

# passion

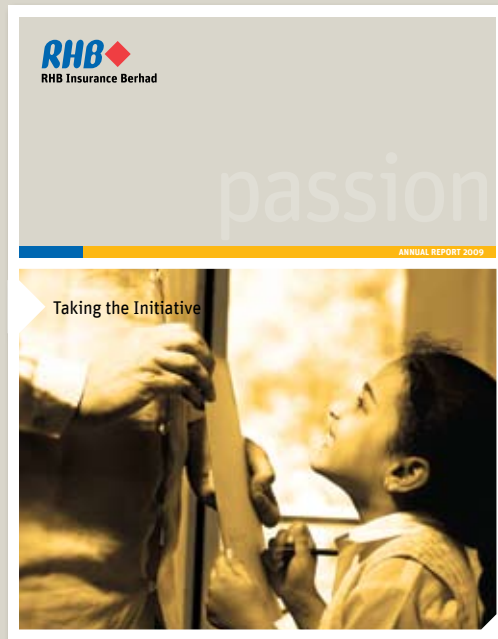
ANNUAL REPORT 2009

## Taking the Initiative



## ◆ Cover Rationale

In the race for service excellence, we wield the enthusiasm and commitment to ensure that we come out second to none and give our customers no less than they deserve. Taking ownership of what we do, being accountable for our actions and competing against our own standards are the driving forces behind our determination to exceed the expectations of our customers.





# Contents

- 02** Financial Highlights
- 04** Corporate Information
- 06** Profile of the Board of Directors
- 08** RHB Banking Group Corporate Structure
- 10** Statutory Financial Statements
- 66** Statement by Directors
- 66** Statutory Declaration
- 67** Independent Auditors' Report
- 69** RHB Insurance Branches

# Financial Highlights

	2009 RM million	2008 RM million	2007 RM million	2006 RM million	2005 RM million
<b>RESULTS</b>					
Operating revenue	283.2	244.0	212.4	190.5	189.6
Profit before taxation	46.2	12.4	32.7	41.9	33.9
Net profit for the financial year	34.7	8.9	23.6	30.1	24.2
Dividends - Net	3.75	7.5	21.9	21.9	21.6
<b>BALANCE SHEETS</b>					
Share capital	100.0	100.0	100.0	100.0	100.0
Shareholders' fund	158.2	130.7	121.8	142.0	133.5
Total Assets	411.6	351.0	310.7	306.9	290.7
<b>RATIOS</b>					
Dividends per share					
Gross - sen	5.0	10.0	30.0	30.0	30.0
Net tangible assets per share					
- (RM)	1.58	1.31	1.22	1.42	1.34

# Financial Highlights

## 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



# Corporate Information

## **BOARD OF DIRECTORS**

Haji Khairuddin Ahmad  
*Independent Non-Executive Chairman*

Ong Seng Pheow  
*Senior Independent Non-Executive Director*

Datuk Haji Faisal Siraj  
*Independent Non-Executive Director*

Datin Sri Khamarzan Ahmed Meah  
*Independent Non-Executive Director*

Haji Md Ja'far Abdul Carrim  
*Independent Non-Executive Director*

Dato' Othman Jusoh  
*Independent Non-Executive Director*

Koh Heng Kong  
*Managing Director*

## **SECRETARY**

Azman Shah Md Yaman

## **BOARD COMMITTEES**

### **GROUP AUDIT COMMITTEE\***

Ong Seng Pheow  
*Chairman*

Dato' Othman Jusoh

Datuk Tan Kim Leong

Patrick Chin Yoke Chung

Haji Md Ja'far Abdul Carrim

## GROUP RISK MANAGEMENT COMMITTEE #

Haji Khairuddin Ahmad  
*Chairman*

Datuk Tan Kim Leong

Patrick Chin Yoke Chung

Johari Abdul Muid

Haji Md Ja'far Abdul Carrim

## GROUP NOMINATING COMMITTEE #

Datuk Haji Faisal Siraj  
*Chairman*

Tan Sri Azlan Zainol

Datuk Tan Kim Leong

Johari Abdul Muid

Dato' Mohamed Khadar Merican

## GROUP REMUNERATION AND HUMAN RESOURCE COMMITTEE #

Datuk Tan Kim Leong  
*Chairman*

Tan Sri Azlan Zainol

Datuk Haji Faisal Siraj

Johari Abdul Muid

Dato' Mohamed Khadar Merican

## GROUP INFORMATION TECHNOLOGY STEERING COMMITTEE\*

Ong Seng Pheow  
*Chairman*

Johari Abdul Muid

Dato' Tajuddin Atan

Kellee Kam Chee Khiong

Ho Sin Kheong

## INVESTMENT COMMITTEE

Ong Seng Pheow  
*Chairman*

Haji Khairuddin Ahmad

Koh Heng Kong

## SENIOR MANAGEMENT

Dato' Tajuddin Atan  
*Group Managing Director,  
RHB Capital Berhad/  
Managing Director, RHB Bank Berhad*

Norazzah Sulaiman  
*Director, Group Corporate Services/  
Group Human Resource*

Kellee Kam Chee Khiong  
*Director, Group Finance*

Chay Wai Leong  
*Director, Corporate & Investment Banking*

Renzo Christopher Viegas  
*Director, Retail Banking/  
Group Transaction Banking*

Amy Ooi Swee Lian  
*Director, Business Banking*

Michael Lim Kheng Boon  
*Director, Global Financial Banking*

Datin Zaimah Zakaria  
*Director, Group Treasury*

### Note:

\* 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

## **Haji Khairuddin Ahmad**

(67 years of age – Malaysian)

Independent Non-Executive Chairman

Haji Khairuddin Ahmad (“Haji Khairuddin”) was appointed as an Independent Non-Executive Director of RHB Insurance on 28 June 2004 and was subsequently appointed as the Chairman of RHB Insurance on 18 November 2009. He also serves as a Member of the Investment Committee of RHB Insurance and Chairman of the 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**

(64 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 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”) 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 Sri Khamarzan Ahmed Meah**

(58 years of age – Malaysian)

Independent Non-Executive Director

Datin Sri Khamarzan Ahmed Meah (“Datin Sri Khamarzan”) was appointed as an Independent Non-Executive Director of RHB Insurance on 1 January 2008.

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



## Profile of the Board of Directors

### **ONG SENG PHEOW**

(61 years of age – Malaysian)

Senior 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 RHB Insurance as well as Chairman of the Group Audit Committee and Group IT Steering 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.

### **HAJI MD JA’FAR ABDUL CARRIM**

(54 years of age – Malaysian)

Independent Non-Executive Director

Haji Md Ja’far Abdul Carrim (“Haji Ja’far”) was appointed as an Independent Non-Executive Director of RHB Insurance on 11 August 2009. He also serves as a Member of the Group Audit Committee and Group Risk Management Committee.

Haji Ja’far has over 32 years of civil engineering experience. He holds a Bachelor of Science in Civil Engineering from Loughborough University, United Kingdom. He is also a Member of the Institution of Engineer, Malaysia and a Member of the Curriculum Development Board for Polytechnics at the Ministry of Higher Education, Malaysia. Haji Ja’far also serves as the Chairman for Human Resource Consultative Panel under Malaysian Productivity Corporation, Malaysia and is a Council Member for the Chair on Financial Planning for Old Age at University Malaya.

Haji Ja’far’s other directorships in public company include RHB Islamic Bank Berhad.

### **DATO’ OTHMAN JUSOH**

(61 years of age – Malaysian)

Independent Non-Executive Director

Dato’ Othman Jusoh (“Dato’ Othman”) was appointed as an Independent Non-Executive Director of RHB Insurance on 1 April 2010. He also serves as a Member of the Group Audit Committee.

Dato’ Othman holds a Bachelor of Economics (Honours) in Analytical Economics from University of Malaya and a Masters in Business Administration from University of Oregon, USA.

Dato’ Othman has held various senior positions in the Ministry of Finance until his retirement in June 2004. He has also served as the Group Chief Executive of Malaysian Kuwaiti Investment Co. Sdn Bhd from 1995 to 1998 and as the Executive Director of Asian Development Bank from August 2000 to July 2003. He was also the Chief Executive Officer of Perbadanan Tabung Pendidikan Tinggi Nasional from August 2004 to August 2006. He is currently the Chairman of TH Technologies Sdn Bhd since 1 June 2005.

Dato’ Othman’s other directorship in public company include RHB Bank Berhad and Asia Media Growth Berhad.

### **KOH HENG KONG**

(57 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 RHB Insurance.

