TOKIO MARINE

2010 ANNUAL REPORT

YOUR
INSURANCE
PARTNER

RAKAN INSURANS ANDA

TOKIO
MARINE
GROUP

VISION

At TMIM, we aspire to be the Preferred Insurance Partner for All

MISSION

- To be a dominant non-life insurer in Malaysia
- Establish true strategic business partnership with intermediaries and customers alike
- Making services and customers' trust the core of the Company's activities
- Value creation and giving the expected returns to shareholders

TOKIO MARINE GROUP CORPORATE PHILOSOPHY

With customer trust as the foundation for all its activities, Tokio Marine Group continually strives to raise corporate value.

- Through the provision of the highest quality products and services, Tokio Marine Group aims to deliver safety and security to all our customers.
- By developing sound, profitable and growing businesses throughout the world, Tokio Marine Group will fulfill its mandate to shareholders.
- Tokio Marine Group will continue to build an open and dynamic corporate culture that enables each and every employee to demonstrate his or her creative potential.
- Acting as a good corporate citizen through fair and responsible management, Tokio Marine Group will broadly contribute to the development of society.

CORE VALUES

In our business operations, every employee here at Tokio Marine Insurans (Malaysia) Berhad or TMIM is guided by our management philosophy and encouraged to apply the following core values at the work place

- **Customer Focus**
  Understanding and meeting customers' needs

- **Teamwork**
  Working together to achieve the common objectives

- **Knowledgeable**
  Demonstrating competency in product knowledge, environment and marketplace

- **Continuous Learning**
  Upgrading oneself eagerly and consistently

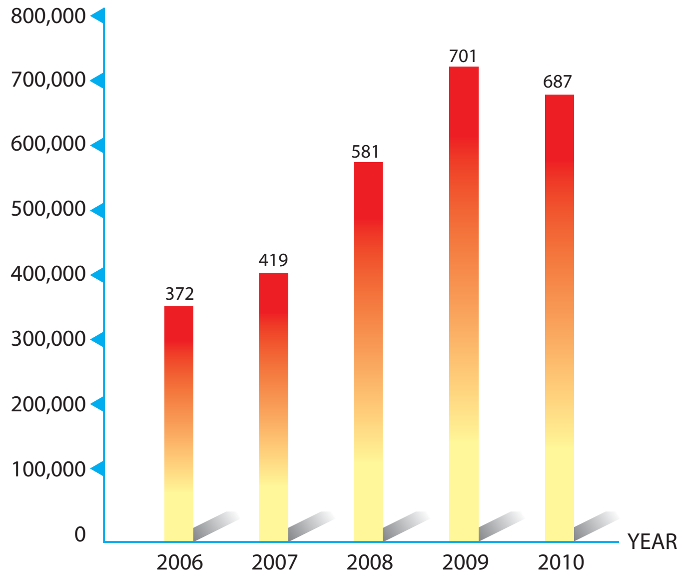
- **Effective Communication**
  Conveying message and intention clearly

- **Recognition**
  Appreciating, promoting, rewarding performers and contributors

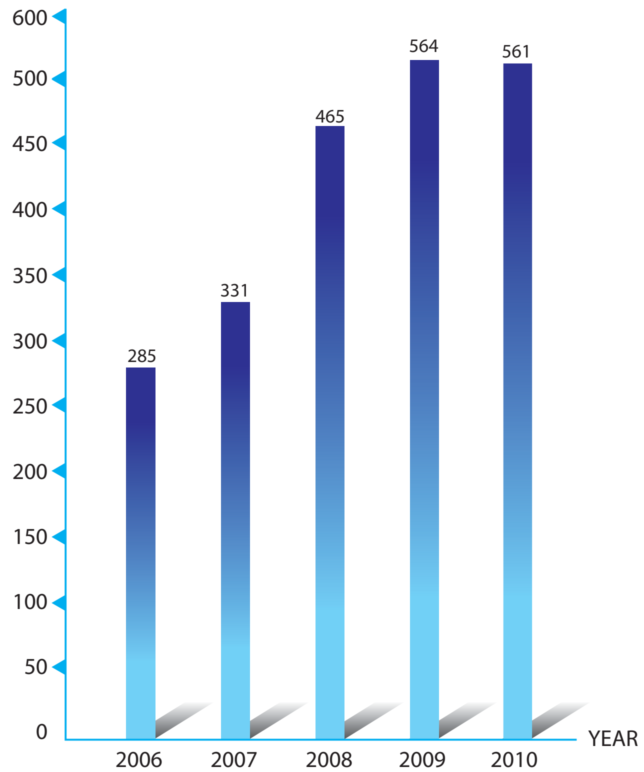
Financial Highlights

	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000
5 Years Financial Highlights					
Shareholders Fund-31st December	153,940	186,382	396,557	443,370	516,736
Total Assets	548,037	695,971	995,994	1,245,443	1,494,541
Profit & Loss Accounts					
Gross Premium	372,198	419,698	580,683	701,775	687,937
Net Premium	285,197	331,837	464,744	564,362	561,243
Less: Inc./(Decr.) In UPR	14,786	13,032	49,329	5,452	(266)
Earned Premium	270,411	318,805	415,415	558,910	561,509
Net Claims Incurred	(203,227)	(210,365)	(268,166)	(374,691)	(372,461)
Net Commission	(26,926)	(26,750)	(39,318)	(47,258)	(48,892)
Management Expenses	(51,749)	(64,682)	(79,433)	(98,028)	(98,711)
Underwriting Profit/(Loss)	(11,491)	17,008	28,498	38,933	41,445
Interest, Investment & Other Income and Other Expenses	15,956	22,647	15,760	21,172	47,566
Profit Before Taxation	4,465	39,655	44,258	60,105	89,011
Profit After Taxation	**3,195**	**32,423**	**32,175**	**47,068**	**66,471**

Gross Premium for Year 2006 - 2010



Net Premium



Corporate Information

ULTIMATE HOLDING COMPANY
Tokio Marine Holdings Inc, Japan

HOLDING COMPANY
Tokio Marine Asia Pte Ltd, Singapore

BOARD OF DIRECTORS
Dato' Ahmad Fuaad bin Mohd Dahalan (Chairman)
Hironari Iwakuma (Executive Director)
Emeritus Professor Dato' Dr Lian Chin Boon
Teh Boon Eng
Takashi Yoshikawa
Lee King Chi, Arthur

CHIEF EXECUTIVE OFFICER
Dr. Heng Kiah Ngan, Michael

BOARD SUB-COMMITTEES:-

AUDIT COMMITTEE
Teh Boon Eng (Chairman)
Dato' Ahmad Fuaad bin Mohd Dahalan
Emeritus Professor Dato' Dr Lian Chin Boon

NOMINATING COMMITTEE
Teh Boon Eng (Chairman)
Dato' Ahmad Fuaad bin Mohd Dahalan
Hironari Iwakuma
Takashi Yoshikawa
Lee King Chi, Arthur

REMUNERATION COMMITTEE
Teh Boon Eng (Chairman)
Dato' Ahmad Fuaad bin Mohd Dahalan
Takashi Yoshikawa

RISK MANAGEMENT COMMITTEE
Teh Boon Eng (Chairman)
Dato' Ahmad Fuaad bin Mohd Dahalan
Takashi Yoshikawa

COMPANY SECRETARY
Symphony Corporatehouse Sdn. Bhd.

AUDITORS
Messrs. PricewaterhouseCoopers

PRINCIPAL BANKERS
Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad
Public Bank Berhad
Citibank Berhad
CIMB Bank Berhad

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

HEADOFFICE ADDRESS
29th Floor, Menara Dion
27 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel No: 03-20269808, 03-27838383
Fax No: 03-20269708
Website: www.tokiomarine.com.my

Branch Network

PENINSULAR MALAYSIA

ALOR SETAR
Unit 3, 1st Floor, No. 55
Bangunan EMUM 55, Jalan Gangsa
05150 Alor Setar, Kedah Darul Aman
Off No : 04-734 0988
Fax No : 04-734 9088
Branch Manager : Mr. Wong Chin Aik

BUTTERWORTH
No. 12, Tingkat 1, Jalan Todak 5
Bandar Seberang Jaya
13700 Prai, Pulau Pinang
Off No: 04 - 399 2999
Fax No: 04 - 398 9939
Branch Manager : Mr. Yeoh Ah Leong

PENANG
Menara Kobay
Aras G, Tingkat 1 & 2,
42B, Jalan Rangoon, 10400 Pulau Pinang
Off No : 04-226 0359, 226 0391
Fax No : 04-226 0462
Branch Manager : Mr. Teh Tat Ee

IPOH
No.5, 5A, 5B & 7A, 7B
Jalan Dato Seri Ahmad Said
30450 Ipoh, Perak Darul Ridzuan
Off No : 05-253 8076, 242 9885
Fax No : 05-255 7648
Branch Manager : Mr. Chew Boon Kheng

KLANG
3-1, 5-1 & 5-2, Jalan Tiara 2D/KU1
Bandar Baru Klang
41150 Klang, Selangor Darul Ehsan
Off No: 03-3345 1928
Fax No: 03-3343 8981
Branch Manager : Ms. Chang Lai Kin

PETALING JAYA
Unit B08-02, B09-02 Block B,
3 Two Square, No. 2 Jalan 19/1
46300, Petaling Jaya Selangor Darul Ehsan
Off No: 03-7960 8636
Fax No: 03-7960 8637
Branch Manager : Mr. Lee Suan Siew

SEREMBAN
12-1, 12-2 & 13-1, 13-2 (1st & 2nd Floors)
Jalan Era Square 2, Era Square
70200 Seremban, Negeri Sembilan Darul Khusus
Off No: 06-768 8100
Fax No: 06-768 8105
Branch Manager : Mr. Jerrard Anthonio

MELAKA
No. 59, Jalan Melaka Raya 25
Taman Melaka Raya,
75000 Melaka
Off No: 06-282 3663, 281 8625
Fax No: 06-282 9728
Branch Manager : Mr. Koh Tiong Hai

MUAR
No. 5, 1st & 2nd Floor
Jalan Perdana 14 Taman Junid Perdana
Jalan Abdul Rahman
84000 Muar, Johor Darul Takzim
Off No: 06-953 5044
Fax No : 06-953 5149
Branch Manager : Mr. Phang Seong Khim

BATU PAHAT
Suite 1, 12th Floor, Wisma Sing Long
No. 9, Jalan Zabedah
83000 Batu Pahat,
Johor Darul Takzim
Off No: 07-438 0919
Fax No: 07-432 7919
Branch Manager : Ms. Tai Boon Huong, Emily

