

RHB INSURANCE BERHAD

Level 8, Tower One

RHB Centre

Jalan Tun Razak

50400 Kuala Lumpur

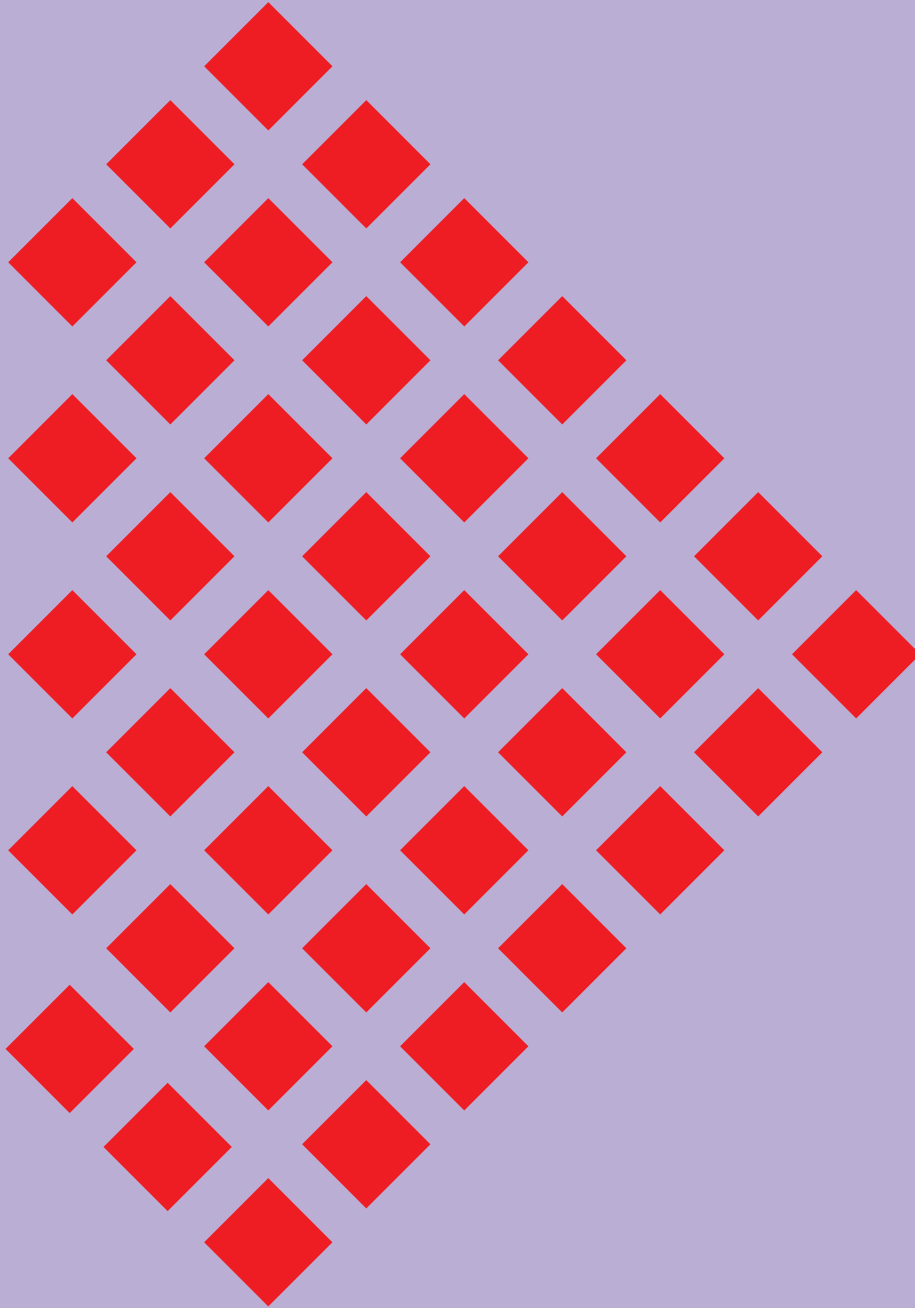
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rhb.com.my



RHB INSURANCE BERHAD
ANNUAL REPORT **2008**



our core values



innovation

- “Innovation is the ability to see change as an opportunity – not a threat”
- Keep an open mind
- Ways to enhance the lives of our customers and those around us
- Apply “Start, Stop, Continue” in all we do



quality service

- “Service which exceeds the service expectation of our customers”
- Efficient, reliable and consistent
- Take ownership and accountability of what we do
- Have passion, commitment and drive to serve



teamwork

- “Serving one another to achieve a common objective”
- Lend a helping hand
- “One RHB team with one RHB face”
- Working together with each other



customer focus

- “Our Customers are No1: We shall understand their needs, build a strong and lasting relationship with them, and take all efforts to exceed their expectations”
- Provide best “Customer Service Experience”
- Simplified processes
- Walk that extra mile



respect

- “Treat others the way you would want to be treated”
- Be honest and sincere
- Take responsibility for your actions
- Express empathy and selflessness



The RHB Banking Group is **moving forward with confidence**

on the back of a successful transformation programme that has helped enhance the Group's standing and reputation, both locally and regionally. With our building blocks well in place, we are well on track to be one of the top three financial services providers in ASEAN by 2020.

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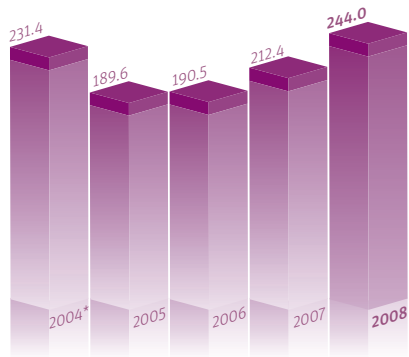
financial highlights

	2008 RM million	2007 RM million	2006 RM million	2005 RM million	2004* RM million
RESULTS					
Operating revenue	244.0	212.4	190.5	189.6	231.4
Profit before taxation	12.4	32.7	41.9	33.9	34.0
Net profit for the financial year	8.9	23.6	30.1	24.2	25.2
Dividends – Net	7.5	21.9	21.9	21.6	18.0
BALANCE SHEETS					
Share capital	100.0	100.0	100.0	100.0	100.0
Shareholders' fund*	130.7	121.8	142.0	133.5	127.3
Total Assets	351.0	310.7	306.9	290.7	273.8
RATIOS					
Dividends per share Gross – sen	10.0	30.0	30.0	30.0	25.0
Net tangible assets per share – (RM)	1.31	1.22	1.42	1.34	1.27

* The company changed its financial year end from 30 June to 31 December with effect from the financial period ended 31 December 2004 and accordingly, the results for that financial period are for eighteen months.

OPERATING REVENUE

RM Million



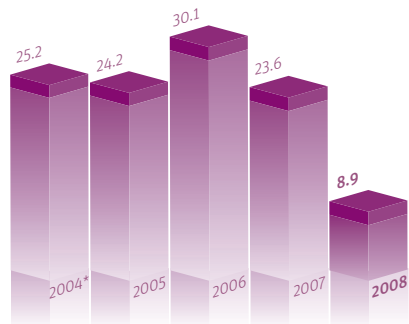
PROFIT BEFORE TAXATION

RM Million



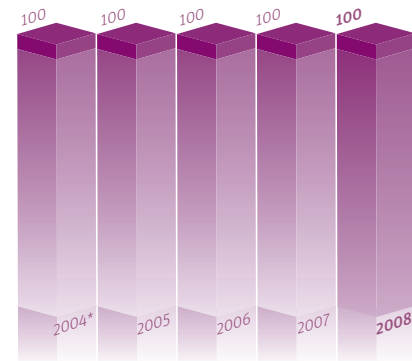
NET PROFIT FOR THE FINANCIAL YEAR

RM Million



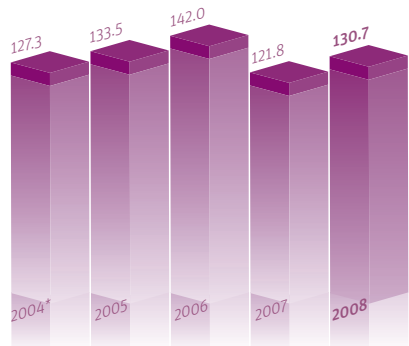
SHARE CAPITAL

RM Million



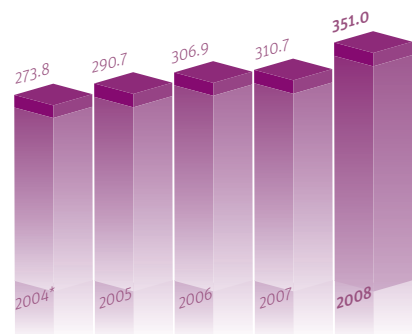
SHAREHOLDERS' FUND*

RM Million



TOTAL ASSETS

RM Million



* The company changed its financial year end from 30 June to 31 December with effect from the financial period ended 31 December 2004 and accordingly, the results for that financial period are for eighteen months.

corporate information

BOARD OF DIRECTORS

Dato' Mohd Salleh Hj Harun
Independent Non-Executive
Chairman

SECRETARY

Azman Shah Md Yaman

BOARD COMMITTEES

Group Audit Committee*

Ong Seng Pheow
Chairman

Dato' Mohd Salleh Hj Harun

Dato' Othman Jusoh

Datuk Tan Kim Leong

Patrick Chin Yoke Chung

Group Risk Management Committee#

Dato' Mohd Salleh Hj Harun
Chairman

Datin Khamarzan Ahmed Meah

Datuk Tan Kim Leong

Haji Khairuddin Ahmad

Patrick Chin Yoke Chung

Group Nominating Committee#

Datuk Haji Faisal Siraj
Chairman

Datuk Azlan Zainol

Datuk Tan Kim Leong

Johari Abdul Muid

Ismael Fariz Ali

Group Remuneration and Human Resource Committee#

Datuk Tan Kim Leong
Chairman

Datuk Azlan Zainol

Datuk Haji Faisal Siraj

Johari Abdul Muid

Ismael Fariz Ali

Haji Khairuddin Ahmad

Senior Independent Non-Executive Director

Datuk Haji Faisal Siraj

Independent Non-Executive Director

Datin Khamarzan Ahmed Meah

Independent Non-Executive Director

Ong Seng Pheow

Independent Non-Executive Director

Koh Heng Kong

Managing Director

Investment Committee

Ong Seng Pheow

Chairman

Dato' Mohd Salleh Hj Harun

Haji Khairuddin Ahmad

Koh Heng Kong

SENIOR MANAGEMENT

Michael Joseph Barrett

Group Managing Director

Dato' Tajuddin Atan

Managing Director, RHB Bank Berhad (effective 1 May 2009)

Norazzah Sulaiman

Chief Operating Officer, RHB Capital Berhad

Kellee Kam Chee Khiong

Chief Financial Officer, RHB Capital Berhad

Chay Wai Leong

Head, Corporate & Investment Banking

Jamelah Jamaluddin

Head, Islamic Banking

Renzo Christopher Viegas

Head, Retail Banking

Michael Lim Kheng Boon

Chief Operating Officer, RHB Banking Group

Koh Heng Kong

Head, Insurance

Sharifatul Hanizah Said Ali

Head, Investment Management

Nik Hasniza Nik Ibrahim

Head, Group Human Resource

REGISTERED OFFICE

Level 10, Tower One

RHB Centre

Jalan Tun Razak

50400 Kuala Lumpur

Tel : (603) 9285 2233

Fax : (603) 9281 9314

COMPANY NO.

