement on corporate governance and internal controls (continued)**

### ***iii) Corporate independence***

All material related party transactions have been disclosed in Note 35 to the financial statements.

### ***iv) Internal controls and operational risk management***

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company through designated management functions and internal controls, which cover all levels of personnel and business processes to ensure that the Company's operations are run in an effective and efficient manner as well as safeguard the assets of the Company and stakeholders' interest. These processes are supported by the maintenance of a reliable information system that covers all significant activities. Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures corrective action where necessary, is taken in a timely manner.

### ***v) Internal audit***

The internal audit function reports directly to the Audit Committee and its findings and recommendations are communicated to the Board. Internal audit reports are tabled to the Audit Committee usually within one month from the completion of the audit reports.

### ***vi) Audit committee***

The Company's financial reporting and internal control systems are overseen by the Audit Committee, which comprises four non-executive Directors. The Audit Committee's role is to provide a direct link between the Board and the internal and external audit functions of the Company. The terms of business covered by the Audit Committee is governed by a charter approved by the Board, which includes the review of financial information provided to shareholders and BNM to ensure compliance with the Act, Regulations, BNM guidelines, the Companies Act, 1965 and other regulations.

### ***vii) Public accountability***

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

### ***viii) Financial reporting***

The Directors are responsible for ensuring that accounting records are properly kept and that the Company's financial statements are prepared in accordance with Financial Reporting Standard ("FRS").

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## Statement on corporate governance and internal controls (continued)

### Directors of the Company

The Directors who served since the date of the last report are:

Tan Sri Dato' Paduka Kua Sian Kooi  
 Datuk Mohd Saufi Bin Abdullah  
 Chia Ah Kow (resigned on 26 January 2010)  
 Paul Frankland  
 Raymond Fam Chye Soon  
 Lian Gee Meng

### Directors' interests

As the Company is a wholly-owned subsidiary of Kurnia Asia Berhad, the interest in the shares of the Company and its related corporations of Tan Sri Dato' Paduka Kua Sian Kooi and Datuk Mohd Saufi Bin Abdullah, who are also Directors of the holding company, are shown in the Directors' Report of the holding company.

The shareholdings of other directors in office at the end of the financial period is as follows:

	Number of ordinary shares of RM0.25 each			
	At 1.7.2009	Bought	Sold	At 31.12.2009
Direct interest in the holding company, Kurnia Asia Berhad:				
Chia Ah Kow	2,000,000	-	-	2,000,000
Lian Gee Meng	70,000	-	-	70,000

Other than the above, none of the other directors holding office at 31 December 2009 had any interest in the ordinary shares of the Company and of its related corporations.

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## **Directors' benefits**

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for those disclosed in Note 35 to the financial statements.

There were no arrangements during and at the end of the financial period which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## **Holding company**

The Directors regard Kurnia Asia Berhad, a company incorporated in Malaysia, as the holding and ultimate holding company of the Company.

## **Change of financial year end**

The Company changed its financial year end from 30 June to 31 December during the financial period.

The comparatives for income statement, statement of changes in equity and cash flow statement as well as the comparatives in the notes to the financial statements relating to the income statement for the previous twelve (12) months ended 30 June 2009 are hence not comparable to that for the current six (6) months ended 31 December 2009.

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## Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

  
Tan Sri Dato' Paduka Kua Sian Kooi

  
Raymond Fam Chye Soon

Petaling Jaya, Selangor

Date: 31 March 2010

## Kurnia Insurans (Malaysia) Berhad

(Company No. 44191-P)

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### Balance sheet as at 31 December 2009

	Note	31.12.2009 RM'000	30.06.2009 RM'000
<b>Assets</b>			
Property, plant and equipment	4	180,468	181,330
Prepaid lease payments	5	30,957	31,166
Investment property	6	7,500	7,500
Investments in debt and equity securities	7	-	1,238,353
Securities held-to-maturity	8	83,515	-
Securities available-for-sale	8	946,682	-
Securities held for trading	8	161,459	-
Loans (secured)	9	10,114	11,348
Deferred tax assets	10	5,449	16,000
Insurance receivables	11	38,906	35,566
Other receivables, deposits and prepayments	12	27,444	33,235
Placements with financial institutions	13	591,215	608,561
Current tax assets		18,838	15,026
Cash and cash equivalents	14	25,586	25,982
<b>Total assets</b>		<u>2,128,133</u>	<u>2,204,067</u>
<b>Liabilities</b>			
Insurance claims liabilities	15	1,027,397	1,175,989
Insurance premium liabilities	16	363,616	381,990
Retirement benefits	17	21,719	19,421
Insurance payables	18	26,362	30,453
Other payables and accruals	19	43,229	56,529
<b>Total liabilities</b>		<u>1,482,323</u>	<u>1,664,382</u>
<b>Shareholders' equity</b>			
Share capital	20	370,000	370,000
Irredeemable convertible subordinated debt	21	230,000	230,000
Fair value reserve	22	6,952	-
Retained profit / (Accumulated loss)	23	38,858	(60,315)
		<u>645,810</u>	<u>539,685</u>
<b>Total liabilities, insurance reserves and shareholders' equity</b>		<u>2,128,133</u>	<u>2,204,067</u>

The notes on pages 15 to 74 are an integral part of these financial statements.

## Kurnia Insurans (Malaysia) Berhad

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### Income statement for the period ended 31 December 2009

	Note	01.07.2009 to 31.12.2009 RM'000	01.07.2008 to 30.06.2009 RM'000
<b>Operating revenue</b>	24	<u>495,962</u>	<u>1,085,296</u>
Transfer from general insurance revenue account		<u>65,980</u>	<u>68,137</u>
<b>Profit before tax</b>		65,980	68,137
Tax expense	25	(4,599)	16,000
<b>Profit for the period/year</b>		<u>61,381</u>	<u>84,137</u>
<b>Basic earnings per ordinary share (sen)</b>	26	<u>17</u>	<u>25</u>
<b>Diluted earnings per ordinary share (sen)</b>	26	<u>10</u>	<u>16</u>

The notes on pages 15 to 74 are an integral part of these financial statements.

# Kurnia Insurans (Malaysia) Berhad

(Company No. 44191-P)

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## General insurance revenue account for the period ended 31 December 2009

	Note	Fire		Motor		Marine, Aviation & Transit		Miscellaneous		Total	
		01.07.2009	01.07.2008	01.07.2009	01.07.2008	01.07.2009	01.07.2008	01.07.2009	01.07.2008	01.07.2009	01.07.2008
		to	to	to	to	to	to	to	to	to	to
		31.12.2009	30.06.2009	31.12.2009	30.06.2009	31.12.2009	30.06.2009	31.12.2009	30.06.2009	31.12.2009	30.06.2009
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross Premium		15,824	32,902	384,291	850,726	3,429	7,948	49,699	109,877	453,243	1,001,453
Less : Reinsurance		(9,110)	(19,271)	(21,411)	(45,345)	(2,287)	(5,574)	(9,647)	(23,286)	(42,455)	(93,476)
Net Premium		6,714	13,631	362,880	805,381	1,142	2,374	40,052	86,591	410,788	907,977
Decrease/(Increase) in insurance premium liabilities	16	988	(1,168)	9,669	59,261	(67)	645	7,784	429	18,374	59,167
Earned premium		7,702	12,463	372,549	864,642	1,075	3,019	47,836	87,020	429,162	967,144
Net claims incurred	27	(2,002)	(6,877)	(296,406)	(598,053)	336	(3,200)	(6,196)	(28,459)	(304,268)	(636,589)
Net commission		(204)	(755)	(34,811)	(85,463)	31	(50)	(8,000)	(16,253)	(42,984)	(102,521)
		(2,206)	(7,632)	(331,217)	(683,516)	367	(3,250)	(14,196)	(44,712)	(347,252)	(739,110)
Underwriting surplus/(deficit) before management expenses		5,496	4,831	41,332	181,126	1,442	(231)	33,640	42,308	81,910	228,034
Management expenses	28									(78,372)	(206,874)
Underwriting surplus										3,538	21,160
Investment income	30									42,719	83,843
Other operating income	31									19,723	27,355
Other operating expenses	32									-	(64,221)
Transfer to income statement										65,980	68,137

The notes on pages 15 to 74 are an integral part of these financial statements.

# Kurnia Insurans (Malaysia) Berhad

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## Statement of changes in equity for the period ended 31 December 2009

		<i>Non-distributable</i>		<i>Distributable</i>	
		<b>Irredeemable</b>		<b>(Accumulated</b>	
		<b>convertible</b>		<b>loss) / Retained</b>	
		<b>subordinated</b>	<b>Fair value</b>	<b>profit</b>	<b>Total</b>
	<b>Note</b>	<b>debt</b>	<b>reserve</b>	<b>RM'000</b>	<b>equity</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At 1 July 2008</b>		200,000	-	(127,908)	72,092
Profit for the year		-	-	84,137	84,137
Interest expense on irredeemable convertible subordinated debt	33	-	-	(16,544)	(16,544)
Irredeemable convertible subordinated debt issued	21	400,000	-	-	400,000
Irredeemable convertible subordinated debt converted	21	(170,000)	-	-	-
<b>At 30 June 2009 / 1 July 2009</b>		370,000	230,000	(60,315)	539,685
Adjustments due to adoption of Risk-Based Capital Framework					
Effect on investments		-	1,582	(2,058)	(476)
Effect on IBNR		-	-	48,970	48,970
<b>At 1 July 2009, restated</b>	39	370,000	230,000	(13,403)	588,179
Profit for the period		-	-	61,381	61,381
Interest expense on irredeemable convertible subordinated debt	33	-	-	(9,120)	(9,120)
Net gain arising from change in fair value of securities available-for-sale, net of tax	22	-	5,370	-	5,370
<b>At 31 December 2009</b>		370,000	230,000	38,858	645,810

The notes on pages 15 to 74 are an integral part of these financial statements.