JOHOR BAHRU
Suite 9.2, Level 9, Menara Pelangi
No. 2, Jalan Kuning, Taman Pelangi,
80400 Johor Bahru,
Johor Darul Takzim
Off No : 07-333 6859
Fax No : 07-333 6860
Branch Manager :Mr. Siew Meng Poh

MERSING
No. 42, 1st Floor,
Jalan Abu Bakar,
86800 Mersing, Johor
Off No: 07-799 4889
Fax No: 07-799 3698
Acting Branch Manager : Ms. Kwok Yoon Ying, Karen

SEGAMAT
No. 9, Ground & 1st Floor
Jalan Emas
Taman Batu Hampar
85000 Segamat, Johor Darul Takzim
Off No: 07-931 9760, 931 9761, 931 9762
Fax No: 07-931 9764
Branch Manager : Ms. Chee Yoke Fong

MENTAKAB
No. 27 - 29, 1st Floor
Jalan Mok Hee Kiang
28400 Mentakab,
Pahang Darul Makmur
Off No : 09-270 1033
Fax No: 09-270 1030
Branch Manager : Mr. Lian Yong Lian

KUANTAN
Tingkat Mezzanine,
Bangunan Tokio Marine Life
No 34 - 40 Jalan Teluk Sisek
25000 Kuantan Pahang Darul Makmur
Off No : 09-513 2616
Fax No : 09-513 2610, 513 2611
Branch Manager : Ms. Ho Oon Ai, Janice

KUALA TERENGGANU
Lot 4231, 1st Floor
Wisma Chua Ah Kee Off Jalan Sultan Ismail
20200 Kuala Terengganu, Terengganu Darul Iman
Off No : 09-624 9522, 624 9523, 622 2561
Fax No : 09-624 9524
Acting Branch Manager - Ms. Kwok Yoon Ying, Karen

KOTA BHARU
Ground Floor, Tokio Marine Life Building
789 J, Jalan Gajah Mati
15000 Kota Bharu, Kelantan Darul Naim
Off No: 09-743 7337
Fax No: 09-743 0925
Branch Manager : Ms. Choong Choon Ang, Allyson

SARAWAK

KUCHING
Lot 550, 551 & 552, 1st Floor,
Wisma Cheema, Jalan Tun Ahmad Zaidi Adruce
93400 Kuching, Sarawak.
Off No: 082-428 950
Fax No: 082-426 788
Branch Manager : Ms. Ling Mee Sieng, Michelle

SIBU
No. 13 & 15, 1st Floor
Lorong Mahsuri 1B Off Jalan Pedada
96000 Sibu, Sarawak.
Off No: 084-338 349
Fax No: 084-332 349
Branch Manager : Ms. Wong Leh Ching, Sophia

BINTULU
No. 320, First Floor, Parkcity
Commerce Square, Jalan Tun Ahmad Zaidi
97000 Bintulu, Sarawak
Off No : 086-319 568
Fax No : 086-318 568
Acting Branch Manager - Mr. Goh Geok Beng, Raymond

MIRI
Lot 933, 1st & 2nd Floor
Jalan Permaisuri
98000 Miri, Sarawak
Off No: 085-419 349, 429 349
Fax No: 085-439 349
Branch Manager : Ms. Pricilla Chiong Tzer Huey

SABAH

KOTA KINABALU
Lot 4 & 5, 1st Floor & 2nd Floor
Jalan Pantai
88000 Kota Kinabalu, Sabah
Off No : 088-258 111
Fax No : 088 - 261 059, 261 896
Branch Manager : Mr. Tung Wui Min

SANDAKAN
Bangunan Tokio Marine Life
Lot 6, Block 7, Bandar Indah
Mile 4, North Road, 90000 Sandakan, Sabah
Off No: 089-222 978, 222 578, 223 578
Fax No: 089-218 898
Branch Manager : Mr.Chau Chian Hong

TAWAU
Ground & 1st Floor, TB 549, Block A
Tacoln Commercial Centre,
Jalan Haji Karim 91000 Tawau, Sabah
Off No: 089-767 799
Fax No: 089-756 118
Branch Manager : Mr. Ha How Tong, David

Board of Directors and Chief Executive Officer

Dato' Ahmad Fuaad bin Mohd Dahalan
(Chairman)

Hironari Iwakuma
(Executive Director)

Dr. Heng Kiah Ngan,
Michael
(CEO)

Takashi Yoshikawa

Teh Boon Eng

Emeritus Professor
Dato' Dr Lian Chin Boon

Arthur Lee King Chi

Senior Management Team

EXECUTIVE DIRECTOR
Mr Hironari Iwakuma - B.A in Economic

CHIEF EXECUTIVE OFFICER
Dr Michael Heng Kiah Ngan -
Doctor of Business Admin, MBA, B.Econs, AMII

DEPUTY CHIEF EXECUTIVE OFFICER
Mr Jayakumar s/o Somasundram -
BSc.Ed (Hons), FCII, FMII

TECHNICAL ADVISORS

Mr Atsuhiro Taji - B.A in Economic
Mr Hiroshi Fukaya - B.Eng. in Architecture & Building Eng
Mr Kota Arai - B.A in Economic
Mr Akira Kanetake - B.A. in Business & Commerce

HEADS OF DEPARTMENTS

Broking / Corporate Direct
(Acting Head)
Mr Ng Seng King

Corporate Marketing
(Acting Head)
Mr Daniel Kee Choon Fong -
ACII, AMII, AMIM, Chartered Insurer

KL Agency
Mr Tay Kok Kiang - Diploma In Accounting, ANZIIF, AMII, ACII

Motor Franchise & Dealers
(Acting Head)
Ms Audrey Fun Yoke Keng

Branch Operation & Admin and West Malaysia Branches
Mr Lim Teng Chwan - Bachelor of Science (Hons)

Underwriting / Reinsurance
Ms Selina Leong Swee Fun - Bachelor of Art (Hons), ACII, AMII

Finance, Corporate Planning & ERM
Pn Hasliza Binti Hashim – FCCA,C.A.(M), CFP

Information Technology
Mr Cheah Fah Thong - Diploma In Computer Studies

Special Project (Claims)
Ms Mary Yee Quee Gee - AMII, AAII

Claims
Mr Ronnie Chan Yoon Kong - AMII, ACII

Medical
Mr Chan Wei Fay - BSc (Hons)(UK), AAII

Internal Audit
Mr Lim Chong Beng – FCA, C.A(M), BA(Hons), CFP

Human Resource & Administration
Mr Wong Wai Kit - B. Commerce (Aust)

RMLC, Training & CRM
Mr Julian Gnanendran a/l Arulappu -
B.Eng (Chemical), AIRM, ARM

Legal & Compliance
Mr Chia Seong Eng - Bsc In Buss. Admin, LLB (Hons)

Product Management / Corporate Branding
Ms Beatrice Lau Pek San - Bachelor Of Economic & Commerce

REGIONAL MANAGERS

East Malaysia
Mr Raymond Goh Geok Beng - MBA (USA), Diploma AII

East Coast
Ms Karen Kwok Yoon Ying - Bachelor in Economic

Southern Region
Mr Sim Chiang Han

Management Committee Members and Technical Advisors

Seated from Left to Right -
Kota Arai , Dr Michael Heng Kiah Ngan, Hironari Iwakuma, Jayakumar s/o Somasundram , Akira Kanetake
Standing from Left to Right -
Hiroshi Fukaya, Hasliza Hashim, Atsuhiro Taji

Financial Report
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Directors' Report

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 2010.

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'000
Net profit for the year	66,471

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 financial statements of the Company were made out, the directors took reasonable steps to ascertain that there was adequate provision for insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework ("RBC Framework") issued by Bank Negara Malaysia ("BNM") for insurers.

ALLOWANCE FOR IMPAIRMENT

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that proper action had been taken in relation to the full impairment of bad debts and the making of allowance for impairment and satisfied themselves that all known bad debts had been fully impaired 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 impaired for bad debts or the amounts of allowance for impairment in the financial statements of the Company inadequate to any substantial extent.

Directors' Report (Continued)

CURRENT ASSETS

Before the financial statements 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, other than the changes in accounting policies disclosed in Note 32 to the financial statements.

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.

Directors' Report (Continued)

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 four 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. All directors attended the meetings.

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.

Audit Committee

The main responsibility of the Audit Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company. The Audit Committee functions on a Terms of Reference approved by the Board of Directors, with the following principal duties and responsibilities:

a) to review and approve the external and internal auditors' audit plan, scope and audit report on their evaluation of the system of internal controls of the Company;
b) to review the results of the audit and whether or not appropriate action has been taken on the recommendations given by the external and internal auditors;
c) to evaluate the quality of the audits performed by the external auditors and make recommendations concerning their appointments, termination and remuneration, and to consider the nomination of a person or persons as external auditors;

Directors' Report (Continued)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee (continued)

d) to provide assurance that the financial information presented by management is relevant, reliable and timely;
e) to oversee compliance with relevant laws and regulations and observance of a proper code of conduct and
f) to determine the quality, adequacy and effectiveness of the Company's internal control environment.

The Committee comprises 3 independent non-executive directors. They are Teh Boon Eng, Emeritus Professor Dato' Dr Lian Chin Boon and Dato' Ahmad Fuaad Bin Mohd Dahalan.

6 Audit Committee meetings were held during the year, with full attendance by the directors.

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 Lee King Chi, Arthur.

One Nominating Committee meeting was held during the year, in which a director was unable to attend 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 year, in which two directors were unable to attend a total of three meetings due to other commitments.

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 Chief 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.

One Remuneration Committee meeting was held during the year, in which all directors attended the meeting.

Directors' Report (Continued)

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
Takashi Yoshikawa
Hironari Iwakuma
Lee King Chi, Arthur (Appointed on 12 April 2010)
Dai Inoue (Resigned on 12 April 2010)

In accordance with the Company's Articles of Association, Takashi Yoshikawa and Lee King Chi, Arthur 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 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.

Directors' Report (Continued)

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 29 March 2011.

TEH BOON ENG
DIRECTOR

HIRONARI IWAKUMA
DIRECTOR

Kuala Lumpur

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 11 to 81 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2010 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 and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 29 March 2011

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 11 to 81 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 29 March 2011.