38000-U

AUDITORS

PricewaterhouseCoopers

Chartered Accountants

Level 8-15, 1 Sentral Jalan Travers

Kuala Lumpur Sentral

P.O. Box 10192

50706 Kuala Lumpur

Tel : (603) 2173 1188

Fax : (603) 2173 1288

* The committee resides at RHB Bank Berhad and is shared with relevant subsidiaries of the Group.

The committee resides at RHB Capital Berhad and is shared with relevant subsidiaries of the Group.

profile of the board of directors

DATO' MOHD SALLEH HJ HARUN

(64 years of age – Malaysian)
Independent Non-Executive Chairman

Dato' Mohd Salleh Hj Harun ("Dato' Salleh") was appointed as an Independent Non-Executive Director of RHB Insurance on 23 August 2004. He was appointed as Chairman of RHB Insurance on 15 September 2004. He also serves as the Chairman of the Group Risk Management Committee as well as a Member of the Group Audit Committee and Investment Committee of the Company.

Dato' Salleh is a Fellow of the Institute of Bankers and a Member of the Malaysian Institute of Certified Public Accountants.

Dato' Salleh has 34 years of experience in banking and finance sector, having held various senior positions in Aseambankers Malaysia Berhad and Malayan Banking Berhad. He was the Executive Director of Malayan Banking Berhad from 1994 to 2000 prior to joining Bank Negara Malaysia, whereat he served as Deputy Governor from 2000 to 2004.

Dato' Salleh's other directorships in public companies include RHB Bank Berhad, RHB Islamic Bank Berhad, Titan Chemical Corp. Berhad and Scicom MSC Berhad.

HAJI KHAIRUDDIN AHMAD

(66 years of age – Malaysian)
Senior Independent Non-Executive Director

Haji Khairuddin Ahmad ("Haji Khairuddin") was appointed as an Independent Non-Executive Director of RHB Insurance on 28 June 2004. He also serves as a Member of the Investment Committee of the Company and Group Risk Management Committee.

Haji Khairuddin attended the Advance Management course at Columbia Business School in New York, USA.

Haji Khairuddin began his career in the banking industry and was previously with Citibank N.A., Southern Bank Berhad, Bank of Commerce Berhad and Arab Malaysian Finance Berhad.

Haji Khairuddin's other directorships in public companies include RHB Bank Berhad.

DATUK HAJI FAISAL SIRAJ

(63 years of age – Malaysian)
Independent Non-Executive Director

Datuk Haji Faisal Siraj ("Datuk Faisal") was appointed as an Independent Non-Executive Director of RHB Insurance on 1 January 2008. He also serves as the Chairman of the Group Nominating Committee and a Member of the Group Remuneration and Human Resource Committee.

Datuk Faisal is a Fellow of the Institute of Chartered Accountants in England & Wales, Member of the Malaysian Institute of Accountants and Member of the Malaysian Institute of Certified Public Accountants.

Datuk Faisal started his career in 1968 with KPMG, London. On his transfer from KPMG, London to KPMG, Kuala Lumpur, he was posted to KPMG Kota Kinabalu to take charge of KPMG's East Malaysia operations until 1976. Datuk Faisal joined Malaysia Mining Corporation ("MMC") Group in 1976. He was the Group Executive

Director and a Member of the MMC Board from 1981 to 1994. In 1995, he joined DRB-HICOM Berhad (“DRB-HICOM Group”) as the Group Chief Financial Officer in the capacity of Senior Group Director, Financial Services and Treasury Division and was a member of the DRB-HICOM Board, before his retirement in 2005.

Datuk Faisal’s other directorships in public companies include RHB Capital Berhad and RHB Islamic Bank Berhad (Chairman).

DATIN KHAMARZAN AHMED MEAH

(57 years of age – Malaysian)
Independent Non-Executive Director

Datin Khamarzan Ahmed Meah (“Datin Khamarzan”) was appointed as an Independent Non-Executive Director of RHB Insurance on 1 January 2008. She also serves as a Member of the Group Risk Management Committee.

Datin Khamarzan holds a Bachelor of Economics (Honours) Degree from University of Malaya and a Masters in Development Economics from Boston University, USA. She was previously the Deputy Director, Privatisation Division, Economic Planning Unit from 1992 to 1995. Prior to that, she was the Principal Assistant Secretary of the Banking and International Financing Section, Ministry of Finance from 1982 until 1991.

Datin Khamarzan’s other directorships in public companies include Rashid Hussain Berhad (in Members’ Voluntary Liquidation), RHB Investment Bank Berhad and RHB Bank (L) Ltd.

ONG SENG PHEOW

(60 years of age – Malaysian)
Independent Non-Executive Director

Ong Seng Pheow (“Mr Ong”) was appointed as an Independent Non-Executive Director of RHB Insurance on 1 January 2008. He also serves as the Chairman of the Investment Committee of the Company and the Group Audit Committee.

Mr Ong has over 34 years of audit and accounting experience. He is a Member of the Malaysian Institute of Certified Public Accountants (“MICPA”) and Malaysian Institute of Accountants. He was a partner of Ernst & Young from 1984 to 2003. His last held position in Ernst & Young was the National Director of Assurance and Advisory Business Services. He has served on committees and working groups of MICPA.

Mr Ong’s other directorships in public companies include RHB Bank Berhad, Daiman Development Berhad, LCTH Corporation Berhad, George Kent (Malaysia) Berhad and HELP International Corporation Berhad.

KOH HENG KONG

(56 years of age – Malaysian)
Managing Director

Koh Heng Kong (“Mr Koh”) was appointed as the Managing Director of RHB Insurance on 8 October 2007. He also serves as a Member of the Investment Committee of the Company.

Mr Koh is a Chartered Insurer of the Chartered Insurance Institute, U.K. He has over 31 years experience in the insurance industry and has held various senior management positions for RHB Insurance. He joined RHB Insurance as an Accountant in 1976 after serving as an Assistant Accountant in his previous company. He was promoted to Manager, Finance and Administration in 1983, Assistant General Manager in 1989, General Manager in 1997 and Chief Executive Officer in 2002.

RHB Banking Group corporate structure

as at 15 April 2009



RHB CAPITAL BERHAD

Commercial Banking Group

RHB Bank Berhad

- ◆ RHB Islamic Bank Berhad
 - ◆ RHB Bank (L) Ltd
 - ◆ RHB International Trust (L) Ltd
 - ◆ RHB Corporate Services Sdn Bhd
 - ◆ RHB Leasing Sdn Bhd
 - ◆ RHB Capital Nominees (Tempatan) Sdn Bhd
 - ◆ RHB Capital Nominees (Asing) Sdn Bhd
 - ◆ RHB Capital Properties Sdn Bhd
 - ◆ Utama Assets Sdn Bhd
 - ◆ RHB Bank Nominees Pte Ltd (*Singapore*)
 - ◆ Banfora Pte Ltd (*Singapore*)
 - ◆ RHB Investment Ltd (*Singapore*)
 - ◆ RHB Trade Services Limited (*Hong Kong*)
- ◆ Utama Gilang Sdn Bhd
 - ◆ UMBC Sdn Bhd
 - ◆ RHB Delta Sdn Bhd
 - ◆ RHB Delta Nominees (Tempatan) Sdn Bhd

Investment Banking Group

RHB Investment Bank Berhad

- ◆ RHB Investment Management Sdn Bhd
- ◆ RHB Research Institute Sdn Bhd
- ◆ RHB Merchant Nominees (Tempatan) Sdn Bhd
 - ◆ RHB Merchant Nominees (Asing) Sdn Bhd
- ◆ RHB Private Equity Holdings Sdn Bhd
 - ◆ RHB Private Equity Management Ltd
 - ◆ RHB Private Equity Fund Ltd (*Cayman Islands*)
- ◆ RHB Nominees Sdn Bhd
- ◆ RHB Nominees (Tempatan) Sdn Bhd
- ◆ RHB Nominees (Asing) Sdn Bhd
- ◆ RHB Excel Sdn Bhd
- ◆ RHB Progressive Sdn Bhd
- ◆ RHB Marketing Services Sdn Bhd
- ◆ RHB Venture Capital Sdn Bhd
- ◆ RHB Unit Trust Management Berhad
- ◆ Vietnam Securities Corporation (*Vietnam*) (49%)

Others

RHB Insurance Berhad (79.5%)

- ◆ RHB Equities Sdn Bhd ⁽¹⁾
- ◆ KYB Sdn Bhd
- ◆ RHB Capital (Jersey) Limited (*Jersey Island*)
 - ◆ Rashid Hussain Securities (Philippines), Inc. (*Philippines*) ⁽²⁾
 - ◆ PT Rashid Hussain Securities (*Indonesia*) (85%) ⁽³⁾
- ◆ RHB Hartanah Sdn Bhd
 - ◆ Positive Properties Sdn Bhd (50%)
- ◆ Straits Asset Holdings Sdn Bhd
- ◆ SSSB Services (Melaka) Sdn Bhd
- ◆ SFSB Services (Melaka) Sdn Bhd
- ◆ RHBF Sdn Bhd
- ◆ KYF Sdn Bhd

Notes:

The subsidiary companies are wholly-owned unless otherwise stated.

Dormant company

Associate company

Jointly Controlled Entity

(1) With effect from 1 July 2001, the company's activities relate primarily to recovery of outstanding debts.

(2) The company has ceased operations from the close of business on 10 December 2001.

(3) The company has ceased operations on 31 July 2001 and commenced proceedings for members' voluntary dissolution.

Country of incorporation is in Malaysia unless otherwise indicated in italics.



statutory financial statements

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Report

directors' report

The Directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial year ended 31 December 2008.

PRINCIPAL ACTIVITY

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

FINANCIAL RESULTS

	RM
Profit for the financial year	8,853,788
Retained earnings brought forward	21,813,438
Retained earnings carried forward	30,667,226

DIVIDENDS

No dividends were paid or declared by the Company since the end of the previous financial year.