Mr Koh is a Chartered Insurer of the Chartered Insurance Institute, U.K. He has over 32 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 31 March 2010



## 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 <sup>(3)</sup>

# RHB Banking Group Corporate Structure

As at 31 March 2010

## 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 Unit Trust Management Berhad
- ◆ Vietnam Securities Corporation (*Vietnam*) (49%)

## OTHERS

- ◆ RHB Insurance Berhad (79.5%)
- ◆ RHB Equities Sdn Bhd <sup>(1)</sup>
  - ◆ KYB Sdn Bhd
- ◆ RHB Capital (Jersey) Limited (*Channel Islands*)
  - ◆ Rashid Hussain Securities (Philippines), Inc. (*Philippines*) <sup>(2)</sup>
- ◆ 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
- ◆ RHB Venture Capital Sdn Bhd
- ◆ RHB Kawal Sdn Bhd

#### Notes:

The subsidiary companies are wholly-owned unless otherwise stated.

Dormant company

Associate company

Jointly Controlled Entity

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

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

<sup>(3)</sup> The company has commenced members' voluntary winding-up on 13 July 2009.

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

## **STATUTORY FINANCIAL STATEMENTS**

- 11** Directors' Report
- 24** Balance Sheet
- 25** Income Statement
- 26** General Insurance Revenue Account
- 28** Statement of Changes in Equity
- 29** Cash Flow Statement
- 31** Notes to the Financial Statements
- 66** Statement by Directors
- 66** Statutory Declaration
- 67** Independent Auditors' 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 2009.

## 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	34,724,140
Retained earnings brought forward	30,667,226
Profits available for appropriation	65,391,366
Dividend	(7,500,000)
Retained earnings carried forward	57,891,366

## DIVIDENDS

The dividends paid or declared by the Company since 31 December 2008 are as follows:

	RM
A final dividend of 10% less tax at 25% for the financial year ended 31 December 2008, paid on 15 June 2009.	7,500,000

The Directors now recommend the payment of a final gross dividend in respect of the financial year ended 31 December 2009 of 5% on 100,000,000 ordinary shares, less income tax at 25%, amounting to RM3,750,000, 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.

## ISSUE OF SHARES

There were no issuance of shares in the Company during the current financial year.

# Directors' Report

## 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 insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework ("RBC Framework"), issued by Bank Negara Malaysia ("BNM").

## 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.

## 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.

## CORPORATE GOVERNANCE

### Introduction

The Board of the Company believes that good corporate governance is the foundation of a successful organization. Therefore, the Board of the Company continuously strives to ensure that highest standards of corporate governance are adopted in establishing accountability and integrity of the Board and the Management in promoting the interest of the stakeholders and enhance shareholders' value. The corporate governance structure of the Company which is aligned with that of the RHB Banking Group ("Group") is principally based on the Guidelines on Prudential Framework of Corporate Governance for Insurers issued by BNM.

A charter which sets out the key corporate governance principles has been adopted by the Board ("Charter"). The Charter addresses among others, the following matters:-

- Responsibility of the Board/Directors/Chairperson
- Board Meetings
- Supply of information
- Maintaining Board independence and Board balance
- Remuneration levels of Directors
- Re-election, retirement and resignation of Directors
- Continuous education of Directors
- Financial reporting
- Investor relations and shareholder communication
- Relationship with other stakeholders

# Directors' Report

## CORPORATE GOVERNANCE (CONTINUED)

### BOARD OF DIRECTORS

#### Composition of the Board

The Board currently has six (6) members, comprising an Independent Non-Executive Chairman, four (4) Independent Non-Executive Directors and a Managing Director, details of which are as follows:-

Name of Director	Designation
Haji Khairuddin Ahmad	Independent Non-Executive Chairman
Ong Seng Pheow	Senior Independent Non-Executive Director
Datin Sri Khamarzan Ahmed Meah	Independent Non-Executive Director
Datuk Haji Faisal Siraj	Independent Non-Executive Director
Haji Md Ja'far Abdul Carrim	Independent Non-Executive Director
Koh Heng Kong	Managing Director

Haji Md Ja'far Abdul Carrim was appointed as an Independent Non-Executive Director on 11 August 2009.

Dato' Mohd Salleh Hj Harun resigned as an Independent Non-Executive Director/Chairman on 18 November 2009.

#### Duties and Responsibilities Of The Board

The Board's core responsibilities include among others, the review and approval of the Group's strategic directions, fundamental policies, monitoring financial performance and overseeing as well as evaluating the performance of the Management. In discharging its responsibilities, the Board always ensures that best practices in corporate governance are subscribed to and ethical standards are upheld by the Company. Realising that the business is not only responsible to its shareholders but also its stakeholders, the Board continuously review its corporate responsibility initiatives in ensuring positive social impact as well as long term sustainability and growth.

The day-to-day management of the Company is delegated to the Managing Director ("MD") who is responsible to among other, ensure the successful implementation of the Board's decision. The distinct and separate duties and responsibilities of the MD and the other Non-Executive Directors ensure a balance of power and authority towards the establishment of an effective Board.

#### Board Meetings

The Board meets monthly with special meetings being held as and when any direction or decisions are required expeditiously from the Board between the scheduled meetings. Scheduled Board meetings are structured with a pre-set agenda.

The Board is provided with meeting papers in advance of the meeting dates, in allowing the Members of the Board to digest the issues at hand, seek clarifications from the Management, if required, and formulate opinion on matters to be deliberated at the meetings. In line with best practices, Board materials/papers are circulated to Members of the Board at least seven (7) days prior to the scheduled Board Meeting dates. At each Meeting, the Board receives updates from the respective Chairmen/representatives of the Group Audit Committee and Group Risk Management Committee on matters relating to the Company that have been deliberated at both committees, as well as on matters that require appropriate attention. The Board also receives regular management reports and information on corporate and business issues in enabling reviews to be conducted on performance against business targets and objectives.

Each Member of the Board is required to apply independent judgement to their decision making. Where appropriate, decisions are also taken by way of a Directors' Circular Resolution in accordance with the Company's Articles of Association.



## CORPORATE GOVERNANCE (CONTINUED)

### Board Meetings (Continued)

The Board has direct access to information of the Company and the Group through the Senior Management as well as the advice and services of the Company Secretaries. In addition, Directors may also seek independent professional advice, at the Company's expense, where deemed necessary for the proper discharge of their duties.

The Board convened twelve (12) meetings for the financial year ended 31 December 2009. The attendance of each Director at Board meetings held during the financial year is set out below:-

No	Name of Director	Total Meetings Attended	Percentage of Attendance (%)
1	Haji Khairuddin Ahmad	12/12	100
2	Ong Seng Pheow	12/12	100
3	Datin Sri Khamarzan Ahmed Meah	11/12	92
4	Datuk Haji Faisal Siraj	12/12	100
5	Koh Heng Kong	12/12	100
6	Haji Md Ja'far Abdul Carrim <sup>1</sup>	4/4 <sup>*</sup>	100
7	Dato' Mohd Salleh Hj Harun <sup>2</sup>	11/11 <sup>#</sup>	100

#### Notes:

<sup>1</sup> Appointed on 11 August 2009

<sup>2</sup> Resigned on 18 November 2009

<sup>\*</sup> Based on the number of Board meetings attended since his appointment in 2009

<sup>#</sup> Based on the number of Board meetings attended during his tenure of appointment in 2009

Pursuant to BNM's Guidelines (Minimum Standards for Prudential Management of Insurers (Consolidated) and Prudential Framework of Corporate Governance for Insurers) and Insurance Regulations 1996, individual directors must attend at least 75% of the board meetings held in each year. For the year under review, all Directors complied with the attendance requirement as stipulated by the relevant requirements.

### Appointments and Re-Election To The Board

Article 74 of the Company's Articles of Association provides that at least one-third of the Board is subject to retirement by rotation at each Annual General Meeting. Retiring Directors can offer themselves for re-election. Directors who are appointed during the financial year are subject to re-election by shareholders at the next Annual General Meeting following their appointments.

The Board also adopted an internal guideline on the Tenure of Appointment and Re-appointment of Independent Directors with the objective of maintaining the stature of independent Directors, among others.