# Kurnia Insurans (Malaysia) Berhad

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## Cash flow statement for the period ended 31 December 2009

	<b>01.07.2009 to 31.12.2009 RM'000</b>	<b>01.07.2008 to 30.06.2009 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	65,980	68,137
Adjustments for :		
Accretion of discounts	(238)	(520)
Amortisation of premiums	703	1,399
Amortisation of prepaid lease payments	209	419
Bad debts recovered	(8)	(600)
Bad debts written off	343	60
Allowance for doubtful debts / (written back)	2,546	(1,038)
Depreciation of property, plant and equipment	9,783	22,882
Decrease in insurance premium liabilities	(18,374)	(59,167)
(Profit)/Loss on disposal of investments in debt and equity securities	(5,050)	43,917
Gain on disposal of property, plant and equipment	(316)	(502)
Investment income	(43,184)	(84,722)
Impairment loss on property plant and equipment	-	5,034
Retirement benefits expense	2,298	4,307
Write off of property, plant and equipment	-	474
Write back of diminution in value of securities and Negotiable Instrument of Deposits, net	(13,746)	(15,169)
Profit/(Loss) from operations before changes in operating assets and liabilities	946	(15,089)
Acquisition of securities / investments in debt and equity securities	(184,845)	(523,724)
Net proceeds from redemption and disposal of securities / investments in debt and equity securities	256,718	456,851
Decrease in loans	1,234	2,121
Decrease/(Increase) in placement with financial institutions	17,721	(191,165)
(Increase)/Decrease in insurance receivables	(6,221)	11,334
Decrease in other receivables, deposit and prepayments	4,575	237
Decrease in insurance claims liabilities	(99,622)	(253,392)
(Decrease)/Increase in insurance payables	(4,091)	2,865
(Decrease)/Increase in other payables and accruals	(13,300)	26,485
<b>Net cash used in operation</b>	(26,885)	(483,477)
Tax (paid)/refund	(177)	18,960
Dividend income received	6,748	12,810
Interest income received	37,643	69,135
Retirement benefits paid	-	(347)
<b>Net cash from / (used in) operating activities</b>	17,329	(382,919)

The notes on pages 15 to 74 are an integral part of these financial statements.

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## Cash flow statement for the period ended 31 December 2009 (continued)

	01.07.2009 to 31.12.2009 RM'000	01.07.2008 to 30.06.2009 RM'000
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(9,028)	(10,514)
Proceeds from disposal of property, plant and equipment	423	1,352
<b>Net cash used in investing activities</b>	<u>(8,605)</u>	<u>(9,162)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of ICSD	-	400,000
Finance cost paid to holding company	(9,120)	(16,544)
<b>Net cash (used in) / generated from financing activities</b>	<u>(9,120)</u>	<u>383,456</u>
Net decrease in cash and cash equivalents	(396)	(8,625)
Cash and cash equivalents at 1 July	25,982	34,607
<b>Cash and cash equivalents at 31 December/30 June</b>	<u>25,586</u>	<u>25,982</u>

### Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amount:

#### Cash and cash equivalents comprise:

Cash and bank balances (Note 14)	<u>25,586</u>	<u>25,982</u>
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The notes on pages 15 to 74 are an integral part of these financial statements.

# **Kurnia Insurans (Malaysia) Berhad**

(Company No. 44191-P)  
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## **Notes to the financial statements**

### **1. Principal activity and general information**

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Company is located at:

Menara Kurnia  
Block B4, Pusat Dagang Setia Jaya  
Leisure Commerce Square  
No. 9, Jalan PJS 8/9  
46150 Petaling Jaya

The Company is principally engaged in the underwriting of general insurance. There has been no significant change in the nature of this activity during the financial period.

The holding and ultimate holding company is Kurnia Asia Berhad, a company incorporated and domiciled in Malaysia and listed on the Main Market of the Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors on 31 March 2010.

### **2. Basis of preparation**

#### **2.1 Statement of compliance**

The financial statements of the Company have been prepared in accordance with Financial Reporting Standards (“FRS”), accounting principles generally accepted in Malaysia, the Companies Act, 1965 and the Insurance Act and Regulations, 1996, as modified by Guidelines/Circulars issued by Bank Negara Malaysia (“BNM”) pursuant to Section 90 of the Insurance Act, 1996.

## 2. Basis of preparation (continued)

### 2.1 Statement of compliance (continued)

The following accounting standards, and interpretations have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Company:

#### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010**

FRS 4, *Insurance Contracts*

FRS 7, *Financial Instruments: Disclosures*

FRS 101, *Presentation of Financial Statements* (revised)

FRS 123, *Borrowing Costs* (revised)

FRS 139, *Financial Instruments: Recognition and Measurement*

Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*

Amendments to FRS 2, *Share-based Payment :Vesting Conditions and Cancellations*

Amendments to FRS7, *Financial Instruments: Disclosures*

Amendments to FRS 101, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*

Amendments to FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

Amendments to FRS 132, *Financial Instruments: Presentation*

- *Puttable Financial Instruments and Obligations Arising on Liquidation*

- *Separation of Compound Instruments*

Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*

- *Reclassification of Financial Assets*

- *Collective Assessment of Impairment for Banking Institutions*

Improvements to FRSs (2009)

IC Interpretation 9, *Reassessment of Embedded Derivatives*

IC Interpretation 10, *Interim Financial Reporting and Impairment*

IC Interpretation 11, *FRS 2, Group and Treasury Shares Transactions*

IC Interpretation 13, *Customer Loyalty Programmes*

IC Interpretation 14, *FRS 119, The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

## 2. Basis of preparation (continued)

### 2.1 Statement of compliance (continued)

#### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010**

Amendments to FRS 132, *Financial Instruments: Presentation - Classification of Right Issues*

#### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010**

FRS 1, *First-time Adoption of Financial Reporting Standards (revised)*

FRS 3, *Business Combinations (revised)*

FRS 127, *Consolidated and Separate Financial Statements (revised)*

Amendments to FRS 2, *Share-based Payment*

Amendments to FRS 5, *Non-current Assets Held For Sale and Discontinued Operations*

Amendments to FRS 138, *Intangible Assets*

IC Interpretation 12, *Service Concession Agreements*

IC Interpretation 15, *Agreements for the Construction of Real Estate*

IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*

IC Interpretation 17, *Distribution of Non-cash Assets to Owners*

Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

#### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011**

Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*

Amendments to FRS 7, *Financial Instruments: Disclosure - Improving Disclosures about Financial Instruments*

The Company plans to adopt the abovementioned FRSs, amendments or interpretations:

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will effective for annual periods beginning on 1 January 2010, except for FRS 123, Amendments to FRS 2 and IC interpretations 10, 11, 13 and 14 which are not applicable to the Company.
- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011, except for FRS 1, FRS 3, FRS 127, Amendments to FRS 2 and FRS 5 and IC interpretations 12, 15, 16 and 17 which are not applicable to the Company.

## **2. Basis of preparation (continued)**

### **2.1 Statement of compliance (continued)**

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The impact of applying FRS 4, FRS 7 and FRS 139 on the financial statements upon first adoption as required by FRS 108.3(b), Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective FRSs. The initial application of the other applicable standards, amendments and interpretations is not expected to have any material impact on the financial statements of the Company or any material change in accounting policy.

#### **2.1.1 Risk-Based Capital Framework for Insurers**

BNM has issued detailed guidelines under the Risk-Based Capital Framework for Insurers (“the RBC Framework”) which is effective for annual period beginning on or after 1 January 2009. In accordance with the Risk-Based Capital Framework, the Company has adopted the accounting policies on securities, insurance claim liabilities and insurance premium liabilities on 1 July 2009. The impact of adopting these accounting policies is disclosed in Note 3.5, Note 3.15.2 and Note 3.15.3 to the financial statements.

The financial impact arising from the adoption of the RBC Framework is applied in accordance to the transitional provision of the RBC Framework which allows the recognition of the difference arising from the new policies/methodologies adopted to be recognised as adjustments to the retained profit or the fair value reserve at the beginning of the financial period.

The changes to the comparative figures arising from the adoption of the Risk-Based Capital Framework are detailed out in the Note 39 to the financial statements.

### **2.2 Basis of measurement**

The financial statements have been prepared on the historical cost basis except for negotiable instruments of deposits and investments in debt and equity securities that have been measured at their fair values, insurance claim liabilities and premium liabilities which have been valued in accordance with the valuation methods specified in the RBC Framework issued by BNM, as explained in their respective accounting policy notes.

General business assets and liabilities relate to both the general insurance fund and shareholders’ fund.

## **2. Basis of preparation (continued)**

### **2.3 Functional and presentation currency**

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

### **2.4 Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 3.15.3 - valuation of insurance claims liabilities
- Note 10 - recognition of deferred tax assets
- Note 17 - valuation of retirement benefits
- Note 36 - determination of fair value of investments in debt and equity securities

### **3. Significant accounting policies**

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

#### **3.1 Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rate at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates at the date of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rates at the date of measurement.

Foreign currency differences arising on retranslation are recognised in the revenue account.

#### **3.2 Property, plant and equipment**

##### **3.2.1 Recognition and measurement**

Items of property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “operating income” or “operating expenses” respectively in the revenue account.

### **3. Significant accounting policies (continued)**

#### **3.2 Property, plant and equipment (continued)**

##### **3.2.2 Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the revenue account as incurred.

##### **3.2.3 Depreciation**

Depreciation is recognised in the revenue account on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Office improvements	3 - 5 years
Furniture and fittings	10 years
Office equipment and computers	3 - 10 years
Motor vehicles	5 years

Depreciation methods, residual values and useful lives are reviewed, and adjusted as appropriate at the end of the reporting period.

#### **3.3 Leased assets – operating lease**

Leases, where the Company does not assume substantially all the risk and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Company's balance sheet. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

### **3. Significant accounting policies (continued)**

#### **3.3 Leased assets – operating lease (continued)**

A leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land that is accounted for as an operating lease represents prepaid lease payments, except for leasehold land classified as investment property.