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 statement of financial position as at 31 December 2010, and the statements of income, other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 11 to 81.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view of in accordance with the Financial Reporting Standards , being the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965, and Insurance Act, 1996 and for such internal controls as the directors determine are necessary to unable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 of financial statement that give a true and fair view 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 Financial Reporting Standards and the provisions of the Companies Act, 1965, and Insurance Act, 1996 so as to give a true and fair view of the financial position of the Company as of 31 December 2010 and of its financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Independent Auditors' Report

To The Members Of Tokio Marine Insurans (Malaysia) Berhad (Continued)

(Incorporated In Malaysia) (Company No. 149520 U)

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SRIDHARAN NAIR
(No. 2656/05/12 (J))
Chartered Accountant

Kuala Lumpur
29 March 2011

TOKIO MARINE

Balance Sheet
As At 31 December 2010

	Note	31.12.2010 RM'000	31.12.2009 RM'000	1.1.2009 RM'000
ASSETS				
Property, plant and equipment	4	16,874	17,537	13,588
Intangible assets	5	26,930	26,930	26,930
Investments	6	688,374	668,564	264,803
Held-to-maturity		80,964	94,385	94,252
Available-for-sale		524,516	511,658	133,976
Fair value through profit and loss		82,894	62,521	36,575
Reinsurance assets	7	159,512	164,540	147,636
Insurance receivables	8	86,466	99,520	83,425
Current tax recoverable		-	1,307	-
Loans and receivables (excluding insurance receivables)	9	485,370	407,143	585,951
Deferred tax assets	14	-	-	3,662
Cash and bank balances		31,015	29,151	22,440
TOTAL ASSETS		1,494,541	1,414,692	1,148,435
EQUITY, GENERAL FUNDS AND LIABILITIES				
Share capital	10	278,000	278,000	278,000
Retained earnings	11	230,654	164,605	118,737
Other reserves	12	8,082	3,383	1,705
Total Equity		516,736	445,988	398,442
Insurance contract liabilities	13	845,561	853,886	656,085
Deferred tax liabilities	14	5,850	1,672	-
Other financial liabilities	15	1,393	1,336	947
Insurance payables	16	77,830	80,877	63,900
Tax payable		7,219	-	4,177
Other payables	17	39,952	30,933	24,884
Total Liabilities		977,805	968,704	749,993
Total Equity and Liabilities		1,494,541	1,414,692	1,148,435

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

Income Statement
For The Year Ended 31 December 2010

	Note	2010 RM'000	2009 RM'000
OPERATING REVENUE	18	730,201	699,710
Gross earned premiums	19(a)	693,316	668,214
Premiums ceded to reinsurers	19(b)	(131,807)	(109,304)
NET EARNED PREMIUMS		561,509	558,910
Investment income	20	36,885	31,496
Realised gains and losses	21	289	1,991
Fair value gains and losses		14,506	18,207
Fee and commission income		29,444	31,123
OTHER REVENUE		81,124	82,817
Gross claims paid		(438,268)	(402,456)
Claims ceded to reinsurers		63,276	60,289
Gross change to insurance contract liabilities		2,946	(5,070)
Change in insurance contract liabilities ceded to reinsurers		(415)	(27,453)
NET CLAIMS INCURRED		(372,461)	(374,690)
Other operating expenses	22	(4,114)	(30,523)
Fee and commission expense		(78,336)	(78,380)
Management expenses	23	(98,711)	(99,629)
OTHER EXPENSES		(181,161)	(208,532)
PROFIT BEFORE TAXATION		89,011	58,505
Taxation	24	(22,540)	(12,637)
NET PROFIT FOR THE YEAR		66,471	45,868
BASIC EARNINGS PER SHARE (SEN)	25	24	16

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

Statement Of Comprehensive Income
For The Year Ended 31 December 2010

	Note	2010 RM'000	2009 RM'000
Net profit for the year		66,471	45,868
Other comprehensive income:			
Revaluation surplus arising during the year		1,120	-
Available-for-sale reserves			
Net gain on fair value arising during the year	6	3,965	3,653
Net realised gain transferred to Income Statement	6	(280)	(249)
		3,685	3,404
Tax effects thereon	14	(106)	(1,726)
		3,579	1,678
Total comprehensive income for the year		71,170	47,546

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

Statement Of Changes In Equity
For The Year Ended 31 December 2010

		Non-distributable			Distributable	
	Note	Shares capital RM'000	Revaluation reserves RM'000	Available for-sale reserves RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2009 (as previously stated)		278,000	717	-	117,839	396,556
Adjustment arising from changes in accounting policies	32	-	-	988	898	1,886
At 1 January 2009 (as restated)		278,000	717	988	118,737	398,442
Total comprehensive income for the year		-	-	1,678	45,868	47,546
At 31 December 2009 (as restated)		278,000	717	2,666	164,605	445,988
At 1 January 2010 (as previously stated)		278,000	717	2,666	161,987	443,370
Adjustment arising from changes in accounting policies	32	-	-	-	2,196	2,196
At 1 January 2010 (as restated)		278,000	717	2,666	164,183	445,566
Total comprehensive income for the year		-	1,120	3,579	66,471	71,170
At 31 December 2010		278,000	1,837	6,245	230,654	516,736

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

Cash Flow Statement
For The Year Ended 31 December 2010

	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year	66,471	45,868
Adjustment of:		
Property, plant and equipment		
- depreciation	5,541	6,321
- loss on disposal	531	299
- write off	(48)	16
Fair value gain on financial assets at FVTPL	(14,506)	(18,207)
Accretion of discount	(174)	(166)
Gain on disposal of financial assets at FVTPL	(2,835)	(571)
Gain on disposal of AFS financial assets	(280)	(1,265)
Investment income	(37,254)	(31,332)
Writeback of allowance for doubtful debts	(347)	(290)
Bad debts written off	122	157
Impairment of goodwill	-	31,412
Tax expense	22,540	12,637
Profit from operations before changes in operating assets and liabilities	39,761	44,879
Purchase of investments	(62,532)	(570,025)
Proceeds from disposal of investments	79,632	123,579
Proceeds from maturity of investments	21,399	65,329
(Increase)/decrease in fixed and call deposits	(73,252)	177,909
Increase in insurance receivables	(28,989)	(7,457)
(Decrease)/increase in insurance contract liabilities	(3,297)	37,976
Increase in insurance payables	6,029	17,089
Decrease in staff loans	1,344	1,489
	(19,905)	(109,232)
Tax paid	(9,942)	(13,379)
Investment income received:		
- Interest	16,499	27,821
- Dividend	18,364	4,687
- Others	120	120
Net cash generated from/(used in) operating activities	5,136	(89,983)

Cash Flow Statement
For The Year Ended 31 December 2010 (Continued)

	2010 RM'000	2009 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of general insurance business (Note 33)	-	104,975
Purchase of property, plant and equipment	(3,978)	(8,521)
Proceeds from disposal of property, plant and equipment	706	240
Net cash (outflow)/inflow from investing activities	(3,272)	96,694
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,864	6,711
CASH AND CASH EQUIVALENTS AT 1 JANUARY	29,151	22,440
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	31,015	29,151
Cash and bank balances	31,015	29,151

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

Notes To The Financial Statements
- 31 December 2010

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 29 March 2011.

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 of the financial statements

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies. The financial statements comply with Financial Reporting Standards ("FRS"), being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, and comply with the provisions of the Companies Act, 1965, and Insurance Act, 1996 in all material aspects.

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

Notes To The Financial Statements
- 31 December 2010 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial statements (continued)

At the beginning of the current financial year, the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2010 as described below:

(i) FRS 139 Financial Instruments: Recognition and Measurement
(ii) FRS 4 Insurance Contracts
(iii) FRS 7 Financial Instruments: Disclosures
(iv) FRS101(R) Presentation of Financial Statements
(v) FRS117(R) Leases

All changes in accounting policies have been made in accordance with the transitional provision in the respective standards. All standards adopted by the Company require retrospective application other than FRS 139 and FRS 7.

Other than enhanced disclosures to the financial statements, there is no significant impact to the financial results and accounting policies of the Company as a result of adopting FRS 7 and FRS 101(R). The effects of applying FRS 4, FRS 139 and FRS 117(R) are described in Note 32 to the financial statements.

The Company has met the minimum capital requirements as prescribed by the RBC Framework as at the date of the statement of financial position.

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The following IC Interpretations to existing standards are applicable and relevant to the Company but not yet effective. The Company will apply these standards from financial year beginning 1 January 2011 or later periods.

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

Notes To The Financial Statements
- 31 December 2010 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial statements (continued)

The revision does not have any impact on the concluded business continuations of the Company as it is to be applied prospectively.

- The revised FRS 124 "Related party disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:

  - The name of the government and the nature of their relationship;
  - The nature and amount of each individually significant transactions; and
  - The extent of any collectively significant transactions, qualitatively or quantitatively.

There would not be any significant impact to the Company's existing disclosures.

- Amendments to FRS 7 "Financial instruments: Disclosures" and FRS 1 "First-time adoption of financial reporting standards" (effective from 1 January 2011) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

- Amendment to FRS 132 "Financial instruments: Presentation" on classification of rights issues (effective from 1 March 2010) addresses accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity instruments instead of as derivative liabilities, regardless of the currency in which the exercise price is denominated. Currently, these issues are accounted for as derivative liabilities.)

- IC Interpretation 4 "Determining whether an arrangement contains a lease" (effective from 1 January 2011) requires the Group to identify any arrangement that does not take the legal form of a lease, but conveys a right to use an asset in return for a payment or series of payments. This interpretation provides guidance for determining whether such arrangements are, or contain, leases. The assessment is based on the substance of the arrangement and requires assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. If the arrangement contains a lease, the requirements of FRS 117 "Leases" should be applied to the lease element of the arrangement.

The IC Interpretation is not expected to have a significant impact on the Company's existing accounting policies.

Notes To The Financial Statements
- 31 December 2010 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial statements (continued)

- IC Interpretation 19 “Extinguishing financial liabilities with equity instruments” (effective from 1 July 2011) provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity’s shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit or loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in profit or loss. The IC Interpretation is not expected to have a significant impact to the Company’s existing accounting policies.

Improvements to FRSs:

- FRS 2 (effective from 1 July 2010) clarifies that contributions of a business on formation of a joint venture and common control transactions are outside the scope of FRS 2.

- FRS 3 (effective from 1 January 2011)

  - Clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree’s net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by FRS.
  - Clarifies that the amendments to FRS 7, FRS 132 and FRS 139 that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of FRS 3 (2010). Those contingent consideration arrangements are to be accounted for in accordance with the guidance in FRS 3 (2005).

This improvement is not expected to have a significant impact to the Company’s existing accounting policies.

- FRS 5 “Non-current assets held for sale and discontinued operations” (effective from 1 July 2010) clarifies that all of a subsidiary’s assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. This improvement is not expected to have a significant impact to the Company’s existing accounting policies.

- FRS 101 “Presentation of financial statements” (effective from 1 January 2011) clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. This improvement is not expected to have a significant impact to the Company’s existing accounting policies.