The Directors now recommend the payment of a final gross dividend in respect of the financial year ended 31 December 2008 of 10% on 100,000,000 ordinary shares, less income tax at 25%, amounting to RM7,500,000, subject to the approval of members at the forthcoming Annual General Meeting of the Company. If approved, the final dividend will be paid on a date to be determined later.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

PROVISION FOR OUTSTANDING CLAIMS

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

BAD AND DOUBTFUL DEBTS

Before the income statement and balance sheet of the Company were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate allowance 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 amounts of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

directors' report (continued)

CURRENT ASSETS

Before the income statement and balance sheet of the Company were made out, the Directors took reasonable steps to ascertain that any current assets, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Company have been written down to an amount which they might be expected so 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 and liabilities of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the assets of the Company which has arisen since the end of the financial year which secure the liabilities of any other person, or
- (b) any contingent liability in respect of the Company which has arisen since the end of the financial year.

No contingent 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 year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations when they fall due.

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

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

The results of the operations of the Company for the financial year were not, in the opinion of the Directors, 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 year 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 year in which this report is made.

directors' report (continued)

CORPORATE GOVERNANCE

Introduction

As part of the ongoing measures to raise corporate governance standards in the conduct of insurance business, Bank Negara Malaysia (“BNM”) has developed a Prudential Framework of Corporate Governance for Insurance Companies (“the Framework”) which was issued as JPI/GPI 25 (Consolidated) for adoption by insurers. The primary objective of the Framework is to enhance the corporate accountability of insurers and promote the interests of their stakeholders, specifically those of policy owners, claimants and creditors. The Framework establishes basic principles of good corporate governance which focus on the processes and structures used to direct and manage the business and affairs of insurers.

The Directors are committed to ensure that the highest standards of corporate governance are practised by the Company as a fundamental part of discharging their responsibilities in order to promote the interests of stakeholders and enhance shareholders' value.

Board Responsibility And Oversight

Board Meetings are held on a scheduled basis with a fixed agenda in ensuring relevant policy, strategy and business performance issues are discussed and accordingly tracked and monitored. Special Board meetings are also convened when urgent issues and important decisions are required to be taken between the scheduled meetings.

The Board's principal focus is to ensure the Company's strategic direction, financial as well as corporate developments are in line with the Group's strategy and business direction. The Board papers contain sufficient information to enable the Board to adequately make informed decisions. All decisions of the Board are based on the decision of the majority and no single Board member can make any decisions on behalf of the Board, unless duly authorised by the Board. No individual or a group of individuals dominate the decision-making process. This enables the Board to effectively discharge its principal responsibilities in line with the principles of corporate governance.

The Directors have full access to the information of the Company through the management as well as the advice and services of the Company Secretary in the course of discharging their duties. In addition, Directors may also seek independent professional advice, at the Company's expense, if required.

Currently, the Board of Directors comprises six (6) members, being five (5) Independent Non-Executive Directors, one of whom is a Senior Independent Non-Executive Director and one (1) Managing Director.

The Managing Director, being the sole Director with executive powers was appointed with clearly defined roles in ensuring the balance of power and authority as the person primarily responsible for the day-to-day operations of the Company. Together with the strong composition of Independent Directors, the Board is equipped to partake effectively in the challenging and competitively regulated industry. In addition to the role and guidance of the independent Non-Executive Directors, each Director nevertheless brings an independent judgement to bear on issues of strategy, performance, resources and standard of conduct.

Individually, the Directors possess the relevant knowledge and skills in identifying key issues, constructively challenge, collaborate to solve problems, propose solutions as well as support the Management. Collectively, the Board reflects the ability with the skills and attributes that are required by the Company in meeting its goals and objectives while at the same time serving the interest of shareholders and stakeholders.

11 Board meetings were held during the financial year ended 31 December 2008.

directors' report (continued)

CORPORATE GOVERNANCE (CONTINUED)

Board Responsibility And Oversight (continued)

The details of attendance of each Director at Board meetings held during the financial year are set out below:

No	Name of Directors	Total meetings attended	Percentage of attendance (%)
1	Dato' Mohd Salleh Hj Harun	11/11	100
2	Haji Khairuddin Ahmad	10/11	91
3	Datin Khamarzan Ahmed Meah ¹	9/11	82
4	Datuk Haji Faisal Siraj ¹	11/11	100
5	Ong Seng Pheow ¹	11/11	100
6	Koh Heng Kong	9/11	82
7	Lim Cheng Yeow ^{2*}	0/4 *	0
8	Dato' Mohamed Khadar Merican ³	1/1	100

Notes:

¹ Appointed on 1 January 2008

² Retired on 23 April 2008

³ Resigned on 31 January 2008

* Based on the number of Board meetings held during his tenure of appointment in 2008

Each Director is required, pursuant to BNM Guidelines [JPI/GPI 25 (Consolidated)], to attend at least 75% of the Board meetings.

Pursuant to the Transformation Programme undertaken by the RHB Banking Group, the individual Board Committees of the entities in the Group have been consolidated to form Group Committees. Arising therefrom, the Group Nominating Committee ("Group NC") and Group Remuneration and Human Resource Committee ("Group RHRC") were formally established on 1 January 2008 at RHB Capital Berhad's level, the Company's holding company, to undertake the roles and responsibilities of the Nominating Committee ("NC") and Remuneration and Human Resource Committee ("RHRC") for the RHB Banking Group.

Apart from the NC and RHRC which have been consolidated at the Group level, a Group Risk Management Committee ("Group RMC") for the RHB Banking Group has also been established at RHB Capital Berhad level on 1 November 2007.

In furtherance thereto, the Company also shares a consolidated Group Audit Committee ("Group AC") established at RHB Bank Berhad's level, the Company's sister company, on 1 July 2008 to undertake the functions of the Audit Committee ("AC") for all the regulated operating subsidiaries within the RHB Banking Group. The objective for the consolidation is to enhance the synergistic value of group consolidation and at the same time enhance efficiency of their deliverables as well as promote the effectiveness of corporate governance. Accordingly, the AC of the Company has been dissolved on 1 July 2008.

directors' report (continued)

CORPORATE GOVERNANCE (CONTINUED)

Board Responsibility And Oversight (continued)

The compositions, meeting attendances for the financial year and the salient terms of reference of the Group NC, Group RHRC, Group RMC and Group AC are as follows:-

Group NC

No	Members of Group NC	Total meetings attended	Percentage of attendance (%)
1	Datuk Haji Faisal Siraj (Chairman/Independent Non-Executive Director)	9/9	100
2	Datuk Azlan Zainol (Member/Non-Independent Non-Executive Director)	8/9	89
3	Datuk Tan Kim Leong (Member/Independent Non-Executive Director)	9/9	100
4	Johari Abdul Muid (Member/Non-Independent Non-Executive Director)	7/9	78
5	Ismael Fariz Ali (Member/Independent Non-Executive Director)	8/9	89

The objectives of the Group NC, amongst others, are as follows:

- (i) to provide a documented, formal and transparent procedure for the appointment of directors, board committee members, Group Shariah Committee members, chief executive officer and key senior management officers of the RHB Banking Group as well as assessment of effectiveness thereof;
- (ii) to assist the Board in identifying and reviewing, on an annual basis, the required mix of skills, experience and other qualities, including core competencies which directors should bring to the Board and which the Board requires for it to function completely and efficiently; and
- (iii) to examine the size of the Board with a view of determining the impact of the number upon its effectiveness.

Group RHRC

No	Members of Group RHRC	Total meetings attended	Percentage of attendance (%)
1	Datuk Tan Kim Leong (Chairman/Independent Non-Executive Director)	12/12	100
2	Datuk Azlan Zainol (Member/Non-Independent Non-Executive Director)	10/12	83
3	Datuk Haji Faisal Siraj (Member/Independent Non-Executive Director)	12/12	100
4	Johari Abdul Muid (Member/Non-Independent Non-Executive Director)	9/12	75
5	Ismael Fariz Ali (Member/Independent Non-Executive Director)	9/12	75

directors' report (continued)

CORPORATE GOVERNANCE (CONTINUED)

Board Responsibility And Oversight (continued)

The objectives of Group RHRC, among others, are as follows:

- (i) to provide a formal and transparent procedure for developing the remuneration policy for directors, board committee members, chief executive officer, Group Shariah Committee members and key senior management officers of the RHB Banking Group and ensuring that compensation is competitive and consistent with the RHB Banking Group's culture, objectives and strategy;
- (ii) to recommend to the Board on the policies, strategies and framework for the RHB Banking Group in relation to staff remuneration, rewards and benefits;
- (iii) to oversee and review the scope and quality of human resource projects/programmes of the RHB Banking Group; and
- (iv) to oversee the disciplinary procedures, regulations and preventive measures as well as to ensure implementation and adherence to the disciplinary procedures.

Group RMC

No	Members of Group RMC	Total meetings attended	Percentage of attendance (%)
1	Dato' Mohd Salleh Hj Harun (Chairman/Independent Non-Executive Director)	12/12	100
2	Haji Khairuddin Ahmad (Member/Independent Non-Executive Director)	12/12	100
3	Patrick Chin Yoke Chung (Member/Independent Non-Executive Director)	12/12	100
4	Datin Khamarzan Ahmed Meah (Member/Independent Non-Executive Director)	9/12	75
5	Datuk Tan Kim Leong (Member/Independent Non-Executive Director)	11/12	92

The main objectives of the Group RMC are as follows:

- (i) to provide oversight and governance of risks at the Group;
- (ii) to oversee senior management's activities in managing credit, market, liquidity, operational, legal and other risk and to ensure that the risk management process of each entity in the Group is in place and functioning;
- (iii) to promote the management of the Group's risk in accordance with a risk-return performance management framework; and
- (iv) to deliberate and make recommendations to the Boards of each relevant entity within the Group in respect of risk management matters of the respective entities.

directors' report (continued)

CORPORATE GOVERNANCE (CONTINUED)

Board Responsibility And Oversight (continued)

Group AC

No	Members of Group AC	Total meetings attended	Percentage of attendance (%)
1	Ong Seng Pheow (Chairman/Independent Non-Executive Director)	10/10	100
2	Dato' Mohd Salleh Hj Harun (Member/Independent Non-Executive Director)	10/10	100
3	Dato' Othman Jusoh (Member/Independent Non-Executive Director)	9/10	90
4	Datuk Tan Kim Leong (Member/Independent Non-Executive Director)	9/10	90
5	Patrick Chin Yoke Chung (Member/Independent Non-Executive Director)	9/10	90

The main objectives of the Group AC are as follows:

- (i) to provide independent oversight over the management of the financial reporting and internal control system and ensuring checks and balances for entities within the RHB Banking Group ("the Group"), namely RHB Bank Berhad, RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad;
- (ii) to review the financial condition and performance of the Group;
- (iii) to assist the Boards of the respective entities in the discharge of their responsibilities by reviewing the effectiveness, adequacy and integrity of the Group's internal control systems and management information systems, including systems for risk management, governance processes and compliance with applicable laws, regulations, rules, directives and guidelines;
- (iv) to reinforce the independence of the external auditors and thereby help assure that they will have free rein in the audit activities;
- (v) to provide, by way of regular meetings, a line of communication between the respective Boards and the external auditors;
- (vi) to provide emphasis on the internal audit function by ensuring the objectivity and independence of the internal auditors and provide a forum for discussion that is among others independent of the management; and
- (vii) to enhance the perceptions held by stakeholders (including shareholders, regulators, creditors and employees) of the credibility and objectivity of financial reports.

directors' report (continued)

CORPORATE GOVERNANCE (CONTINUED)

Management Accountability

The Company has a well-documented and updated organisational structure showing all reporting lines as well as clearly documented job descriptions for all management and executive employees. Management obtains a quarterly declaration from staff on adherence to the insurance industry's Code of Ethics.