# Directors' Report

## CORPORATE GOVERNANCE (CONTINUED)

### Board Committees

Following the Group-wide transformation exercise undertaken in late 2007, the various Board Committees within the Group were consolidated to form Group Board Committees residing either at the Company's holding company, RHB Capital Berhad or at its sister company, RHB Bank Berhad's level. The objective is to promote better efficiency and effectiveness in implementing holistic strategies for the benefit of the Group as a whole. The Group Board Committees currently residing at RHB Bank Berhad and RHB Capital Berhad which are shared by the Company are as follows:-

- Group Audit Committee
- Group Nominating Committee
- Group Remuneration and Human Resource Committee
- Group Risk Management Committee

The functions and terms of reference of the Group Board Committees are clearly defined and comply with the relevant governing laws, regulations and guidelines. The members of the Group Board Committees also comprise the Directors of the Company and that of the operating entities within the Group in ensuring a fair representation across the entities in safeguarding the interest of the entities concerned.

The relevant minutes/extract of minutes of meetings of all Group Board Committees are tabled to the respective Boards for notation.

Apart from the above Group Board Committees, the Company also utilised the functions of a centralized IT Steering Committee known as the Group IT Steering Committee residing at RHB Bank Berhad. The members of the Group IT Steering Committee comprise directors and management of the RHB Banking Group.

### Group Audit Committee

Currently, the Group Audit Committee ("Group AC") comprises five (5) Independent Non-Executive Directors ("INED") of whom one (1) is the Chairman. A total of twenty nine (29) meetings were held during the financial year ended 2009 and the details of attendance of each member at the Group AC Meetings are as follows:-

Members of Group AC	Total Meetings Attended	Percentage of Attendance (%)
Ong Seng Pheow (Chairman)	29/29	100
Dato' Othman Jusoh	28/29	97
Datuk Tan Kim Leong	27/29	93
Patrick Chin Yoke Chung	27/29	93
Haji Md Ja'far Abdul Carrim <sup>1</sup>	6/6 <sup>*</sup>	100
Dato' Mohd Salleh Hj Harun <sup>2</sup>	24/26 <sup>#</sup>	92

<sup>1</sup> Appointed on 29 September 2009

<sup>2</sup> Resigned on 18 November 2009

<sup>\*</sup> Based on the number of meetings attended since his appointment as a member of Group AC in 2009

<sup>#</sup> Based on the number of meetings attended during his tenure of appointment in 2009

## CORPORATE GOVERNANCE (CONTINUED)

### Group Audit Committee (Continued)

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 Group, particularly for 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.

### Group Nominating Committee

The Group Nominating Committee ("Group NC") presently comprises directors within the Group i.e. three (3) INEDs of whom one (1) is the Chairman and two (2) Non-Independent Non-Executive Directors ("NINED"). During the financial year ended 2009, a total of eight (8) meetings were held and the details of the attendance of each member are as follows:-

Members of Group NC	Total Meetings Attended	Percentage of Attendance (%)
Datuk Haji Faisal Siraj (Chairman/INED)	8/8	100
Tan Sri Azlan Zainol (Member/NINED)	8/8	100
Datuk Tan Kim Leong (Member/INED)	8/8	100
Johari Abdul Muid (Member/NINED)	7/8	88
Dato' Mohamed Khadar Merican (Member/INED) <sup>1</sup>	-*	-
Ismael Fariz Ali (Member/INED) <sup>2</sup>	2/6 <sup>#</sup>	33

<sup>1</sup> Appointed on 1 December 2009

<sup>2</sup> Resigned on 30 September 2009

\* Based on the number of meetings attended since his appointment as a member of Group NC in 2009

# Based on the number of meetings attended during his tenure of appointment in 2009

# Directors' Report

## CORPORATE GOVERNANCE (CONTINUED)

### Group Nominating Committee (Continued)

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 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.

As a tool in assisting the Group NC in its yearly assessment on the effectiveness of an individual director within the Group, the Company and other major operating entities within the Group have adopted the Board Effectiveness Evaluation methodology for its Board, Board Committees and individual directors, in line with the Corporate Governance Standards.

The Company Secretary complements the functions of the Group NC by ensuring all regulatory requirements are strictly adhered to and all relevant records and returns are updated regularly.

### Group Remuneration and Human Resource Committee

The Group Remuneration and Human Resource Committee ("Group RHRC") presently comprises three (3) INEDs of whom one (1) is the Chairman and two (2) NINEDs. During the financial year ended 2009, a total of eight (8) meetings were held and the details of the attendance of each member are as follows:-

Members of Group RHRC	Total Meetings Attended	Percentage of Attendance (%)
Datuk Tan Kim Leong (Chairman/INED)	8/8	100
Tan Sri Azlan Zainol (Member/NINED)	8/8	100
Datuk Haji Faisal Siraj (Member/INED)	8/8	100
Johari Abdul Muid (Member/NINED)	7/8	88
Dato' Mohamed Khadar Merican (Member/INED) <sup>1</sup>	-*	-
Ismael Fariz Ali (Member/INED) <sup>2</sup>	2/6 <sup>#</sup>	33

<sup>1</sup> Appointed on 1 December 2009

<sup>2</sup> Resigned on 30 September 2009

\* Based on the number of meetings attended since his appointment as a member of Group RHRC in 2009

<sup>#</sup> Based on the number of meetings attended during his tenure of appointment in 2009

## CORPORATE GOVERNANCE (CONTINUED)

### Group Remuneration and Human Resource Committee (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 Group and ensuring that compensation is competitive and consistent with the Group's culture, objectives and strategy;
- (ii) to recommend to the Board on the policies, strategies and framework for the 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 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 Risk Management Committee

The Group Risk Management Committee ("Group RMC") presently comprises four (4) INEDs of whom one (1) is the Chairman and a NINED. During the financial year ended 2009, a total of thirteen (13) meetings were held and the details of the attendance of each member are as follows:-

Members of Group RMC	Total meetings attended	Percentage of attendance (%)
Haji Khairuddin Ahmad (Chairman/INED)	13/13	100
Patrick Chin Yoke Chung (Member/INED)	11/13	85
Datuk Tan Kim Leong (Member/INED)	12/13	92
Johari Abdul Muid (Member/NINED) <sup>1</sup>	7/8 <sup>*</sup>	88
Haji Md Ja'far Abdul Carrim (Member/INED) <sup>2</sup>	3/3 <sup>*</sup>	100
Datin Sri Khamarzan Ahmed Meah (Member/INED) <sup>3</sup>	2/5 <sup>#</sup>	40
Dato' Mohd Salleh Hj Harun (Chairman/INED) <sup>4</sup>	11/11 <sup>#</sup>	100

<sup>1</sup> Appointed on 1 June 2009

<sup>2</sup> Appointed on 29 September 2009

<sup>3</sup> Resigned on 1 June 2009

<sup>4</sup> Resigned on 18 November 2009

<sup>\*</sup> Based on the number of meetings attended since his appointment as a member of Group RMC in 2009

<sup>#</sup> Based on the number of meetings attended during his/her tenure of appointment in 2009

# Directors' Report

## **CORPORATE GOVERNANCE (CONTINUED)**

### **Group Risk Management Committee (Continued)**

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.

### **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.

## **CORPORATE GOVERNANCE (CONTINUED)**

### **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.

### **Financial Reporting**

The Management ensures that proper records are maintained to support all financial transactions and the financial statements are prepared in accordance with Financial Reporting Standards (“FRS”) which are the MASB approved accounting standards in Malaysia for Entities Other than Private Entities, as modified by BNM 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:

Haji Khairuddin Ahmad

Ong Seng Pheow

Datin Sri Khamarzan Ahmed Meah

Datuk Haji Faisal Siraj

Koh Heng Kong

Haji Md Ja’far Abdul Carrim

(Appointed on 11 August 2009)

Dato’ Mohd Salleh Hj Harun

(Resigned on 18 November 2009)

In accordance with Article 80 of the Company’s Articles of Association, Haji Md Ja’far Abdul Carrim retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 74 of the Company’s Articles of Association, Datin Sri Khamarzan Ahmed Meah and Ong Seng Pheow retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

# Directors' Report

## DIRECTORS AND THEIR INTERESTS IN SECURITIES (CONTINUED)

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:-

	Number of ordinary shares of RM1 each			As at 31.12.2009
	As at 1.1.2009	Bought	Sold	
<b>Holding Company</b>				
<b>RHB Capital Berhad</b>				
Haji Khairuddin Ahmad				
- Direct	22,000	-	4,000	18,000
Koh Heng Kong				
- Indirect <sup>1</sup>	3,000	-	-	3,000

Note: <sup>1</sup> 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' 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.



