Company No.

149520	U

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2009

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Company No.	
149520	U

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

CONTENTS

Company No.

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TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors are pleased to submit their report to the members together with the audited financial statements of the Company for the year ended 31 December 2009.

PRINCIPAL ACTIVITY

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

FINANCIAL RESULTS

	RM
Net profit for the year	47,068,171

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous year.

The Directors do not recommend the payment of any dividend in respect of the current year.

RESERVES AND PROVISIONS

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

INSURANCE LIABILITIES

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 the 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") for insurers.

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 are not aware of any circumstances which would render the amounts written off for bad debts or the amounts of allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

SIGNIFICANT EVENT DURING THE YEAR

On 1 February 2009, the Company completed the acquisition of certain assets and liabilities of the general insurance business of PanGlobal Insurance Berhad for a total cash consideration of RM15,000,000. The details of the acquisition are disclosed in Note 30 to the financial statements.

CURRENT ASSETS

Before the income statement and balance sheet of the Company were made out, the Directors took reasonable steps to ensure that any current assets which were unlikely to realise 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 methods of valuation of assets or 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 that has arisen since the end of the year which secures the liabilities of any other person, or

(b) any contingent liability in respect of the Company that has arisen since the end of the 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 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 which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company during the 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 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 year in which this report is made.

SHARE CAPITAL

There were no new shares issued by the Company during the year.

CORPORATE GOVERNANCE

The Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under JPI/GPI 25 (Consolidated): Prudential Framework of Corporate Governance for Insurers and JPI/GPI 1(Consolidated): Minimum Standards for Prudential Management of Insurers, issued by Bank Negara Malaysia (“BNM”).

In compliance with JPI/GPI 1 (Consolidated): Minimum Standards for Prudential Management of Insurers, the Board of Directors (‘the Board”) established three sub-committees in 2003 as set out below:

Risk Management Committee

The main responsibilities of the Committee are to recommend a risk management framework, in terms of strategies, policies and risk tolerance, for the Board’s approval as well as to provide an overall assessment on the adequacy of risk reporting infrastructure, which includes resources and support system, in promoting a pro-active risk management culture.

The Committee comprises two independent non-executive Directors and one non-independent non-executive Director. They are Teh Boon Eng, Takashi Yoshikawa and Dato’ Ahmad Fuaad bin Mohd Dahalan.

Four Risk Management Committee meetings were held during the year. No Director was unable to attend any of the meetings.

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee (continued)

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

Nominating Committee

The main responsibilities of the Committee are to ensure that the Board comprises members with the required technical competency, professionalism, mixture of skills and there is a balance between executive, non-executive and independent directors to ensure the effective discharge of the Board's responsibilities.

The Committee also recommends the appointment, promotion and removal of the directors, Chief Executive Officer, Deputy Chief Executive Officer and Technical Advisors and provides assessment on their individual performance and contribution to the Company as a whole.

The Committee comprises two independent non-executive Directors, two non-independent non-executive Directors and a non-independent executive Director. They are Teh Boon Eng, Takashi Yoshikawa, Hironari Iwakuma, Dato' Ahmad Fuaad bin Mohd Dahalan and Dai Inoue.

Three Nominating Committee meetings were held during the year, in which two Directors were unable to attend a meeting each due to other commitments.

The Board as at the date of this report, comprises six members, five of whom are non-executive Directors. All Board members possess the required qualifications and experience in all material aspects of an insurance business to effectively ensure that the Company operates under the highest standard of professionalism.

Six Board meetings were held during the financial year, in which two Directors were unable to attend a meeting each due to other commitments.

CORPORATE GOVERNANCE (CONTINUED)

Remuneration Committee

The main responsibilities of the Committee are to establish and recommend to the Board, the remuneration structure and policy, including the terms of employment or contract of service for executive directors, Chief Executive Officer, Deputy Executive Officer and Technical Advisors, and to ensure a strong link is maintained between the level of remuneration and individual performance against agreed targets on total remuneration package.

The Committee comprises two independent non-executive Directors and a non-independent non-executive Director. They are Teh Boon Eng, Takashi Yoshikawa and Dato' Ahmad Fuaad bin Mohd Dahalan.

Two Remuneration Committee meetings were held during the financial year, in which all Directors attended the meeting.

DIRECTORS AND THEIR INTERESTS IN SHARES

The Directors who have held office since the date of the last report are as follows:

Teh Boon Eng	
Emeritus Professor Dato' Dr Lian Chin Boon	
Dato' Ahmad Fuaad bin Mohd Dahalan	
Dai Inoue	
Hironari Iwakuma	
Takashi Yoshikawa	(Appointed on 5 August 2009)
Jun Hemmi	(Resigned on 5 August 2009)

In accordance with the Company's Articles of Association, Dai Inoue and Hironari Iwakuma retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

According to the register of directors' shareholdings, none of the Directors in office at the end of the financial year held any interest in shares in or debentures of the Company or its related corporations.

DIRECTORS' BENEFITS

During and at end of the 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.

Since the end of the previous year, no Director of the Company has received or become entitled to receive any benefit (other than Directors’ remuneration and benefits-in-kind shown in the notes to the financial statements of this Company, Tokio Marine Asia Pte. Ltd., being the holding company of this Company and Tokio Marine and Nichido Fire Insurance Company Limited, being a subsidiary of the ultimate holding company of this Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

ULTIMATE HOLDING COMPANY

The Directors regard Tokio Marine Holdings Inc., a company incorporated in Japan, as the ultimate holding company of the Company.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 19 March 2010.

TEH BOON ENG
DIRECTOR

HIRONARI IWAKUMA
DIRECTOR

Kuala Lumpur

Company No.

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TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Teh Boon Eng and Hironari Iwakuma, being two of the Directors of Tokio Marine Insurans (Malaysia) Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 10 to 58 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2009 and of the results and cash flows of the Company for the financial year ended on that date in accordance with the Financial Reporting Standards ("FRS"), which are the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, modified by Bank Negara Malaysia, and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 19 March 2010.

TEH BOON ENG
DIRECTOR

HIRONARI IWAKUMA
DIRECTOR

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Heng Kiah Ngan, being the Chief Executive Officer primarily responsible for the financial management of Tokio Marine Insurans (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 10 to 58 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

DR HENG KIAH NGAN

Subscribed and solemnly declared by the abovenamed Heng Kiah Ngan at Kuala Lumpur in Malaysia on 19 March 2010.

Before me,

PESURUHJAYA SUMPAH
No : W520
Nama : MOHAMED PUDZIL BIN HJ MOHD WAHI
MALAYSIA

COMMISSIONER FOR OATHS

Bangunan PSM
No 17B, Jalan Bangsar
59200 Kuala Lumpur.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)
(Company No. 149520 U)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Tokio Marine Insurans (Malaysia) Berhad, which comprise the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 58.

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 ("FRS"), which are the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, modified by Bank Negara Malaysia ("BNM"), 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 judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the FRS, modified by BNM, 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
TOKIO MARINE INSURANS (MALAYSIA) BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 149520 U)

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	SRIDHARAN NAIR
(No. AF: 1146)	(No. 2656/05/10 (J))
Chartered Accountants	Chartered Accountant

Kuala Lumpur
19 March 2010

Company No.