- FRS 138 “Intangible Assets” (effective from 1 July 2010) clarifies that a group of complementary intangible assets acquired in a business combination may be recognised as a single asset if each asset has similar useful lives. This improvement is not expected to have a significant impact to the Company’s existing accounting policies.

Notes To The Financial Statements
- 31 December 2010 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

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. Leasehold land and building are 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 during the period in which they are incurred.

Notes To The Financial Statements
- 31 December 2010 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

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:

Leasehold land and building	50 years
Furniture and fittings	3 - 6 years
Motor vehicles	4 years
Office equipment and computers	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 via the statement of other comprehensive income. 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 during the financial period in which they incur.

At each date of the statement of financial position, 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.

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

(e) Investments and other financial assets

The Company classifies its investments and other financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity or available-for-sale. Classification of the financial assets is determined at initial recognition.

(i) Fair value through profit or loss ("FVTPL")

Financial assets at FVTPL relate to financial assets 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. Financial assets at FVTPL are measured at fair value and any gain or loss arising from a change in the fair value is recognised in the income statement. Gains and losses on derecognition of such financial assets are measured as the difference between the sales proceeds and the last adjusted fair value in the income statement.

Notes To The Financial Statements
- 31 December 2010 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investment and other financial assets (continued)

(ii) Held-to-maturity ("HTM")

Financial assets at HTM are financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. HTM financial assets are measured at amortised cost using the effective interest method. Any gain or loss is recognised in the income statement when the financial assets are derecognised or impaired.

(iii) Loans and receivables ("LAR")

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the financial assets. All transaction costs directly attributable to the acquisition are also included in the cost of the financial assets. After initial measurement loans and receivables are measured at amortised cost, using the effective yield method, less allowance for impairment. Gains and losses are recognised in profit or loss when the financial assets are derecognised or impaired, as well as through the amortisation process

(iv) Available-for-sale ("AFS")

Financial assets AFS are those that are not classified as FVTPL or HTM or LAR and are measured at fair value. AFS financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. After initial measurement, AFS financial assets are subsequently measured at fair value. Any gain or loss arising from a change in fair value, net of income tax, is reported separately in the statement of comprehensive income and reported as a separate component of equity until the financial asset is derecognised or is determined to be impaired. When the financial assets are derecognised or impaired, the cumulative gains or losses previously recognised in equity shall be transferred through the statement of comprehensive income to the income statement.

(f) Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset 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 financial asset that can be reliably estimated.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on HTM financial assets 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.

Notes To The Financial Statements
- 31 December 2010 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of financial assets (Continued)

(i) Financial assets carried at amortised cost (Continued)

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.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss on financial assets 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) Financial assets carried at fair value

In the case of financial assets classified as AFS, 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 AFS financial assets, 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 transferred from equity through the statement of comprehensive income and recognised in the income statement.

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

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.

Notes To The Financial Statements
- 31 December 2010 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Impairment of non-financial assets

An impairment loss is charged to the income statement 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 unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

(h) Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

(i) 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 in the period to which they relate. Once the contributions have been paid, the Company has no further payment obligations

(j) Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

Notes To The Financial Statements
- 31 December 2010 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Reinsurance (Continued)

Gains or losses on buying reinsurance are recognised in profit or loss immediately at the date of purchase and are not amortised.

The Company also assumes reinsurance risk in the normal course of business for general insurance contracts when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the balance sheet. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

(k) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets.

(l) General insurance underwriting results

Product classification

The Company issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) General insurance underwriting results (Continued)

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

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 date of the statement of financial position 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 ("URR") 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 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

Notes To The Financial Statements
- 31 December 2010 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) General insurance underwriting results (Continued)

Premium liabilities (Continued)

(ii) 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.

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.

Acquisition costs and deferred acquisition costs ("DAC")

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.

These costs are deferred to the extent that they are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying values, an impairment loss is recognised in income statement.

DAC is also considered in the liability adequacy test for each accounting period. DAC is derecognised when the related contracts are either settled or disposed of.

For presentation purposes, DAC is netted-off against premium liabilities in the financial statements.

Valuation of general insurance contract liabilities

For general insurance contracts, estimates have to be made for both the expected ultimate costs of claims reported at the end of the reporting period and for the expected ultimate costs of claims incurred but not reported ("IBNR") at the end of the reporting period.

Notes To The Financial Statements
- 31 December 2010 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) General insurance underwriting results (continued)

Valuation of general insurance contract liabilities (continued)

It may take a significant period of time before the ultimate claims costs can be established with some certainty and for some types of policies, IBNR claims represent a significant portion of the insurance contract liabilities. The ultimate cost of the outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that the Company's past claim development experience can be used to project future claims development pattern, hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and the claim numbers based on the observed development of preceding years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by significant business lines and claims types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect the future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based.

Additionally, certain qualitative judgment is used to assess the extent to which past trends may not apply in future in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking into account all uncertainties involved.

(m) 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.

(n) 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").

Notes To The Financial Statements
- 31 December 2010 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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.

(o) 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.

(p) Contingent liabilities and contingent assets

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

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

(q) Dividends

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

Notes To The Financial Statements
- 31 December 2010 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Operating lease

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 on a straight line basis over the period of the leases.

(s) 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.

(t) Cash and cash equivalents

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

(u) Financial instruments

Description

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.

Recognition method

The particular recognition method adopted for financial instruments recognised in the statement of financial position is disclosed in the individual accounting policy note associated with each item.

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.

Notes To The Financial Statements
- 31 December 2010 (Continued)

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.

(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.

Notes To The Financial Statements
- 31 December 2010 (Continued)

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

	Leasehold land RM'000	Building RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment and computers RM'000	Total RM'000
Cost						
At 1 January 2010	2,793	1,357	13,687	2,194	25,501	45,532
Additions	-	-	1,772	727	1,478	3,977
Revaluation	607	513	-	-	-	1,120
Disposals	-	-	-	(927)	(1,408)	(2,335)
Write off	-	-	(934)	(4)	(118)	(1,056)
At 31 December 2010	3,400	1,870	14,525	1,990	25,453	47,238
Accumulated depreciation						
At 1 January 2010	177	87	9,266	1,601	16,864	27,995
Charge for year	66	33	2,254	36	3,152	5,541
Disposals	-	-	-	(801)	(1,363)	(2,164)
Write off	-	-	(900)	-	(108)	(1,008)
At 31 December 2010	243	120	10,620	836	18,545	30,364
Net book value						
At 31 December 2010	3,157	1,750	3,905	1,154	6,908	16,874

Notes To The Financial Statements
- 31 December 2010 (Continued)

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold land RM'000	Building RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment and computers RM'000	Total RM'000
Cost						
At 1 January 2009	2,333	1,167	10,317	2,998	19,496	36,311
Arising from acquisition of business	460	190	-	-	1,186	1,836
Additions	-	-	3,390	123	5,007	8,520
Disposals	-	-	(17)	(811)	(133)	(961)
Write off	-	-	(3)	(116)	(55)	(174)
At 31 December 2009	2,793	1,357	13,687	2,194	25,501	45,532
Accumulated depreciation						
At 1 January 2009	111	56	7,059	1,867	13,630	22,723
Charge for year	66	31	2,223	661	3,404	6,385
Disposals	-	-	(15)	(811)	(129)	(955)
Write off	-	-	(1)	(116)	(41)	(158)
At 31 December 2009	177	87	9,266	1,601	16,864	27,995
Net book value						
At 31 December 2009	2,616	1,270	4,421	593	8,637	17,537
Cost						
At 1 January 2008	2,333	1,167	7,727	3,096	15,124	29,447
Additions	-	-	2,590	421	4,568	7,579
Disposals	-	-	-	(519)	(83)	(602)
Write off	-	-	-	-	(113)	(113)
At 31 December 2008	2,333	1,167	10,317	2,998	19,496	36,311
Accumulated depreciation						
At 1 January 2008	56	28	5,584	1,765	11,035	18,468
Charge for year	55	28	1,475	334	2,741	4,633
Disposals	-	-	-	(232)	(69)	(301)
Write off	-	-	-	-	(77)	(77)
At 31 December 2008	111	56	7,059	1,867	13,630	22,723
Net book value						
At 31 December 2008	2,222	1,111	3,258	1,131	5,866	13,588

Notes To The Financial Statements
- 31 December 2010 (Continued)

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year ended 31 December 2010, the Company revalued its self-occupied properties which were last revalued in 2005. The valuation of these properties of RM4,620,000 adopted by the directors on 31 December 2010, was 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 property was adjusted to reflect the revaluation and the resultant surplus was credited to the revaluation reserve through the statement of comprehensive income.

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

	31.12.2010 RM'000	31.12.2009 RM'000	1.1.2009 RM'000
Leasehold land	2,246	2,293	1,899
Building on leasehold land	1,084	1,148	985

5 GOODWILL

	2010 RM'000	2009 RM'000
Cost:		
At 1 January	26,930	26,930
Arising from acquisition of business (Note 33)	-	31,412
Less: Impairment of goodwill (Note 22)	-	(31,412)
At 31 December	26,930	26,930

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 2010, the carrying amount of goodwill arising from the business acquisition of AGIB and AIMB was RM13,666,666 (2009: RM13,666,666) and RM13,263,065 (2009: RM13,263,065) respectively.

The goodwill arising from the acquisition of PGI was written off to the income statement in 2009 as the directors were of the opinion that there would not be 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 was 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.

Notes To The Financial Statements
- 31 December 2010 (Continued)

5 GOODWILL (CONTINUED)

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

	AGIB	AIMB
	%	%
Average business growth rate	9	11
Perpetual growth rate (for terminal value)	5	5
Pre-tax discount rate	10	10
Loss ratio	61	62

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 general insurance industry'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.