### **IMMEDIATE AND ULTIMATE HOLDING COMPANY/BODY**

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

### **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 2 February 2010.

**HAJI KHAIRUDDIN AHMAD**  
CHAIRMAN

**KOH HENG KONG**  
MANAGING DIRECTOR

Kuala Lumpur  
12 March 2010

# Balance Sheet

As at 31 December 2009

	Note	2009 RM	2008 RM
<b>ASSETS</b>			
Property, plant and equipment	6	2,210,906	2,487,566
Prepaid lease rental	7	631,623	639,575
Securities			
- Held-for-trading	8	55,546,395	-
- Available-for-sale	8	81,551,381	-
- Held-to-maturity	8	11,980,047	-
Investments	9	-	143,784,209
Deferred tax assets	10	3,114,000	6,601,000
Loans	11	772,458	549,331
Receivables	12	60,862,635	45,603,677
Fixed and call deposits	13	194,847,597	151,144,008
Cash and cash equivalents	14	123,320	199,895
<b>Total assets</b>		<b>411,640,362</b>	<b>351,009,261</b>
<b>LIABILITIES</b>			
Claims liabilities	15	126,535,000	118,674,450
Payables	16	51,026,515	36,525,564
Current tax liabilities		1,197,874	267,887
		178,759,389	155,467,901
Premium liabilities	17	74,633,883	64,874,134
<b>Total liabilities</b>		<b>253,393,272</b>	<b>220,342,035</b>
<b>SHAREHOLDERS' FUND</b>			
Share capital	18	100,000,000	100,000,000
Retained earnings	19	57,891,366	30,667,226
Available for sale reserve		355,724	-
		158,247,090	130,667,226
<b>Total liabilities and shareholders' fund</b>		<b>411,640,362</b>	<b>351,009,261</b>

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

# Income Statement

For the Financial Year Ended 31 December 2009

	Note	2009 RM	2008 RM
Operating revenue	20	283,180,898	244,049,936
Surplus transferred from General Insurance Revenue Account		46,131,349	12,379,042
Non-insurance fund:			
Management expenses	21	(350)	(370)
Investment income	22	30,048	44,524
Profit before taxation		46,161,047	12,423,196
Taxation	24	(11,436,907)	(3,569,408)
Profit for the financial year		34,724,140	8,853,788
Earnings per share (sen)	25	34.72	8.85
Dividend per share (sen)	26	5.00	10.00

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

# General Insurance Revenue Account

For the Financial Year Ended 31 December 2009

	Note	Fire RM	Motor RM	Marine, Aviation & Transit RM	Miscellaneous RM	Total RM
Gross premium		91,673,399	79,942,059	15,692,419	84,134,748	271,442,625
Less: Reinsurance		(44,055,879)	(4,206,785)	(7,609,608)	(26,741,534)	(82,613,806)
Net premium		47,617,520	75,735,274	8,082,811	57,393,214	188,828,819
Less: Increase in premium liabilities	17	(4,052,010)	(4,605,118)	(757,879)	(344,742)	(9,759,749)
Earned premium		43,565,510	71,130,156	7,324,932	57,048,472	179,069,070
Net claims incurred	27	(14,350,969)	(50,499,973)	(5,283,635)	(29,975,613)	(100,110,190)
Net commission		(1,585,103)	(7,513,992)	(886,936)	(8,144,830)	(18,130,861)
Underwriting surplus before management expenses		27,629,438	13,116,191	1,154,361	18,928,029	60,828,019
Management expenses	21					(38,294,622)
Underwriting surplus						22,533,397
Investment income	22					11,708,225
Other income - net	23					11,889,727
Transferred to Income Statement						46,131,349

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	17	(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	27	(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	21					(35,479,386)
Underwriting surplus						19,675,488
Investment income	22					11,879,652
Other expenditure - net	23					(19,176,098)
Transferred to Income Statement						12,379,042

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

# Statement of Changes in Equity

For the Financial Year Ended 31 December 2009

	<u>Issued and fully paid ordinary shares RM1 each</u>		<u>Distributable Retained earnings RM</u>	<u>Non - distributable Available for sale (" AFS") reserve RM</u>	<u>Total RM</u>
	<u>No. of shares</u>	<u>Nominal value RM</u>			
<b>2009</b>					
At 1 January 2009					
- as previously reported	100,000,000	100,000,000	30,667,226	-	130,667,226
- changes in accounting policies (Note 32)	-	-	-	(727,317)	(727,317)
- as adjusted	100,000,000	100,000,000	30,667,226	(727,317)	129,939,909
Fair value gain on AFS securities	-	-	-	2,123,404	2,123,404
AFS reserve realised on disposal of AFS securities	-	-	-	(678,363)	(678,363)
Deferred tax on AFS securities	-	-	-	(362,000)	(362,000)
Profit for the financial year	-	-	34,724,140	-	34,724,140
Dividends for financial year ended - 31 December 2008 (final)	-	-	(7,500,000)	-	(7,500,000)
At 31 December 2009	100,000,000	100,000,000	57,891,366	355,724	158,247,090
<b>2008</b>					
At 1 January 2008	100,000,000	100,000,000	21,813,438	-	121,813,438
Profit for the financial year	-	-	8,853,788	-	8,853,788
At 31 December 2008	100,000,000	100,000,000	30,667,226	-	130,667,226

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

# Cash Flow Statement

For the Financial Year Ended 31 December 2009

	Note	2009 RM	2008 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the financial year		34,724,140	8,853,788
Adjustments for:			
Loss on sale of investments		3,515,468	4,590,488
Fair value gain on securities held-for-trading		(19,301,346)	-
Allowance for diminution in value of investments		-	15,119,414
Impairment loss on securities available-for-sale		4,130,770	-
Allowance for bad and doubtful debts		1,369,671	2,349,978
Bad debts written off		164,671	-
(Accretion of discounts)/amortisation of premiums - net		(96,317)	129,745
Depreciation of property, plant and equipment		949,977	1,087,089
Amortisation charge on prepaid lease rental		7,952	7,952
(Profit)/loss on sale of property, plant and equipment		(35,125)	7,061
Increase in premium liabilities		9,759,749	6,154,022
Investment income		(11,641,956)	(12,053,921)
Unrealised gain on foreign exchange		(13,688)	(6,957)
Taxation expense		11,436,907	3,569,408
Operating profit before changes in operating assets and liabilities		34,970,873	29,808,067
Purchase of investments		(160,235,210)	(77,049,971)
Proceeds from sale of investments		167,167,745	77,571,586
Interest received		9,212,672	9,648,000
Dividend received		1,871,357	2,073,121
Increase in fixed and call deposits		(43,703,589)	(51,815,133)
(Increase)/decrease in loans		(223,127)	466,219
Increase in amounts due from insureds, agents, brokers and reinsurers		(8,827,973)	(9,239,509)
(Increase)/decrease in other receivables		(7,392,604)	942,544
Increase in claims liabilities		7,860,550	19,422,079
Increase in amounts due to insureds, agents, brokers and reinsurers		10,642,693	7,185,433
Increase in other payables		3,858,258	1,367,138
Cash generated from operations		15,201,645	10,379,574
Income taxes paid		(7,138,920)	(10,452,145)
Net cash generated from/(used in) operating activities	28	8,062,725	(72,571)

## Cash Flow Statement

For the Financial Year Ended 31 December 2009

	Note	2009 RM	2008 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(678,592)	(672,156)
Proceeds from sale of property, plant and equipment		40,400	27,000
Net cash used in investing activities	28	(638,192)	(645,156)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividends paid		(7,500,000)	-
Net cash used in financing activities	28	(7,500,000)	-
Effects of exchange rate changes on cash and cash equivalents	28	(1,108)	(599)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(76,575)	(718,326)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>		199,895	918,221
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	14	123,320	199,895

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



# Notes to the Financial Statements

As at 31 December 2009

## 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 body. 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 under the historical cost convention except as disclosed in this summary of significant accounting policies. The financial statements comply with Financial Reporting Standards (“FRS”), being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, modified by Bank Negara Malaysia (“BNM”) in respect of the following as specified in the Risk-Based Capital Framework (“RBC”) Framework issued by BNM:

- valuation of investments as disclosed in Note 3(c) to the financial statements; and
- accounting treatment for changes arising from the implementation of the RBC Framework are adjusted to the opening balances in the financial statements instead of a retrospective adjustment as at 1 January 2008.

The financial statements also comply with the provisions of the Companies Act, 1965 in all material aspects and other relevant Guidelines and Circulars issued by BNM.

The financial impact of the above changes arising from the RBC Framework implementation is disclosed in Note 32 of the financial statements.

The financial statements of the Company have also been prepared on a historical cost basis, except for financial instruments that have been measured at their fair values and the estimation of insurance liabilities in accordance with the valuation methods specified in the Part D of the RBC Framework for insurers issued by BNM.