Policies and procedures are documented in the operating manuals for all the core functions of the Company such as underwriting, claims, reinsurance and finance. Monthly meetings are scheduled for Senior Management and various working committees i.e. Technical, Marketing, Information Technology Review and Credit Control to communicate on the affairs and operations of the Company. In addition, regular departmental/branch meetings are also held to discuss each operating unit's affairs and to communicate relevant information to staff.

Corporate Independence

The related party transactions are on terms and conditions no more favourable than those available on similar transactions to the Company's other customers. All material related party transactions have been disclosed in the financial statements.

Internal Controls And Operational Risk Management

The Directors acknowledge their responsibility for the system of internal controls maintained by the Company and for reviewing its effectiveness. The system of internal controls covers not only financial controls but also operational and compliance controls as well as risk management. The system, by its nature, can only provide reasonable but not absolute assurance against misstatement, loss or fraud.

The Board maintains a control-conscious culture across all areas of operations in the Company. There is an on-going process for identifying, evaluating and managing all significant risks faced by the Company which will be regularly reviewed by the Board.

The Group's internal audit regularly reports on compliance with the system of internal controls and procedures to the Management, Audit Committee and the Board. There are also procedures for external auditors to report conclusions and recommendations to the Management, Audit Committee and the Board.

The Group's internal audit will ensure that recommendations to improve controls are followed through by the Management on a timely manner.

Public Accountability

The Company upholds the principles of fairness and professionalism in the conduct of its business. The requirement of a written disclosure in insurance policies pertaining to the existence of the Insurance Mediation Bureau ("IMB") and BNM's Customer Service Bureau ("CSB") is effected on all new and renewal policies issued. The notice will inform the policyholders on the procedures for complaints to the IMB and CSB of any unfair market practices.

directors' report (continued)

CORPORATE GOVERNANCE (CONTINUED)

Financial Reporting

The Management ensures that proper records are maintained to support all financial transactions and the financial statements are prepared in accordance with MASB approved accounting standards in Malaysia and the provisions of the Companies Act, 1965. In accordance with Section 95(1) of the Insurance Act, 1996, on a yearly basis, the statutory financial statements are published in two local newspapers within fourteen days of the Annual General Meeting.

The Board and Senior Management receive regular financial and management reports to enable them to effectively monitor the financial performance and condition of the Company in relation to the corporate objectives and responsibilities.

The Management ensures that the monthly and annual returns are submitted to BNM on a timely basis.

DIRECTORS AND THEIR INTERESTS IN SECURITIES

The Directors who have held office during the year since the date of the last report are:

Dato' Mohd Salleh Hj Harun
Haji Khairuddin Ahmad
Datin Khamarzan Ahmed Meah
Datuk Haji Faisal Siraj
Ong Seng Pheow
Koh Heng Kong
Lim Cheng Yeow (Retired on 23 April 2008)

In accordance with Article 74 of the Company's Articles of Association, Dato' Mohd Salleh Hj Harun and Haji Khairuddin Ahmad retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

According to the register of directors' shareholdings, the interests of the Directors in office at the end of the financial year in the securities of the Company and its related corporations were as follows:

Holding Company	Number of ordinary shares of RM1 each			
	As at 1.1.2008	Bought	Sold	As at 31.12.2008
RHB Capital Berhad				
Haji Khairuddin Ahmad – Direct	22,000	–	–	22,000
Dato' Mohd Salleh Hj Harun – Direct	15,000	15,000	–	30,000
Koh Heng Kong – Indirect ¹	3,000	–	–	3,000

Note: ¹ Indirect interest held by family member.

Other than the above, none of the other Directors in office at the end of the financial year held any interest in the shares in or debentures of the Company or its related corporations during the financial year.

directors' report (continued)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related company with a 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 that certain Directors received remuneration from the Company's holding company and other related corporations.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects 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 AND ULTIMATE HOLDING COMPANIES

The holding company is RHB Capital Berhad and the Directors regard the Employees Provident Fund Board ("EPF") as the ultimate holding company. RHB Capital Berhad is a company incorporated in Malaysia whilst EPF is a statutory body established in Malaysia.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 21 January 2009.

DATO' MOHD SALLEH HJ HARUN

Chairman

KOH HENG KONG

Managing Director

Kuala Lumpur
11 March 2009

balance sheet

as at 31 December 2008

	Note	2008 RM	2007 RM
ASSETS			
Property, plant and equipment	6	2,487,566	2,936,560
Prepaid lease rental	7	639,575	647,527
Investments	8	294,928,217	263,474,346
Deferred tax assets	9	6,601,000	2,364,000
Loans	10	549,331	1,015,550
Receivables	11	45,603,677	39,316,334
Cash and cash equivalents	12	199,895	918,221
Total assets		351,009,261	310,672,538
LIABILITIES			
Provision for outstanding claims	13	118,674,450	99,252,371
Payables	14	36,525,564	27,972,993
Current tax liabilities		267,887	2,913,624
Unearned premium reserves	15	155,467,901	130,138,988
		64,874,134	58,720,112
Total liabilities		220,342,035	188,859,100
SHAREHOLDERS' FUND			
Share capital	16	100,000,000	100,000,000
Retained earnings	17	30,667,226	21,813,438
		130,667,226	121,813,438
Total liabilities and shareholders' fund		351,009,261	310,672,538

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

income statement

for the financial year ended 31 December 2008

	Note	2008 RM	2007 RM
Operating revenue	18	244,049,936	212,448,435
Surplus transferred from General Insurance Revenue Account		12,379,042	32,655,970
Non-insurance fund:			
Management expenses	19	(370)	9,650
Investment income	20	44,524	44,154
Profit before taxation		12,423,196	32,709,774
Taxation	22	(3,569,408)	(9,085,098)
Profit for the financial year		8,853,788	23,624,676
Earnings per share (sen)	23	8.85	23.62
Dividend per share (sen)	24	10.00	30.00

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

general insurance revenue account

for the financial year ended 31 December 2008

	Note	Fire RM	Motor RM	Marine, Aviation & Transit RM	Miscellaneous RM	Total RM
Gross premium		82,581,159	62,528,396	15,663,765	71,352,440	232,125,760
Less: Reinsurance		(36,525,831)	(3,649,348)	(8,023,548)	(21,996,676)	(70,195,403)
Net premium		46,055,328	58,879,048	7,640,217	49,355,764	161,930,357
Less:						
Increase in unearned premium reserves	15	(339,696)	(5,265,473)	(485,819)	(63,034)	(6,154,022)
Earned premium		45,715,632	53,613,575	7,154,398	49,292,730	155,776,335
Net claims incurred	25	(11,845,865)	(42,854,392)	(5,057,341)	(25,867,189)	(85,624,787)
Net commission		(1,682,292)	(5,609,753)	(948,502)	(6,756,127)	(14,996,674)
Underwriting surplus before management expenses		32,187,475	5,149,430	1,148,555	16,669,414	55,154,874
Management expenses	19					(35,479,386)
Underwriting surplus						19,675,488
Investment income	20					11,879,652
Other expenditure - net	21					(19,176,098)
Transfer to Income Statement						12,379,042

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

general insurance revenue account

for the financial year ended 31 December 2007

	Note	Fire RM	Motor RM	Marine, Aviation & Transit RM	Miscellaneous RM	Total RM
Gross premium		77,297,807	48,382,630	10,360,596	64,307,585	200,348,618
Less: Reinsurance		(33,534,099)	(2,918,128)	(4,011,387)	(19,730,627)	(60,194,241)
Net premium		43,763,708	45,464,502	6,349,209	44,576,958	140,154,377
Less:						
Increase in unearned premium reserves	15	(2,429,694)	(1,850,094)	(467,685)	(5,335,249)	(10,082,722)
Earned premium		41,334,014	43,614,408	5,881,524	39,241,709	130,071,655
Net claims incurred	25	(12,221,010)	(34,188,998)	(3,736,529)	(22,464,801)	(72,611,338)
Net commission		(2,163,217)	(4,288,038)	(524,465)	(6,115,001)	(13,090,721)
Underwriting surplus before management expenses		26,949,787	5,137,372	1,620,530	10,661,907	44,369,596
Management expenses	19					(30,878,205)
Underwriting surplus						13,491,391
Investment income	20					12,055,663
Other income - net	21					7,108,916
Transfer to Income Statement						32,655,970

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

statement of changes in equity

for the financial year ended 31 December 2008

	Note	Issued and fully paid ordinary shares No. of shares	RM1 each Nominal value RM	Distributable Retained earnings RM	Total RM
2008					
At beginning of the financial year		100,000,000	100,000,000	21,813,438	121,813,438
Profit for the financial year		-	-	8,853,788	8,853,788
At end of the financial year		100,000,000	100,000,000	30,667,226	130,667,226
2007					
At beginning of the financial year		100,000,000	100,000,000	41,988,762	141,988,762
Profit for the financial year		-	-	23,624,676	23,624,676
Dividends for financial year ended					
– 31 December 2006 (final)	24	-	-	(21,900,000)	(21,900,000)
– 31 December 2007 (interim)	24	-	-	(21,900,000)	(21,900,000)
At end of the financial year		100,000,000	100,000,000	21,813,438	121,813,438