Payments made under operating leases are recognised in the revenue account on a straight line basis over the term of the lease. Lease incentives received are recognised in revenue account as an integral part of the total lease expense, over the term of the lease.

#### **3.4 Investments in debts and equity securities**

Prior to 1 July 2009, investments in debts and equity securities were recognised initially at purchase price plus attributable transaction costs. Subsequent to initial recognition:-

- Investments in Malaysian Government Securities, Cagamas Bonds, Zero Coupon Government Guaranteed Bonds, Government Investment Issues, Government Guaranteed Bonds, Negotiable Instruments of Deposits, unquoted secured and unsecured corporate debt securities are stated at cost adjusted for amortisation of premiums and accretion of discounts to maturities. Premiums/discounts are calculated on a straight line basis over the period from the date of acquisition to the date of maturity of the securities. The amortisation of premiums and accretion of discounts are recognised in the revenue account.
- Quoted investments are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investments. Specific allowance for diminution in value is made against the value of a particular quoted investment if diminution in value of a particular investment, when the market value has been less than 80% of its cost at all times during the preceding 24 months, by writing down the cost of that quoted investment to the average median price for each month during that 24 month period. The allowance for diminution in value is recognised as an expense in the revenue account in which the decline is identified.
- Unquoted investments are stated at cost less allowance for diminution in value. An allowance is made when there is a diminution in value which is other than temporary.

### **3. Significant accounting policies (continued)**

#### **3.5 Securities**

Arising from the adoption of the RBC Framework issued by BNM with effect from 1 July 2009, securities are categorised and measured using the valuation basis as mentioned below. Prior to 1 July 2009, the accounting policy stated in Note 3.4 was applied to these securities. Securities are recognised initially at purchase price plus directly attributable transaction costs. The Company's securities are categorised and measured as follows:

##### **3.5.1 Held for trading ("HFT")**

A security is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing in the near term or it is part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Securities classified as HFT are subsequently measured at their fair values and any gain or loss arising from a change in the fair value will be recognised in the revenue account.

##### **3.5.2 Held-to-maturity ("HTM")**

HTM investments are securities with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity.

Securities classified as HTM are subsequently measured at amortised cost using the effective interest method. A gain or loss is recognised in the revenue account when the securities is derecognised or impaired. The amortisation of premiums or accretion of discounts shall be recognised in the revenue account based on the effective interest method.

### **3. Significant accounting policies (continued)**

#### **3.5 Securities (continued)**

##### **3.5.3 Available-for-sale (“AFS”)**

AFS category comprises investments in equity and debt securities that are not held for trading or held-to-maturity.

Securities classified as AFS are subsequently measured at their fair values and any gain or loss arising from a change in the fair value will be recognised in equity as fair value reserve through the statement of changes in equity, except for impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in the revenue account. When the securities are derecognised, the cumulative gain or losses previously recognised in equity as fair value reserves shall be reclassified from equity into revenue account.

Investment in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured will be stated at cost.

All securities, except for securities classified as HFT, are subject to review of impairment (see Note 3.10)

### **3. Significant accounting policies (continued)**

#### **3.6 Investment properties**

Investment properties are properties which are owned or held under leasehold interest to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use.

Investment properties are stated at cost less any accumulated depreciation and any impairment losses. Depreciation is charged to the revenue account. Freehold land is not depreciated.

#### **3.7 Loans**

Loans which consist of mortgage loans and other secured loans are stated at cost less provision for non-recoverability.

#### **3.8 Receivables**

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established. Receivables are not held for the purpose of trading.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Known bad debts are written off and specific allowance for doubtful debts is made as follow:

- a) motor premiums which remain outstanding for more than thirty days.
- b) non-motor premiums including agents and reinsurance balances which remain outstanding for more than six months.

### **3. Significant accounting policies (continued)**

#### **3.9 Cash and cash equivalents and placements with financial institutions**

##### **3.9.1 *Cash and cash equivalents***

Cash and cash equivalents consist of cash on hand and with banks excluding fixed and call deposits.

##### **3.9.2 *Placements with financial institutions***

Placements with financial institutions refer to investments in fixed deposits and money market instruments issued by any financial institution in Malaysia, and deposits such as call deposits and Negotiable Instruments of Deposits (“NIDs”).

NIDs are measured at the lower of the face value, or market value, in the aggregate for all such NIDs.

#### **3.10 Impairment of assets**

The carrying amounts of assets, except for financial assets (other than securities available-for-sale and securities held-to-maturity) that are measured at fair value are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset to which it belongs exceeds its recoverable amount.

Impairment losses are recognised in the revenue account. The policies on impairment of assets are summarised as follows:

### **3. Significant accounting policies (continued)**

#### **3.10 Impairment of assets (continued)**

##### **3.10.1 HTM**

For securities carried at amortised cost in which there is objective evidence of impairment, impairment loss is measured as the difference between the securities' carrying amount and the present value of the estimated future cash flows discounted at the securities' original effective interest rate. The amount of the impairment loss is recognised in the revenue account.

Subsequent reversals in the impairment loss is recognised when the decrease can be objectively related to an event occurring after the impairment was recognised, to the extent that the securities' carrying amount does not exceed its amortised cost if no impairment had been recognised. The reversal is recognised in the revenue account.

##### **3.10.2 AFS**

Impairment losses on securities AFS are recognised by transferring the differences between the amortised acquisition cost and current fair value from equity to revenue account, even though the securities have not been derecognised. The cumulative impairment loss is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in the revenue account.

Impairment losses recognised on investments in equity instruments classified as AFS are not reversed subsequent to its recognition.

Reversals of impairment losses on debt instruments classified as AFS are recognised in the revenue account if the increase in fair value can be objectively related to an event occurring after the recognition of the impairment loss in the revenue account.

### **3. Significant accounting policies (continued)**

#### **3.10 Impairment of assets (continued)**

##### **3.10.3 Other assets**

When indication of impairment exists for other assets, the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that largely independent of the cash flows of other assets or groups of assets (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in the revenue account. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to revenue account in the year in which the reversals are recognised.

### **3. Significant accounting policies (continued)**

#### **3.11 Equity instruments**

All equity instruments are stated at cost on initial recognition and are not remeasured subsequently.

##### **3.11.1 Issue expenses**

Incremental costs directly attributable to the issue of equity instruments are recognised as a deduction from equity.

##### **3.11.2 Irredeemable convertible subordinated debt (“ICSD”)**

ICSD is classified as equity as it is non-redeemable and convertible during the tenure of the ICSD. ICSD which has not been converted will be fully converted on maturity date. Interest paid on ICSD is recognised as a distribution within equity.

#### **3.12 Employee benefits**

##### **3.12.1 Short term employee benefits**

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

The Company’s contributions to the Employees’ Provident Fund are charged to the revenue account in the period to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

##### **3.12.2 Defined benefit plan**

The Company’s net obligation in respect of defined benefit retirement plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value. Any unrecognised past service costs and the fair value of the plan assets are deducted. The discount rate is the yield at the reporting date on high quality corporate bonds or government bonds that have maturity date approximating the terms of the Company’s obligation and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

### **3. Significant accounting policies (continued)**

#### **3.12 Employee benefits (continued)**

##### **3.12.2 Defined benefit plan (continued)**

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the revenue account on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the revenue account.

In calculating the Company's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, if any, that portion is recognised in the revenue account over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

The latest actuarial valuation was carried out in June 2008.

#### **3.13 Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. Contingent liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

### **3. Significant accounting policies (continued)**

#### **3.14 Payables**

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

#### **3.15 General insurance underwriting results**

Arising from the adoption of the RBC Framework issued by BNM with effect from 1 July 2009, premium liabilities and claim liabilities are measured using the valuation basis as mentioned below (See Note 3.15.2 and 3.15.3).

Prior to financial period beginning 1 July 2009, premium liabilities only comprised of UPR.

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

##### **3.15.1 Premium income**

Gross premiums are recognised in a financial period in respect of risks assumed during that particular financial period.

Inwards facultative reinsurance premiums are recognised in the financial period in respect of the facultative risks assumed during that particular financial period, as in the case of direct policies, following the individual risks' inception dates.

Inwards treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties. In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inwards treaty reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

### **3. Significant accounting policies (continued)**

#### **3.15 General insurance underwriting results (continued)**

##### **3.15.2 Premium liabilities**

Premium liabilities refer to the higher of the aggregate of the unearned premium reserves (“UPR”) and 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.

##### *Unearned premium reserves*

The UPR represents the portion of the net premiums of insurance policies written less deductible acquisition costs that relate to the unexpired period of the policies at the end of the financial period.

The method used that most accurately reflects the actual unearned premium reserves is as follows:

- a) 25% method for Malaysian marine cargo, aviation cargo and transit business of annual Malaysian general policies business
- b) 1/24th method for all other classes of annual Malaysian general policies business
- c) 1/8th method for all other classes of annual overseas inward business
- d) non-annual policies are time-apportioned over the period of the risks

The UPR is adjusted for additional UPR in respect of premiums ceded to overseas reinsurers as required under the guidelines issued by BNM.

### **3. Significant accounting policies (continued)**

#### **3.15 General insurance underwriting results (continued)**

##### **3.15.2 Premium liabilities (continued)**

###### *Unexpired risk reserves*

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force at the valuation date and also includes allowance for the insurer's expenses, including overheads and cost of reinsurance, expected to be incurred during administering these policies and settling the relevant claims, and expected future premium refunds.

##### **3.15.3 Claims liabilities**

Claim liabilities are recognised in respect of both direct insurance and inward reinsurance. Claim liabilities refer to the obligation of the Company, whether contractual or otherwise to make future payments in relation to all claims that have been incurred as at valuation date. These include provision for claims reported, claims incurred but not reported (IBNR), claims incurred but not enough reserved (IBNER) and direct and indirect claims-related expenses. Claims liabilities consists of the best estimate value of the claim liabilities and the PRAD calculated at the overall Company level.