The Company has met the minimum capital requirements as prescribed by the framework as at the balance sheet date.

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 from those estimates.

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.

The following standards and IC Interpretations 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.

- (a) 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.

# Notes to the Financial Statements

As at 31 December 2009

## 2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

- (b) 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.
- (c) IC Interpretation 11 Group and Treasury Share Transactions (effective for accounting periods beginning on or after 1 January 2010). This Interpretation addresses how the share-based payment arrangements should be accounted for in the financial statements of the subsidiary that receives services from the employees. This IC is not relevant to the Company.
- (d) IC Interpretation 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 January 2010). This Interpretation addresses accounting by the entity that grants award credits to its customers. This IC is not relevant to the Company.
- (e) IC Interpretation 14 The Limit On A Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for accounting periods beginning on or after 1 January 2010). The issues addressed in this Interpretation are:-
  - (i) when refunds or reductions in future contributions should be regarded as available.
  - (ii) how a minimum funding requirement might affect the availability of reductions in future contributions.
  - (iii) when a minimum funding requirement might give rise to a liability.

This IC is not relevant to the Company.

- (f) 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.
  - (i) FRS 139 Financial Instruments: Recognition and Measurement
  - (ii) FRS 4 Insurance Contracts
  - (iii) FRS 7 Financial Instruments: Disclosures

## 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.

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(b) Property, plant and equipment (Continued)**

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. 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 <sup>1</sup> / <sub>3</sub> %

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 (f) 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) Securities**

The Company classifies its securities portfolio into the following categories: held-for-trading securities, held-to-maturity securities or available-for-sale securities. Classification of the securities is determined at initial recognition.

**(i) Held-for-trading securities**

Securities are classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or it is part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. Securities held-for trading are measured at fair value and any gain or loss arising from a change in the fair value is recognised in the income statement or revenue account. Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost.

**(ii) Held-to-maturity securities**

Held-to-maturity securities are securities with fixed or determinable payments and fixed maturity that the Company have the positive intention and ability to hold to maturity. Securities held-to-maturity are measured at amortised cost using the effective interest method. Any gain or loss is recognised in the income statement or revenue account when the securities are derecognised or impaired.

An allowance of impairment for debt securities held-to-maturity is established when there is objective impairment that the Company will not be able to collect the amounts due according to the original terms (see Note 3(d) for the accounting policy on impairment).

# Notes to the Financial Statements

As at 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Securities (Continued)

#### (iii) Available-for-sale securities

Securities available-for-sale are securities that are not classified as held-for-trading or held-to-maturity securities and measured at fair value. Any gain or loss arising from a change in fair value, net of income tax, is recognised directly in equity, except for impairment losses and foreign exchange gains and losses. Until the securities available-for-sale are derecognised or impaired, at which time the cumulative gains or losses previously recognised in equity shall be transferred to the income statement or revenue account.

The accounting policy adopted in previous financial year and the effect of the change in accounting policy is described in Note 32 to the financial statements.

### (d) Impairment of securities

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

#### (i) Securities carried at amortised cost

If there is objective evidence that an impairment loss on held-to-maturity securities carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement or revenue account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement or revenue account.

#### (ii) Securities carried at cost

If there is objective evidence that an impairment loss on securities carried at cost (e.g. equity instruments or which there is no active market or whose fair value cannot be reliably measured) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. Such impairment losses shall not be reversed.

#### (iii) Securities carried at fair value

In the case of investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale securities, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the income statement or revenue account.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Impairment of securities (Continued)

#### (iii) Securities carried at fair value (Continued)

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement. Impairment losses previously recognised in the income statement on equity instruments are not reversed through the income statement.

### (e) 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.

### (f) 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 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.

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.

### (g) 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.

### (h) 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.

# Notes to the Financial Statements

As at 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) General insurance underwriting results (Continued)

#### 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.

#### Premium liabilities

Premium liabilities refer to the higher of:

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

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.

#### Claim liabilities

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance. The amount of claims liabilities is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligations at the balance sheet date. These include provision for claims reported, claims incurred but not reported, claims incurred but not enough reserved and direct and indirect claims-related expenses such as investigation fees, loss adjustment fees, legal fees, sue and labour charges and the expected internal costs that the insurer expects to incur when settling these claims.

#### 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.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) 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.

### (i) 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.

### (j) 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.

### (k) 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

As at 31 December 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) 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.

### (m) 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.

### (n) Cash and cash equivalents

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

### (o) Dividends

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

### (p) 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.



## 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.

#### (i) Claims liabilities

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

The value of claim liabilities consists of the best estimate value of the claim liabilities and a provision of risk margin for adverse deviation ("PRAD") calculated at the overall Company level. The PRAD is the component of the value of the insurance liabilities that relates to the uncertainty inherent in the best estimate. PRAD is an additional component of the liability value aimed at ensuring that the value of the insurance liabilities is established at a level such that there is a higher level of confidence (or probability) that the provisions will ultimately be sufficient. For the purpose of this valuation basis and in compliance with the RBC Framework, the level of confidence shall be at 75% on an overall Company level.

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

### (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 underwriting risk, interest rate risk, market risk, credit risk, liquidity risk and currency risk.

### (a) Underwriting risk

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

# Notes to the Financial Statements

As at 31 December 2009

## 5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (a) Underwriting risk (Continued)

The Company has instituted documented underwriting guidelines, underwriting authorities, risk management engineering and risk accumulation limits. Reinsurance is placed to minimise certain insurance risks within approved limits and security. Claims approval and settlement authorities are clearly defined for prudent control on financial exposure. Annual internal audit reviews are performed to ensure compliance with the Company's guidelines and standards.

### (b) 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.

### (c) 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.

### (d) 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.

### (e) 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.

### (f) 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.

# Notes to the Financial Statements

As at 31 December 2009

## 6 PROPERTY, PLANT AND EQUIPMENT

	Buildings RM	Motor vehicles RM	Furniture, fixtures and fittings, office equipment RM	Total RM
<b>2009</b>				
<b>Net book value</b>				
At beginning of financial year	358,335	699,495	1,429,736	2,487,566
Additions	-	54,531	624,061	678,592
Disposals	-	(5,275)	-	(5,275)
Depreciation charge	(8,811)	(45,350)	(895,816)	(949,977)
At end of financial year	349,524	703,401	1,157,981	2,210,906
<b>2008</b>				
<b>Net book value</b>				
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
<b>2009</b>				
Cost	422,756	1,534,402	14,375,831	16,332,989
Accumulated depreciation	(73,232)	(831,001)	(13,217,850)	(14,122,083)
Net book value	349,524	703,401	1,157,981	2,210,906
<b>2008</b>				
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

# Notes to the Financial Statements

As at 31 December 2009

## 7 PREPAID LEASE RENTAL

### 2009

Carrying amounts	RM
At beginning of financial year	639,575
Amortisation for the financial year	(7,952)
At end of financial year	631,623

### 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

Prepaid lease rental relates to leasehold land with unexpired periods of more than 50 years.

## 8 SECURITIES

	2009 RM	2008 RM
a) Securities held-for-trading (HFT)		
At fair value		
Quoted in Malaysia:		
Shares of corporations	54,683,878	-
Real estate investment trusts	862,517	-
Total securities held-for-trading	55,546,395	-
b) Securities available-for-sale (AFS)		
At fair value		
Malaysian Government Securities	22,870,000	-
Unquoted corporate debt securities	58,681,381	-
Total securities available-for-sale	81,551,381	-

# Notes to the Financial Statements

As at 31 December 2009

## 8 SECURITIES (CONTINUED)

	2009 RM	2008 RM
c) Securities held-to-maturity (HTM)		
At amortised cost		
Unquoted corporate debt securities	11,980,047	-
Total securities held-to-maturity	11,980,047	-

The maturity structure of Malaysian Government Securities and corporate debt securities above is as follows:

	2009 RM	2008 RM
Maturity within 12 months	6,061,000	-
Maturity after 12 months	87,470,428	-
	93,531,428	-

## 9 INVESTMENTS

	2009		2008	
	Cost RM	Market Value RM	Cost RM	Market Value RM
Malaysian Government Securities	-		24,419,700	
Amortisation of premiums	-		(344,874)	
	-	-	24,074,826	24,309,600
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
Real Estate Investment Trusts	-	-	1,356,333	826,128
	-	-	48,581,102	33,441,206
Allowance for diminution in value	-		(15,139,896)	
	-		33,441,206	

## Notes to the Financial Statements

As at 31 December 2009

### 9 INVESTMENTS (CONTINUED)

	2009		2008	
	Cost RM	Market Value RM	Cost RM	Market Value RM
Unquoted:				
Corporate debt securities	-		83,549,839	
Amortisation of premiums net of accretion of discounts	-		(171,000)	
	-		83,378,839	
Allowance for diminution in value	-		(5,075,047)	
	-		78,303,792	
<b>TOTAL INVESTMENTS</b>	-		143,784,209	

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

	2009 RM	2008 RM
Maturity within 12 months	-	22,165,454
Maturity after 12 months	-	88,177,549
	-	110,343,003

Pursuant to the implementation of the RBC Framework, the investments of the Company have been reclassified, following the accounting policies as described in Note 3(c) to the financial statements.