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

cash flow statement

for the financial year ended 31 December 2008

	Note	2008 RM	2007 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the financial year		8,853,788	23,624,676
Adjustments for:			
Loss/(profit) on sale of investments		4,590,488	(10,363,317)
Allowance for diminution in value of investments		15,119,414	5,078,600
Allowance for bad and doubtful debts		2,349,978	793,046
Bad debts written off		–	4,133
Amortisation of premiums net of accretion of discounts		129,745	97,980
Depreciation of property, plant and equipment		1,087,089	1,329,986
Amortisation charge on prepaid lease rental		7,952	7,952
Loss/(profit) on sale of property, plant and equipment		7,061	(49,026)
Increase in unearned premium reserves		6,154,022	10,082,722
Investment income		(12,053,921)	(12,197,797)
Unrealised gain on foreign exchange		(6,957)	(6,606)
Taxation expense		3,569,408	9,085,098
Operating profit before changes in operating assets and liabilities		29,808,067	27,487,447
Purchase of investments		(77,049,971)	(140,470,724)
Proceeds from sale of investments		77,571,586	127,464,635
Interest received		9,648,000	10,133,318
Dividend received		2,073,121	1,985,657
(Increase)/decrease in fixed and call deposits		(51,815,133)	23,576,382
Decrease/(increase) in loans		466,219	(33,144)
Increase in amounts due from insureds, agents, brokers and reinsurers		(9,239,509)	(5,942,452)
Decrease/(increase) in other receivables		942,544	(1,618,482)
Increase in provision for outstanding claims		19,422,079	11,068,568
Increase in amounts due to insureds, agents, brokers and reinsurers		7,185,433	4,131,213
Increase/(decrease) in other payables		1,367,138	(1,071,326)
Cash generated from operations		10,379,574	56,711,092
Income taxes paid		(10,452,145)	(10,933,176)
Net cash (used in)/generated from operating activities	26	(72,571)	45,777,916

cash flow statement

for the financial year ended 31 December 2008 (continued)

	Note	2008 RM	2007 RM
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(672,156)	(1,175,315)
Proceeds from sale of property, plant and equipment		27,000	58,100
Net cash used in investing activities	26	(645,156)	(1,117,215)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		-	(43,800,000)
Net cash used in financing activities	26	-	(43,800,000)
Effects of exchange rate changes on cash and cash equivalents	26	(599)	3,515
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(718,326)	864,216
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		918,221	54,005
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	12	199,895	918,221

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

notes to the financial statements

– 31 December 2008

1 PRINCIPAL ACTIVITY AND GENERAL INFORMATION

The Company, a public limited liability company, incorporated and domiciled in Malaysia, is principally engaged in the underwriting of all classes of general insurance business. There has been no significant change in the nature of this activity during the financial year.

The holding company is RHB Capital Berhad and the Directors regard the Employees Provident Fund Board (“EPF”) as the ultimate holding company. RHB Capital Berhad is a company incorporated in Malaysia whilst EPF is a statutory body established in Malaysia.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with the Financial Reporting Standards being the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, that are approved by Bank Negara Malaysia (“BNM”) under Section 90 of the Insurance Act, 1996, and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Company’s accounting policies. Although these estimates and judgement are based on the Directors’ best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

(a) Standards and amendments to published standards that are effective

The new accounting standards and amendments to published standards effective and applicable for the Company’s financial year ended 31 December 2008 are as follows:

- FRS 107 Cash Flow Statements
- FRS 111 Construction Contracts
- FRS 118 Revenue
- FRS 137 Provisions, Contingent Liabilities and Contingent Asset

There were no significant changes to the Company’s accounting policies arising from the adoption of the above new accounting standards and/or amendments to published standards.

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

The new and revised standards and amendments to published standards that are applicable to the Company, which the Company has not early adopted, are as follows:

- FRS 8 Operating Segments (effective for accounting periods beginning on or after 1 July 2009). This standard requires disclosure of information about an entity’s operating segments and also about the entity’s products and services, the geographical areas in which it operates, and its major customers. This FRS is not relevant to the Company.

notes to the financial statements

– 31 December 2008 (continued)

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

- The following standards will be effective for annual periods beginning on or after 1 January 2010. The Company will apply these standards from financial year beginning 1 January 2010, the Company has applied the transitional provision in the respective standard which exempts entities from disclosing the possible impact arising from the initial application of the standards on the financial statements of the Company.
 - FRS 139 Financial Instruments: Recognition and Measurement
 - FRS 4 Insurance Contracts
 - FRS 7 Financial Instruments: Disclosures
- IC Interpretation 9 Reassessment of Embedded Derivatives (effective for accounting periods beginning on or after 1 January 2010). The interpretation clarifies the prohibition of reassessment of Embedded Derivatives unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. This IC is not relevant to the Company.
- IC Interpretation 10 Interim Financial Reporting and Impairment (effective for accounting periods beginning on or after 1 January 2010). The interpretation clarifies that the impairment loss or an investment in either an equity instrument or a financial asset carried at cost recognised in a previous interim period in respect of goodwill shall not be reversed. This IC is not relevant to the Company.

3 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Accounting convention

The financial statements are prepared under the historical cost convention, unless otherwise indicated in the accounting policies below.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate only when it is probable that future economics benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement or revenue account during the financial period in which they are incurred.

Property, plant and equipment are depreciated on the straight line method to write off the cost of the property, plant and equipment to their residual values over their estimated useful lives as follows:

Buildings	2%
Motor vehicles	20%
Furniture, fixtures and fittings, office equipment	20% – 33 $\frac{1}{3}$ %

notes to the financial statements

– 31 December 2008 (continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property, plant and equipment (continued)

Residual values and useful lives of assets are reviewed and adjusted if appropriate, at each balance sheet date.

At each balance sheet date, the Company assesses whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See Note 3 (e) on the impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the income statement or revenue account.

(c) Investments

Malaysian Government Securities and other investments as specified by BNM are stated at cost, adjusted for the amortisation of premiums or accretion of discounts calculated on an effective yield basis from the date of purchase to maturity date. The amortisation of premiums and accretion of discounts are recognised in the income statement or revenue account.

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

Unquoted investments are stated at cost and an allowance for diminution in value is made, where in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Such a decline is recognised as an expense in the financial year in which the decline is identified.

Gains and losses arising on disposals of investments are credited or charged to the income statement or revenue account.

(d) Investment income

Interest on loans is recognised on the 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 is recognised on the receipt basis until all arrears have been paid.

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

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

(e) Impairment of non-financial assets

The carrying values of assets that are subject to amortisation are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the fair value less cost to sell and the value in use, which is measured by reference to discounted cash flows. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit. Non-financial assets that suffered an impairment are reviewed for possible reversal of impairment at each reporting date.

An impairment loss is charged to the income statement or revenue account immediately.

notes to the financial statements

– 31 December 2008 (continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Impairment of non-financial assets (continued)

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

(f) Allowance for bad and doubtful debts

Known bad debts are written off and an allowance is made for any debt considered to be doubtful of collection. In addition, an allowance is made for any premiums, including agents' and reinsurers' balances, which remain outstanding for more than six months from the date on which they become receivable, except for outstanding motor premiums for which an allowance is made for amounts outstanding for more than 30 days.

(g) General insurance underwriting results

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

Premium income

Premium income is recognised on the date of assumption of risk. Premiums in respect of risks incepted for which policies have not been raised as of the balance sheet date are accrued at the date.

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

Unearned premium reserves

Unearned premium reserves ("UPR") represent the portion of premium income not yet earned at the balance sheet date. UPR is computed with reference to the month of accounting for the premium on the following bases:

- (i) 25% method for marine and aviation cargo, and transit business;
- (ii) 1/24th method for all other classes of general business except for non-annual policies in respect of Malaysian policies, reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM; and
- (iii) time apportionment method for non-annual policies (including long term inwards treaty business) reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM.

Provision for claims

Provision is made for the estimated costs of all claims together with related expenses less reinsurance recoveries, in respect of claims notified but not settled at the balance sheet date. Provision is also made for the cost of claims together with related expenses incurred but not reported ("IBNR") at the balance sheet date, based on an actuarial valuation by an independent actuary.

Acquisition costs

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

notes to the financial statements

– 31 December 2008 (continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) General insurance underwriting results (continued)

Inward treaty business

Premiums, claims and other transactions of inward treaty business are accounted for in the revenue account as and when the statements of account are received.

(h) Foreign currencies

(i) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement or revenue account.

(i) Income taxes

Current income tax is determined according to the tax laws of the jurisdiction in which the Company operates and includes all taxes based upon the taxable profits.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise mainly from depreciation of property, plant and equipment, accretion of discounts/amortisation of premiums, general allowance for doubtful debts, unearned premium reserves, provision for gratuities and allowance for diminution in value of investments.

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

Deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

(j) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, and bonuses are accrued in the financial year in which the associated services are rendered by employees of the Company.

(ii) Post-employment benefits – Defined contribution plan

The Company contributes to the Employees' Provident Fund, the national defined contribution plan. The Company's contributions to the defined contribution plan are charged to the income statement or revenue account in the period to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

notes to the financial statements

– 31 December 2008 (continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the revenue account or income statement on a straight line basis over the period of the lease.

The up-front payments made for leasehold land represent prepaid lease rentals and are amortised on straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

(l) Contingent liabilities and contingent assets

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

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

(m) Cash and cash equivalents

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

(n) Dividends

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

(o) Financial instruments

The basis of estimation of fair values for financial instruments is as follows:

- (i) The fair values of Malaysian Government Securities and BNM Notes are based on the indicative middle prices obtained from BNM.
- (ii) The fair values of corporate debt securities are based on quotations from merchant bankers.
- (iii) The fair values of quoted shares, warrants, loan stocks and Real Estate Investment Trusts ('REITs') are based on the quoted market price.
- (iv) The fair values of loans are based on the discounted cash flows by using the interest rates at valuation date for similar loans.
- (v) The carrying amounts of other financial assets and liabilities with a maturity period of less than one year are assumed to approximate their fair values.

notes to the financial statements

– 31 December 2008 (continued)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

- Incurred but not reported ('IBNR') claims are estimated based on the chain ladder method using cumulated incurred claims. The underlying assumption of the method is that the claims reporting patterns and the reserving practices of the Company are stable. The method also implicitly assumes that the past inflation patterns will continue into future projected years. The estimation is performed by an independent external actuary.

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

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific accounting policy could materially affect the reported results and financial position of the Company. However, the Directors are of the view that there are currently no accounting policies which require significant judgement to be exercised in their application.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company carries out its financial risk management through internal control procedures, standard operating procedures, investment guidelines and strategies, and adherence to all rules and regulations as stipulated by the guidelines for investments issued by BNM.

Arising from the Company's financial instruments, the main financial risks which the Company is exposed to are interest rate risk, market risk, credit risk, liquidity risk and currency risk.

(a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to the potential adverse changes in market interest rates.

Interest rate risk has an impact on the market values of investments in equities, REITs, fixed income securities and fixed deposits. The Company manages this risk by adopting a diversified approach to investment portfolios to achieve a desired overall interest rate profile based on regular reviews of interest rate outlook and economic condition.

(b) Market risk

Market risk is the risk that the value of the financial instrument will fluctuate as a result of the potential adverse changes in market prices.

The Company's investments in equities, REITs and fixed income securities are outsourced to professional fund managers. To deal with this risk, the Investment Committee oversees the formulation of investment policies and strategies and meetings were held during the financial year to review and monitor the performance of the fund managers.

notes to the financial statements

– 31 December 2008 (continued)

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counter-party to meet payment obligations.