Estimating the claims liability involves projection of the Company's future claims experience based on current and past claims experience. As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience due to the level of uncertainty involved in projecting future claims experience based on current and past claims experience. These uncertainties arise from changes in underlying risks, changes in spread of risks, timing and amounts of claims settlement as well as uncertainties in the projection model and underlying assumptions.

Commencing 1 July 2009, in accordance with the RBC Framework, future estimated claims handling costs have been included in the estimation of claims liability. In addition, as permitted by the RBC Framework, the Company has also adopted the claims discounting methodology in the valuation of claims liability. The effect of the changes in the recognition of claims liability has been accounted for as an adjustment to retained profit as at 1 July 2009.

### **3. Significant accounting policies (continued)**

#### **3.15 General insurance underwriting results (continued)**

##### **3.15.4 Acquisition costs**

The cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income. Acquisition costs which are not recoverable, in the event of a termination of the policy to which they relate, are not deferred but are recognised in the period in which they occur.

#### **3.16 Other revenue recognition**

##### **3.16.1 Interest income**

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

##### **3.16.2 Dividend income**

Dividend income represents gross dividends from quoted and unquoted investments and is recognised when the right to receive payment is established.

##### **3.16.3 Rental income**

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, rental income is recognised on the receipt basis until all arrears have been paid.

### **3. Significant accounting policies (continued)**

#### **3.17 Tax expense**

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences in relation to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit/loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **3.18 Earnings per share**

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares, which comprise convertible notes and share options granted to employees.

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#### 4. Property, plant and equipment

<i>Cost</i>	<b>Freehold land RM'000</b>	<b>Buildings RM'000</b>	<b>Office improvements RM'000</b>	<b>Furniture and fittings RM'000</b>	<b>Office equipment and computers RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Under construction RM'000</b>	<b>Total RM'000</b>
At 1 July 2008	17,208	148,273	15,922	53,589	103,111	13,775	18	351,896
Additions	-	26	12	655	4,785	965	4,071	10,514
Disposals	(85)	(388)	-	-	(406)	(2,384)	-	(3,263)
Written off	-	-	-	(561)	(3,168)	-	-	(3,729)
Reclassification	-	18	-	-	-	-	(18)	-
At 30 June 2009/1 July 2009	17,123	147,929	15,934	53,683	104,322	12,356	4,071	355,418
Additions	-	-	109	286	5,655	-	2,978	9,028
Disposals	-	-	-	-	(2,691)	(925)	-	(3,616)
At 31 December 2009	17,123	147,929	16,043	53,969	107,286	11,431	7,049	360,830

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**4. Property, plant and equipment (continued)**

	Freehold land RM'000	Buildings RM'000	Office improvements RM'000	Furniture and fittings RM'000	Office equipment and computers RM'000	Motor vehicles RM'000	Under construction RM'000	Total RM'000
<i>Depreciation</i>								
At 1 July 2008	-	21,253	11,770	32,585	76,284	9,948	-	151,840
Depreciation for the year	-	2,966	1,095	4,608	12,566	1,647	-	22,882
Disposals	-	(19)	-	-	(343)	(2,051)	-	(2,413)
Written off	-	-	-	(333)	(2,922)	-	-	(3,255)
At 30 June 2009/1 July 2009	-	24,200	12,865	36,860	85,585	9,544	-	169,054
Depreciation for the period	-	1,479	457	1,833	5,458	556	-	9,783
Disposals	-	-	-	-	(2,688)	(821)	-	(3,509)
At 31 December 2009	-	25,679	13,322	38,693	88,355	9,279	-	175,328
<i>Impairment</i>								
At 1 July 2008	-	-	-	-	-	-	-	-
Additions	-	1,867	577	1,974	616	-	-	5,034
At 30 June 2009 / 1 July 2009 / 31 December 2009	-	1,867	577	1,974	616	-	-	5,034
<i>Carrying amounts</i>								
At 1 July 2008	17,208	127,020	4,152	21,004	26,827	3,827	18	200,056
At 30 June 2009/1 July 2009	17,123	121,862	2,492	14,849	18,121	2,812	4,071	181,330
At 31 December 2009	17,123	120,383	2,144	13,302	18,315	2,152	7,049	180,468

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#### 4. Property, plant and equipment (continued)

##### *Impairment of assets*

The Company performed an impairment assessment on its property, plant and equipment during the year ended 30 June 2009. As a result of the assessment, impairment loss of RM5,034,000 was recognised in the revenue account.

#### 5. Prepaid lease payments

	31.12.2009 RM'000	30.06.2009 RM'000
<i>Cost</i>		
At 1 July / 30 June / 31 December	<u>34,019</u>	<u>34,019</u>
<i>Amortisation</i>		
At 1 July	2,853	2,434
Amortisation for the period / year	<u>209</u>	<u>419</u>
At 30 June / 31 December	<u>3,062</u>	<u>2,853</u>
<i>Carrying amounts</i>		
At 1 July / 30 June / 31 December	<u>30,957</u>	<u>31,166</u>
<i>Included in the above are:</i>		
Leasehold land with unexpired period less than 50 years	183	185
Leasehold land with unexpired period more than 50 years	<u>30,774</u>	<u>30,981</u>
	<u>30,957</u>	<u>31,166</u>

## 6. Investment property

	31.12.2009		30.06.2009	
	Cost RM'000	Fair Value RM'000	Cost RM'000	Fair Value RM'000
Freehold land	7,500	7,713	7,500	7,713

The fair value of the investment property is the estimated market value of the property derived using the market value of properties in the vicinity and past transaction prices. The determination of the fair value involves a degree of judgment. As such, the fair value of the investment property may be different from its actual market price.

The following are recognised in the revenue account in respect of investment property:

	01.07.2009	01.07.2008
	to 31.12.2009 RM'000	to 30.06.2009 RM'000
Rental income	33	60
Direct operating expenses	(16)	(31)

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## 7. Investment in debt and equity securities

	31.12.2009		30.06.2009	
	Cost RM'000	Market Value RM'000	Cost RM'000	Market Value RM'000
Malaysian Government Securities	-		64,705	
Accretion of discounts net of amortisation of premiums	-		99	
	-		64,804	
Cagamas bonds	-		47,000	
Government Investment Issues	-		4,351	
Accretion of discounts	-		598	
	-		4,949	
Government Guaranteed Bonds	-		25,018	
Accretion of discounts	-		16	
	-		25,034	
Quoted in Malaysia:				
Shares of corporations	-		65,961	
Allowance for diminution in value	-		(3,132)	
	-	-	62,829	62,829
Unit trusts	-		149,983	
Allowance for diminution in value	-		(6,259)	
	-	-	143,724	143,724

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## 7. Investment in debt and equity securities (continued)

	31.12.2009		30.06.2009	
	Cost RM'000	Market Value RM'000	Cost RM'000	Market Value RM'000
Unquoted in Malaysia:				
Secured corporate debt securities	-		10,049	
Amortisation of premiums	-		(8)	
	<u>-</u>		<u>10,041</u>	
	.....		.....	
Unsecured corporate debt securities	-		870,058	
Amortisation of premiums	-		(5,106)	
	<u>-</u>		<u>864,952</u>	
	.....		.....	
Secured short term loans				
- Performing loans	-		7,590	
- Non-performing loan	-		6,000	
	<u>-</u>		<u>13,590</u>	
	.....		.....	
Unquoted shares of corporations	-		1,430	
	<u>-</u>		<u>1,430</u>	
	.....		.....	
Total investments	<u>-</u>		<u>1,238,353</u>	
	.....		.....	
			<b>01.07.2009</b>	<b>01.07.2008</b>
			<b>to</b>	<b>to</b>
			<b>31.12.2009</b>	<b>30.06.2009</b>
			<b>RM'000</b>	<b>RM'000</b>
Proceeds from disposal			-	347,589
Carrying amount of investments in debt and equity securities disposed			-	(391,506)
Loss on disposal of investments in debt and equity securities			<u>-</u>	<u>(43,917)</u>
			.....	.....

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## 8. Securities

The Company's securities are categorised as follows:-

	<b>31.12.2009</b>	<b>30.06.2009</b>
	<b>Carrying</b>	<b>Carrying</b>
	<b>Amount</b>	<b>Amount</b>
	<b>RM'000</b>	<b>RM'000</b>
Securities held-to-maturity	83,515	-
Securities available-for-sale	946,682	-
Securities held for trading	161,459	-
	<u>1,191,656</u>	<u>-</u>
	<b>31.12.2009</b>	<b>30.06.2009</b>
	<b>Carrying</b>	<b>Carrying</b>
	<b>Amount</b>	<b>Amount</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>8.1 Held-to maturity</b>		
Unquoted bonds of corporations in Malaysia	84,185	-
Amortisation of premiums	(670)	-
	<u>83,515</u>	<u>-</u>
<b>Total securities held-to-maturity</b>	<b><u>83,515</u></b>	<b><u>-</u></b>

The fair value of the total securities held-to-maturity is RM77,647,000 (30 June 2009 : Nil)

**8. Securities (continued)**

	<b>31.12.2009</b>	<b>30.06.2009</b>
	<b>Carrying</b>	<b>Carrying</b>
	<b>Amount</b>	<b>Amount</b>
<b>8.2 Available-for-sale</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian Government Securities	49,702	-
Accretion of discounts	98	-
Gain arising from change in fair value	356	-
	<u>50,156</u>	<u>-</u>
Malaysian Government Guaranteed Bonds	25,018	-
Accretion of discounts	18	-
Gain arising from change in fair value	258	-
	<u>25,294</u>	<u>-</u>
Multilateral development bank guaranteed bonds	25,844	-
Accretion of discounts	74	-
Gain arising from change in fair value	5	-
	<u>25,923</u>	<u>-</u>
Cagamas bonds	12,000	-
Gain arising from change in fair value	394	-
	<u>12,394</u>	<u>-</u>