# Notes to the Financial Statements

As at 31 December 2009

## 10 DEFERRED TAX ASSETS

	2009 RM	2008 RM
At beginning of financial year		
- as previously reported	6,601,000	2,364,000
- change in accounting policies (Note 32)	243,000	-
- as adjusted	6,844,000	2,364,000
Transferred to income statement (Note 24)	(3,368,000)	4,237,000
Transferred to equity	(362,000)	-
At end of financial year	3,114,000	6,601,000

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

	At beginning of financial year (adjusted) RM	(Debited)/ credited to income statement RM	Debited to equity RM	At end of financial year RM
<b>2009</b>				
Excess of capital allowances over depreciation	(116,000)	5,000	-	(111,000)
(Accretion of discounts)/amortisation of premiums - net	121,000	(190,000)	-	(69,000)
Allowance for doubtful debts	1,473,000	405,000	-	1,878,000
Premium liabilities	65,000	210,000	-	275,000
Provisions	4,000	(4,000)	-	-
Fair value change on HFT securities	3,785,000	(4,826,000)	-	(1,041,000)
Impairment loss on AFS securities	1,269,000	1,032,000	-	2,301,000
Fair value change on AFS securities	243,000	-	(362,000)	(119,000)
<b>Total</b>	<b>6,844,000</b>	<b>(3,368,000)</b>	<b>(362,000)</b>	<b>3,114,000</b>

# Notes to the Financial Statements

As at 31 December 2009

## 10 DEFERRED TAX ASSETS (CONTINUED)

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

	At beginning of financial year RM	(Debited)/ credited to income statement RM	At end of financial year RM
<b>2008</b>			
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
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
<b>Total</b>	<b>2,364,000</b>	<b>4,237,000</b>	<b>6,601,000</b>

## 11 LOANS

	2009 RM	2008 RM
Mortgage loans	111,656	156,875
Other secured loans	659,040	388,481
Unsecured loans	1,762	3,975
	772,458	549,331
Receivable within 12 months	261,371	202,362
Receivable after 12 months	511,087	346,969
	772,458	549,331



# Notes to the Financial Statements

As at 31 December 2009

## 12 RECEIVABLES

	2009 RM	2008 RM
<b>Trade receivables</b>		
Outstanding premiums including agents, brokers and co-insurers balances	46,747,593	38,392,594
Allowance for doubtful debts	(6,116,811)	(4,898,625)
	40,630,782	33,493,969
Amount due from reinsurers and ceding companies	8,667,933	8,344,833
Allowance for doubtful debts	(2,480,797)	(2,329,311)
	6,187,136	6,015,522
	46,817,918	39,509,491
<b>Other receivables</b>		
Other receivables, deposits and prepayments	1,683,643	976,261
Amount due from Malaysian Motor Insurance Pool	3,730,500	1,952,746
Amount due from stock brokers	5,023,016	115,548
Interest income due and accrued	3,511,905	2,884,749
Dividend income receivable	95,653	164,882
	14,044,717	6,094,186
	60,862,635	45,603,677

## 13 FIXED AND CALL DEPOSITS

	2009 RM	2008 RM
Licensed banks	188,167,597	138,243,250
Licensed investment bank	1,680,000	9,900,758
Licensed islamic bank	2,000,000	-
Other corporations	3,000,000	3,000,000
Total fixed and call deposits	194,847,597	151,144,008

# Notes to the Financial Statements

As at 31 December 2009

## 13 FIXED AND CALL DEPOSITS (CONTINUED)

The maturity structure of fixed and call deposits is as follows:

	2009 RM	2008 RM
Maturity within 12 months	186,501,496	129,797,907
Maturity after 12 months	8,346,101	21,346,101
	194,847,597	151,144,008

Fixed and call deposits was classified as Investment in previous year's financial statements.

## 14 CASH AND CASH EQUIVALENTS

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

## 15 CLAIMS LIABILITIES

	2009 RM	2008 RM
Provision for claims liabilities	206,144,844	183,254,877
Less: Recoverable from reinsurers thereon	(79,609,844)	(64,580,427)
Net claims liabilities	126,535,000	118,674,450

# Notes to the Financial Statements

As at 31 December 2009

## 16 PAYABLES

	2009 RM	2008 RM
<b>Trade payables</b>		
Amount due to agents, brokers, insureds and co-insurers	9,717,218	11,267,089
Amount due to reinsurers and ceding companies	26,465,646	14,273,082
	36,182,864	25,540,171
<b>Other payables</b>		
Other payables	4,744,875	2,313,509
Cash collaterals held on behalf of insureds	602,204	592,067
Accrued liabilities	9,496,572	8,079,817
	14,843,651	10,985,393
	51,026,515	36,525,564

## 17 PREMIUM LIABILITIES

	Fire RM	Motor RM	Marine, Aviation & Transit RM	Miscellaneous RM	Total RM
<b>2009</b>					
At beginning of financial year					
- as previously reported	18,909,838	27,699,695	2,165,241	16,099,360	64,874,134
- reallocation among the class of business at 1 January	(10,714,365)	8,492,081	191,572	2,030,712	-
- as adjusted	8,195,473	36,191,776	2,356,813	18,130,072	64,874,134
Increase in liabilities	4,052,010	4,605,118	757,879	344,742	9,759,749
At end of financial year	12,247,283	40,796,894	3,114,692	18,474,814	74,633,883
<b>2008</b>					
At beginning of financial year	18,570,142	22,434,222	1,679,422	16,036,326	58,720,112
Increase in liabilities	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

# Notes to the Financial Statements

As at 31 December 2009

## 18 SHARE CAPITAL

	2009 RM	2008 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

## 19 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 2009.

## 20 OPERATING REVENUE

	2009 RM	2008 RM
Gross premium	271,442,625	232,125,760
Investment income (Note 22):		
Insurance fund	11,708,225	11,879,652
Non-insurance fund	30,048	44,524
	283,180,898	244,049,936

# Notes to the Financial Statements

As at 31 December 2009

## 21 MANAGEMENT EXPENSES

	2009 RM	2008 RM
Personnel costs	19,657,928	17,781,167
Establishment costs	3,355,128	3,421,041
Marketing costs	5,575,445	4,366,564
Administrative and general expenses	9,706,471	9,910,984
	38,294,972	35,479,756

The above expenditure is further analysed as follows:

	2009 RM	2008 RM
<b>Insurance fund</b>		
Staff salary and bonus	15,823,695	14,466,760
Defined contribution plan	2,715,323	2,442,042
Other staff benefits	1,118,910	872,365
Staff costs	19,657,928	17,781,167
Executive Directors' remuneration:		
Other emoluments	658,232	669,200
Non-Executive Directors' remuneration:		
Fee	336,274	343,279
Other emoluments	242,272	189,984
	578,546	533,263
Auditors' remuneration	113,000	73,000
Rental of offices	1,979,232	1,941,026
Depreciation of property, plant and equipment	949,977	1,087,088
Insurance Guarantee Scheme Fund levies	674,626	576,595
Allowance for bad and doubtful debts	1,369,671	2,349,978
Bad debts written off	164,671	-
Bad debt recovered	(1,434)	-
Other expenses	12,150,173	10,468,069
	38,294,622	35,479,386
<b>Non-insurance fund</b>		
Corporate affairs expenses	350	370
	38,294,972	35,479,756

# Notes to the Financial Statements

As at 31 December 2009

## 21 MANAGEMENT EXPENSES (CONTINUED)

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 RM32,964 (2008: RM60,491).

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 RM676,721 (2008: RM694,191).