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TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

BALANCE SHEET AS AT 31 DECEMBER 2009

	Note	2009 RM	2008 RM
ASSETS			
Property, plant and equipment	4	14,919,830	11,365,848
Goodwill	5	26,929,731	26,929,731
Securities			
- Held-for-trading	6	62,520,870	-
- Available-for-sale	6	510,658,189	-
- Held-to-maturity	6	93,657,956	-
Investments	7	-	260,753,711
Loans	8	8,866,940	10,356,430
Current tax recoverable		1,307,289	-
Deferred tax assets	13	-	5,300,000
Receivables	9	114,772,227	98,279,688
Fixed and call deposits	10	382,659,310	560,568,484
Cash and bank balances		29,150,938	22,439,950
TOTAL ASSETS		1,245,443,280	995,993,842
LIABILITIES			
Claims liabilities	11	448,425,876	308,313,246
Payables	12	113,145,981	89,731,397
Current taxation liabilities		-	4,176,667
Deferred tax liabilities	13	800,000	-
		562,371,857	402,221,310
Premium liabilities	14	239,701,595	197,215,752
TOTAL LIABILITIES		802,073,452	599,437,062
SHAREHOLDERS' EQUITY			
Share capital	15	278,000,000	278,000,000
Retained earnings	16	161,986,700	117,839,283
Revaluation reserve	17	717,497	717,497
Available-for-sale reserve	17	2,665,631	-
Total shareholders' equity		443,369,828	396,556,780
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,245,443,280	995,993,842

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

Company No.

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TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 RM	2008 RM
Operating revenue	18	733,271,466	603,415,004
Shareholders' fund:			
Investment income	19	284,159	135,384
Other operating expenditure	21	(31,690,631)	(1,127,380)
		(31,406,472)	(991,996)
Surplus transferred from General Insurance Revenue Account (pages 12 and 13)		91,511,950	45,250,194
Profit before taxation		60,105,478	44,258,198
Taxation	22	(13,037,307)	(12,083,689)
Net profit for the year		47,068,171	32,174,509
Earnings per share	23	0.17	0.30

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

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TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

GENERAL INSURANCE REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Fire RM	Motor RM	Marine, Aviation & Transit RM	Miscellaneous RM	Total RM
Gross premium	18	110,953,221	409,944,333	47,301,995	133,575,297	701,774,846
Reinsurance		(59,640,309)	(21,980,275)	(13,251,009)	(42,541,054)	(137,412,647)
Net premium		51,312,912	387,964,058	34,050,986	91,034,243	564,362,199
Decrease/(increase) in premium liabilities	14	2,902,440	(4,867,699)	1,592,977	(5,079,561)	(5,451,843)
Earned premium		54,215,352	383,096,359	35,643,963	85,954,682	558,910,356
Net claims incurred	24	(13,762,788)	(308,519,189)	(10,756,197)	(41,652,991)	(374,691,165)
Net commission income/(expenses)		6,343,652	(38,552,806)	(2,865,442)	(12,183,032)	(47,257,628)
Underwriting surplus before management expenses		46,796,216	36,024,364	22,022,324	32,118,659	136,961,563
Management expenses	20					(98,028,241)
Underwriting surplus						38,933,322
Investment income	19					31,212,461
Other operating income - net	21					21,366,167
Surplus transferred to Income Statement						91,511,950

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

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

GENERAL INSURANCE REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Fire	Motor	Marine, Aviation & Transit	Miscellaneous	Total
		RM	RM	RM	RM	RM
Gross premium	18	97,077,801	330,036,672	46,217,050	107,351,355	580,682,878
Reinsurance		(55,686,785)	(17,296,568)	(13,072,395)	(29,882,708)	(115,938,456)
Net premium		41,391,016	312,740,104	33,144,655	77,468,647	464,744,422
Increase in premium liabilities	14	(3,103,734)	(41,167,665)	(1,567,793)	(3,490,479)	(49,329,671)
Earned premium		38,287,282	271,572,439	31,576,862	73,978,168	415,414,751
Net claims incurred	24	(22,248,481)	(194,405,295)	(12,714,834)	(38,797,455)	(268,166,065)
Net commission income/(expenses)		4,466,447	(31,376,947)	(2,260,983)	(10,146,250)	(39,317,733)
Underwriting surplus before management expenses		20,505,248	45,790,197	16,601,045	25,034,463	107,930,953
Management expenses	20					(79,432,995)
Underwriting surplus						28,497,958
Investment income	19					22,596,742
Other operating expenditure - net	21					(5,844,506)
Surplus transferred to Income Statement						45,250,194

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

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TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Issued and fully paid ordinary shares of RM1 each: Number of shares	Issued and fully paid ordinary shares of RM1 each: Nominal value RM	Non-distributable: Revaluation reserve RM	Non-distributable: Available-for-sale reserve RM	Distributable: Retained earnings RM	Total RM
As at 1 January 2009 (as previously stated)		278,000,000	278,000,000	717,497	-	117,839,283	396,556,780
Adjustments from changes in accounting policy	31	-	-	-	987,676	(2,920,754)	(1,933,078)
As at 1 January 2009 (as restated)		278,000,000	278,000,000	717,497	987,676	114,918,529	394,623,702
Net profit for the financial year		-	-	-	-	47,068,171	47,068,171
Movement in available-for-sale reserve		-	-	-	1,677,955	-	1,677,955
As at 31 December 2009		278,000,000	278,000,000	717,497	2,665,631	161,986,700	443,369,828

	Note	Issued and fully paid ordinary shares of RM1 each: Number of shares	Issued and fully paid ordinary shares of RM1 each: Nominal value RM	Non-distributable: Revaluation reserve RM	Distributable: Retained earnings RM	Total RM
At 1 January 2008		100,000,000	100,000,000	717,497	85,664,774	186,382,271
Net profit for the year		-	-	-	32,174,509	32,174,509
Issuance of shares	15	178,000,000	178,000,000	-	-	178,000,000
At 31 December 2008		278,000,000	278,000,000	717,497	117,839,283	396,556,780

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

Company No.

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TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 RM	2008 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		47,068,171	32,174,509
Adjustment of:			
Property, plant and equipment			
- depreciation		6,320,710	4,577,953
- gain/(loss) on disposal		233,709	(137,974)
- write off		16,424	35,425
Amortisation of prepaid lease rental		64,756	55,556
Fair value gain on securities held-for-trading		(18,207,388)	-
Allowance for of diminution in value of investments		-	6,828,686
(Accretion of discounts)/amortisation of premiums - net		(165,990)	423,023
Gain on disposal of securities held-for-trading		(571,063)	-
Gain on disposal of securities available-for-sale		(1,264,870)	-
Loss on disposal of investments		-	558,564
Investment income		(31,330,630)	(23,155,149)
Write-back of doubtful debts		(1,890,388)	(1,789,885)
Bad debts written off		156,797	409,584
Increase in premium liabilities		5,451,843	49,329,671
Impairment of goodwill		31,411,824	-
Tax expense		13,037,307	12,083,689
Profit from operations before changes in operating assets and liabilities		50,331,212	81,393,652
Purchase of investments		(557,341,031)	(289,175,565)
Proceeds from disposal of investments		107,801,696	22,625,159
Proceeds from maturity of investments		68,423,034	122,263,859
Decrease/(increase) in fixed and call deposits		177,909,174	(151,195,857)
(Increase)/decrease in receivables		(7,457,497)	196,135
Increase in claims liabilities		32,523,876	30,159,431
Increase in payables		17,088,563	6,182,137
Decrease/(increase) in loans		1,489,489	(455,974)
		(109,231,484)	(178,007,023)
Tax paid		(13,378,995)	(6,433,740)
Investment income received:			
- Interest		27,820,802	20,696,911
- Dividend		4,687,323	1,247,099
- Rental		119,763	114,107
Net cash used in from operating activities	25	(89,982,591)	(162,382,646)

Company No.