**8. Securities (continued)**

	<b>31.12.2009</b>	<b>30.06.2009</b>
	<b>Carrying</b>	<b>Carrying</b>
	<b>Amount</b>	<b>Amount</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>8.2 Available-for-sale (continued)</b>		
Commercial loans		
- Performing loans	6,590	-
- Non-performing loan	6,000	-
	<u>12,590</u>	<u>-</u>
Unquoted bonds of corporations in Malaysia	731,826	-
Amortisation of premiums	(3,927)	-
Gain arising from change in fair value	6,201	-
	<u>734,100</u>	<u>-</u>
Unit trusts	82,740	-
Gain arising from change in fair value	2,055	-
	<u>84,795</u>	<u>-</u>
Unquoted equity		
Shares of corporations	1,430	-
	<u>1,430</u>	<u>-</u>
<b>Total securities available-for-sale</b>	<b><u><u>946,682</u></u></b>	<b><u><u>-</u></u></b>

**8. Securities (continued)**

	<b>31.12.2009</b>	<b>30.06.2009</b>
	<b>Carrying</b>	<b>Carrying</b>
	<b>Amount</b>	<b>Amount</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>8.3 Held for trading</b>		
Quoted equity		
Shares of corporations	92,021	-
Gain arising from change in fair value	1,817	-
	<u>93,838</u>	<u>-</u>
Real Estate Investment Trusts (REITs)	67,893	-
Loss arising from change in fair value	(272)	-
	<u>67,621</u>	<u>-</u>
<b>Total securities held for trading</b>	<u>161,459</u>	<u>-</u>
<b>Total Investments</b>	<u>1,191,656</u>	<u>-</u>

Details of disposal of investments in securities are as follows:

	<b>01.07.2009</b>	<b>01.07.2008</b>
	<b>to</b>	<b>to</b>
	<b>31.12.2009</b>	<b>30.06.2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Proceeds from disposal	256,718	-
Carrying amount of securities disposed	(251,668)	-
	<u>5,050</u>	<u>-</u>

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## 9. Loans (secured)

	<b>31.12.2009</b> <b>RM'000</b>	<b>30.06.2009</b> <b>RM'000</b>
Mortgage loans	10,082	11,310
Other loans	36	43
Interest-in-suspense	(4)	(5)
	<u>32</u>	<u>38</u>
	<u>10,114</u>	<u>11,348</u>

## 10. Deferred tax assets

### 10.1 Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	31.12.2009 RM'000	30.06.2009 RM'000	31.12.2009 RM'000	30.06.2009 RM'000	31.12.2009 RM'000	30.06.2009 RM'000
Property, plant and equipment	-	-	6,852	5,473	6,852	5,473
Provisions	6,080	8,748	-	-	(6,080)	(8,748)
Unutilised tax losses carry-forwards	8,463	12,765	-	-	(8,463)	(12,765)
Other items	75	-	-	40	(75)	40
	<u>14,618</u>	<u>21,513</u>	<u>6,852</u>	<u>5,513</u>	<u>(7,766)</u>	<u>(16,000)</u>
Deferred tax liabilities on AFS	-	-	2,317	-	2,317	-
	<u>14,618</u>	<u>21,513</u>	<u>9,169</u>	<u>5,513</u>	<u>(5,449)</u>	<u>(16,000)</u>

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## 10. Deferred tax assets (continued)

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Movement in temporary differences	At	Recognised	Recognised	At	Recognised	Recognised	At
	1.7.2008	in income	in equity	30.6.2009	in income	in equity	31.12.2009
	RM'000	(Note 25)	(Note 25)	RM'000	(Note 25)	(Note 25)	RM'000
Property, plant and equipment	7,713	(2,240)	-	5,473	1,379	-	6,852
Unutilised tax losses carry-forwards	-	(12,765)	-	(12,765)	4,302	-	(8,463)
Provisions	(7,713)	(1,035)	-	(8,748)	2,668	-	(6,080)
Other items	-	40	-	40	(115)	-	(75)
Securities available-for-sale	-	-	-	-	-	2,317	2,317
	-	(16,000)	-	(16,000)	8,234	2,317	(5,449)

The estimation of the recognised deferred tax assets involves the projection of the Company's future profits. There are elements of uncertainty in the projection, which comprise of growth of car sales, global economic condition and market volatility. Thus the projected future profits may be different from its actual profits.

### 10.2 Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	31.12.2009	30.06.2009
	RM'000	RM'000
Unutilised tax losses carry-forwards	-	(117,000)

Deferred tax assets were not recognised in respect of unutilised tax losses carry-forward at 30 June 2009 because the availability of future taxable profit against which the Company can utilise the benefits there from cannot be clearly determined.

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## 11. Insurance receivables

	Note	31.12.2009 RM'000	30.06.2009 RM'000
Due premium including agents, brokers and co-insurer balances		53,541	46,721
Allowance for doubtful debts	11.1	(26,829)	(26,885)
		<u>26,712</u>	<u>19,836</u>
Due from reinsurer and cedants		24,861	26,515
Allowance for doubtful debts	11.1	(12,667)	(10,785)
		<u>12,194</u>	<u>15,730</u>
		<u>38,906</u>	<u>35,566</u>

### 11.1 Allowance for doubtful debts

During the period, doubtful debts of RM343,000 (2009: RM60,000) was written off against the allowance for doubtful debts.

## 12. Other receivables, deposits and prepayments

	Note	31.12.2009 RM'000	30.06.2009 RM'000
Other receivables, deposit and prepayments	12.1	12,705	17,341
Income due and accrued		14,539	15,694
Malaysian Institute of Insurance ("MII") bond		200	200
		<u>27,444</u>	<u>33,235</u>

### 12.1 Other receivables, deposits and prepayments

Included in other receivables, deposits and prepayments at 30 June 2009 was RM61,000 relating to proceeds receivable for the disposal of certain quoted shares. The amount was fully received subsequent to the financial year end.

**13. Placements with financial institutions**

	<b>31.12.2009</b>	<b>30.06.2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed and call deposits		
Licensed banks	532,018	569,256
Other financial institutions	30,502	10,985
	<u>562,520</u>	<u>580,241</u>
Negotiable Instrument of Deposits	30,000	30,000
Allowance for diminution in value	(1,305)	(1,680)
	<u>28,695</u>	<u>28,320</u>
	<u><u>591,215</u></u>	<u><u>608,561</u></u>

**14. Cash and cash equivalents**

	<b>31.12.2009</b>	<b>30.06.2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances	25,586	25,982
	<u><u>25,586</u></u>	<u><u>25,982</u></u>

**15. Insurance claims liabilities**

	<b>31.12.2009</b>	<b>30.06.2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Gross claims liability	1,176,929	1,360,577
Less: Recoverable from reinsurers	(149,532)	(184,588)
Net claims liability	<u><u>1,027,397</u></u>	<u><u>1,175,989</u></u>

## 16. Insurance premium liabilities

	<b>Fire</b>	<b>Motor</b>	<b>Marine, Aviation &amp; Transit</b>	<b>Miscel- laneous</b>	<b>Total</b>
<b>31.12.2009</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 July 2009	6,726	341,599	583	33,082	381,990
(Decrease)/Increase during the period	(988)	(9,669)	67	(7,784)	(18,374)
At 31 December 2009	<u>5,738</u>	<u>331,930</u>	<u>650</u>	<u>25,298</u>	<u>363,616</u>
<b>30.06.2009</b>					
At 1 July 2008	5,558	400,860	1,228	33,511	441,157
Increase/(Decrease) during the year	1,168	(59,261)	(645)	(429)	(59,167)
At 30 June 2009	<u>6,726</u>	<u>341,599</u>	<u>583</u>	<u>33,082</u>	<u>381,990</u>

## 17. Retirement benefits

17.1 The movements in the present value of the defined benefit obligation recognised in the Balance Sheet are as follows:

	<b>31.12.2009</b>	<b>30.06.2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Defined benefit obligation at 1 July	19,421	15,461
Benefits paid	-	(347)
Current service costs and interest (Note 17.2)	2,298	4,307
	<u>21,719</u>	<u>19,421</u>
	<b>31.12.2009</b>	<b>30.06.2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Present value of unfunded obligation	<u>21,719</u>	<u>19,421</u>
Recognised liability for defined benefit obligation	<u>21,719</u>	<u>19,421</u>

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## 17. Retirement benefits (continued)

17.2 Expense recognised in the revenue account as retirement benefits (Note 28):

	<b>01.07.2009 to 31.12.2009 RM'000</b>	<b>01.07.2008 to 30.06.2009 RM'000</b>
Current service cost	1,318	2,496
Interest cost	980	1,811
	<u>2,298</u>	<u>4,307</u>

17.3 Actuarial assumptions

Principal actuarial assumptions at the balance sheet date:

	<b>31.12.2009 RM'000</b>	<b>30.06.2009 RM'000</b>
Discount rate at 31 Dec / 30 June (per annum)	6.00%	6.00%
Future salary increases (per annum)	<u>6.00%</u>	<u>6.00%</u>

The discount rate used is based on market yields at the balance sheet date on high quality corporate bonds. The amount and terms of the corporate bonds are consistent with the current and estimated future of the post employment benefit obligation.

Assumption regarding future mortality is based on the experience of Malaysian insured lives between 1983 and 1988 with allowance for improvement in mortality rates allowed for by applying a 25% reduction to the standard rate. The average life expectancy of an individual retiring at age 56 years is 13.07 years.

Calculation of the unfunded defined retirement benefits involves the projection of the present value for unfunded obligations using certain principal actuarial assumptions such as the rate of interest at which to discount the future retirement benefits payments at the valuation date and the assumed rate of growth of liabilities, namely the rate of salary escalation. There are elements of significant uncertainty on the assumptions used and thus the projected future retirement benefits payable may be different from the actual retirement benefit paid.