Notes To The Financial Statements
- 31 December 2010 (Continued)

6 INVESTMENTS

The Company's financial investments are summarised by categories as follows:

	2010 RM'000	2009 RM'000
Held-to-maturity financial assets ("HTM")	80,964	94,385
Loans and receivables ("LAR") (Note 9)	485,370	407,143
Available-for-sale financial assets ("AFS")	524,516	511,658
Fair value through profit & loss ("FVTPL")	82,894	62,521
	1,173,744	1,075,707

The following investments mature after 12 months:

	2010 RM'000	2009 RM'000
HTM	45,545	80,657
LAR	11,275	13,690
AFS	70,849	69,297
	127,669	163,644

(a) Held-to-maturity ("HTM")

	2010 RM'000	2009 RM'000
Amortised cost		
Malaysian Government securities	80,356	80,657
Corporate debt securities – quoted in Malaysia	-	13,001
	80,356	93,658
Accrued interest income		
Malaysian Government securities	608	608
Corporate debt securities – quoted in Malaysia	-	119
	608	727
	80,964	94,385
Fair value		
Malaysian Government securities	81,333	82,074
Corporate debt securities – quoted in Malaysia	-	13,058
	81,333	95,132

Notes To The Financial Statements
- 31 December 2010 (Continued)

6 INVESTMENTS (CONTINUED)

(b) Available-for-sale ("AFS")

	2010 RM'000	2009 RM'000
Fair value		
Debt securities:		
Quoted in Malaysia	3,283	3,179
Unquoted	72,594	71,074
	75,877	74,253
Unit trust funds	447,478	436,406
	523,355	510,659
Accrued interest income		
Debt securities:		
Quoted in Malaysia	68	68
Unquoted	1,093	931
	1,161	999
	524,516	511,658

(c) Fair value through profit and loss ("FVTPL")

	2010 RM'000	2009 RM'000
Fair value		
Held-for-trading:		
Equity securities	80,805	60,632
Unit and property trust funds	2,089	1,889
	82,894	62,521

Notes To The Financial Statements
- 31 December 2010 (Continued)

6 INVESTMENTS (CONTINUED)

(d) Carrying values of financial assets

	HTM RM'000	AFS RM'000	FVTPL RM'000	Total RM'000
At 1 January 2009	94,252	133,552	36,999	264,803
Purchases	46,576	493,568	29,881	570,025
Maturities	(46,108)	(19,221)	-	(65,329)
Disposals	-	(100,183)	(22,566)	(122,749)
Fair value gains recorded in :				
Income statement		-	18,207	18,207
Other comprehensive income	-	3,404	-	3,404
(Amortisation)/accretion adjustment	(335)	538	-	203
At 31 December 2009	94,385	511,658	62,521	668,564
Purchases		26,053	36,479	62,532
Maturities	(13,126)	(8,272)	-	(21,398)
Disposals	-	(8,951)	(30,612)	(39,563)
Fair value gains recorded in :				
Income statement		-	14,506	14,506
Other comprehensive income	-	3,685	-	3,685
(Amortisation)/accretion adjustment	(295)	343	-	48
At 31 December 2010	80,964	524,516	82,894	688,374

(e) Fair values of financial assets

The following tables show investments recorded at fair value, analysed by the different basis of fair values as follows:

	AFS RM'000	FVTPL RM'000	Total RM'000
31 December 2010			
Quoted market price	3,351	82,894	86,245
Valuation techniques			
– market observable inputs	521,165	-	521,165
	524,516	82,894	607,410
31 December 2009			
Quoted market price	3,247	62,521	65,768
Valuation techniques			
– market observable inputs	508,411	-	508,411
	511,658	62,521	574,179

Notes To The Financial Statements
- 31 December 2010 (Continued)

6 INVESTMENTS (CONTINUED)

Included in the quoted price category are financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services but where prices have not been determined in an active market, instruments with fair values based on broker quotes, investment in unit and property trusts with fair values obtained via fund managers and instruments that are valued using the Company's own models whereby the majority of assumptions are market observable.

7 REINSURANCE ASSETS

	31.12.2010 RM'000	31.12.2009 RM'000	1.1.2009 RM'000
Reinsurance of insurance contracts (Note 13)	160,231	165,759	147,636
Allowance for impairment	(719)	(1,219)	-
	159,512	164,540	147,636

8 INSURANCE RECEIVABLES

	31.12.2010 RM'000	31.12.2009 RM'000	1.1.2009 RM'000
Due premiums including agents/brokers and co-insurers balances	78,462	84,456	78,253
Due from reinsurers and cedants	20,607	27,513	15,403
	99,069	111,969	93,656
Allowance for impairment	(12,603)	(12,449)	(10,231)
	86,466	99,520	83,425

Notes To The Financial Statements
- 31 December 2010 (Continued)

9 LOANS AND RECEIVABLES (EXCLUDING INSURANCE RECEIVABLES)

	31.12.2010 RM'000	31.12.2009 RM'000	1.1.2009 RM'000
Amortised cost			
Fixed and call deposits with licensed financial institutions	454,154	382,659	560,568
Staff loans	7,691	9,035	10,525
Allowance for impairment	(168)	(168)	(168)
	7,523	8,867	10,357
	461,677	391,526	570,925
Accrued interest income			
Fixed and call deposits with licensed financial institutions	4,144	2,386	2,992
	4,144	2,386	2,992
	465,821	393,912	573,917

Notes To The Financial Statements
- 31 December 2010 (Continued)

9 LOANS AND RECEIVABLES (EXCLUDING INSURANCE RECEIVABLES) (CONTINUED)

	31.12.2010 RM'000	31.12.2009 RM'000	1.1.2009 RM'000
Other receivables			
Knock-for-knock claims recoveries	2,716	2,400	2,583
Assets held under Malaysia Motor Insurance Pool	9,396	5,274	2,884
Other receivables, deposits and prepayments	8,023	6,144	6,674
	20,136	13,818	12,141
Allowance for impairment	(587)	(587)	(107)
	19,549	13,231	12,034
	485,370	407,143	585,951
Fair value			
Fixed and call deposits with licensed financial institutions	463,151	385,045	563,560
Staff loans [net of impairment allowance of RM168,039 (2009: RM168,039)]	7,523	8,867	10,357
Other receivables	19,549	13,231	12,034
	490,223	407,143	585,951

The fair values of deposits approximate their carrying amounts due to their relatively short maturity period, except for negotiable instruments of deposits ("NID") in which their fair values are based on the average indicative mid market prices obtained from three brokers/dealers.

The fair values of staff loans are established by comparing current market interest rates for similar financial instruments to the rates offered when the loans were first recognised together with appropriate market credits adjustments.

The fair values of other receivables approximate their carrying amount.

Notes To The Financial Statements
- 31 December 2010 (Continued)

10 SHARE CAPITAL

	2010 RM'000	2009 RM'000
Authorised ordinary shares of RM1 each		
At beginning and end of year	300,000	300,000
Issued and fully paid ordinary shares of RM1 each		
At beginning and end of year	278,000	278,000

11 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 2010 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 RM69.8 million (2009: RM83.2 million) of its retained earnings as at 31 December 2010 if paid out as dividends. The extent of retained earnings not covered at that date amounted to RM160.2 million (2009: RM78.8 million).

12 OTHER RESERVES

	2010 RM'000	2009 RM'000
Revaluation reserve		
At 1 January	717	717
Revaluation surplus during the year	1,120	-
At 31 December	1,837	717
Available-for-sale reserve		
At 1 January	2,666	988
Fair value gain arising during the year	3,579	1,678
At 31 December	6,245	2,666
Total	8,082	3,383

Notes To The Financial Statements
- 31 December 2010 (Continued)

13 INSURANCE CONTRACT LIABILITIES

	2010			2009			1.1.2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
General insurance	845,561	(160,231)	685,330	853,886	(165,759)	688,127	656,086	(147,636)	508,450
	845,561	(160,231)	685,330	853,886	(165,759)	688,12	656,086	(147,636)	508,450
Provision for claims	444,558	(79,994)	364,564	475,590	(90,467)	385,123	375,723	(96,962)	278,761
Provision for incurred but not reported claims ("IBNR")	100,917	(19,587)	81,330	72,831	(9,529)	63,302	47,875	(15,402)	32,473
Provision for outstanding claims (i)	545,475	(99,581)	445,894	548,421	(99,996)	448,425	423,598	(112,364)	311,234
Premium liabilities (ii)	300,086	(60,650)	239,436	305,465	(65,763)	239,702	232,488	(35,272)	197,216
	845,561	(160,231)	685,330	853,886	(165,759)	688,127	656,086	(147,636)	508,450

(i)Provision for outstanding claims						
At 1 January	548,421	(99,996)	448,425	423,598	(112,364)	311,234
Claims incurred in the current accident year	420,549	(49,522)	371,027	451,008	(55,076)	395,932
Arising from acquisition of business (Note 33)	-	-	-	119,753	(15,085)	104,668
Other movements in claims incurred in prior accident years	(13,313)	(3,281)	(16,594)	(38,334)	16,367	(21,967)
Movement of IBNR at 75% confidence level	28,086	(10,058)	18,028	(5,148)	5,873	725
Claims paid during the year	(438,268)	63,276	(374,992)	(402,456)	60,289	(342,167)
At 31 December	545,475	(99,581)	445,894	548,421	(99,996)	448,425

Notes To The Financial Statements
- 31 December 2010 (Continued)

13 INSURANCE CONTRACT LIABILITIES (CONTINUED)

	2010			2009		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
(ii) Premium liabilities						
At 1 January	305,465	(65,763)	239,702	232,487	(35,271)	197,216
Arising from acquisition of business (Note 33)	-	-	-	39,416	(2,382)	37,034
Premiums written in the year (Note 19(a))	687,937	(126,694)	561,243	701,775	(137,413)	564,362
Premiums earned during the year (Note 19(a))	(693,316)	131,807	(561,509)	(668,213)	109,303	(558,910)
At 31 December	300,086	(60,650)	239,436	305,465	(65,763)	239,702

14 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:

	31.12.2010 RM'000	31.12.2009 RM'000	1.1.2009 RM'000
Deferred tax (liabilities)/assets	(5,850)	(1,672)	3,662
Subject to income tax:			
Deferred tax assets (before offsetting)			
- Investments	-	-	1,680
- Receivables	3,519	3,564	2,586
- Premium liabilities	-	-	26
- Financial assets at HT	157	84	-
	3,676	3,648	4,292
Offsetting	(3,676)	(3,648)	(630)
Deferred tax assets (after offsetting)	-	-	3,662
Deferred tax liabilities (before offsetting)			
- Property, plant and equipment	1,736	964	630
- Premium liabilities	1,004	650	-
- Financial assets at AFS	2,199	1,324	-
- Financial assets at FVTPL	4,587	2,382	-
	9,526	5,320	630
Offsetting	(3,676)	(3,648)	(630)
Deferred tax liabilities (after offsetting)	5,850	1,672	-

Notes To The Financial Statements
- 31 December 2010 (Continued)

14 DEFERRED TAXATION (CONTINUED)

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

	31.12.2010 RM'000	31.12.2009 RM'000	1.1.2009 RM'000
At 1 January (as previously stated)	(800)	5,300	4,317
Adjustments arising from changes in accounting policy (Note 32)	(872)	(1,638)	-
At 1 January (as restated)	(1,672)	3,662	4,317
Arising from acquisition of business (Note 33)	-	1,134	-
	(1,672)	4,796	4,317
(Charged)/credited to income statement (Note 24)			
- Investments	-	(2,412)	1,706
- Receivables	(813)	978	(1,816)
- Property, plant and equipment	(772)	(334)	(158)
- Premium liabilities	(355)	(676)	(21)
- Securities held-for-trading	(2,205)	(2,382)	-
- Securities held-to-maturity	73	84	-
	(4,072)	(4,742)	(289)
Charged to equity :			
- Securities available-for-sale	(106)	(1,726)	(366)
Total movement for the year	(4,178)	(6,468)	(655)
At 31 December	(5,850)	(1,672)	3,662

	31.12.2010 RM'000	31.12.2009 RM'000	1.1.2009 RM'000
Presented after appropriate offsetting as follows:			
Deferred tax assets	3,676	3,648	(630)
Deferred tax liabilities	(9,526)	(5,320)	4,292
	(5,850)	(1,672)	3,662

15 OTHER FINANCIAL LIABILITIES

	2010 RM'000	2009 RM'000
Deposits received from reinsurers	1,393	1,336

The carrying amounts disclosed above approximate their fair value at the balance sheet date.