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TOKIO MARINE INSURANS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

	Note	2009 RM	2008 RM
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of general insurance business	30	104,975,055	-
Purchase of property, plant and equipment		(8,521,411)	(7,578,669)
Proceeds from disposal of property, plant and equipment		239,935	439,297
Net cash outflow from investing activities	25	96,693,579	(7,139,372)
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of shares	25	-	178,000,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	25	6,710,988	8,477,982
CASH AND CASH EQUIVALENTS AT 1 JANUARY		22,439,950	13,961,968
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	25	29,150,938	22,439,950
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances		29,150,938	22,439,950

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

1 PRINCIPAL ACTIVITY AND GENERAL INFORMATION

The Company 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 Company is a public limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at:

Level 8, Symphony House, Block D13, Pusat Dagangan Dana 1,
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan

The principal place of business of the Company is located at:

29 - 31st Floor, Menara Dion
27 Jalan Sultan Ismail
50250 Kuala Lumpur

The Directors regard Tokio Marine Holdings Inc. a company incorporated in Japan, as the Company's ultimate holding company.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 19 March 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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"), which are the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the provisions of the Companies Act, 1965, the Insurance Act, 1996 and other relevant Guidelines and Circulars issued by BNM in all material aspects, modified by Bank Negara Malaysia ("BNM") in respect of the following areas as specified in the Risk-Based Capital ("RBC") Framework issued by BNM:

- valuation of investments as disclosed in Note 2(e) below; and
- adjustments arising from the implementation of the RBC Framework, which have been made to the opening balances as at 1 January 2009 in the financial statements, instead of retrospective adjustments as at 1 January 2008 as well.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

The financial impact of the above changes arising from the RBC Framework implementation is disclosed in Note 31 to the financial statements.

The preparation of financial statements in conformity with FRS requires the use of 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 year. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates are based on the directors' best knowledge of current events and actions, actual results may differ from 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 3.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

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

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

- The amendments to FRS 139 Reclassification of Financial Assets (effective for annual periods beginning on or after 1 January 2010). This amendment allows an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss ("FVTPL") by the entity upon initial recognition) out of the FVTPL category in particular circumstances. It also allows an entity to transfer from the available-for-sale ("AFS") to the loans and receivables ("LAR") category for which have met the definition of LAR (if the financial assets had not been designated as AFS), if the entity has the intention and ability to hold that financial asset for foreseeable future. The Company will apply this standard from financial periods beginning on 1 January 2010. This amendment is not expected to have significant changes to the Company's accounting policies.

- FRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2010) allows entities to continue with their existing accounting policies for insurance contracts if those policies meet certain minimum criteria. One of the minimum criteria is that the amount of the insurance liability is subject to a liability adequacy test. The Company will apply this standard from financial periods beginning on 1 January 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

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

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

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

- The following standards will be effective for annual periods beginning on or after 1 January 2010. The Company will apply these standards from financial periods beginning on 1 January 2010. The Company has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the standard on the financial statements of the Company.

  - FRS 139, Amendments to FRS 139 on eligible hedged items, Improvement to FRS 139 and IC Interpretation 9
  - FRS 4
  - FRS 7 and Improvement to FRS 7

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards and amendments to published standards and interpretations to existing standards that are not applicable to the Company

FRSs/Interpretations	Effective date
FRS 8 Operating Segments	1 July 2009
FRS 123 Borrowing Costs	1 January 2010
The amendment to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
The amendment to FRS 2 Vesting Conditions and Cancellations	1 January 2010
IC Interpretation 11 FRS 2 Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13 Customer Loyalty Programmes	1 January 2010
IC Interpretation 14 FRS 119 The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interpretations	1 January 2010

(b) Business combination

The purchase method of accounting is used to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. See accounting policy Note 2(c) on goodwill. If the cost of acquisition is less than fair value of the acquired net assets, the difference is recognised directly in the income statement and/or revenue account.

(c) Goodwill

Goodwill represents the excess of purchase consideration and related costs of acquisition over the aggregate of the fair value of the net assets of the business acquired at the date of acquisition. See accounting policy Note 2(g) on impairment of non-financial assets.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Goodwill (continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose.

(d) Property, plant and equipment

Property, plant and equipment are initially stated at cost. Building on leasehold land is subsequently shown at revalued amount, based on periodic valuation of at least once in every 5 years by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

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

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

Property, plant and equipment are depreciated on a straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Building on leasehold land	50 years
Motor vehicles	4 years
Office equipment	3 – 6 years
Furniture and fittings	3 – 6 years

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged to the income statement and/or revenue account. On disposal of revalued assets, amounts in the revaluation reserve relating to the assets are transferred to retained earnings.

(e) 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 they are acquired or incurred principally for the purpose of selling or repurchasing it in the near term or they are 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 and/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. Gains and losses on derecognition of securities are measured as the difference between the sales proceeds and the last adjusted fair value in the income statement and/or revenue account.

(ii) Held-to-maturity securities

Held-to-maturity securities are securities with fixed or determinable payments and fixed maturity that the Company has 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 and/or revenue account when the securities are derecognised or impaired.

(iii) Available-for-sale securities

Available-for-sale securities are securities that are not classified as held-for-trading or held-to-maturity securities and measured at fair value. Available-for-sale securities are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. After initial measurement, available-for-sale securities are subsequently 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. When the securities are derecognised or impaired, the cumulative gains or losses previously recognised in equity shall be transferred to the income statement and/or revenue account.

See accounting policy Note 2(s) on the basis of fair valuation of financial instruments.

The accounting policy on investments that was applied in the previous year is described in Note 31 to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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 and/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 and/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 and/or revenue account.

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 and/or revenue account. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement and/or revenue account.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable.

An impairment loss is recognised for the amount by which the carrying value of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

An impairment loss is charged to the income statement and/or revenue account immediately unless it reverses the previous valuation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statement and/or revenue account unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

(h) Employee benefits

(i) Short term employee benefits

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

(ii) Post-employment benefits

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

(i) Receivables

Trade receivables are carried at invoiced amount less an allowance made for doubtful debts.

Known bad debts are written off and allowance is made for any debt considered to be doubtful of collection. In addition, allowance is made for any premiums, including agents' and reinsurers' balances, which remain outstanding for more than 6 months from the date on which they become receivable, except for outstanding motor premiums for which allowance is made for amounts outstanding for more than 30 days.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) General insurance underwriting results

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

Premium income

Premium income is recognised in a year in respect of risks assumed during that particular year. Premiums from direct business are recognised during the year upon issuance of debit notes. Premiums in respect of risks incepted for which debit notes have not been issued as of the balance sheet date are accrued at that date as pipeline premiums.

Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

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

Premium liabilities

Premium liabilities refer to the higher of:

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

(b) the best estimate value of the Company's unexpired risk reserves ("UPR") at the valuation date and the provision of risk margin for adverse deviation ("PRAD") at a 75% confidence level as required by BNM, 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 Company's expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and allows for expected future premium refunds.

UPR represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the year.

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

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

(ii) time apportionment method for non-annual policies reduced by the percentage of accounted gross direct business commissions to the corresponding premiums, not exceeding limits specified by BNM; and

(iii) 1/24th method for all other classes of general business in respect of Malaysian policies, reduced by the corresponding percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) General insurance underwriting results (continued)

Claims liabilities

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

Provision for claims liabilities is made for the estimated costs of all claims together with related expenses less reinsurance recoveries, in respect of claims notified but not settled at the balance sheet date. Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the balance sheet date, based on an actuarial valuation with a PRAD at a 75% confidence level as required by BNM.

Throughout the course of the year, management regularly re-assesses claims and provisions both on an individual and class basis, based on independent professional advice and reports, other available information and management's own assessment of the claims and provisions.

The accounting policy that was applied in the previous year is described in Note 31 to the financial statements.

Acquisition costs

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

(k) Other revenue recognition

Interest income including the amount of amortisation of premium and accretion of discount is recognised on a time proportion basis taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company.

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

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

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

(l) Foreign currency transactions

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Foreign currency transactions (continued)

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

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

(m) Income taxes

Current tax expense 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 recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amount in the financial statements.