## 22 INVESTMENT INCOME

	2009 RM	2008 RM
<b>Insurance fund</b>		
Interest from:		
Malaysian Government Securities	492,092	916,252
Corporate debt securities	4,248,437	4,137,944
Loans	5,417	11,204
Fixed and call deposits	5,063,834	4,593,454
Accretion of discounts/(amortisation of premiums) - net	96,317	(129,745)
Gross dividends from shares quoted in Malaysia	1,802,128	2,350,543
	11,708,225	11,879,652
<b>Non-insurance fund</b>		
Interest from fixed deposits	30,048	44,524
	11,738,273	11,924,176

# Notes to the Financial Statements

As at 31 December 2009

## 23 OTHER INCOME/(EXPENDITURE)

	2009 RM	2008 RM
<b>Insurance fund</b>		
Profit/(Loss) on sale of property, plant and equipment	35,125	(7,061)
Loss on sale of securities held for trading	(4,193,831)	-
Profit on sale of securities available for sale	678,363	-
Fair value gain on securities held for trading	19,301,346	-
Impairment loss on securities available for sale	(4,130,770)	-
Loss on sale of investments	-	(4,590,488)
Allowance for diminution in value of investments	-	(15,119,414)
Sundry income	222,038	543,509
Interest paid to reinsurers	(10,436)	(9,984)
Unrealised gain on foreign exchange	13,688	6,957
Realised (loss)/gain on foreign exchange	(25,796)	383
Other income/(expenditure) - net	11,889,727	(19,176,098)

## 24 TAXATION

	2009 RM	2008 RM
<u>Malaysian taxation:</u>		
Current taxation	8,068,907	7,806,408
Deferred taxation (Note 10)	3,368,000	(4,237,000)
	11,436,907	3,569,408
<u>Current taxation</u>		
Current financial year	8,152,000	7,866,000
Over accrual in respect of prior financial years	(83,093)	(59,592)
Deferred taxation		
Origination and reversal of temporary differences	3,368,000	(4,237,000)
	11,436,907	3,569,408

# Notes to the Financial Statements

As at 31 December 2009

## 24 TAXATION (CONTINUED)

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:

	2009 RM	2008 RM
Profit before taxation	46,161,047	12,423,196
Tax calculated at a tax rate of 25% (2008: 26%)	11,540,262	3,230,031
Change in tax rate	-	264,051
Expenses not deductible for tax purposes	274,881	324,461
Income exempted for tax purposes	(263,504)	(157,486)
Income subject to different tax rate	(31,639)	(32,057)
Over accrual in respect of prior financial years	(83,093)	(59,592)
Tax expense	11,436,907	3,569,408

## 25 EARNINGS PER SHARE

The earnings per ordinary share has been calculated based on the net profit for the financial year amounting to RM34,724,140 (2008: RM8,853,788) divided by the number of ordinary shares in issue of 100,000,000 (2008: 100,000,000) during the financial year.

## 26 DIVIDENDS

Dividends declared or proposed in respect of the financial year ended 31 December 2009 are as follows:

	2009		2008	
	Gross dividend per share Sen	Amount of dividend, net of tax RM	Gross dividend per share Sen	Amount of dividend, net of tax RM
Proposed final dividend	5.0	3,750,000	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 2009 of 5% on 100,000,000 ordinary shares, less income tax at 25%, amounting to RM3,750,000, 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.



## Notes to the Financial Statements

As at 31 December 2009

### 27 NET CLAIMS INCURRED

	Fire RM	Motor RM	Marine, Aviation & Transit RM	Mis-cellaneous RM	Total RM
<b>2009</b>					
Gross claims paid less salvage	34,667,594	50,816,307	4,881,566	35,708,366	126,073,833
Reinsurance recoveries	(22,749,699)	(1,930,032)	(1,676,142)	(7,468,320)	(33,824,193)
Net claims paid	11,917,895	48,886,275	3,205,424	28,240,046	92,249,640
Net claims liabilities:					
At end of financial year	17,338,546	61,699,861	9,315,458	38,181,135	126,535,000
At beginning of financial year	(14,905,472)	(60,086,163)	(7,237,247)	(36,445,568)	(118,674,450)
Net claims incurred	14,350,969	50,499,973	5,283,635	29,975,613	100,110,190
<b>2008</b>					
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 claims liabilities:					
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

# Notes to the Financial Statements

As at 31 December 2009

## 28 CASH FLOW SEGMENT INFORMATION

	Insurance fund RM	2009 Non- insurance fund RM	Total RM	Insurance fund RM	2008 Non- insurance fund RM	Total RM
Cash flows from:						
Operating activities	8,068,460	(5,735)	8,062,725	(57,970)	(14,601)	(72,571)
Investing activities	(638,192)	-	(638,192)	(645,156)	-	(645,156)
Financing activities	-	(7,500,000)	(7,500,000)	-	-	-
Effects of exchange rate changes on cash and cash equivalents	(1,108)	-	(1,108)	(599)	-	(599)
Transfer from insurance fund to non-insurance fund	(7,505,735)	7,505,735	-	(14,601)	14,601	-
	(76,575)	-	(76,575)	(718,326)	-	(718,326)
Net decrease in cash and cash equivalents	(76,575)	-	(76,575)	(718,326)	-	(718,326)
Cash and cash equivalents:						
At beginning of financial year	199,895	-	199,895	918,221	-	918,221
At end of financial year	123,320	-	123,320	199,895	-	199,895

## 29 SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS

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

<u>Related parties</u>	<u>Relationship</u>
EPF	Ultimate holding body
RHB Capital Berhad	Immediate holding company
Subsidiaries of EPF as disclosed in its financial statements	Subsidiaries of the ultimate holding body
Subsidiaries and associate of RHB Capital Berhad as disclosed in its financial statements	Subsidiaries and associate of the immediate 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 include all the Directors of the Company and certain members of senior management of the Company

# Notes to the Financial Statements

As at 31 December 2009

## 29 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	Note	2009 RM	2008 RM
With subsidiaries of ultimate holding body	Insurance premium earned		879,187	873,794
With subsidiaries of immediate holding company	Interest income		1,254,326	1,058,908
	Insurance premium earned		20,021,318	20,113,638
	Commission paid and payable		(6,516,548)	(6,280,513)
	Rental expense		(1,324,702)	(1,318,282)
With key management personnel	Insurance premium earned		19,659	14,701
	Claims incurred		(170)	(4,200)
With subsidiaries of ultimate holding body	Fixed and call deposits		3,000,000	3,000,000
With subsidiaries of immediate holding company	Bank balances	14	(743,602)	(128,285)
	Fixed and call deposits	13	26,889,097	37,128,496
	Insurance premium	12	9,837,830	1,616,022
	Investment in corporate debts securities	8	10,109,842	5,015,973

### Key management personnel

The remuneration of key management personnel is as follows:

	2009 RM	2008 RM
Short-term employee benefits		
- Fees	336,274	343,279
- Salary and other remuneration	900,504	859,184
- Benefits-in-kind	51,453	85,482

# Notes to the Financial Statements

As at 31 December 2009

## 30 CAPITAL COMMITMENTS

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

	2009 RM	2008 RM
Authorised and contracted for	67,968	301,126
Authorised but not contracted for	124,993	-
	192,962	301,126

## 31 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.

#### 2009

	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 %
<b>Financial assets</b>						
Securities:						
- Held-for-trading	55,546,395	-	-	-	55,546,395	-
- Available-for-sale	1,027,086	6,061,000	55,289,095	19,174,200	81,551,381	5.01
- Held-to-maturity	-	-	-	11,980,047	11,980,047	7.63
Fixed and call deposits	-	186,501,496	8,346,101	-	194,847,597	2.54
Loans	660,803	-	40,836	70,819	772,458	4.00
Other receivables	9,206,029	-	-	-	9,206,029	-
Cash and cash equivalents	123,320	-	-	-	123,320	-
	66,562,633	192,562,496	63,676,032	31,225,066	354,027,227	
Other financial assets*					51,562,808	
Total financial assets					405,590,035	
Other assets					6,050,327	
Total assets as per balance sheet					411,640,362	
<b>Financial liabilities</b>						
Other payables	12,387,493	-	-	-	12,387,493	
Other financial liabilities*					164,538,523	
Total financial liabilities					176,926,016	
Other liabilities					76,467,256	
Total liabilities as per balance sheet					253,393,272	

# Notes to the Financial Statements

As at 31 December 2009

## 31 FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Interest rate risk (Continued)

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 %
<b>Financial assets</b>						
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	
<b>Financial liabilities</b>						
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