All amounts are payable within one year.

Notes To The Financial Statements
- 31 December 2010 (Continued)

16 INSURANCE PAYABLES

	2010 RM'000	2009 RM'000
Due to agents and intermediaries	41,412	44,347
Due to reinsurers and cedants	36,418	36,530
	77,830	80,877

The carrying amounts disclosed above approximate their fair values at the balance sheet date.

All amounts are payable within one year.

17 OTHER PAYABLES

	2010 RM'000	2009 RM'000
Cash collaterals held on contract bonds	312	5,081
Payroll liabilities	10,925	10,503
Other payables and accrued expenses	28,715	15,349
	39,952	30,933

The carrying amounts disclosed above approximate their fair values at the balance sheet date.

18 OPERATING REVENUE

	2010 RM'000	2009 RM'000
Gross earned premiums (Note 19(a))	693,316	668,214
Investment income (Note 20)	36,885	31,496
	730,201	699,710

Notes To The Financial Statements
- 31 December 2010 (Continued)

19 NET EARNED PREMIUMS

		2010 RM'000	2009 RM'000
(a)	Gross earned premiums		
	Insurance contracts	687,937	701,775
	Change in gross premium liabilities	5,379	(33,561)
		693,316	668,214
(b)	Premiums ceded		
	Insurance contracts	(126,694)	(137,413)
	Change in gross premium liabilities	(5,113)	28,109
		(131,807)	(109,304)
	Net earned premiums	561,509	558,910

20 INVESTMENT INCOME

	2010 RM'000	2009 RM'000
Rental income from investment properties	-	120
FVTPL financial assets:		
Dividend income		
- equity securities quoted in Malaysia	2,835	1,900
HTM financial assets – interest income	7,014	9,720
AFS financial assets – dividend income	15,529	2,787
LAR financial assets – interest income	11,507	16,969
	36,885	31,496

21 REALISED GAINS AND LOSSES

	2010 RM'000	2009 RM'000
Property and equipment:		
Realised gains	531	155
Financial assets at FVTPL – held-for-trading:		
Realised (loss)/gains	(522)	571
AFS financial assets:		
Realised gains:		
Debt securities – quoted in Malaysia	280	1,265
	289	1,991

Notes To The Financial Statements
- 31 December 2010 (Continued)

22 OTHER OPERATING EXPENSES

	2010 RM'000	2009 RM'000
Agency fees received	704	1,076
Impairment of goodwill (Note 5)	-	(31,412)
Stamp duty	(5,177)	-
Other income/(expenses)	359	(187)
	(4,114)	(30,523)

23 MANAGEMENT EXPENSES

	2010 RM'000	2009 RM'000
Employee benefits expense (Note 23(a))	54,186	54,059
Directors' remuneration (Note 23(b))	655	628
Auditors' remuneration:		
- statutory audits	170	180
- other services	55	40
Depreciation of property, plant and equipment	5,541	6,321
Reversal of allowance for impairment	(347)	(290)
Bad debts impaired	122	157
Rental of office premises	7,370	6,386
IGSF levies	1,427	1,468
Entertainment	4,144	4,118
Training expenses	1,421	1,058
Management fees	1,170	1,051
Repairs and maintenance	1,121	1,157
Motor vehicle expenses	2,846	2,845
Travelling	766	714
Advertising	29	56
Printing and stationery	2,647	3,853
Postage and telephone	1,867	2,045
Electronic data processing expenses	5,602	5,820
Bank collection charges	5,350	5,834
Other expenses	2,569	2,129
	98,711	99,629

(a) Employee benefits expense

	2010 RM'000	2009 RM'000
Staff salary and bonus	45,290	45,265
Social security contributions	411	403
Contributions to Employees' Provident Fund	6,513	6,354
Other benefits	1,972	2,037
	54,186	54,059

Notes To The Financial Statements
- 31 December 2010 (Continued)

23 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' remuneration

The details of remuneration receivable by Directors during the year are as follows:

	2010 RM'000	2009 RM'000
Executive:		
Salaries and other emoluments	317	300
Bonus	92	75
Other benefits	-	5
	409	380
Non-executive:		
Fees	233	233
Other benefits	13	15
	246	248
	655	628
Represented by:		
Directors' fees	233	233
Amount included in employee benefits expense	422	395

The estimated cash value of benefits-in-kind provided to the directors of the Company amounted to RM151,761 (2009: RM148,549)

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the year amounted to RM597,720 (2009: RM731,473)

24 TAXATION

	2010 RM'000	2009 RM'000
Current income tax	(18,468)	(7,895)
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 14)	(4,072)	(4,742)
	(22,540)	(12,637)

The income tax for the Company is calculated based on the tax rate of 25% (2009: 25%) of the estimated assessable profit for the year.

Notes To The Financial Statements
- 31 December 2010 (Continued)

24 TAXATION (CONTINUED)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	2010 RM'000	2009 RM'000
Profit before tax	89,011	58,505
Taxation at Malaysian statutory tax rate of 25%	22,253	14,626
Income not subject to tax	(2,556)	(9,482)
Expenses not deductible for tax purposes	2,967	7,782
Income taxed at a lower tax rate	(124)	(289)
Tax expense for the year	22,540	12,637

25 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	2010 RM'000	2009 RM'000
Profit attributable to ordinary equity holders	66,471	45,868
Weighted average number of shares in issue	278,000	278,000
Basic earnings per share (sen)	24	16

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

26 OPERATING LEASE ARRANGEMENTS

The Company has rental commitments under non-cancellable operating leases and the future minimum lease payments as at 31 December 2010 are as follows:

	2010 RM'000	2009 RM'000
Not later than 1 year	4,114	6,747
Later than 1 year and not later than 5 years	1,051	4,138
	5,165	10,885

Notes To The Financial Statements
- 31 December 2010 (Continued)

27 CAPITAL COMMITMENTS

	2010 RM'000	2009 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	1,254	918
	1,254	918

28 SIGNIFICANT RELATED PARTY DISCLOSURES

The related parties of, and their relationship with the Company as at 31 December 2010, are as follows:

Related parties	Country of incorporation	Relationship
Tokio Marine Holding 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

Notes To The Financial Statements
- 31 December 2010 (Continued)

28 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(a) 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):

	2010 RM'000	2009 RM'000
Transactions with holding company:		
Underwriting risk survey fees paid	(210)	(27)
Transactions with related companies:		
Premium ceded	(31,553)	(32,620)
Commission received	7,745	7,640
Agency fees received	696	1,076
Rental paid	(159)	(193)
Claims paid on behalf of a related company	(1,615)	(3,170)
Claims recoveries and paid	16,062	18,518
Insurance receivables		
Advances made on behalf of related companies	461	103
Claim recoveries due from related companies	644	3,157
Insurance payables		
Reinsurance premiums due to related companies	(4,921)	(5,943)

(i) The sale of insurance contracts was made according to the published prices and conditions offered to the major customers of the Company.

Notes To The Financial Statements
- 31 December 2010 (Continued)

28 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Key management personnel's remuneration

The remuneration of directors and other members of key management during the year are as follows:

	2010 RM'000	2009 RM'000
Salary	3,377	3,505
Bonus	813	880
Defined contribution plan	589	618
Other benefits	387	349
	5,166	5,352
Included in the total key management personnel are Directors' remuneration (Note 23(b))	409	380

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The key management personnel of the Company include the Executive Director, Chief Executive Officer, Deputy Chief Executive Officer, General Managers and other senior management personnel of the Company.

29 INSURANCE RISK

Insurance 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 insurance 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.

The table below sets out the concentration of general insurance contracts claims liabilities :

	31 December 2010			31 December 2009		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Motor	570,154	(22,551)	547,603	617,539	(63,381)	554,158
Fire	85,010	(52,769)	32,241	61,057	(33,036)	28,021
Marine, Aviation and Transit	42,741	(21,793)	20,948	39,299	(20,806)	18,493
Miscellaneous	147,656	(63,118)	84,538	135,991	(48,536)	87,455
	845,561	(160,231)	685,330	853,886	(165,759)	688,127

Notes To The Financial Statements
- 31 December 2010 (Continued)

29 INSURANCE RISK (CONTINUED)

Key Assumptions

The principal assumptions underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and average number of claims for each accident year.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors, such as, judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivity analysis

The general insurance claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	Change in assumptions	Impact on Gross Liabilities	Impact on Net Liabilities	Impact on profit Before Tax	Impact on Equity
		RM'000	RM'000	RM'000	RM'000
31 December 2010					
Average claim cost	+10%	50,955	43,314	(43,314)	(32,486)
Average number of claims	+10%	48,333	40,869	(40,869)	(30,652)
Average claim settlement period	Increased by 6 months	12,479	11,068	(11,068)	(8,301)
31 December 2009					
Average claim cost	+10%	52,957	44,632	(44,632)	(33,474)
Average number of claims	+10%	44,002	41,266	(41,266)	(30,950)
Average claim settlement period	Increased by 6 months	13,469	11,890	(11,890)	(8,917)

Notes To The Financial Statements
- 31 December 2010 (Continued)

29 INSURANCE RISK (CONTINUED)

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to-date.