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

Tax rates enacted or substantially enacted by the balance sheet date are used to determine deferred tax and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

(o) Dividends

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Operating lease and prepaid lease rental

Leases of assets under which all the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement and/or revenue account on a straight line basis over the period of the leases.

Leasehold land is accounted for as an operating lease and payments made in acquiring the leasehold land are classified as prepaid lease rental and amortised over the lease period.

(q) Provisions

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

(r) Cash and cash equivalents

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

(s) Financial instruments

<u>Description</u>

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

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

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

<u>Recognition method</u>

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Financial instruments (continued)

Fair value estimation

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

- the fair values of Malaysian Government Securities are based on the indicative market prices;

- the fair values of Cagamas papers and unquoted corporate debt securities are based on the indicative market yield obtained from fund managers;

- the fair values of quoted equity securities and unit trusts are based on quoted market prices; and

- the carrying amounts for other financial assets and liabilities with a maturity period of less than one year are assumed to approximate their fair values.

3 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. To enhance the information content of the estimates, certain key variables that are expected to have a material impact to the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. 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 year are outlined below.

(i) Estimated impairment of goodwill

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing, which is undertaken at the lowest level at which goodwill is monitored for internal management purposes. Impairment testing is performed annually by the Company according to its accounting policies by comparing the recoverable amounts of the CGUs with the carrying amount of net assets allocated to the CGU, including the attributable goodwill.

The recoverable amounts of the CGUs were determined based on the value-in-use calculations. The calculations require the use of estimates as set out in Note 5.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(ii) Claims liabilities

The value of claims liabilities for each class of business is estimated by reference to a variety of estimation techniques, generally based on a statistical analysis of historical experience which assumes an underlying pattern of claims development and payment, and includes a provision of risk margin for adverse deviation ("PRAD") at a 75% confidence level as required by BNM. PRAD is a component of the value of the insurance liabilities that relates to the uncertainty inherent in the best estimate value of the claims liabilities. PRAD is also an additional component of the liability value aimed at ensuring that the value of the claims liabilities is established at a level such that there is a higher level of confidence (or probability) that the provisions will ultimately be sufficient. The final selected estimates are based on a judgmental consideration of results of each method and qualitative information, for example, the class of business, the maturity of the portfolio and expected term of settlement of the class. Projections are based on historical experience and external benchmarks where relevant.

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 the actual future losses and loss adjustment expenses will not develop exactly as projected and may vary significantly from the projections.

(iii) Pipeline premiums

Pipeline premiums are premiums incepted for which the policies have not been issued.

The estimation of pipeline premiums for non-motor business is based on actual pipeline premiums in prior years adjusted for recent trend and events. The estimation of pipeline premiums for motor business is based on actual e-cover notes of the Company which have not been converted to policies.

(iv) Income taxes

Judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for certain tax matters which involve subjective judgement based on an assessment of the additional taxes that will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period which such determination is made.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Critical judgements in applying the Company's accounting policies

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

4 PROPERTY, PLANT AND EQUIPMENT

	Building RM	Motor vehicles RM	Office equipment RM	Furniture and fittings RM	Total RM
Cost/valuation					
At 1 January 2009	1,166,667	2,998,012	19,495,927	10,317,165	33,977,771
Arising from acquisition of business (Note 30)	190,000	-	1,185,931	-	1,375,931
Additions	-	123,434	5,007,263	3,390,714	8,521,411
Disposals	-	(811,228)	(133,189)	(17,000)	(961,417)
Write off	-	(116,422)	(54,468)	(3,300)	(174,190)
	1,356,667	2,193,796	25,501,464	13,687,579	42,739,506
Accumulated depreciation					
At 1 January 2009	55,556	1,866,646	13,630,659	7,059,062	22,611,923
Depreciation charge	31,578	661,649	3,404,448	2,223,035	6,320,710
Disposals	-	(811,220)	(128,671)	(15,300)	(955,191)
Write off	-	(116,421)	(40,850)	(495)	(157,766)
At 31 December 2009	87,134	1,600,654	16,865,586	9,266,302	27,819,676
Net book value					
At 31 December 2009	1,269,533	593,142	8,635,878	4,421,277	14,919,830

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Building RM	Motor vehicles RM	Office equipment RM	Furniture and fittings RM	Total RM
Cost/valuation					
At 1 January 2008	1,166,667	3,095,906	15,124,141	7,726,588	27,113,302
Additions	-	421,102	4,566,990	2,590,577	7,578,669
Disposals	-	(518,996)	(82,700)	-	(601,696)
Write off	-	-	(112,504)	-	(112,504)
	1,166,667	2,998,012	19,495,927	10,317,165	33,977,771
Accumulated depreciation					
At 1 January 2008	27,778	1,764,706	11,034,639	5,584,299	18,411,422
Depreciation charge	27,778	334,040	2,741,372	1,474,763	4,577,953
Disposals	-	(232,100)	(68,273)	-	(300,373)
Write off	-	-	(77,079)	-	(77,079)
At 31 December 2008	55,556	1,866,646	13,630,659	7,059,062	22,611,923
Net book value					
At 31 December 2008	1,111,111	1,131,366	5,865,268	3,258,103	11,365,848

The building was last revalued in 2005, based on open market values of the properties, using the comparison method of valuation, carried out by an independent qualified valuer. The net book value of the building was adjusted to reflect the revaluation and the resultant surplus was credited to the revaluation reserve.

The net book value of the revalued building, had the asset been carried at cost less accumulated depreciation, is set out below:

	2009 RM	2008 RM
Building on leasehold land	1,147,924	985,420

5 GOODWILL

	2009 RM	2008 RM
Cost		
At 1 January	26,929,731	26,929,731
Arising from acquisition of business (Note 30)	31,411,824	-
Less: Impairment of goodwill (Note 21)	(31,411,824)	-
At 31 December	26,929,731	26,929,731

Goodwill of the Company arose from the business acquisition of Amanah General Insurance (M) Bhd ("AGIB"), Asia Insurance (M) Bhd ("AIMB") and PanGlobal Insurance Berhad ("PGI") in 2002, 2007 and 2009 respectively. As at 31 December 2009, the carrying amount of goodwill arising from the business acquisition of AGIB, AIMB and PGI was RM13,666,666 (2008: RM13,666,666), RM13,263,065 (2008: RM13,263,065) and Nil (2008: Nil) respectively.

The goodwill arising from the acquisition of PGI was written off to the income statement during the year as the Directors are of the opinion that there will be no future economic benefits associated with the business acquisition following the recent liberalisation of the insurance sector, including the lifting of restrictions on the opening of new branches for foreign owned insurers.

The carrying amount of the remaining goodwill is allocated to the CGUs comprising the branch network transferred from AGIB and AIMB respectively. The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the Directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated perpetual growth rates.

The key assumptions used in the value-in-use calculations for the respective CGUs are as follows:

	AGIB %	AIMB %
Average business growth rate	7	10
Perpetual growth rate (for terminal value)	5	5
Pre-tax discount rate	10	10
Loss ratio	61	60

The Directors have determined the growth rate based on past performance and their expectations of market development. The weighted average growth rates are consistent with the forecasts included in industry reports, adjusted with the trends and expectations of the Company's branches. The discount rate used is pre-tax and reflects the Company's overall weighted average cost of capital.

If the estimated average business growth rate and perpetual growth rate had been 1% lower than management's estimate and if the pre-tax discount rate and loss ratio had been higher than management's estimate by 1%, the recoverable amounts of the CGUs will still be higher than the CGUs' net assets, and therefore there will not be any impairment in goodwill.