Under the scheme, eligible employees who have completed a minimum of 10 years of service is entitled to retire at 56 years of age or optional retirement age of 50 years. Employees who leave before the attainment of the normal retirement age or optional retirement age, are not entitled to the benefit.

## 18. Insurance payables

	Note	31.12.2009 RM'000	30.06.2009 RM'000
Performance bond deposits	18.1	8,194	8,771
Due to reinsurers and cedants		11,908	18,166
Due to agents, brokers, co-insurers and insured		6,260	3,516
		<u>26,362</u>	<u>30,453</u>

### 18.1 Performance bond deposits

Performance bond deposits are collateral deposits received from policyholders for guarantees issued on behalf of policyholders.

## 19. Other payables and accruals

	Note	31.12.2009 RM'000	30.06.2009 RM'000
Accrued expenses and deposits		13,123	27,232
Advanced premium		9,543	7,760
Other payables		20,336	21,511
Amount due to holding company	19.1	227	26
		<u>43,229</u>	<u>56,529</u>

### 19.1 Amount due to holding company

The amount due to the holding company is unsecured, interest free and repayable on demand.

**20. Share capital**

	<b>No. of shares '000</b>	<b>31.12.2009 RM'000</b>	<b>No. of shares '000</b>	<b>30.06.2009 RM'000</b>
<b>Authorised:</b>				
At 1 July	600,000	600,000	300,000	300,000
Increased during the period / year	-	-	300,000	300,000
At 31 Dec / 30 June	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>
<b>Issued and fully paid:</b>				
On issue at 1 July	370,000	370,000	200,000	200,000
Conversion of ICSD (Note 21)	-	-	170,000	170,000
On issue at 31 Dec / 30 June	<u>370,000</u>	<u>370,000</u>	<u>370,000</u>	<u>370,000</u>

## 21. Irredeemable convertible subordinated debt (ICSD)

### Irredeemable convertible subordinated debts

	31.12.2009		30.06.2009	
	'000	Nominal value of share RM'000	'000	Nominal value of share RM'000
Issued and fully paid:				
At 1 July 2009/18 Sept 2008	230,000	230,000	400,000	400,000
Converted to shares (Note 20)	-	-	(170,000)	(170,000)
At 31 Dec/30 June	230,000	230,000	230,000	230,000

On 10 September 2008, the Company executed a deed poll, pursuant to which the Company agreed to issue up to RM400,000,000 nominal value ICSD by means of a rights issue to its holding company, Kurnia Asia Berhad (“KAB”). Consequently, on even date, the Company also entered into a subscription agreement with KAB, pursuant to which KAB will subscribe for up to RM400,000,000 nominal value of the said ICSD.

The subscription proceeds received by the Company from the issuance of the ICSD were utilised to meet its solvency margin requirements and simultaneously to fulfill the new risk based capital framework issued by Bank Negara Malaysia which came into effect on 1 January 2009. The ICSD shall have a tenure of 5 years from the date of issuance, and bears interest at the rate of 1.5% per annum above the cost of fund of CIMB Bank Berhad or such other amended rates at the discretion of the ICSD holder.

The ICSD shall be convertible into fully paid ordinary shares of the Company at the conversion price of RM1.00 per ordinary share (“Conversion Price”) at any time during the tenure of the ICSD. All ICSD not converted during the tenure of the ICSD shall be automatically converted on the maturity date.

On 19 September 2008, the Company issued RM400,000,000 nominal value of ICSD to KAB, and on even date, RM170,000,000 nominal value of ICSD was converted into ordinary shares of the Company at the Conversion Price.

ICSD is classified as equity as it is non-redeemable and convertible during the tenure of the ICSD. ICSD which has not been converted will be fully converted on maturity date. Interest paid on ICSD is recognised as a distribution within equity (see Note 33).

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## 22. Fair value reserve

	<b>31.12.2009</b>
	<b>RM'000</b>
At 1 July 2009	-
Effect of adopting the fair value measurement for securities available-for-sale	1,582
At 1 July 2009, restated	<u>1,582</u>
Net gain arising from change in fair value of securities available-for-sale	5,370
At 31 December	<u><u>6,952</u></u>

## 23. Retained profit

### Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has Section 108 tax credit to frank RM539,671,000 of its distributable reserves at 31 December 2009 (30 June 2009 – RM533,562,000) if paid out as dividends.

The Finance Act, 2009 introduced a single tier company income tax system with effect from 1 January 2007. As such, the Section 108 tax credit as at 30 June 2007 will be available to the Company until such time the credit is fully utilized or upon expiry of the six-year transitional period on 30 June 2013, whichever is earlier.

## 24. Operating revenue

	<b>01.07.2009</b>	<b>01.07.2008</b>
	<b>to</b>	<b>to</b>
	<b>31.12.2009</b>	<b>30.06.2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Gross premium	453,243	1,001,453
Investment income (Note 30)	42,719	83,843
	<u>495,962</u>	<u>1,085,296</u>
	<u><u>495,962</u></u>	<u><u>1,085,296</u></u>

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## 25. Tax expense

### 25.1 Recognised in the income statement

	<b>01.07.2009 to 31.12.2009 RM'000</b>	<b>01.07.2008 to 30.06.2009 RM'000</b>
Current tax expense		
Malaysia - over provision in prior years	(3,635)	-
Deferred tax expense		
Origination and reversal of temporary differences	<u>8,234</u>	<u>(16,000)</u>
Total tax expense	<u><u>4,599</u></u>	<u><u>(16,000)</u></u>

### 25.2 Recognised in equity

	<b>01.07.2009 to 31.12.2009 RM'000</b>	<b>01.07.2008 to 30.06.2009 RM'000</b>
Fair value reserve	<u><u>2,317</u></u>	<u><u>-</u></u>

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## 25. Tax expense

### 25.3 Reconciliation of tax expense

	<b>01.07.2009 to 31.12.2009 RM'000</b>	<b>01.07.2008 to 30.06.2009 RM'000</b>
Profit before tax	<u>65,980</u>	<u>68,137</u>
Tax at Malaysian tax rate of 25% (2009: 25%)	16,495	17,034
Non-deductible expenses	1,689	6,515
Tax exempt income	(1,395)	(1,678)
Recognition of previously unrecognised deferred tax assets	(10,249)	(37,747)
Others	<u>1,694</u>	<u>(124)</u>
	8,234	(16,000)
Over provision in prior years	(3,635)	-
Total tax recognised in the income statement	<u>4,599</u>	<u>(16,000)</u>

With effect from year of assessment 2009, the corporate tax rate is at 25%. Subsequently, deferred tax assets and liabilities are measured using this tax rate.

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## 26. Basic earnings per ordinary share

### 26.1 Basic earnings per ordinary share

Basic earnings per ordinary share is calculated based on the profit for the period ended 31 December 2009 of RM61,381,000 (30 June 2009: Profit for the year of RM84,137,000) divided by the weighted average number of ordinary shares in issue during the year, calculated as follows:

	<b>01.07.2009 to 31.12.2009 RM'000</b>	<b>01.07.2008 to 30.06.2009 RM'000</b>
Profit for the period/year attributable to ordinary shareholders	<u>61,381</u>	<u>84,137</u>
Weighted average number of ordinary shares:		
	<b>01.07.2009 to 31.12.2009 RM'000</b>	<b>01.07.2008 to 30.06.2009 RM'000</b>
Issued ordinary shares at 1 July	370,000	200,000
Effect of ICSD converted on 19 September 2008	-	132,740
Weighted average number of ordinary shares at 30 June	<u>370,000</u>	<u>332,740</u>
	<b>01.07.2009 to 31.12.2009 Sen</b>	<b>01.07.2008 to 30.06.2009 Sen</b>
Basic earnings per ordinary share	<u>17</u>	<u>25</u>

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## 26. Basic earnings per ordinary share

### 26.2 Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share for the period ended 31 December 2009 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:-

Weighted average number of ordinary shares diluted:

	<b>01.07.2009</b>	<b>01.07.2008</b>
	<b>to</b>	<b>to</b>
	<b>31.12.2009</b>	<b>30.06.2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Weighted average number of ordinary shares at 30 June	370,000	332,740
Effect of assumed conversion of outstanding ICSD	230,000	179,589
Weighted average number of ordinary shares (diluted) at 30 June	<u>600,000</u>	<u>512,329</u>
	<b>01.07.2009</b>	<b>01.07.2008</b>
	<b>to</b>	<b>to</b>
	<b>31.12.2009</b>	<b>30.06.2009</b>
	<b>Sen</b>	<b>Sen</b>
Diluted earnings per ordinary share	<u>10</u>	<u>16</u>

Company No. 44191-P
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## 27. Net claims incurred

<b>01.07.2009 to 31.12.2009</b>		<b>Fire RM'000</b>	<b>Motor RM'000</b>	<b>Marine, Aviation &amp; Transit RM'000</b>	<b>Miscel- laneous RM'000</b>	<b>Total RM'000</b>
Gross claims paid less salvage		7,378	414,509	2,738	17,180	441,805
Reinsurance recoveries		(4,375)	(27,303)	(1,257)	(4,980)	(37,915)
Net claims paid	(a)	3,003	387,206	1,481	12,200	403,890
Net outstanding claims:						
At 31 December 2009	(b)	8,915	989,049	5,116	24,317	1,027,397
At 1 July 2009	(c)	9,916	1,079,849	6,933	30,321	1,127,019
Net claims incurred	(a+b-c)	2,002	296,406	(336)	6,196	304,268
<b>01.07.2008 to 30.06.2009</b>		<b>Fire RM'000</b>	<b>Motor RM'000</b>	<b>Marine, Aviation &amp; Transit RM'000</b>	<b>Miscel- laneous RM'000</b>	<b>Total RM'000</b>
Gross claims paid less salvage		12,185	914,508	7,804	40,697	975,194
Reinsurance recoveries		(6,521)	(60,643)	(4,878)	(13,171)	(85,213)
Net claims paid	(a)	5,664	853,865	2,926	27,526	889,981
Net outstanding claims:						
At 30 June 2009	(b)	10,382	1,127,170	7,175	31,262	1,175,989
At 1 July 2008	(c)	9,169	1,382,982	6,901	30,329	1,429,381
Net claims incurred	(a+b-c)	6,877	598,053	3,200	28,459	636,589