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

Gross General Insurance Contract Liabilities for 2010:

	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Total RM'000
Accident year									
At end of accident year						533,414	446,393	431,330	
One year later					436,143	402,290	452,366		
Two years later				399,463	356,743	401,036			
Three years later			352,272	356,455	357,909				
Four years later		311,715	313,645	355,886					
Five years later	273,693	276,127	314,487						
Six years later	232,544	271,827							
Seven years later	246,686								
Current estimate of cumulative claims incurred	246,686	271,827	314,487	355,886	357,909	401,036	452,366	431,330	2,831,527
At end of accident year	86,458	101,238	134,782	152,488	149,362	163,898	181,451	184,164	
One year later	187,042	220,222	247,101	290,093	270,612	308,827	352,834		
Two years later	204,826	239,320	273,367	316,826	302,795	345,360			
Three years later	213,726	249,406	283,950	331,151	321,486				
Four years later	219,582	256,290	292,994	338,775					
Five years later	224,262	261,157	301,134						
Six years later	226,563	264,812							
Seven years later	233,784								
Current payments to-date	233,784	264,812	301,134	338,775	321,486	345,360	352,834	184,164	2,342,349
Direct and facultative inwards	12,902	7,014	13,353	17,111	36,423	55,676	99,532	247,166	489,178
Treaty Inwards									5,217
Best estimate of claim liabilities									494,394
Claim handling expenses									3,621
Fund PRAD at 75% Confidence Interval									47,459
Gross general insurance claim liabilities									545,475

Notes To The Financial Statements
- 31 December 2010 (Continued)

29 INSURANCE RISK (CONTINUED)

Net General Insurance Liabilities for 2010:

	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Total RM'000
Accident year									
At end of accident year	122,292	133,496	154,713	218,302	252,853	301,578	396,603	376,339	
One year later	125,202	122,073	148,721	237,002	238,128	343,260	389,840		
Two years later	125,949	123,271	172,632	220,062	290,858	345,339			
Three years later	123,675	141,496	167,838	290,413	291,218				
Four years later	133,781	140,932	234,543	289,190					
Five years later	146,183	200,347	234,232						
Six years later	185,972	195,447							
Seven years later	194,921								
Current estimate of cumulative claims incurred	194,921	195,447	234,232	289,190	291,218	345,840	389,840	376,339	2,316,527
At end of accident year	74,375	85,805	107,897	129,082	127,632	149,757	167,020	168,157	
One year later	151,293	158,997	188,045	238,298	233,429	270,373	305,884		
Two years later	163,833	170,334	202,075	257,302	254,675	299,698			
Three years later	170,502	176,740	211,602	268,475	269,148				
Four years later	175,261	182,810	217,999	275,448					
Five years later	178,994	187,414	224,880						
Six years later	181,026	190,703							
Seven years later	187,273								
Current payments to-date	187,273	190,703	224,880	275,448	269,148	299,698	305,884	168,157	1,921,191
Direct and facultative inwards	7,648	4,744	9,352	13,743	22,070	45,642	83,956	208,182	395,337
Treaty Inwards									5,217
Best estimate of claim liabilities									400,554
Claim handling expenses									3,621
Fund PRAD at 75% Confidence Interval									41,719
Net general insurance claim liabilities									445,894

Notes To The Financial Statements
- 31 December 2010 (Continued)

30 FINANCIAL RISK

The Company is exposed to financial risks including 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.

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.

The maximum exposure to credit risk for the components on the financial statement is shown below:

	Note	2010 RM'000	2009 RM'000
31 December 2010			
HTM financial assets	6(a)		
Malaysian government securities		80,964	81,265
Corporate debt securities		-	13,120
LAR (excluding insurance receivables)	9		
Staff loans		7,523	8,867
Fixed and call deposits		458,298	385,045
AFS financial assets	6(b)		
Corporate debt securities		77,038	75,252
Unit trust funds		447,478	436,406
Financial assets at FVTPL	6(c)		
Equity securities		80,805	60,632
Unit trust funds		2,089	1,889
Reinsurance assets	7	98,861	98,777
Insurance receivables	8	86,466	99,520
Cash and bank balances		31,015	29,151
		1,370,537	1,289,924

Notes To The Financial Statements
- 31 December 2010 (Continued)

30 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

	Neither past-due nor impaired			
	investment grade RM'000	Non-Investment grade: satisfactory RM'000	Past-Due but not impaired RM'000	Total RM'000
31 December 2010				
HTM financial assets				
Malaysian government securities	80,964	-	-	80,964
LAR				
Staff loans	-	7,523	-	7,523
Fixed and call deposits	206,808	251,490	-	458,298
AFS financial assets				
Corporate debt securities	16,029	61,009	-	77,038
Unit trust funds	358,775	88,703		447,478
Financial assets at FVTPL				
Equity securities	80,805	-	-	80,805
Unit trust funds	2,089	-	-	2,089
Reinsurance assets	-	98,861	-	98,861
Insurance receivables	-	29,044	57,422	86,466
Cash and bank balances	-	31,015	-	31,015
	745,470	567,645	57,422	1,370,537

Notes To The Financial Statements
- 31 December 2010 (Continued)

30 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

	Neither past-due nor impaired			
	investment grade RM'000	Non-Investment grade: satisfactory RM'000	Past-Due but not impaired RM'000	Total RM'000
31 December 2009				
HTM financial assets				
Malaysian government securities	81,265	-	-	81,265
Corporate debt securities	13,120		-	13,120
LAR				
Staff loans	-	8,867	-	8,867
Fixed and call deposits	269,007	116,038	-	385,045
AFS financial assets				
Corporate debt securities	17,464	57,788	-	75,252
Unit trust funds	383,397	53,009	-	436,406
Financial assets at FVTPL				
Equity securities	60,632	-	-	60,632
Unit trust funds	1,889	-	-	1,889
Reinsurance assets- claim liabilities	-	98,777	-	98,777
Insurance receivables	-	33,135	66,385	99,520
Cash and bank balances	-	29,151	-	29,151
	826,774	396,765	66,385	1,289,924

Notes To The Financial Statements
- 31 December 2010 (Continued)

30 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Rating Agency of Malaysia's ("RAM")* credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Total RM'000
31 December 2010						
HTM financial assets						
Malaysian government securities	80,964	-	-	-	-	80,964
LAR						
Staff loans	-	-	-	-	7,523	7,523
Fixed and call deposits	206,808	104,533	65,357	21,000	60,600	458,298
AFS financial assets						
Corporate debt securities	16,029	50,798	10,211	-	-	77,038
Unit trust funds	358,775	64,694	24,009	-	-	447,478
Financial assets at FVTPL						
Equity securities	80,805	-	-	-	-	80,805
Unit trust funds	2,089	-	-	-	-	2,089
Reinsurance assets	1,504	7,269	52,055	3,758	34,275	98,861
Insurance receivables	19	2,299	5,518	439	78,191	86,466
Cash and bank balances	-	-	-	-	31,015	31,015
	746,993	229,593	157,150	25,197	211,604	1,370,537

Notes To The Financial Statements
- 31 December 2010 (Continued)

30 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Rating Agency of Malaysia's ("RAM")* credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Total RM'000
31 December 2009						
HTM financial assets						
Malaysian government securities	81,265	-	-	-	-	81,265
Corporate debt securities	13,120	-	-	-	-	13,120
LAR						
Staff loans	-	-	-	-	8,867	8,867
Fixed and call deposits	269,007	36,739	7,657	24,642	47,000	385,045
AFS financial assets						
Corporate debt securities	17,464	52,592	5,196	-	-	75,252
Unit trust funds	383,397	44,006	9,003	-	-	436,406
Financial assets at FVTPL						
Equity securities	60,632	-	-	-	-	60,632
Unit trust funds	1,889	-	-	-	-	1,889
Reinsurance assets	167	19,156	40,998	2,512	35,944	98,777
Insurance receivables	5	5,658	7,469	403	85,985	99,520
Cash and bank balances	-	-	-	-	29,151	29,151
	826,946	158,151	70,323	27,557	206,947	1,289,924

Notes To The Financial Statements
- 31 December 2010 (Continued)

30 FINANCIAL RISK (CONTINUED)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Company according to the Company's categorisation of counter-parties by RAM's credit rating.

	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Total RM'000
31 December 2010						
Investment grade	745,470	-	-	-	-	745,470
Non-investment grade						
Satisfactory	1,504	227,315	153,652	24,810	160,364	567,645
Past-due but not impaired	19	2,278	3,498	387	51,240	57,422
	746,993	229,593	157,150	25,197	211,604	1,370,537
31 December 2009						
Investment grade	826,774	-	-	-	-	826,774
Non-investment grade						
Satisfactory	167	154,890	66,401	27,420	147,887	396,765
Past-due but not impaired	5	3,261	3,922	137	59,060	66,385
	826,946	158,151	70,323	27,557	206,947	1,289,924

It is the Company's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Company's rating policy. The attributable risk ratings are assessed and updated regularly.

During the year, no credit exposure limits were exceeded.

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

Notes To The Financial Statements
- 31 December 2010 (Continued)

30 FINANCIAL RISK (CONTINUED)

Age analysis of financial assets past-due but not impaired

	< 30 days	31 to 60 days	61 to 90 days	91 to 180 days	> 180 days	Total
31 December 2010						
Insurance receivables	37,113	11,765	3,855	2,451	2,238	57,422
	37,113	11,765	3,855	2,451	2,238	57,422
31 December 2009						
Insurance receivables	40,386	12,886	3,931	2,238	6,944	66,385
	40,386	12,886	3,931	2,238	6,944	66,385

Impaired financial assets

At 31 December 2010, based on individual and collective assessment of receivables, there are impaired insurance receivables of RM14,077,000 (2009: RM14,423,000). For assets to be classified as "past-due and impaired", contractual payments must be in arrears between twelve (12) to twenty four (24) months. No collateral is held as security for any past due or impaired assets. The Company records impairment allowance for loans and receivables and insurance receivables in separate "Allowance for Impairment" accounts. A reconciliation of the allowance for impairment losses for loans and receivables and insurance receivables is as follows:

	Insurance receivables	
	2010 RM'000	2009 RM'000
At 1 January (as previously stated)	17,913	19,803
Change in accounting policies	(3,490)	(5,090)
At 1 January (restated)	14,423	14,713
Charge for the year	466	3,830
Recoveries	(812)	(4,120)
At 31 December	14,077	14,423

30 FINANCIAL RISK (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. The Company's policy is to maintain adequate liquidity to meet its liquidity needs under all conditions.

There are guidelines on asset allocation, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet insurance and investment contracts obligations.

The Company's catastrophe excess-of-loss reinsurance contract contains clauses permitting the Company to make cash call claims and receive immediate payment for large loss should claim events exceed a certain amount.

Maturity profiles

The table in the following page summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Premiums liabilities and the reinsurers' share of premiums liabilities have been excluded from the analysis as they are not financial liabilities as there are no contractual obligations.