6 SECURITIES

	2009 RM	2008 RM
(a) Securities held-for-trading		
At fair value		
Quoted in Malaysia:		
Shares of corporations	60,632,029	-
Unit trusts	1,888,841	-
		-
Total securities held-for-trading	62,520,870	-
(b) Securities available-for-sale		
At fair value		
Cagamas	3,178,800	-
Quoted in Malaysia:		
Unit trusts	436,405,289	-
Unquoted corporate debt securities	71,074,100	-
Total securities available-for-sale	510,658,189	-
(c) Securities held-to-maturity		
At cost		
Malaysian Government Securities	80,985,600	-
Amortisation of premiums – net	(328,209)	-
	80,657,391	-
Unquoted corporate debt securities	13,007,200	-
Amortisation of premiums – net	(6,635)	-
	13,000,565	-
Total securities held-to-maturity	93,657,956	-

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

	2009 RM	2008 RM
Maturity within 12 months	17,957,065	-
Maturity after 12 months	149,953,791	-
	167,910,856	-

7 INVESTMENTS

	2009 Cost RM	2009 Market value RM	2008 Cost RM	2008 Market value RM
At cost:				
Malaysian Government Securities	-	-	61,017,100	61,012,750
Amortisation of premiums - net	-		(859,019)	
	-		60,158,081	
At cost:				
Cagamas papers	-	-	13,147,000	13,261,600
Amortisation of premiums - net	-		(120,901)	
	-		13,026,099	
At cost:				
Equity securities of corporations quoted in Malaysia	-	-	43,327,041	36,575,082
Allowance for diminution in value	-		(6,751,959)	
	-		36,575,082	
Unquoted, at cost:				
Equity securities of corporations	-		334,423	
Allowance for diminution in value	-		(334,423)	
	-		-	
Corporate debt securities	-	-	150,613,179	151,568,380
Amortisation of premiums - net	-		(42,003)	
	-		150,571,176	

7 INVESTMENTS (CONTINUED)

	2009 Cost RM	2009 Market value RM	2008 Cost RM	2008 Market value RM
Other investments	-	-	500,000	423,273
Allowance for diminution in value	-		(76,727)	
	-		423,273	
Total investments	-		260,753,711	

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

	2009 RM	2008 RM
Investments maturing within 12 months	-	64,691,748
Investments maturing after 12 months	-	159,063,607
	-	223,755,356

Pursuant to the implementation of the RBC Framework on 1 January 2009, the Company has reclassified all its investments as securities held-for-trading, available-for-sale or held-to-maturity, as described in Note 6 to the financial statements.

8 LOANS

	2009 RM	2008 RM
Staff housing loans	6,855,578	7,771,879
Staff vehicle loans	1,993,132	2,565,020
Others	18,230	19,530
	8,866,940	10,356,430
Receivable within 12 months	65,169	1,362,040
Receivable after 12 months	8,801,771	8,994,390
	8,866,940	10,356,430

9 RECEIVABLES

	2009 RM	2008 RM
Trade receivables		
Due premiums including agents, brokers and co-insurers balances	84,455,641	78,253,037
Due from reinsurers and cedants	27,513,284	15,403,080
Allowance for doubtful debts	(16,325,530)	(14,610,094)
	95,643,395	79,046,023
Other receivables		
Income due and accrued	4,112,597	5,687,920
Knock for knock claims recoveries	1,086,982	1,871,543
Assets held under Malaysian Motor Insurance Pool	5,273,597	2,884,030
Deposit paid for the acquisition of PanGlobal Insurance Berhad	-	1,500,000
Other receivables, deposits and prepayments	6,038,191	5,067,951
	16,511,367	17,011,444
Prepaid lease rental		
As at 1 January	2,333,333	2,333,333
Arising from acquisition of business (Note 30)	460,000	-
Accumulated amortisation	(175,868)	(111,112)
As at 31 December	2,617,465	2,222,221
Total receivables	114,772,227	98,279,688

10 FIXED AND CALL DEPOSITS

	2009 RM	2008 RM
Fixed and call deposits with:		
Licensed banks	382,659,310	560,568,484

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

	2009 RM	2008 RM
Maturity within 12 months	377,771,259	555,701,757
Maturity after 12 months	4,888,051	4,866,727
	382,659,310	560,568,484

The weighted average effective interest rate of deposits is 2.26% per annum ("p.a") (2008: 3.27%) for the Company as at the balance sheet date. These deposits have an average maturity period of 30 days to 365 days (2008: 30 days to 365 days).

11 CLAIMS LIABILITIES

	2009 RM	2008 RM
Gross claims liabilities	538,893,311	405,275,499
Recoverable from reinsurers	(90,467,435)	(96,962,253)
Net claims liabilities	448,425,876	308,313,246

12 PAYABLES

	2009 RM	2008 RM
Trade payables		
Due to insureds, agents, brokers and co-insurers	44,346,684	33,174,134
Due to reinsurers and cedants	37,866,151	31,673,357
	82,212,835	64,847,491
Other payables		
Cash collaterals held on bond	5,081,431	5,401,371
Payroll liabilities	10,502,994	9,414,606
Other payables and accrued expenses	15,348,721	10,067,929
	30,933,146	24,883,906
Total payables	113,145,981	89,731,397

13 DEFERRED TAXATION

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

(a) The deferred tax balances of the Company after appropriate offsetting are as follows:

	2009 RM	2008 RM
Deferred tax (liabilities)/assets	(800,000)	5,300,000

13 DEFERRED TAXATION (CONTINUED)

(a) The deferred tax balances of the Company after appropriate offsetting are as follows: (continued)

	2009 RM	2008 RM
Subject to income tax:		
Deferred tax assets (before offsetting)		
- Investments	-	2,046,258
- Receivables	4,436,420	3,857,230
- Premium liabilities	-	26,432
- Securities held-to-maturity	83,711	-
	4,520,131	5,929,920
Offsetting	(4,520,131)	(629,920)
Deferred tax assets (after offsetting)	-	5,300,000
Deferred tax liabilities (before offsetting)		
- Property, plant and equipment	964,494	629,920
- Premium liabilities	649,526	-
- Securities available-for-sale	1,323,890	-
- Securities held-for-trading	2,382,221	-
	5,320,131	629,920
Offsetting	(4,520,131)	(629,920)
Deferred tax liabilities (after offsetting)	800,000	-

(b) The movements in deferred tax balances during the year are as follows:

	2009 RM	2008 RM
At 1 January (as previously stated)	5,300,000	4,317,354
Adjustments from changes in accounting policy (Note 31)	(366,158)	-
At 1 January (as restated)	4,933,842	4,317,354
Arising from acquisition of business (Note 30)	1,134,329	-
	6,068,171	4,317,354

13 DEFERRED TAXATION (CONTINUED)

(b) The movements in deferred tax balances during the year are as follows (continued):

	2009 RM	2008 RM
(Charged)/credited to income statement (Note 22):		
- Investments	(2,046,258)	1,706,382
- Receivables	213,032	(544,437)
- Property, plant and equipment	(334,574)	(158,280)
- Premium liabilities	(675,958)	(21,019)
- Securities held-for-trading	(2,382,221)	-
- Securities held-to-maturity	83,711	-
	(5,142,268)	982,646
Charged to available-for-sale reserve:		
- Securities available-for-sale	(1,725,903)	-
Total movement for the year	(6,868,171)	982,646
At 31 December	(800,000)	5,300,000