**28. Management expenses**

	<b>01.07.2009 to 31.12.2009 RM'000</b>	<b>01.07.2008 to 30.06.2009 RM'000</b>
Personnel expenses (including key management personnel):		
Contribution to Employees' Provident Fund	2,529	10,434
Expenses related to defined benefit plan	2,298	4,307
Wages, salaries and others	29,769	102,819
Auditors' remuneration		
Current period	270	270
Prior year	30	109
Rental of offices and premises	319	665
Depreciation of property, plant and equipment	9,783	22,882
Amortisation of prepaid lease payments	209	419
Allowance for doubtful debts / (written back)	2,546	(1,038)
Bad debts written off	343	60
Bad debts recovered	(8)	(600)
IGSF levies	1,129	2,497
Advertisement expenses	2,255	5,616
Bank charges	3,863	10,687
Other expenses	23,037	47,747
	<u>78,372</u>	<u>206,874</u>

## 29. Key management personnel compensation

The key management personnel compensation are as follows:

	<b>01.07.2009</b> <b>to</b> <b>31.12.2009</b> <b>RM'000</b>	<b>01.07.2008</b> <b>to</b> <b>30.06.2009</b> <b>RM'000</b>
Executive Director		
Remuneration	549	941
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	19	37
	<u>568</u>	<u>978</u>
Non-Executive Directors		
Fees	139	178
Remuneration	641	1,625
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	458	1,070
	<u>1,238</u>	<u>2,873</u>
Total short-term employee benefits	<u><u>1,806</u></u>	<u><u>3,851</u></u>

Other key management personnel comprises persons other than the Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

The Company provides non-cash benefits to the Non-Executive Directors. The estimated non-cash benefits received by the Non-Executive Director amounted to RM2,600 (30 June 2009: RM10,000).

In addition to the non-cash benefits, Non-Executive Directors and other key management personnel are also eligible to the Company's retirement benefits as disclosed in Note 17.

Included in the total short-term employee benefits is the remuneration (including non-cash benefits) attributable to the CEO of the Company of RM568,000 (30 June 2009: RM978,000).

### 30. Investment income

	<b>01.07.2009 to 31.12.2009 RM'000</b>	<b>01.07.2008 to 30.06.2009 RM'000</b>
Coupon interest income from:		
Malaysian Government Securities	1,232	3,326
Malaysian government guaranteed bonds	522	2,215
Multilateral development bank guaranteed bonds	1,102	2,429
Cagamas bonds	959	1,310
Unquoted bonds of corporations	22,314	38,970
Negotiable Instrument of Deposits	-	518
Fixed and call deposits	10,167	23,225
Other secured loans		
- Performing loans	300	677
Gross dividends from		
Quoted equity securities of corporations in Malaysia	1,787	5,420
Quoted unit trust in Malaysia	4,752	6,495
Unquoted equity securities of corporations in Malaysia	49	137
Accretion of discounts on :		
Malaysian Government Securities	14	68
Malaysian government guaranteed bonds	58	132
Multilateral development bank guaranteed bonds	23	36
Unquoted bonds of corporations	143	283
Amortisation of premiums on :		
Unquoted bonds of corporations	(703)	(1,398)
	<u>42,719</u>	<u>83,843</u>

### 31. Other operating income

	<b>01.07.2009 to 31.12.2009 RM'000</b>	<b>01.07.2008 to 30.06.2009 RM'000</b>
Profit on disposal of investments in debt and equity securities	5,050	4,474
Gain on disposal of property, plant and equipment	316	502
Other interest income	224	551
Sundry income	387	984
Write back of allowance for diminution in value of investments in Negotiable Instrument of Deposits	375	867
Write back of allowance for diminution in value of investments in quoted shares and REITs	13,371	19,977
	<u>19,723</u>	<u>27,355</u>

### 32. Other operating expenses

	<b>01.07.2009 to 31.12.2009 RM'000</b>	<b>01.07.2008 to 30.06.2009 RM'000</b>
Loss on disposal of investment in debt and equity securities:		
Quoted equity securities of corporations in Malaysia	-	48,391
Write off of property, plant and equipment	-	474
Impairment loss on property, plant & equipment	-	5,034
Miscellaneous	-	4,647
Allowance for diminution in value of investments in quoted shares and unit trusts	-	5,675
	<u>-</u>	<u>64,221</u>

### 33. Interest on ICSD

	01.07.2009 to 31.12.2009 RM'000	01.07.2008 to 30.06.2009 RM'000
<b>Recognised in equity:</b>		
Interest on ICSD	<u>9,120</u>	<u>16,544</u>

Interest paid on ICSD is determined at the discretion of the ICSD holder. The effective interest rate of ICSD interest paid during the year is 7.9% per annum (see Note 21).

### 34. Capital and other commitments

Capital expenditure and other commitments approved by the Directors but not provided for in the financial statements as at 31 December 2009 amounted to approximately:

	31.12.2009 RM'000	30.06.2009 RM'000
<b>Property, plant and equipment</b>		
Contracted but not provided for	<u>11,909</u>	<u>15,188</u>

### 35. Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or whether the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Company, and certain members of senior management of the Company.

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### 35. Related parties (continued)

The significant related parties transactions and balances of the Company, other than key management personnel compensation, are as follows:

	01.07.2009 to 31.12.2009		01.07.2008 to 30.06.2009	
	Transaction amount RM'000	Balance outstanding RM'000	Transaction amount RM'000	Balance outstanding RM'000
<b>Holding company</b>				
Sharing of common expenses paid	3,752	(227)	8,297	26
Interest paid on ICSD	9,120	-	16,544	-
Reimbursement of expenses paid	-	-	4,181	-
<b>A company in which Tan Sri Dato' Paduka Kua Sian Kooi is a common director and has indirect interest:</b>				
Reinsurance inwards premium	(66)	12	(154)	(13)
Reinsurance inwards claims	22	-	90	-
<b>A company in which Tan Sri Dato' Paduka Kua Sian Kooi has indirect interest:</b>				
Air ticket and tour services paid	-	-	292	-
Rental income	-	-	12	-
<b>A company in which Tan Sri Dato' Paduka Kua Sian Kooi is a common director and has interest:</b>				
Rental expenses	54	-	108	-
	<u>54</u>	<u>-</u>	<u>108</u>	<u>-</u>

The terms and conditions for the above transactions are based on normal trade terms. No allowance for doubtful debts was made during the year.

## **36. Financial instruments**

### **(a) Financial risk management objectives and policies**

Exposure to underwriting, credit, interest rate, liquidity and market risks arises in the normal course of the Company's business. The Board of Directors assumes overall responsibility for the Company's financial risk management and has established certain committees to address these risks on an ongoing basis.

#### **Underwriting risk**

Underwriting risk includes the risk of incurring higher claims cost than expected owing to the random nature of claims and their frequency and severity and the risk of change in legal or economic conditions of insurance or reinsurance cover. This may result in the insurer having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected.

The Company seeks to minimise underwriting risks with an appropriate mix and spread of business between classes of business based on its overall strategy. This is complemented by observing formalised underwriting guidelines and limits and standards applied to the security of reinsurers.

#### **Credit risk**

Credit risk represents the potential losses that may result due to the inability of the counterparties to insurance, reinsurance and investment transactions in meeting their contractual obligations.

The Company has a credit control department and an informal credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Investments are made based on appropriate evaluations and in accordance with Guidelines/Circular issued by BNM, whereby all bond investments must carry a minimum rating of BBB or P3 by rating agencies established in Malaysia.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk of the Company is represented by the carrying amount of each financial asset.

## **36. Financial instruments (continued)**

### **(a) Financial risk management objectives and policies (continued)**

#### **Interest rate risk**

The Company's earnings are affected by changes in market interest rates as the impact of such changes has an effect on interest income from deposit placements and fixed income securities. To mitigate the interest rate risk, the deposit placements are made with various financial institutions at varying maturity dates and rates.

#### **Liquidity risk**

Liquidity risk is the risk whereby the Company is unable to meet its obligations at a reasonable cost or at any time. The Company manages this risk by monitoring its daily and monthly estimated and actual cash flows. It also holds a sufficient quantity of liquid investments that can be readily converted to cash.

#### **Market risk**

The Company's investment portfolio is generally exposed to fluctuation in market prices. Risk and returns are constantly monitored and reviewed by the Investment Committee Members.

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### 36. Financial instruments (continued)

#### (b) Average effective interest rates and repricing analysis

In respect of interest-earning financial assets, the following table indicates their average effective interest rates at balance sheet date and the periods in which they mature, or if earlier, reprice.