The Investment Committee manages the credit risk associated with investments by setting guidelines on minimum credit ratings and prevents risk concentrations by setting maximum credit exposure for each class of investment and for any one borrower or group of borrowers.

A credit control committee has been established to manage the credit risk of receivables.

(d) Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in raising funds to meet commitments and obligations when they fall due.

This is managed by monitoring the daily and monthly projected and actual cash flows, and ensuring that a reasonable quantum of financial assets is maintained in liquid instruments at all times.

(e) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rate.

The Company's exposure to currency risk is confined to a current account maintained with a bank in Singapore and certain expenses denominated in foreign currency. The current account was opened to facilitate the collection of premiums from reinsurers in Singapore and the amount involved is minimal.

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings RM	Motor vehicles RM	Furniture, fixtures and fittings, office equipment RM	Total RM
2008				
Net book value				
At beginning of financial year	367,368	725,311	1,843,881	2,936,560
Additions	–	147,143	525,013	672,156
Disposals	–	(34,061)	–	(34,061)
Depreciation charge	(9,033)	(138,898)	(939,158)	(1,087,089)
At end of financial year	358,335	699,495	1,429,736	2,487,566

notes to the financial statements

– 31 December 2008 (continued)

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RM	Motor vehicles RM	Furniture, fixtures and fittings, office equipment RM	Total RM
2007				
Net book value				
At beginning of financial year	376,628	872,726	1,850,951	3,100,305
Additions	–	–	1,175,315	1,175,315
Disposals	–	(5,275)	(3,799)	(9,074)
Depreciation charge	(9,260)	(142,140)	(1,178,586)	(1,329,986)
At end of financial year	367,368	725,311	1,843,881	2,936,560
At 31 December 2008				
Cost	422,756	1,634,543	13,900,766	15,958,065
Accumulated depreciation	(64,421)	(935,048)	(12,471,030)	(13,470,499)
Net book value	358,335	699,495	1,429,736	2,487,566
At 31 December 2007				
Cost	422,756	1,539,302	13,437,800	15,399,858
Accumulated depreciation	(55,388)	(813,991)	(11,593,919)	(12,463,298)
Net book value	367,368	725,311	1,843,881	2,936,560

7 PREPAID LEASE RENTAL

2008

Carrying amounts

	RM
At beginning of financial year	647,527
Amortisation for the financial year	(7,952)
At end of financial year	639,575
2007	
Carrying amounts	
At beginning of financial year	655,479
Amortisation for the financial year	(7,952)
At end of financial year	647,527

notes to the financial statements

– 31 December 2008 (continued)

8 INVESTMENTS

	2008		2007	
	Cost RM	Market Value RM	Cost RM	Market Value RM
Malaysian Government Securities	24,419,700		24,419,700	
Amortisation of premiums	(344,874)		(241,483)	
	24,074,826	24,309,600	24,178,217	24,043,600
Bank Negara Malaysia Notes	7,935,299		–	
Accretion of discounts	29,086		–	
	7,964,385	7,968,000	–	–
Quoted in Malaysia:				
Shares of corporations	47,224,769	32,615,078	52,139,757	56,553,274
Real Estate Investment Trusts	1,356,333	826,128	1,330,247	1,309,765
	48,581,102	33,441,206	53,470,004	57,863,039
Allowance for diminution in value	(15,139,896)		(20,482)	
	33,441,206		53,449,522	
Unquoted:				
Corporate debt securities	83,549,839		91,619,084	
Amortisation of premiums net of accretion of discounts	(171,000)		(26,305)	
	83,378,839		91,592,779	
Allowance for diminution in value	(5,075,047)		(5,075,047)	
	78,303,792		86,517,732	
Fixed and call deposits with:				
Licensed banks	138,243,250		85,093,611	
Licensed investment bank	9,900,758		11,235,264	
Other corporations	3,000,000		3,000,000	
	151,144,008		99,328,875	
TOTAL INVESTMENTS	294,928,217		263,474,346	

The maturity structure of Malaysian Government Securities, BNM Notes, corporate debt securities and fixed and call deposits above is as follows:

	2008 RM	2007 RM
Maturity within 12 months	151,963,361	100,328,875
Maturity after 12 months	109,523,650	109,695,949
	261,487,011	210,024,824

notes to the financial statements

– 31 December 2008 (continued)

9 DEFERRED TAX ASSETS

	2008 RM	2007 RM
At beginning of financial year	2,364,000	767,000
Credited to income statement (Note 22)	4,237,000	1,597,000
At end of financial year	6,601,000	2,364,000

The movements in deferred tax assets during the financial year comprise the tax effects of the following:

	At beginning of financial year RM	(Debited)/ credited to income statement RM	At end of financial year RM
2008			
Excess of capital allowances over depreciation	(132,000)	16,000	(116,000)
Amortisation of premiums net of accretion of discounts	70,000	51,000	121,000
General allowance for doubtful debts	976,000	497,000	1,473,000
Unearned premium reserves	24,000	41,000	65,000
Provisions	101,000	(97,000)	4,000
Allowance for diminution in value of investments	1,325,000	3,729,000	5,054,000
Total	2,364,000	4,237,000	6,601,000
2007			
Excess of capital allowances over depreciation	(241,000)	109,000	(132,000)
Amortisation of premiums net of accretion of discounts	57,000	13,000	70,000
General allowance for doubtful debts	829,000	147,000	976,000
Unearned premium reserves	15,000	9,000	24,000
Provisions	102,000	(1,000)	101,000
Allowance for diminution in value of investments	5,000	1,320,000	1,325,000
Total	767,000	1,597,000	2,364,000

notes to the financial statements

– 31 December 2008 (continued)

10 LOANS

	2008 RM	2007 RM
Mortgage loans	156,875	402,006
Other secured loans	388,481	611,541
Unsecured loans	3,975	2,003
	549,331	1,015,550
<hr/>		
Receivable within 12 months	202,362	271,449
Receivable after 12 months	346,969	744,101
	549,331	1,015,550

11 RECEIVABLES

Trade receivables

Outstanding premiums including agents, brokers and co-insurers balances	38,392,594	30,944,210
Allowance for doubtful debts	(4,898,625)	(2,899,256)
	33,493,969	28,044,954
<hr/>		
Amount due from reinsurers and ceding companies	8,344,833	6,546,148
Allowance for doubtful debts	(2,329,311)	(1,978,698)
	6,015,522	4,567,450
	39,509,491	32,612,404

Other receivables

Other receivables, deposits and prepayments	976,261	1,004,714
Amount due from Malaysian Motor Insurance Pool	1,952,746	1,545,959
Amount due from stock brokers	115,548	1,436,426
Interest income due and accrued	2,884,749	2,583,747
Dividend income receivable	164,882	133,084
	6,094,186	6,703,930
	45,603,677	39,316,334

12 CASH AND CASH EQUIVALENTS

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

notes to the financial statements

– 31 December 2008 (continued)

13 PROVISION FOR OUTSTANDING CLAIMS

	2008 RM	2007 RM
Provision for outstanding claims	183,254,877	149,029,696
Less: Recoverable from reinsurers thereon	(64,580,427)	(49,777,325)
Net outstanding claims	118,674,450	99,252,371

14 PAYABLES

Trade payables

Amount due to agents, brokers, insureds and co-insurers	11,267,089	5,800,522
Amount due to reinsurers and ceding companies	14,273,082	12,554,216
	25,540,171	18,354,738

Other payables

Other payables	2,313,509	1,919,938
Cash collaterals held on behalf of insureds	592,067	636,791
Accrued liabilities	8,079,817	7,061,526
	10,985,393	9,618,255
	36,525,564	27,972,993

15 UNEARNED PREMIUM RESERVES

	Fire RM	Motor RM	Marine, Aviation & Transit RM	Miscellaneous RM	Total RM
2008					
At beginning of financial year	18,570,142	22,434,222	1,679,422	16,036,326	58,720,112
Increase in reserves	339,696	5,265,473	485,819	63,034	6,154,022
At end of financial year	18,909,838	27,699,695	2,165,241	16,099,360	64,874,134
2007					
At beginning of financial year	16,140,448	20,584,128	1,211,737	10,701,077	48,637,390
Increase in reserves	2,429,694	1,850,094	467,685	5,335,249	10,082,722
At end of financial year	18,570,142	22,434,222	1,679,422	16,036,326	58,720,112

notes to the financial statements

– 31 December 2008 (continued)

16 SHARE CAPITAL

	2008 RM	2007 RM
Ordinary shares of RM1 each: Authorised:		
At beginning and end of financial year	100,000,000	100,000,000
Issued and fully paid:		
At beginning and end of financial year	100,000,000	100,000,000

17 RETAINED EARNINGS

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

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt income accounts to pay dividends out of its entire retained earnings as at 31 December 2008.

18 OPERATING REVENUE

	2008 RM	2007 RM
Gross premium	232,125,760	200,348,618
Investment income (Note 20):		
Insurance fund	11,879,652	12,055,663
Non-insurance fund	44,524	44,154
	244,049,936	212,448,435

19 MANAGEMENT EXPENSES

Personnel costs	17,781,167	16,110,940
Establishment costs	3,421,041	3,493,741
Marketing costs	4,366,564	3,418,438
Administrative and general expenses	9,910,984	7,845,436
	35,479,756	30,868,555

notes to the financial statements

– 31 December 2008 (continued)

19 MANAGEMENT EXPENSES (CONTINUED)

	2008 RM	2007 RM
The above expenditure is further analysed as follows:		
Insurance fund		
Staff salary and bonus	14,466,760	12,774,132
Defined contribution plan	2,442,042	2,166,799
Other staff benefits	872,365	1,170,009
Staff costs	17,781,167	16,110,940
Executive Directors' remuneration:		
Other emoluments	669,200	649,950
Non-Executive Directors' remuneration:		
Fee	343,279	319,836
Other emoluments	189,984	185,315
	533,263	505,151
Auditors' remuneration	80,000	72,000
Rental of offices	1,941,026	1,826,396
Depreciation of property, plant and equipment	1,087,088	1,329,986
Insurance Guarantee Scheme Fund levies	576,595	498,967
Allowance for bad and doubtful debts	2,349,978	793,046
Bad debts written off	–	4,133
Other expenses	10,461,069	9,087,636
	35,479,386	30,878,205
Non-insurance fund		
Corporate affairs expenses	370	(9,650)
	35,479,756	30,868,555

The estimated monetary value of benefits provided to certain Directors during the financial year by way of usage of the Company's assets amounted to RM60,491 (2007: RM60,700).