14 PREMIUM LIABILITIES

	Fire RM	Motor RM	Marine, Aviation & Transit RM	Miscellaneous RM	Total RM
2009					
At 1 January 2009 (as previously stated)	16,860,738	142,898,088	8,419,564	29,037,362	197,215,752
Adjustments from changes in accounting policy (Note 31)	(4,299,041)	8,080,388	(2,825,084)	(956,263)	-
At 1 January 2009 (as restated)	12,561,697	150,978,476	5,594,480	28,081,099	197,215,752
Arising from acquisition of business (Note 30)	407,000	31,808,000	879,000	3,940,000	37,034,000
(Decrease)/increase in premium liabilities	(2,902,440)	4,867,699	(1,592,977)	5,079,561	5,451,843
At 31 December 2009	10,066,257	187,654,175	4,880,503	37,100,660	239,701,595
2008					
At 1 January 2008	13,757,004	101,730,423	6,851,771	25,546,883	147,886,081
Increase in premium liabilities	3,103,734	41,167,665	1,567,793	3,490,479	49,329,671
At 31 December 2008	16,860,738	142,898,088	8,419,564	29,037,362	197,215,752

15 SHARE CAPITAL

	2009 RM	2008 RM
Authorised ordinary shares of RM1 each		
At 1 January	300,000,000	100,000,000
Created during the year	-	200,000,000
At 31 December	300,000,000	300,000,000
Issued and fully paid ordinary shares of RM1 each		
At 1 January	278,000,000	100,000,000
Issued during the year	-	178,000,000
At 31 December	278,000,000	278,000,000

On 18 December 2008, the Company increased its authorised share capital from RM100,000,000 to RM300,000,000. On the same day, the Company issued 178,000,000 ordinary shares of RM1 each per share for cash at par, to fund the further expansion of the Company's operations. The new ordinary shares issued during the year ranked pari passu in all respects with the existing ordinary shares of the Company.

16 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 2009 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, 2008.

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt account to frank approximately RM83.2 million (2008: RM81.2 million) of its retained earnings as at 31 December 2009 if paid out as dividends. The extent of retained earnings not covered at that date amounted to RM78.8 million (2008: RM36.6 million).

17 REVALUATION AND AVAILABLE-FOR-SALE RESERVES

	2009 RM	2008 RM
Non-distributable revaluation reserve		
At beginning/end of year	717,497	717,497

17 REVALUATION AND AVAILABLE-FOR-SALE RESERVES (CONTINUED)

	2009 RM	2008 RM
Non-distributable available-for-sale reserve		
At beginning of year (as previously stated)	-	-
Adjustments from changes in accounting policy (Note 31)	987,676	-
At beginning of year (as restated)	987,676	-
Movement in available-for-sale reserve	1,677,955	-
At end of year	2,665,631	-

18 OPERATING REVENUE

	2009			2008		
	General insurance fund RM	Share-holders' fund RM	Total RM	General insurance fund RM	Share-holders' fund RM	Total RM
Gross premium	701,774,846	-	701,774,846	580,682,878	-	580,682,878
Investment income (Note 19)	31,212,461	284,159	31,496,620	22,596,742	135,384	22,732,126
	732,987,307	284,159	733,271,466	603,279,620	135,384	603,415,004

19 INVESTMENT INCOME

	2009 RM	2008 RM
General insurance fund		
Interest from:		
Malaysian Government Securities	3,130,657	2,717,829
Cagamas papers	484,519	539,376
Corporate debt securities	5,938,878	3,400,054
Fixed and call deposits	16,350,087	14,657,305
Loans	335,244	343,995
Gross dividends from:		
Quoted investments in Malaysia	1,900,409	1,247,099
Unquoted investments	2,786,914	-
Rental of properties	119,763	114,107
Net accretion of discounts/(amortisation of premiums)	165,990	(423,023)
	31,212,461	22,596,742
Shareholders' fund		
Interest from fixed and call deposits	284,159	135,384

20 MANAGEMENT EXPENSES

General insurance fund	2009 RM	2008 RM
Staff salary and bonus	45,265,271	36,167,700
Defined contribution benefits	6,354,276	5,099,648
Others	2,439,785	2,130,271
Staff costs	54,059,332	43,397,619
Executive Director:		
- salary	300,072	228,528
- bonus	75,018	22,706
- other benefits/remuneration	5,444	1,848
Non-executive Directors:		
- fees	233,000	185,742
- other benefits/remuneration	14,600	12,800
Directors' remuneration	628,134	451,624
Property, plant and equipment		
- depreciation	6,320,710	4,577,953
- write off	16,424	35,425
Amortisation charge for prepaid lease rental	64,756	55,556
Auditors' remuneration		
- statutory audit	180,000	110,000
- others	40,000	75,000
Write-back of doubtful debts	(1,890,388)	(1,789,885)
Bad debts written off	156,797	409,584
Rental of office premises	6,386,524	4,828,395
IGSF levies	1,468,437	1,191,463
Entertainment	4,117,942	3,930,376
Training expenses	1,057,619	927,866
Management fees	1,050,552	1,015,588
Repairs and maintenance	1,156,984	878,162
Motor vehicle expenses	2,845,074	2,559,643
Travelling	713,941	824,324
Advertising	56,035	50,492
Printing and stationery	3,853,417	3,334,143
Postage and telephone	2,044,914	1,938,117
Electronic data processing expenses	5,819,697	4,327,920
Bank collection charges	5,834,372	4,961,872
Other expenses	2,046,968	1,341,758
	43,340,775	35,583,752
	98,028,241	79,432,995

The estimated cash value of benefits-in-kind provided to the Directors of the Company amounted to RM148,549 (2008: RM98,256).

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the year amounted to RM731,473 (2008: RM669,917).

21 OTHER OPERATING INCOME/(EXPENDITURE)

	2009 RM	2008 RM
General insurance fund		
Fair value gain on securities:		
- held-for-trading	18,207,388	-
Gain on disposal of securities:		
- held-for-trading	571,063	-
- available-for-sale	1,264,870	-
Allowance for diminution in value of investments	-	(6,828,686)
Loss on disposal of investments	-	(558,564)
Agency fee	1,076,466	1,085,878
Gain on disposal of property, plant and equipment	233,709	137,974
Sundry income	70,742	345,331
Loss on foreign exchange - net	(58,071)	(26,439)
Other operating income/(expenditure) - net	21,366,167	(5,844,506)
Shareholders' fund		
Impairment of goodwill (Note 5)	(31,411,824)	-
Professional fees	(278,807)	(1,126,775)
Others	-	(605)
Other operating expenditure	(31,690,631)	(1,127,380)

22 TAXATION

	2009	2008
Current tax charge	(7,895,039)	(13,066,335)
Deferred tax (Note 13)	(5,142,268)	982,646
	(13,037,307)	(12,083,689)
Current tax:		
Current year	(7,895,039)	(13,029,140)
Under accrual in prior years	-	(37,195)
	(7,895,039)	(13,066,335)
Deferred tax:		
Origination and reversal of temporary differences	(5,142,268)	982,646
	(13,037,307)	(12,083,689)

22 TAXATION (CONTINUED)

The explanation of the relationship between tax expense and profit before taxation is as follows:

	2009 RM	2008 RM
Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate:		
Profit before taxation	60,105,478	44,258,198
Tax calculated at the Malaysian tax rate of 25% (2008: 26%)	15,026,370	11,507,131
Tax effects of:		
- expenses not deductible for tax purposes	7,782,102	969,021
- income not subject to tax	(9,482,413)	(25,057)
- income taxed at a lower tax rate	(288,752)	(404,601)
Under accrual in prior years	-	37,195
Tax expense	13,037,307	12,083,689

23 EARNINGS PER SHARE

The basic earnings per share are calculated as follows:

	Net profit		Weighted average number of shares		Earnings per share	
	2009 RM	2008 RM	2009	2008	2009 RM	2008 RM
Net profit for the financial year	47,068,171	32,174,509				
Number of ordinary shares			278,000,000	106,339,726		
Basic earnings per share					0.17	0.30