31.12.2009	Average effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	After 5 years RM'000
<b>Financial assets</b>								
<b>Fixed rate instruments</b>								
Malaysian government securities	4.20	50,156	-	-	-	-	-	50,156
Malaysian government guaranteed bonds	4.15	25,294		5,084	-	-	14,973	5,237
Multilateral development bank guaranteed bonds	4.37	25,923	-	10,179	-	10,935	-	4,809
Cagamas bonds	5.07	12,394	1,009	-	1,027	5,181	-	5,177
Unquoted bonds of corporations	5.46	817,615	111,023	111,822	136,283	212,311	96,688	149,488
<b>Other secured loans</b>								
Performing loans	8.80	6,590	1,000	1,000	1,000	1,000	1,000	1,590
Non-performing loan	-	6,000	6,000	-	-	-	-	-
Fixed and call deposits	3.30	562,520	202,520	80,000	140,000	140,000	-	-
Mortgage loans	4.00	5,427	12	18	30	30	136	5,201
<b>Floating rate instruments</b>								
Negotiable Instrument of Deposits		28,695	28,695	-	-	-	-	-
Mortgage loans	4.20	4,655	4,655	-	-	-	-	-

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### 36. Financial instruments (continued)

30.06.2009 Financial assets	Average effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	After 5 years RM'000
<b>Fixed rate instruments</b>								
Malaysian government securities	4.08	64,804	-	-	-	15,002	-	49,802
Cagamas Bonds	5.21	47,000	-	1,000	-	1,000	25,000	20,000
Government Investment Issues	3.38	4,949	-	4,949	-	-	-	-
Government Guaranteed Bonds	4.15	25,034	-	-	4,980	-	-	20,054
Unquoted secured corporate debt securities	4.31	10,041	-	-	5,041	-	-	5,000
Unquoted unsecured corporate debt securities	5.43	864,952	90,038	150,024	111,198	212,201	123,924	177,567
Secured short term loans								
Performing loans	8.80	7,590	1,000	1,000	1,000	1,000	1,000	2,590
Non-performing loan	-	6,000	6,000	-	-	-	-	-
Fixed and call deposits	3.72	580,241	160,241	60,000	80,000	140,000	140,000	-
Mortgage loans	4.00	6,118	14	141	231	-	93	5,639
<b>Floating rate instruments</b>								
Negotiable Instrument of Deposits	4.48	28,320	28,320	-	-	-	-	-
Mortgage loans	4.13	5,192	5,192	-	-	-	-	-

## 36. Financial instruments (continued)

### (c) Fair value

#### *Recognised financial instruments*

The carrying amounts of financial instruments in respect of cash and bank balances, receivables, deposits and prepayments and payables and accruals on the Balance Sheet approximate their fair values due to the relatively short term nature of these financial instruments.

The Company's basis of estimation of fair values for the other financial instruments is as follows:

- The fair values of Malaysian Government Securities, Cagamas Bonds, Zero Coupon Government Guaranteed Bonds, Government Investment Issues and Government Guaranteed Bonds are based on their indicative market prices;
- The fair values of quoted shares of corporations and unit trusts are based on quoted closing market prices as at balance sheet date;
- The estimated fair values of unquoted secured and unsecured corporate debt securities are based on the average indicative market yields obtained from three financial institutions which involve projections of the market yields based on past transactions. There are elements of significant uncertainty in projecting the expected market yields and these uncertainties arise from changes in underlying risk and overall economic conditions. As such, the projected market yield may be different from its actual market yields in future;
- The fair value of Negotiable Instrument of Deposits is based on quoted market price as determined by the issuer at balance sheet date;
- The carrying amount of secured short term loans and fixed and call deposits with a maturity period less than one year are assumed to approximate their fair values; and
- The mortgage loans with variable rates are considered to approximate their fair values. For mortgage and other loans with fixed rates, fair values are derived by discounting future cash flows, using interest rates for similar instruments, where applicable, taking into consideration the nature and contracted terms of these loans. Based on management's assessment as at 31 December 2009, the estimated fair values of the loans approximate their carrying values.

It was not practical to estimate the fair value of the Company's investment in unquoted shares of corporations due to the lack of comparable quoted market price and the inability to estimate fair value without incurring excessive costs.

### 36. Financial instruments (continued)

The aggregate fair values of the financial assets carried on the balance sheet as at 31 December / 30 June are shown below:

	31.12.2009		30.06.2009	
	Carrying amount RM'000	Fair Value RM'000	Carrying amount RM'000	Fair Value RM'000
<b>Financial assets</b>				
Malaysian government securities	50,156	50,156	64,804	65,404
Malaysian government guaranteed bonds	25,294	25,294	-	-
Government Investment Issues	-	-	4,949	4,967
Government Guaranteed Bonds	-	-	25,034	25,173
Multilateral development bank	25,923	25,923	-	-
Cagamas bonds	12,394	12,394	47,000	47,927
Unquoted secured corporate debt securities	-	-	10,041	9,855
Unquoted unsecured corporate debt securities	-	-	864,952	864,678
Unquoted bonds of Corporations	817,615	811,747	-	-
Negotiable Instrument of Deposits	28,695	28,695	28,320	28,320
Other secured loans				
Performing loans	6,590	6,590	7,590	7,590
Non-performing loan	6,000	6,000	6,000	6,000
Mortgage loans	10,082	10,082	11,310	11,310
Quoted shares of corporations	93,838	93,838	62,829	62,829
Unquoted shares of corporations	1,430	1,430	1,430	1,430
Unit trusts / REITs	152,416	152,416	143,724	143,724
Fixed and call deposits	562,520	562,520	580,241	580,241

### **37. Compliance with Risk-Based Capital framework**

The Risk-Based Capital (RBC) framework issued by Bank Negara Malaysia, came into effect on 1 January 2009. The Company is now required to determine the adequacy of the capital available in its insurance and shareholders funds to support the total capital required to operate the Company's insurance operations. Bank Negara Malaysia has set a supervisory target capital level of 130% under the Risk-Based Supervisory Framework. The Company has successfully met the requirement at 31 December 2009.

### **38. Change of financial year end**

The Company changed its financial year end from 30 June to 31 December during the financial period.

### **39. Comparatives**

BNM has issued detailed guidelines under the Risk-Based Capital Framework for Insurers ("the RBC Framework") which is effective for annual period beginning on or after 1 January 2009. In accordance with the Risk-Based Capital Framework, the Company has adopted the accounting policies on securities, insurance claim liabilities and insurance premium liabilities on 1 July 2009. The impact of adopting these accounting policies is disclosed in Note 3.5, 3.15.2 and Note 3.15.3 to the financial statements.

The financial impact arising from the adoption of the RBC Framework is applied in accordance to the transitional provision of the RBC Framework which allows the recognition of the differences arising from the new policies/methodologies adopted to be recognised as adjustments to the retained profit or the fair value reserve at the beginning of the financial period.

### 39. Comparatives (continued)

The changes to the comparative figures arising from the adoption of the Risk-Based Capital Framework are detailed out as follows:

	<b>As restated RM'000</b>	<b>As previously stated RM'000</b>
<b>Balance sheet:</b>		
Investments in debt and equity securities	1,238,353	1,846,914
Placements with financial institutions	608,561	-
Receivables, deposits and prepayments	-	68,801
Insurance receivables	35,566	-
Other receivables, deposits and prepayments	33,235	-
Provision for outstanding claims	-	1,175,989
Insurance claims liabilities	1,175,989	-
Unearned premium reserves	-	381,990
Insurance premium liabilities	381,990	-
Payables and accruals		86,982
Insurance payables	30,453	-
Other payables and accruals	56,529	-
	<u>1,238,353</u>	<u>1,846,914</u>
<b>Cash flow statement:</b>		
Increase in fixed and call deposits	-	(191,165)
Increase in placements in financial institutions	(191,165)	-
Decrease in receivables, deposits and prepayments	-	11,571
Decrease in insurance receivables	11,334	-
Decrease in other receivables, deposits and prepayments	237	-
Decrease in outstanding claims	-	(253,392)
Decrease in claims liabilities	(253,392)	-
Increase in payables and accruals	-	29,350
Increase in insurance payables	2,865	-
Increase in other payables and accruals	26,485	-
Decrease in unearned premium reserve	-	(59,167)
Decrease in insurance premium liabilities	(59,167)	-
	<u>(13,403)</u>	<u>(60,315)</u>
<b>Statement of changes in equity:</b>		
Retained profit at 1 July 2009	(13,403)	(60,315)
Fair value reserve at 1 July 2009	1,582	-
	<u>1,582</u>	<u>-</u>

**Kurnia Insurans (Malaysia) Berhad**  
(Company No. 44191-P)  
(Incorporated in Malaysia)

**Statement by Directors pursuant to  
Section 169 (15) of the Companies Act, 1965**

In the opinion of the Directors, the financial statements set out on pages 9 to 74 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of its financial position of the Company at 31 December 2009 and of its financial performance and cash flows for the year then ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

  
Tan Sri Dato' Paduka Kua Sian Kooi

  
Raymond Fam Chye Soon

Petaling Jaya, Selangor

Date: 31 March 2010

**Kurnia Insurans (Malaysia) Berhad**  
(Company No. 44191-P)  
(Incorporated in Malaysia)

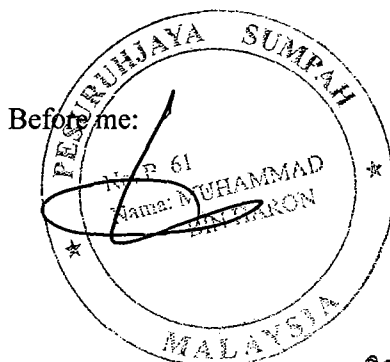
**Statutory declaration pursuant to  
Section 169(16) of the Companies Act, 1965**

I, **San Chee Kit**, the officer primarily responsible for the financial management of Kurnia Insurans (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 9 to 74 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Petaling Jaya, Selangor on 31 March 2010.



**San Chee Kit**



203, Blok B3, Pusat Dagang Setia Jaya  
No. 9, Jalan PJS 8/9,  
46150 Petaling Jaya,  
Selangor D. E.

**KPMG (Firm No. AF 0758)**  
Chartered Accountants  
Level 10, KPMG Tower  
8, First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388  
Fax +60 (3) 7721 3399  
Internet www.kpmg.com.my

## **Independent auditors' report to the members of Kurnia Insurans (Malaysia) Berhad**

(Company No. 44191-P)  
(Incorporated in Malaysia)

### **Report on the Financial Statements**

We have audited the financial statements of Kurnia Insurans (Malaysia) Berhad, which comprise the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 74.

#### *Directors' Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

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

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

Company No. 44191-P
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*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines, and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2009 and of its financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**Other Matters**

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



**KPMG**  
Firm Number: AF 0758  
Chartered Accountants



**Foong Mun Kong**  
Approval Number: 2613/12/10(J)  
Chartered Accountant

Petaling Jaya, Selangor

Date: 3 1 MAR 2010