The remuneration, including benefit-in-kinds, attributable to the Chief Executive Officer of the Company who is also the Executive Director of the Company during the financial year amounted to RM694,191 (2007: RM675,150).

notes to the financial statements

– 31 December 2008 (continued)

20 INVESTMENT INCOME

	2008 RM	2007 RM
Insurance fund		
Interest from:		
Malaysian Government Securities	916,252	842,375
Corporate debt securities	4,137,944	5,187,235
Loans	11,204	17,893
Fixed and call deposits	4,593,454	3,924,211
Amortisation of premiums net of accretion of discounts	(129,745)	(97,980)
Gross dividends from shares quoted in Malaysia	2,350,543	2,181,929
	11,879,652	12,055,663
Non-insurance fund		
Interest from fixed deposits	44,524	44,154
	11,924,176	12,099,817

21 OTHER (EXPENDITURE)/INCOME

Insurance fund		
Profit on sale of property, plant and equipment	(7,061)	49,026
(Loss)/profit on sale of investments	(4,590,488)	10,363,317
Allowance for diminution in value of investments	(15,119,414)	(5,078,600)
Sundry income	543,509	472,374
Reversal of bond collaterals	–	1,308,362
Interest paid to reinsurers	(9,984)	(9,152)
Unrealised gain on foreign exchange	6,957	6,606
Realised loss on foreign exchange	383	(3,017)
Other (expenditure)/income - net	(19,176,098)	7,108,916

22 TAXATION

Malaysian taxation:		
Current taxation	7,806,408	10,682,098
Deferred taxation (Note 9)	(4,237,000)	(1,597,000)
	3,569,408	9,085,098

notes to the financial statements

– 31 December 2008 (continued)

22 TAXATION (CONTINUED)

	2008 RM	2007 RM
Current taxation		
Current financial year	7,866,000	10,658,000
(Over)/underaccrual in respect of prior financial years	(59,592)	24,098
Deferred taxation		
Origination and reversal of temporary differences	(4,237,000)	(1,597,000)
	3,569,408	9,085,098

The tax on the Company's profit before taxation differs from the theoretical amount that would arise using the statutory income tax rate of Malaysia as follows:

	2008 RM	2007 RM
Profit before taxation	12,423,196	32,709,774
Tax calculated at a tax rate of 26% (2007: 27%)	3,230,031	8,831,639
Change in tax rate	264,051	116,209
Expenses not deductible for tax purposes	324,461	268,388
Income exempted for tax purposes	(157,486)	(132,982)
Income subject to different tax rate	(32,057)	(22,254)
(Over)/under accrual in respect of prior financial years	(59,592)	24,098
Tax expense	3,569,408	9,085,098

23 EARNINGS PER SHARE

The earnings per ordinary share has been calculated based on the net profit for the financial year amounting to RM8,853,788 (2007: RM23,624,676) divided by the number of ordinary shares in issue of 100,000,000 (2007: 100,000,000) during the financial year.

notes to the financial statements

– 31 December 2008 (continued)

24 DIVIDENDS

Dividends declared or proposed in respect of the financial year ended 31 December 2008 are as follows:

	2008		2007	
	Gross dividend per share Sen	Amount of dividend, net of tax RM	Gross dividend per share Sen	Amount of dividend, net of tax RM
Interim dividend paid	–	–	30.0	21,900,000
Proposed final dividend	10.0	7,500,000	–	–

The Directors now recommend the payment of a final gross dividend in respect of the financial year ended 31 December 2008 of 10% on 100,000,000 ordinary shares, less income tax at 25%, amounting to RM7,500,000, subject to the approval of members at the forthcoming Annual General Meeting of the Company. If approved, the final dividend will be paid on a date to be determined later.

25 NET CLAIMS INCURRED

	Fire RM	Motor RM	Marine, Aviation & Transit RM	Miscellaneous RM	Total RM
2008					
Gross claims paid less salvage	23,807,880	29,665,179	6,808,679	31,437,512	91,719,250
Reinsurance recoveries	(12,676,257)	(3,326,839)	(3,575,425)	(5,938,021)	(25,516,542)
Net claims paid	11,131,623	26,338,340	3,233,254	25,499,491	66,202,708
Net outstanding claims:					
At end of financial year	14,905,472	60,086,163	7,237,247	36,445,568	118,674,450
At beginning of financial year	(14,191,230)	(43,570,111)	(5,413,160)	(36,077,870)	(99,252,371)
Net claims incurred	11,845,865	42,854,392	5,057,341	25,867,189	85,624,787
2007					
Gross claims paid less salvage	24,352,014	29,215,586	3,919,758	27,638,087	85,125,445
Reinsurance recoveries	(13,945,308)	(1,557,351)	(1,246,222)	(6,833,794)	(23,582,675)
Net claims paid	10,406,706	27,658,235	2,673,536	20,804,293	61,542,770
Net outstanding claims:					
At end of financial year	14,191,230	43,570,111	5,413,160	36,077,870	99,252,371
At beginning of financial year	(12,376,926)	(37,039,348)	(4,350,167)	(34,417,362)	(88,183,803)
Net claims incurred	12,221,010	34,188,998	3,736,529	22,464,801	72,611,338

notes to the financial statements

– 31 December 2008 (continued)

26 CASH FLOW SEGMENT INFORMATION

	Insurance fund RM	2008 Non- insurance fund RM	Total RM	Insurance fund RM	2007 Non- insurance fund RM	Total RM
Cash flows from:						
Operating activities	(57,970)	(14,601)	(72,571)	45,751,034	26,882	45,777,916
Investing activities	(645,156)	–	(645,156)	(1,117,215)	–	(1,117,215)
Financing activities	–	–	–	–	(43,800,000)	(43,800,000)
Effects of exchange rate changes on cash and cash equivalents	(599)	–	(599)	3,515	–	3,515
Transfer from insurance fund to non-insurance fund	(14,601)	14,601	–	(43,773,118)	43,773,118	–
	(718,326)	–	(718,326)	864,216	–	864,216
Net (decrease)/increase in cash and cash equivalents	(718,326)	–	(718,326)	864,216	–	864,216
Cash and cash equivalents:						
At beginning of financial year	918,221	–	918,221	54,005	–	54,005
At end of financial year	199,895	–	199,895	918,221	–	918,221

27 SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS

The holding company is RHB Capital Berhad and the Directors regard the Employees' Provident Fund Board ("EPF") as the ultimate holding company. RHB Capital Berhad is a company incorporated in Malaysia whilst EPF is a statutory body established in Malaysia.

By virtue of being a subsidiary of RHB Capital Berhad and EPF, the Company is deemed related to parties related to RHB Capital Berhad and EPF. The related parties of RHB Capital Berhad and EPF are disclosed in the financial statements of those companies.

The significant related parties of, and their relationship with the Company, are as follows:

Related parties	Relationship
EPF	Ultimate holding company
RHB Capital Berhad	Holding company
Subsidiaries of EPF as disclosed in its financial statements	Subsidiary companies of the ultimate holding company
Subsidiaries of RHB Capital Berhad as disclosed in its financial statements	Subsidiary companies of the holding company
Key management personnel	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 of the Company includes all the Directors of the Company and certain members of senior management of the Company.

notes to the financial statements

– 31 December 2008 (continued)

27 SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

The following are the significant related party transactions and balances in respect of transactions entered into during the current financial year. The related party transactions described below were on terms and conditions no more favourable than those available on similar transactions to the Company's other customers.

Related party transactions	Nature of transaction	2008 RM	2007 RM
With subsidiaries of ultimate holding company	Insurance premium earned	873,794	634,384
With subsidiaries of holding company	Interest income	1,058,908	1,419,548
	Insurance premium earned	20,113,638	18,437,800
	Commission paid and payable	(6,280,513)	(5,224,995)
	Rental expense	(1,318,282)	(1,258,622)
With key management personnel	Insurance premium earned	14,701	23,870
	Claims incurred	(4,200)	(9,663)

Related party balances	Types of balances	Note	2008 RM	2007 RM
With subsidiaries of ultimate holding company	Fixed and call deposits		3,000,000	3,000,000
With subsidiaries of holding company	Bank balances	12	(128,285)	817,065
	Fixed and call deposits	8	37,128,496	11,511,445
	Insurance premium	11	1,616,022	2,488,394
	Investment in corporate debts securities	8	5,015,973	5,015,973
With key management personnel	Provision for outstanding claims	13	–	(10,000)

Key management personnel

The remuneration of key management personnel is as follows:

	2008 RM	2007 RM
Short-term employee benefits		
– Fees	343,279	319,836
– Salary and other remuneration	859,184	835,265
– Benefits-in-kind	60,491	60,700

notes to the financial statements

– 31 December 2008 (continued)

28 CAPITAL COMMITMENTS

Capital expenditure on property, plant and equipment approved by Directors but not provided for in the financial statements amounted to approximately:

	2008 RM	2007 RM
Authorised and contracted for	301,126	252,947

29 FINANCIAL INSTRUMENTS

(a) Interest rate risk

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

At 31 December 2008

	Non-interest bearing RM	1 year or less RM	1 to 5 years RM	More than 5 years RM	Total carrying amount RM	Weighted average effective interest rate %
Financial assets						
Investments:						
– Malaysian Government Securities	– 10,048,859	12,069,495	1,956,472	24,074,826	3.82	
– Bank Negara Malaysia (BNM) notes	7,964,385	–	–	–	7,964,385	–
– Shares quoted in Malaysia	32,615,078	–	–	–	32,615,078	–
– Real Estate Investment Trusts, quoted in Malaysia	826,128	–	–	–	826,128	–
– Corporate debt securities	3,891,638	12,116,595	44,488,973	17,806,586	78,303,792	5.30
– Fixed and call deposits	–	129,797,907	21,346,101	–	151,144,008	3.53
Loans	392,456	4,186	70,068	82,621	549,331	4.00
Other receivables	3,860,087	–	–	–	3,860,087	–
Cash and cash equivalents	199,895	–	–	–	199,895	–
	49,749,667	151,967,547	77,974,637	19,845,679	299,537,530	
Other financial assets*					41,462,237	
Total financial assets					340,999,767	
Other assets					10,009,494	
Total assets as per balance sheet					351,009,261	

notes to the financial statements

– 31 December 2008 (continued)

29 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Interest rate risk (continued)

At 31 December 2008

	Non-interest bearing RM	1 year or less RM	1 to 5 years RM	More than 5 years RM	Total carrying amount RM	Weighted average effective interest rate %
Financial liabilities						
Other payables	9,836,383	–	–	–	9,836,383	–
Other financial liabilities*					144,821,838	
Total financial liabilities					154,658,221	
Other liabilities					65,683,814	
Total liabilities as per balance sheet					220,342,035	
At 31 December 2007						
Financial assets						
Investments:						
– Malaysian Government Securities	–	–	22,226,170	1,952,047	24,178,217	3.82
– Shares quoted in Malaysia	52,139,757	–	–	–	52,139,757	–
– Real Estate Investment Trusts, quoted in Malaysia	1,309,765	–	–	–	1,309,765	–
– Corporate debt securities	–	1,000,000	57,411,311	28,106,421	86,517,732	5.66
– Fixed and call deposits	–	99,328,875	–	–	99,328,875	3.56
Loans	613,544	–	109,031	292,975	1,015,550	4.12
Other receivables	4,781,327	–	–	–	4,781,327	–
Cash and cash equivalents	918,221	–	–	–	918,221	–
	59,762,614	100,328,875	79,746,512	30,351,443	270,189,444	
Other financial assets*					34,158,363	
Total financial assets					304,347,807	
Other assets					6,324,731	
Total assets as per balance sheet					310,672,538	

notes to the financial statements

– 31 December 2008 (continued)

29 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Interest rate risk (Continued)

	Non-interest bearing RM	1 year or less RM	1 to 5 years RM	More than 5 years RM	Total carrying amount RM	Weighted average effective interest rate %
Financial liabilities						
Other payables	8,129,371	–	–	–	8,129,371	–
Other financial liabilities*					118,632,361	
Total financial liabilities					126,761,732	
Other liabilities					62,097,368	
Total liabilities as per balance sheet					188,859,100	

* Disclosure information for financial assets and liabilities that relates to rights and obligations arising under insurance contracts and employee benefits is not shown as it is excluded from the scope of FRS 132 “Financial Instruments: Disclosure and Presentation.”