24 NET CLAIMS INCURRED

	Fire	Motor	Marine, Aviation & Transit	Miscellaneous	Total
	RM	RM	RM	RM	RM
2009					
Gross claims paid less salvage	38,764,038	285,771,265	16,413,661	61,507,451	402,456,415
Reinsurances recoveries	(20,957,814)	(16,386,212)	(4,187,954)	(18,757,146)	(60,289,126)
Net claims paid	17,806,224	269,385,053	12,225,707	42,750,305	342,167,289
Net claims liabilities:					
At 1 January 2009 (as previously stated)	(18,474,410)	(227,158,007)	(15,872,126)	(46,808,703)	(308,313,246)
Adjustments from changes in accounting policy (Note 31)	(1,468,590)	(1,841,995)	1,073,127	(683,296)	(2,920,754)
At 1 January 2009 (as restated)	(19,943,000)	(229,000,002)	(14,798,999)	(47,491,999)	(311,234,000)
Arising from acquisition of business (Note 30)	(2,055,000)	(98,370,000)	(283,000)	(3,960,000)	(104,668,000)
	(21,998,000)	(327,370,002)	(15,081,999)	(51,451,999)	(415,902,000)
At 31 December 2009	17,954,564	366,504,138	13,612,489	50,354,685	448,425,876
(Decrease)/increase in outstanding claims	(4,043,436)	39,134,136	(1,469,510)	(1,097,314)	32,523,876
Net claims incurred	13,762,788	308,519,189	10,756,197	41,652,991	374,691,165
2008					
Gross claims paid less salvage	25,924,380	178,062,341	19,025,668	52,149,568	275,161,957
Reinsurances recoveries	(11,334,494)	(9,320,761)	(5,145,758)	(11,354,310)	(37,155,323)
Net claims paid	14,589,886	168,741,580	13,879,910	40,795,258	238,006,634
Net outstanding claims:					
At 1 January 2008	(10,815,815)	(201,494,292)	(17,037,202)	(48,806,506)	(278,153,815)
At 31 December 2008	18,474,410	227,158,007	15,872,126	46,808,703	308,313,246
Increase/(decrease) in outstanding claims	7,658,595	25,663,715	(1,165,076)	(1,997,803)	30,159,431
Net claims incurred	22,248,481	194,405,295	12,714,834	38,797,455	268,166,065

25 CASH FLOW SEGMENT INFORMATION

	2009			2008		
	General insurance fund	Share-holders' fund	Total	General insurance fund	Share-holders' fund	Total
		RM	RM	RM	RM	RM
Cash flows from:						
Operating activities	(89,982,591)	-	(89,982,591)	(162,382,646)	-	(162,382,646)
Investing activities	96,693,579	-	96,693,579	(7,139,372)	-	(7,139,372)
Financing activities	-	-	-	178,000,000	-	178,000,000
	6,710,988	-	6,710,988	8,477,982	-	8,477,982
Net increase In cash and cash equivalents	6,710,988	-	6,710,988	8,477,982	-	8,477,982
Cash and cash equivalents:						
At 1 January	22,439,950	-	22,439,950	13,961,968	-	13,961,968
At 31 December	29,150,938	-	29,150,938	22,439,950	-	22,439,950

26 CAPITAL COMMITMENTS

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

	General insurance fund	
	2009	2008
	RM	RM
Authorised and contracted for:		
- property, plant and equipment	918,290	245,050

27 OPERATING LEASE COMMITMENT

The Company has rental commitments under non-cancellable operating leases and the future minimum lease payments as at 31 December 2009 are as follows:

	2009	2008
	RM	RM
Payable not later than 1 year	6,747,158	5,434,938
Payable later than 1 year and not later than 5 years	4,138,321	7,043,952
	10,885,479	12,478,890

28 SIGNIFICANT RELATED PARTY DISCLOSURES

The related parties of, and their relationship with the Company as at 31 December 2009, are as follows:

Related parties	Country of incorporation	Relationship
Tokio Marine Holdings Inc. ("TMH")	Japan	Ultimate holding company
Tokio Marine Asia Pte. Ltd. ("TM Asia")	Singapore	Holding company
Tokio Marine and Nichido Fire Insurance Company Limited ("TMNF")	Japan	Subsidiary of TMH
Tokio Marine Global Re Limited	Ireland	Subsidiary of TMNF
Tokio Marine Global Re Limited	Labuan	Subsidiary of TMNF
Key management personnel*		

* Key management personnel are those persons having the 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 the Executive Director, Chief Executive Officer, Deputy Chief Executive Officer, Senior General Managers and other senior management personnel of the Company.

In the normal course of business, the Company undertakes at agreed terms and prices, various transactions with its holding company and other companies deemed related parties by virtue of being subsidiaries of its holding company.

The significant related party transactions during the year and balances at the end of the year between the Company and its related parties are set out below:

Significant related party transactions
Income/(expenses)

	2009 RM	2008 RM
Transactions with holding company:		
Underwriting risk survey fees paid	(27,311)	(766,509)
Transactions with related companies:		
Premium ceded	(32,620,371)	(27,434,182)
Commission received	7,639,909	5,694,334
Agency fees received	1,076,466	1,085,878
Rental paid	(192,704)	(172,380)
Claims paid on behalf of a related company	(3,169,640)	(1,925,618)
Claims recoveries and paid	18,518,452	5,493,000

28 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

	2009 RM	2008 RM
Key management personnel's remuneration		
Salary	3,504,704	2,958,660
Bonus	880,331	799,334
Defined contribution plan	617,708	695,430
Other benefits	349,350	283,149
	5,352,093	4,736,573
Significant related party balances		
Receivables (Note 9)		
Advance made on behalf of related companies	103,306	-
Claim recoveries due from related companies	3,157,413	1,264,406
Payables (Note 12)		
Reinsurance premiums due to related companies	(5,943,101)	(4,313,541)
Advance made on behalf by related companies	-	(190,614)

29 FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to underwriting, credit, interest rate, currency risks and market risk during the normal course of its business. The Company has, in place, established procedures and guidelines to monitor the risks on an ongoing basis.

Underwriting risk

Underwriting risk includes the risk of incurring higher claims costs than expected owing to the unpredictable nature of claims, especially in terms of frequency, severity and the risk of change in economic and legal conditions or behavioral patterns affecting insurance pricing and conditions of insurance or reinsurance cover. This may result in the insurer receiving too little or insufficient premium for the risks it underwrites and insufficient liquidity to pay claims, which are higher than expected. The Company seeks to minimise underwriting risks with a balanced mix of business portfolio and by strictly observing the underwriting guidelines and limits, prudent estimation of claims reserving and high standard of security vetting of all its reinsurers.

29 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

Credit risk represents the loss that would be recognised if counterparties to insurance, reinsurance and investment transactions fail to perform as contracted. Management has a credit policy in place and the exposure to these credit risks is monitored consistently.

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

Interest rate risk

Changes in the market interest rates will affect the Company's investment earnings as the Company places part of its excess funds in interest bearing instruments and bank deposits. The Company therefore has set strict investment guidelines in place that provide for careful selection of issuers and financial institutions to ensure that the risks are well spread and the investments generate favourable as well as safe returns for the shareholders.

Foreign currency risk

The Company is exposed to foreign currency risks on transactions that are denominated other than in Ringgit Malaysia. These exposures are monitored on an ongoing basis.

The Company does not hedge its foreign currency risk.

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 invest in equities, unit trusts and fixed income securities either managed internally or outsourced to professional fund manager. To deal with this risks, the Board has formulated investment policies and strategies and meetings were held during the financial year and monitor the performance of the fund managers.

29 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Exposure to interest rate risk

The following tables provide information about financial assets and financial liabilities, showing the weighted average effective interest rate at the balance sheet date and the earlier of the contractual repricing or maturity date for each class of interest-bearing financial instrument in the balance sheet.