As at 31 December 2009

## 31 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Credit risk

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

	Carrying amount	
	2009 RM	2008 RM
<b>Analysed by rating:</b>		
<b>Securities held to maturity</b>		
A	11,980,047	-
	11,980,047	-
<b>Securities available for sale</b>		
Malaysian Government Securities	22,870,000	-
Government guaranteed	998,400	-
AAA	14,173,700	-
AA	43,509,281	-
A	-	-
D	.*	.*
	81,551,381	-
<b>Investments</b>		
<b>Unquoted corporate debt securities</b>		
AAA	-	17,225,838
AA	-	41,574,097
A	-	19,503,857
D	-	.*
	-	78,303,792
<b>Loans</b>		
No rating	772,458	549,331
	94,303,886	78,853,123

\* 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

As at 31 December 2009

## 31 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Credit risk (continued)

	Carrying amount	
	2009 RM	2008 RM
<b>Analysed by industries:</b>		
<b>Securities held to maturity</b>		
Finance, insurance and business services	11,980,047	-
	11,980,047	-
<b>Securities available for sale</b>		
Government and government agencies	23,868,400	-
Manufacturing	4,248,400	-
Electricity, gas and water	6,145,000	-
Construction	10,770,580	-
Real Estate	4,118,115	-
Transport, storage and communication	1,023,200	-
Finance, insurance and business services	16,176,900	-
General commerce	7,053,286	-
Hospital	3,046,500	-
Wholesale & retail trade and restaurants & hotels	5,101,000	-
	81,551,381	-
<b>Investments</b>		
<b>Unquoted corporate debt securities</b>		
Manufacturing	-	14,850,594
Electricity, gas and water	-	23,245,310
Construction	-	9,728,141
Real Estate	-	4,108,080
Transport, storage and communication	-	1,006,486
Finance, insurance and business services	-	18,002,682
General commerce	-	3,891,638
Hospital	-	2,959,923
Wholesale & retail trade and restaurants & hotels	-	510,938
	-	78,303,792
<b>Loans</b>	772,458	549,331
	94,303,886	78,853,123

# Notes to the Financial Statements

As at 31 December 2009

## 31 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:

2009	Ringgit Malaysia RM	Singapore Dollar RM	Total RM
<b>Financial assets</b>			
Securities:			
- Held-for-trading	55,546,395	-	55,546,395
- Available-for-sale	81,551,381	-	81,551,381
- Held-to-maturity	11,980,047	-	11,980,047
Fixed and call deposits	194,847,597	-	194,847,597
Loans	772,458	-	772,458
Other receivables	9,206,029	-	9,206,029
Cash and cash equivalents	86,143	37,177	123,320
	353,990,050	37,177	354,027,227
Other financial assets*			51,562,808
Total financial assets			405,590,035
Other assets			6,050,327
Total assets as per balance sheet			411,640,362
<b>Financial liabilities</b>			
Other payables	12,387,493	-	12,387,493
Other financial liabilities*			164,538,523
Total financial liabilities			176,926,016
Other liabilities			76,467,256
Total liabilities as per balance sheet			253,393,272

\* 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

As at 31 December 2009

## 31 FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Foreign currency risk (Continued)

2008	Ringgit Malaysia RM	Singapore Dollar RM	Total RM
<b>Financial assets</b>			
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
<b>Financial liabilities</b>			
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

As at 31 December 2009

## 31 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:

2009	Carrying amount RM	Fair value RM
Securities:		
- Held to maturity	11,980,047	12,376,900
Fixed and call deposits	194,847,597	195,069,511
Loans	772,458	702,931
	207,600,102	208,149,342
2008		
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

The carrying amount of loans was not reduced to its fair value, as this investment is held for long term.

## 32 CHANGE IN ACCOUNTING POLICIES

Pursuant to the implementation of the RBC Framework for insurers issued by BNM, the Company changed its accounting policies in relation to the measurement basis of investment and valuation of insurance liabilities. These changes in accounting policies, as described in the summary of accounting policies, have been recognised as adjustments to the opening balance as at 1 January 2009 as mentioned in Note 2(a).

In previous financial years, investments in Malaysian Government Securities and other investments as specified by BNM were stated at cost, adjusted for the amortisation of premiums or accretion of discounts calculated on an effective yield basis over the period from acquisition to maturity of the investments. Quoted investments are stated at the lower of cost and market value determined on an aggregate portfolio basis by category of investments, except that if diminution 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.

## Notes to the Financial Statements

As at 31 December 2009

### 32 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

The RBC Framework requires insurers to classify and value the investment securities into 3 categories as explained in Note 3 (c) when transactions are entered into.

In addition, the RBC Framework introduced new features in the estimation of general insurance liabilities, such as allowing discounting, diversification and allowing the actuary to include inflation in the estimation. Prior to 1 January 2009, claims handling expenses were not included in the computation of the claims liabilities.

The effects of these changes in accounting policies on the Company's financial statements are as follows:

	As previously reported RM	Effect of change in policy RM	As adjusted RM
<b>Balance Sheet</b>			
At 1 January 2009:			
Deferred tax assets	6,601,000	243,000	6,844,000
Available for sale reserve	-	727,317	727,317

### 33 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 2 February 2010.

# Statement by Directors

Pursuant to Section 169 (15) of the Companies Act, 1965

We, Haji Khairuddin Ahmad 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 24 to 65 are drawn up so as to show a true and fair view of the state of affairs of the Company as at 31 December 2009 and of its results and cash flows for the financial year ended 31 December 2009 in accordance with the Financial Reporting Standards, being the MASB Approved Accounting Standards for Entities Other than Private Entities as modified by Bank Negara Malaysia, 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 2 February 2010.

**HAJI KHAIRUDDIN AHMAD**  
CHAIRMAN

Kuala Lumpur  
12 March 2010

**KOH HENG KONG**  
MANAGING DIRECTOR

# 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 24 to 65 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 12 March 2010 )

Before me, )

**KOH HENG KONG**

**AHMAD B LAYA**  
COMMISSIONER FOR OATHS

Kuala Lumpur  
12 March 2010

# Independent Auditors' Report

To the members 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 2009, 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 24 to 65.

### 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 the Financial Reporting Standards, being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities as modified by Bank Negara Malaysia, 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 the Financial Reporting Standards, being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities as modified by Bank Negara Malaysia 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 2009 and of its financial performance and cash flows for the year then ended.

# Independent Auditors' Report

To the members of RHB Insurance Berhad

## 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

Kuala Lumpur

12 March 2010

### JAYARAJAN A/L U. RATHINASAMY

(No. 2059/06/10 (J))

Chartered Accountant

# RHB Insurance Branches

## **HEAD OFFICE**

RHB Insurance Berhad  
Level 8, Tower One  
RHB Centre, Jalan Tun Razak  
50400 Kuala Lumpur

## **PENANG**

44, Lebuhr Pantai  
2nd Floor, Bangunan RHB Bank  
10300 Penang

## **IPOH**

37, Jalan Medan Ipoh 5  
Bandar Baru Medan Ipoh  
31400 Ipoh

## **KAJANG**

7 Jalan Raja Haroun  
43000 Kajang  
Selangor Darul Ehsan

## **KLANG**

No. 2A , Ground & 1st Floor  
Jalan Tiara 2D/KU1  
Bandar Baru Klang  
41150 Klang  
Selangor Darul Ehsan

## **MELAKA**

No 339  
Jalan Melaka Raya 3  
Taman Melaka Raya  
75000 Melaka

## **JOHOR BAHRU**

Suite 18.06  
Level 18 JB City Square  
JB City Square (Office Tower)  
106-108, Jalan Wong Ah Fook  
80000 Johor Bahru, Johor

## **KOTA BAHRU**

Lot 344,  
Jalan Sultan Yahya Petra  
15200 Kota Bahru  
Kelantan

## **KUANTAN**

Lot 2,4 &6  
Jalan Putra Square 1(Malay Town)  
Putra Square  
25200 Kuantan

## **KOTA KINABALU**

Lot No. C-02-06  
2nd Floor, Block C, Warisan Square,  
Jalan Tun Fuad Stephens  
88000 Kota Kinabalu

## **KUCHING**

G8 & 108, Ground & 1st Floor  
Crown Towers  
No 88, Jalan Pending  
93450 Kuching  
Sarawak

## **SIBU**

91, Ground Floor  
Jalan Kampong Nyabor  
96000 Sibu  
Sarawak

## **SANDAKAN**

1st Floor, Block 7,  
Lot 64,65 & 66  
Phase 1, Prima Square, Mile 4  
Jalan Utara  
90000 Sandakan

**RHB INSURANCE BERHAD**

Level 8, Tower One  
RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur

Tel : 603-9281 2731  
Fax : 603-9281 2729

**[www.rhb.com.my](http://www.rhb.com.my)**