(b) Credit risk

The Company’s credit risk exposure is analysed as follows:

	Carrying amount	
	2008 RM	2007 RM
Analysed by rating:		
Unquoted corporate debt securities		
AAA	17,225,838	18,367,998
AA	41,574,097	35,093,421
A	19,503,857	33,056,313
D	–*	–*
	78,303,792	86,517,732
Loans		
No rating	549,331	1,015,550
	78,853,123	87,533,282

* Full allowance for diminution in value of investments held in D rated corporate debt securities, was made during the previous financial year.

The rating categories are based on the grading of reputable rating agencies.

notes to the financial statements

for the financial year ended 31 December 2008 (continued)

29 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit risk (continued)

	Carrying amount	
	2008	2007
	RM	RM
Analysed by industries:		
Unquoted corporate debt securities		
Manufacturing	14,850,594	19,433,661
Electricity, gas and water	23,245,310	28,786,345
Construction	9,728,141	10,409,743
Real Estate	4,108,080	7,101,111
Transport, storage and communication	1,006,486	1,007,590
Finance, insurance and business services	18,002,682	9,111,324
General commerce	3,891,638	3,685,817
Hospital	2,959,923	4,905,502
Plantation	–	1,556,719
Wholesale & retail trade and restaurants & hotels	510,938	519,920
	78,303,792	86,517,732
Loans	549,331	1,015,550
	78,853,123	87,533,282

notes to the financial statements

for the financial year ended 31 December 2008 (continued)

29 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Foreign currency risk

The carrying amounts of financial assets and liabilities of the Company at the balance sheet date, stated in Ringgit Malaysia or foreign currency stated in Ringgit Malaysia equivalent, are set out below:

At 31 December 2008

	Ringgit Malaysia RM	Singapore Dollar RM	Total RM
Financial assets			
Investments:			
– Malaysian Government Securities	24,074,826	–	24,074,826
– Bank Negara Malaysia Notes	7,964,385	–	7,964,385
– Shares quoted in Malaysia	32,615,078	–	32,615,078
– Real Estate Investment Trusts quoted in Malaysia	826,128	–	826,128
– Corporate debt securities	78,303,792	–	78,303,792
– Fixed and call deposits	151,144,008	–	151,144,008
Loans	549,331	–	549,331
Other receivables	3,860,087	–	3,860,087
Cash and cash equivalents	127,916	71,979	199,895
	299,465,551	71,979	299,537,530
Other financial assets*			41,462,237
Total financial assets			340,999,767
Other assets			10,009,494
Total assets as per balance sheet			351,009,261
Financial liabilities			
Other payables	9,836,383	–	9,836,383
Other financial liabilities*			144,821,838
Total financial liabilities			154,658,221
Other liabilities			65,683,814
Total liabilities as per balance sheet			220,342,035

* Disclosure information for financial assets and liabilities that relates to rights and obligations arising under insurance contracts and employee benefits is not shown as it is excluded from the scope of FRS 132 “Financial Instruments: Disclosure and Presentation.”

notes to the financial statements

for the financial year ended 31 December 2008 (continued)

29 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Foreign currency risk (continued)

At 31 December 2007

	Ringgit Malaysia RM	Singapore Dollar RM	Total RM
Financial assets			
Investments:			
– Malaysian Government Securities	24,178,217	–	24,178,217
– Shares quoted in Malaysia	52,139,757	–	52,139,757
– Real Estate Investment Trusts quoted in Malaysia	1,309,765	–	1,309,765
– Corporate debt securities	86,517,732	–	86,517,732
– Fixed and call deposits	99,328,875	–	99,328,875
Loans	1,015,550	–	1,015,550
Other receivables	4,781,327	–	4,781,327
Cash and cash equivalents	862,226	55,995	918,221
	270,133,449	55,995	270,189,444
Other financial assets*			34,158,363
Total financial assets			304,347,807
Other assets			6,324,731
Total assets as per balance sheet			310,672,538
Financial liabilities			
Other payables	8,129,371	–	8,129,371
Other financial liabilities*			118,632,361
Total financial liabilities			126,761,732
Other liabilities			62,097,368
Total liabilities as per balance sheet			188,859,100

* Disclosure information for financial assets and liabilities that relates to rights and obligations arising under insurance contracts and employee benefits is not shown as it is excluded from the scope of FRS 132 “Financial Instruments: Disclosure and Presentation.”

notes to the financial statements

for the financial year ended 31 December 2008 (continued)

29 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair values

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

At 31 December 2008

	Carrying amount RM	Fair value RM
Investments:		
– Malaysian Government Securities	24,074,826	24,309,600
– Bank Negara Malaysia Notes	7,964,385	7,968,000
– Corporate debt securities	78,303,792	77,095,086
– Fixed and call deposits	151,144,008	151,359,831
Loans	549,331	514,809
	262,036,342	261,247,326

At 31 December 2007

Investments:		
– Malaysian Government Securities	24,178,217	24,043,600
– Shares quoted in Malaysia	52,139,757	56,553,274
– Corporate debt securities	86,517,732	86,562,712
Loans	1,015,550	906,244
	163,851,256	168,065,830

The carrying amounts of corporate debt securities and loans were not reduced to their fair values, as these investments are held for the long term.

30 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 21 January 2009.

statement by directors

Pursuant to Section 169 (15) of the Companies Act, 1965, we, Dato' Mohd Salleh Bin Hj Harun and Koh Heng Kong, two of the Directors of RHB Insurance Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 21 to 54 are drawn up so as to show a true and fair view of the state of affairs of the Company as at 31 December 2008 and of its results and cash flows for the financial year ended 31 December 2008 in accordance with MASB Approved Accounting Standards for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 21 January 2009.

DATO' MOHD SALLEH BIN HJ HARUN
Chairman

KOH HENG KONG
Managing Director

Kuala Lumpur
11 March 2009

statutory declaration

Pursuant to Section 169(16) of the Companies Act, 1965, I, Koh Heng Kong, being the Managing Director primarily responsible for the financial management of RHB Insurance Berhad, do solemnly and sincerely declare that the financial statements set out on pages 21 to 54 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared at Kuala Lumpur)
on 11 March 2009)
)
Before me,) **KOH HENG KONG**

AHMAD B. LAYA
COMMISSIONER FOR OATHS

Kuala Lumpur
11 March 2009

independent auditors' report

to the member of RHB INSURANCE BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of RHB Insurance Berhad, which comprise the balance sheet as at 31 December 2008, and the income statement, general insurance revenue account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 21 to 54.

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 MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965. 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 entity'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.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as of 31 December 2008 and of its financial performance and cash flows for the year then ended.

independent auditors' report

to the member of RHB INSURANCE BERHAD (continued)

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.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SRIDHARAN NAIR
(No. 2656/05/10 (J))
Chartered Accountant

Kuala Lumpur
11 March 2009

RHB Insurance branches

- 1) **Head Office**
Level 8, Tower One, RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel : (03) 9281 2731
Fax : (03) 9281 2729
- 2) **Pulau Pinang**
Menara Boustead Penang
Level 10, Unit No 10.04
No 39, Jalan Sultan Ahmad Shah
10050 Penang
Tel : (04) 228 0311/115
Fax : (04) 228 0310
- 3) **Ipoh**
No 37, Jalan Medan Ipoh 5
Bandar Baru Medan Ipoh
31400 Ipoh
Perak
Tel : (05) 546 3123/2021
Fax : (05) 546 1303
- 4) **Johor Bahru**
Suite 18.06, Level 18
JB City Square (Office Tower)
106 - 108, Jln Wong Ah Fook
80000 Johor Bahru
Johor
Tel : (07) 223 4982/7068
Fax : (07) 223 0824
- 5) **Kota Bharu**
Lot 344, Ground Floor
Jalan Sultan Yahya Petra
15200 Kota Bharu, Kelantan
Tel : (09) 746 1611
Fax : (09) 746 1612
- 6) **Sibu**
89, Ground Floor
Jalan Kampong Nyabor
96000 Sibu, Sarawak
Tel : (084) 331 660/084/876
Fax : (084) 331 873
- 7) **Klang**
No 2A, (Ground & Ist Floor)
Jalan Tiara 2D/KU1
Bandar Baru Klang
41150 Klang, Selangor
Tel : (03) 3342 0026
Fax : (03) 3342 1026
- 8) **Kota Kinabalu**
Lot No. C-02-06, 2nd Floor
Block C, Warisan Square
Jalan Tun Fuad Stephens
88000 Kota Kinabalu, Sabah
Tel : (088) 528 765 / 448 010
Fax : (088) 528 770
- 9) **Kuching**
G8 & 108, Ground & Ist Floor
Crown Towers
No 88, Jalan Pending
93450 Kuching, Sarawak
Tel : (082) 482 642/643
Fax : (082) 482 641
- 10) **Melaka**
No 339
Jalan Melaka Raya 3
Taman Melaka Raya
75000 Melaka
Tel : (06) 282 9978, 283 9460
Fax : (06) 282 0516
- 11) **Kuantan**
1st Floor, No 74/1
Jalan Teluk Sisik
25000 Kuantan, Pahang
Tel : (09) 515 7115, 516 1749
Fax : (09) 516 3372
- 12) **Kajang**
7, Jalan Raja Haroun
43000 Kajang
Selangor Darul Ehsan
Tel : (03) 8737 6067, 8733 6479
Fax : (03) 8737 9348
- 13) **Sandakan**
Groud Floor, Block 11, Lot 8
Bandar Indah
Mile 4, North Road
90000 Sandakan
Sabah
Tel : (089) 235 893 /898
Fax : (089) 275 882