		Interest-bearing Contractual repricing or maturity date (whichever is earlier)							
2009	Non-interest bearing	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total carrying amount	Weighted average effective interest rate
	RM	RM	RM	RM	RM	RM	RM	RM	%
Financial assets:									
Securities									
- Held-for-trading	62,520,870	-	-	-	-	-	-	62,520,870	-
- Available-for-sale	436,405,289	4,956,500	5,053,500	10,181,500	9,830,500	14,992,500	29,238,400	510,658,189	4.25
- Held-to-maturity	-	13,000,565	34,862,797	20,342,945	20,164,348	5,287,301	-	93,657,956	3.32
- Fixed and call deposits	-	377,771,258	17,586	-	-	-	4,870,466	382,659,310	2.26
Loans	-	1,372,619	1,211,169	1,025,447	868,981	769,953	3,618,771	8,866,940	3.60
Cash and bank balances	29,150,938	-	-	-	-	-	-	29,150,938	-
Other receivables	13,658,525	-	-	-	-	-	-	13,658,525	-
	541,735,622	397,100,942	41,145,052	31,549,892	30,863,829	21,049,754	37,727,637	1,101,172,728	
Other financial assets*								95,643,395	
Total financial assets								1,196,816,123	
Other assets								48,627,157	
Total assets per balance sheet								1,245,443,280	

29 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Exposure to interest rate risk (continued)

		Interest-bearing Contractual repricing or maturity date (whichever is earlier)							
2009	Non-interest bearing	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total carrying amount	Weighted average effective interest rate
	RM	RM	RM	RM	RM	RM	RM	RM	%
Financial liabilities:									
Other payables	30,933,146	-	-	-	-	-	-	30,933,146	-
Other financial liabilities*								530,638,711	
Total financial liabilities								561,571,857	
Other liabilities								240,501,595	
Total liabilities per balance sheet								802,073,452	

29 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Exposure to interest rate risk (continued)

		Interest-bearing Contractual repricing or maturity date (whichever is earlier)							
2008	Non-interest bearing	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total carrying amount	Weighted average effective interest rate
	RM	RM	RM	RM	RM	RM	RM	RM	%
Financial assets:									
Investments									
- Malaysian Government Securities	-	25,076,064	-	29,734,570	-	-	5,347,447	60,158,081	3.77
- Cagamas papers	-	10,026,099	-	-	-	-	3,000,000	13,026,099	4.18
- Quoted equity securities	36,575,082	-	-	-	-	-	-	36,575,082	-
- Corporate debts securities	-	29,589,586	17,800,330	5,000,000	20,187,818	22,419,537	55,573,905	150,571,176	4.68
- Fixed and call deposits	-	555,701,757	27,217	17,586	-	-	4,821,924	560,568,484	3.27
- Other investments	423,273	-	-	-	-	-	-	423,273	-
Loans	-	1,362,040	1,306,307	1,170,607	937,055	780,547	4,799,874	10,356,430	3.60
Cash and bank balances	22,439,950	-	-	-	-	-	-	22,439,950	-
Other receivables	17,400,541	-	-	-	-	-	-	17,400,541	-
	76,838,846	621,755,546	19,133,854	35,922,763	21,124,873	23,200,084	73,543,150	871,519,116	
Other financial assets*								80,879,147	
Total financial assets								952,398,263	
Other assets								43,595,579	
Total assets per balance sheet								995,993,842	

TOKIO MARINE INSURANS (MALAYSIA) BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (CONTINUED)

29 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Exposure to interest rate risk (continued)

		Interest-bearing Contractual repricing or maturity date (whichever is earlier)							
2008	Non-interest bearing	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total carrying amount	Weighted average effective interest rate
	RM	RM	RM	RM	RM	RM	RM	RM	%
Financial liabilities:									
Other payables	24,883,906	-	-	-	-	-	-	24,883,906	-
Other financial liabilities*								373,160,737	
Total financial liabilities								398,044,643	
Other liabilities								201,392,419	
Total liabilities per balance sheet								599,437,062	

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

29 FINANCIAL INSTRUMENTS (CONTINUED)

(b) 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 below:

2009

	Carrying amount RM	Fair value RM
Securities:		
- Held-to-maturity	93,657,956	94,407,425

2008

	Carrying amount RM	Fair value RM
Investments:		
- Malaysian Government Securities	60,158,081	61,012,750
- Cagamas paper	13,026,099	13,261,600
- Corporate debt securities	150,571,176	151,568,380
	223,755,356	225,842,730

The carrying values of investments in Malaysian Government Securities have not been written down to their fair values as at 31 December 2008 as the Directors are of the opinion that these investments will be held for long-term purposes.

30 BUSINESS COMBINATION

On 1 February 2009, the Company completed the acquisition of certain assets and liabilities of the general insurance business of PanGlobal Insurance Berhad ("PGI") for a cash consideration of RM15,000,000. The details of the acquisition are shown below:

	RM
Purchase consideration:	
- cash consideration	15,000,000
Less: Fair value of net liabilties acquired	(16,411,824)
Goodwill (Note 5)	31,411,824

Details of net assets acquired are as follows:

	Carrying value RM	Fair value RM
Assets		
Property, plant and equipment (Note 4)	1,375,931	1,375,931
Receivables	9,130,884	9,130,884
Cash and bank balances	119,975,055	119,975,055
Deferred tax asset (Note 13)	-	1,134,329
Total assets	130,481,870	131,616,199
Liabilities		
Payables	6,326,023	6,326,023
Claims liabilities (Note 24)	89,337,729	104,668,000
Premium liabilities (Note 14)	34,818,119	37,034,000
Total liabilities	130,481,870	148,028,023
Net liabilities acquired	-	(16,411,824)

Details of cash flows arising from the acquisition are as follows:

Purchase consideration settled in cash	15,000,000
Less: Cash and cash equivalents of business acquired	(119,975,055)
Net cash inflow of the Company on acquisition	104,975,055

The acquired business contributed an operating profit of RM10,059,979 and a net profit of RM3,841,890 to the Company for the financial period from 1 February 2009 to 31 December 2009. Had the acquisition taken effect at the beginning of the 2009, the operating revenue and net profit of the Company for the year ended 31 December 2009 would not have been significantly different from the above.

31 CHANGES 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 investments 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 balances as at 1 January 2009, as mentioned in Note 2(a) to the financial statements.

In previous financial years, investments in Malaysian Government Securities and unquoted corporate debt securities 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 were 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, specific allowance was made against the value of that investment. Quoted investments in unit trusts were stated at the lower of cost and market value. Other unquoted investments were stated at cost and allowance was made where in the opinion of the Directors, there was a decline other than temporary in the value of an investment.

The RBC Framework requires insurers to classify and value the investment securities into 3 categories: securities held-for-trading, securities available-for-sale and securities held-to-maturity. The Company has classified its securities portfolio as held-for-trading, available-for-sale and held-to-maturity as described in Note 2(e).

In addition, the RBC Framework introduced new features in the valuation of general insurance liabilities, such as requiring estimates of insurance liabilities with provision of risk margin for adverse deviation (“PRAD”) at 75% confidence level, allowing discounting, diversification and inflation in the estimation, and requiring a separate provision for claims handling expenses.

The effects of these changes in accounting policies on the opening balances as at 1 January 2009 are as follows:

	Balance as at 1.1.2009	Effects of change in policy	Adjusted balance as at 1.1.2009
	RM	RM	RM
Investments:			
Cagamas	13,026,099	240,600	13,266,699
Unquoted corporate debt securities	150,571,176	1,113,235	151,684,411
Premium liabilities	(197,215,752)	-	(197,215,752)
Claims liabilities	(308,313,246)	(2,920,754)	(311,234,000)
Deferred tax assets	5,300,000	(366,158)	4,933,842
Available-for-sale reserve	-	(987,676)	(987,676)
Retained earnings	(117,839,283)	2,920,754	(114,918,529)