Notes To The Financial Statements
- 31 December 2010 (Continued)

30 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

	Carrying value RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	5 – 15 years RM'000	No maturity date RM'000	Total RM'000
31 December 2010							
Financial investments:							
HTM	80,964	38,104	42,312	5,352	-	-	85,768
AFS	524,516	11,116	26,408	30,082	30,204	447,478	545,288
FVTPL	82,894	-	-	-	-	82,894	82,894
Reinsurance assets – claims liabilities	98,861	38,467	42,304	18,090	-	-	98,861
Insurance receivables	86,466	86,466	-	-	-	-	86,466
LAR (excluding insurance receivables)	465,821	462,601	2,966	2,391	3,649	-	471,607
Cash and bank balances	31,015	-	-	-	-	31,015	31,015
Total financial assets	1,370,537	636,754	113,990	55,915	33,853	561,387	1,401,899
General insurance claims liabilities	445,894	351,678	54,219	39,997	-	-	445,894
Other financial liabilities	1,393	1,393	-	-	-	-	1,393
Insurance payables	77,830	77,830	-	-	-	-	77,830
Other payables	39,952	39,952	-	-	-	-	39,952
Total financial liabilities	565,069	470,853	54,219	39,997	-	-	565,069

Notes To The Financial Statements
- 31 December 2010 (Continued)

30 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

	Carrying value RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	5 – 15 years RM'000	No maturity date RM'000	Total RM'000
31 December 2009							
Financial investments:							
HTM	94,385	17,114	59,257	26,204	-	-	102,575
AFS	511,658	9,318	21,415	29,147	34,886	436,406	531,172
FVTPL	62,521	-	-	-	-	62,521	62,521
Reinsurance assets – claims liabilities	98,777	31,908	16,665	50,204	-	-	98,777
Insurance receivables	99,520	99,520	-	-	-	-	99,520
LAR (excluding insurance receivables)	393,912	391,180	2,651	2,054	4,138	-	400,023
Cash and bank balances	29,151	-	-	-	-	29,151	29,151
Total financial assets	1,289,924	549,040	99,988	107,609	39,024	528,078	1,323,739
General insurance claims liabilities	548,421	348,269	37,976	162,176	-	-	548,421
Other financial liabilities	1,336	1,336	-	-	-	-	1,336
Insurance payables	80,877	80,877	-	-	-	-	80,877
Other payables	30,933	30,933	-	-	-	-	30,933
Total financial liabilities	661,567	461,415	37,976	162,176	-	-	661,567

Notes To The Financial Statements
- 31 December 2010 (Continued)

30 FINANCIAL RISK (CONTINUED)

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. Market risk comprises three (3) types of risk – market interest rates risk, foreign exchange rates (currency risk), and market prices (price risk).

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

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed rate instruments expose the Company to fair value interest.

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.

Price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/profit yield risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector, market and issuer, having regard also to such limits stipulated by BNM. The Company complies with BNM stipulated limits during the financial year and has no significant concentration of price risk.

Notes To The Financial Statements
- 31 December 2010 (Continued)

30 FINANCIAL RISK (CONTINUED)

Price risk (Continued)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on Profit before Tax (due to changes in fair value of financial assets and liabilities whose changes in fair values are recorded in income statement) and Equity (that reflects adjustments to Profit before Tax and changes in fair value of AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

		31 December 2010		31 December 2009	
	Change in variables	Impact On Profit before tax	Impact On Equity	Impact On Profit before tax	Impact On Equity
Market indices					
Bursa Malaysia	+ 10%	8,298	6,224	6,254	4,691
Bursa Malaysia	-10%	(8,298)	(6,224)	(6,254)	(4,691)

The potential impact arising from other market indices are deemed insignificant as the Company's holdings in equity securities listed in other bourses are not material.

Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Company cannot expect to eliminate all operational risks but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and evaluation procedures, including the use of Internal Audit.

Business risks, such as, changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

Notes To The Financial Statements
- 31 December 2010 (Continued)

31 REGULATORY CAPITAL REQUIREMENTS

Regulatory capital is the minimum amount of assets that must be held throughout the year to meet statutory solvency requirements governed under the Framework. As part of the statutory requirements, the Company is required to provide a capital position on a quarterly basis to Bank Negara Malaysia.

The capital structure of the Company as at 31 December 2010, as prescribed under the Framework, is provided below:

	Note	2010 RM'000	2009 RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	10	278,000	278,000
Retained earnings		230,653	164,605
		508,653	442,605
Tier 2 Capital			
Available-for-sale reserves		6,245	2,666
Revaluation reserves		1,837	717
		8,082	3,383
Amounts deducted from capital		(26,930)	(26,930)
Total Capital Available		489,805	419,058

The Company has met the minimum capital requirements specified in the Framework for the financial year ended 2010 and 2009.

Notes To The Financial Statements
- 31 December 2010 (Continued)

32 CHANGES IN ACCOUNTING POLICIES

The list of new accounting standards, effective and relevant to the Company's financial year beginning on 1 January 2010 is set out in Note 2(a) to the financial statements. The following describes the impact of the new standards on the financial statements of the Company.

(a) FRS 101: Presentation of Financial Statements

The adoption of FRS 101 (revised) effective for the financial year ended 31 December 2010 resulted in the following:

(i) the income statement for the year ended 31 December 2009 has been re-presented as two statements, namely income statement and statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity; and

(ii) a statement of financial position at the beginning of the earliest comparative period, i.e. 1 January 2009 has been included following the change in the comparative figures for 31 December 2009 to conform with the current year's presentation.

(b) FRS 4: Insurance Contracts

The adoption of FRS 4: Insurance Contracts has resulted in a change in accounting policy relating to the presentation of insurance liabilities. Prior to 1 January 2010, insurance liabilities were offset with the recoverable reinsurance assets.

Upon the adoption of FRS 4, offsetting was prohibited and reinsurance assets are required to be disclosed separately on the face of statement of financial position. This change in the presentation has been accounted for retrospectively and the comparative figures as at 31 December 2009 have been restated.

In addition, the adoption of FRS 4 has resulted in a change in accounting policy relating to the assessment of impairment loss on insurance receivables. Prior to 1 January 2010, an allowance was made for any premiums, including agents' and reinsurers' balances, which remained outstanding for more than six months from the date on which they became receivable, except for outstanding motor premiums for which an allowance was made for amounts outstanding for more than 30 days.

Upon the adoption of FRS 4, if there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in income statement. An objective evidence of impairment is deemed to exist where the insurance receivables is past due for more than 90 days or 3 months.

Notes To The Financial Statements
- 31 December 2010 (Continued)

32 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) FRS 117: Leases

Following the adoption of the improvement to FRS 117: Leases, leasehold land, which the Company has substantially all the risks and rewards incidental to ownership, has been reclassified retrospectively from operating lease to finance lease. Previously, leasehold land was classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term. The comparative figures for financial year ended 31 December 2009 have been restated following the change in accounting policy.

(d) FRS 139: Financial Instruments- Recognition and Measurement

FRS 139, which introduces new classification of financial assets and valuation basis, has minimal impact on the Company's financial results as the classification and valuation principles therein were mainly adopted in the RBC Framework issued by BNM and applied by the Company in the previous financial year ended 31 December 2009. However, the Company is now also required to measure its loans and receivables following the valuation requirements of the FRS.

Prior to 1 January 2010, staff loans were stated at amortised cost, based on the contracted interest rates. FRS 139 requires loans, including staff loans, to be initially recognized at fair value, i.e. market interest rate charged, and subsequently re-measured based on the effective interest yield.

As a result of this change in measurement, the Company recognised additional financial changes on staff loans as the contracted rates were below market interest rate.

32 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Effects of changes in accounting policies for statements of financial position as at 31 December 2009 and as at 31 December 2010

The following tables disclose the adjustments that have been made in accordance with the transitional and new provisions of the respective FRSs to each of the line items in the Company's statements of financial position as at 1 January 2009, 31 December 2009, 1 January 2010 and 31 December 2010.

	1.1.2009				31.12.2009				1.1.2010		31.12.2010
	As previously reported* RM'000	Effects of FRS 4 RM'000	Effects of FRS 117 RM'000	Restated balance RM'000	As previously reported RM'000	Effects of FRS 4 RM'000	Effects of FRS 117 RM'000	Restated balance RM'000	Effects of FRS 139 RM'000	Restated balance RM'000	Effects of FRS as at 31.12.2010 RM'000
Statement of financial position											
Assets :											
Property, plant and equipment	11,366	-	2,222	13,588	14,921	-	2,616	17,537	-	17,537	3,400
Investments											
-Loans and receivables	587,462	711	(2,222)	585,951	408,926	833	(2,616)	407,143	(422)	406,721	(3,400)
Insurance receivables	79,046	4,379	-	83,425	95,644	3,876	-	99,520	-	99,520	2,738
Reinsurance assets	-	147,636	-	147,636	-	164,540	-	164,540	-	164,540	159,512
Deferred tax assets	4,934	(1,272)		3,662	-	-	-	-	-	-	-
Liabilities:											
General insurance contract liabilities:											
- Premium liabilities	(197,216)	(35,272)	-	(232,488)	(239,702)	(65,763)	-	(304,465)	-	(305,465)	(60,650)
- Claims liabilities	(311,234)	(112,364)	-	(423,598)	(448,425)	(99,996)	-	(548,421)	-	(548,421)	(99,581)
Deferred tax liabilities	-	-	-	-	(800)	(872)	-	(1,672)	-	(1,672)	(685)
Equity:											
Retained earnings	(114,919)	(3,818)	-	(118,737)	(161,987)	(2,617)	-	(164,605)	422	(164,183)	(2,053)

Notes To The Financial Statements
- 31 December 2010 (Continued)

32 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Effects of changes in accounting policies on the Company's income statement/statement of comprehensive income for the financial years ended 31 December 2009 and 31 December 2010

The following tables disclose the adjustments effects of the respective FRSs to each of the line items in the Company's income statement/ statement of comprehensive income for the financial years ended 31 December 2009 and 31 December 2010.

	Increase/(decrease) for the financial year ended 31.12.2009		
	As previously reported RM'000	Changes in accounting policies Effects of FRS 4 RM'000	As restated RM'000
Income Statement			
Management expenses:			
Write-back of allowance for impairment	1,890	(1,600)	290
Profit before taxation	60,105	(1,600)	58,505
Taxation	(13,037)	400	(12,637)
Net profit for the year	47,068	(1,200)	45,868
Basic earnings per share (sen)	17	(1)	16

	Increase/(decrease) for the financial year ended 31.12.2010	
	Effects of FRS 4 RM'000	Total RM'000
Income statement		
Management expenses:		
Writeback of allowance for impairment	370	370
Profit before taxation	370	370
Taxation	(93)	(93)
Net profit for the year	277	277
Basic earnings per share (sen)	1	1

33 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	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 14)	-	1,134,329
Total assets	130,481,870	131,616,199
Liabilities		
Payables	6,326,023	6,326,023
Claims liabilities (Note 13)	89,337,729	104,668,000
Premium liabilities (Note 13)	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.

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