

AMASSURANCE BERHAD
(Incorporated in Malaysia)

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AMASSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the underwriting of life and investment-linked insurance and all classes of general insurance business.

The principal activity of the subsidiary is described in Note 5 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	RM'000
Net profit for the year	<u>50,046</u>

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

In the opinion of the directors, the results of operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividend paid by the Company since 31 March 2006 was as follows:

	RM'000
Final dividend for the financial year ended 31 March 2006 of 10% less 28% tax, on 100,000,000 ordinary shares, declared on 28 June 2006 and paid on 9 August 2006	<u>7,200</u>

DIVIDENDS (CONTD.)

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 March 2007 of 10% less 27% tax on 100,000,000 ordinary shares, amounting to a dividend payable of RM7.3 million (7.3 sen net per ordinary share) will be proposed for approval by Bank Negara Malaysia ("BNM") and shareholders. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, upon approval by BNM and the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2008.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Dato' Azman Hashim (Chairman)

(Non-independent, non-executive director)

Encik Mohamed Azmi Mahmood

(Non-independent, non-executive director)

Mr Leung Hoong Kuan

(Independent, non-executive director)

Dato' James Lim Cheng Poh

(Non-independent, non-executive director)

Dato' Zainal Azmi Zainal Ariffin

(Independent, non-executive director)

Mr Cheah Tek Kuang

(Non-independent, non-executive director)

Datuk Lakshmanan Meyyappan

(Independent, non-executive director)

Mr Duncan Victor Brain (appointed on 30 May 2006)

(Non-independent, non-executive director)

Mr Justin Paul Breheny (appointed on 4 July 2006)

(Non-independent, non-executive director)

Encik Mustafa Mohd Nor (resigned on 24 November 2006)

(Non-independent, non-executive director)

CORPORATE GOVERNANCE

The Company has generally complied with the prescriptive requirements of, and adopted management practices that are consistent with, the principles prescribed under Bank Negara Malaysia's ("BNM") Guideline JPI/GPI 25: Prudential Framework of Corporate Governance for Insurers.

CORPORATE GOVERNANCE (CONTD.)**Board Responsibilities**

The Board of Directors ("the Board") explicitly assumes specific minimum responsibilities in relation to the affairs of the insurer which facilitate the effective discharge of the Board's stewardship responsibilities.

Board Activities

The Board currently comprises nine (9) directors with wide-ranging skills and experience. There is a balance in the Board represented by the presence of six (6) non-independent, non-executive directors and three (3) independent, non-executive directors of calibre, and with necessary skills and diverse corporate experience to ensure strategies proposed by the management are fully discussed and examined, as well as to take into account the long term interests of various stakeholders. During the year, the Board met eleven (11) times.

All directors review Board reports prior to the Board meetings. The reports are issued in sufficient time to enable the directors to obtain further explanations, where necessary, in order to be briefed properly before the meetings.

In addition, the Board decides on matters reserved specifically for its decision, including the approval of corporate plans and budgets, acquisitions and disposals of assets that are material to the Company, major investments, changes to the management and control structure of the company, including key policies, procedures and authority limits.

The Board has also adopted a policy for induction and education programs for directors. The program is to provide essential and comprehensive information to a new director in order for him to be familiar with relevant insurance industry regulatory requirements and the company's nature of business. The directors may also request independent professional advice, at the Company's expense. The Company Secretary, to whom the directors have independent access, assists the Board and keeps it apprised of relevant laws and regulations.

Membership and Board Meetings For Financial Year Ended 31 March 2007

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Tan Sri Dato' Azman Hashim (Chairman)	11/11
Encik Mohamed Azmi Mahmood	10/11
Mr Leung Hoong Kuan	11/11
Dato' James Lim Cheng Poh	11/11
Dato' Zainal Azmi Zainal Ariffin	11/11
Mr Cheah Tek Kuang	9/11
Datuk Lakshmanan Meyyappan	11/11
Mr Duncan Victor Brain (appointed on 30 May 2006)	7/7
Mr Justin Paul Breheny (appointed on 4 July 2006)	4/6
Encik Mustafa Mohd Nor (resigned on 24 November 2006)	7/8

CORPORATE GOVERNANCE (CONTD.)

Board Committees

The Board delegates certain responsibilities to Board Committees. The Committees which were set up to assist the Board in certain areas of deliberation are the:

- (1) Nomination Committee ("NC")
- (2) Remuneration Committee ("RC")
- (3) Risk Management Committee ("RMC")
- (4) Audit & Examination Committee ("AEC")
- (5) Investment Committee ("IC")

Nomination Committee

The Committee comprises of three (3) independent, non-executive directors and two (2) non-independent, non-executive directors of the Board with mixed skills, experience and competencies for the effectiveness of the committee.

The functions of the Committee are to:

- (a) recommend and assess the nominees for new appointments of directors, the various Board Committees' membership as well as the nominees for the Chief Executive Officer ("CEO") position including assessing the directors and CEO proposed for reappointment, before an application for approval is submitted to BNM.
- (b) establish minimum requirements for the Board and the CEO to perform their responsibilities effectively and review the overall composition of the Board in terms of appropriate size, structure, mix of skills and experience and other qualities and competencies, besides the balance between executive, non-executive and independent directors.
- (c) establish a mechanism for formal assessment of the effectiveness of the Board, the contribution of the Board's various Committees and the performance of the CEO.
- (d) review the composition of the Board and Committees of the Board during the financial year and ensure that the recommendations have been implemented by the Board during the financial year.

CORPORATE GOVERNANCE (CONTD.)

Nomination Committee (Contd.)

Membership and Meetings of the Nomination Committee For Financial Year Ended 31 March 2007

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Datuk Lakshmanan Meyyappan (Chairman)	3/3
Encik Mohamed Azmi Mahmood	1/3
Mr Leung Hoong Kuan	3/3
Dato' Zainal Azmi Zainal Ariffin	3/3
Mr Cheah Tek Kuang	3/3
Encik Mustafa Mohd Nor (resigned on 24 November 2006)	1/3

Remuneration Committee

The Committee comprises of three (3) independent, non-executive directors and three (3) non-independent, non-executive directors.

The functions of the Committee are to:

- (a) determine and recommend to the Board the framework or broad policy for the remuneration of the directors, CEO, senior management and other members of the staff. The remuneration policy:
 - (i) is documented and approved by the full Board and any changes thereto are subjected to the endorsement of the full Board;
 - (ii) reflects the experience and level of responsibility borne by individual directors, the CEO and senior management;
 - (iii) is sufficient to attract and retain directors, CEO and senior management of calibre needed to manage the Company successfully; and
 - (iv) is balanced against the need to ensure that the funds of the company are not used to subsidise excessive remuneration packages.

CORPORATE GOVERNANCE (CONTD.)

Remuneration Committee (Contd.)

- (b) recommend specific remuneration packages for directors, CEO and senior management. The remuneration packages:
- (i) are based on an objective consideration and approval by the full Board;
 - (ii) take due consideration of the assessments of the Nomination Committee of the effectiveness and contribution of the directors and CEO;
 - (iii) are not decided by the exercise of sole discretion of any individual or restricted group of individuals; and
 - (iv) are competitive and consistent with the company's culture, objective and strategies.
- (c) ensure the remuneration packages for directors are linked to their levels of responsibilities undertaken and contributions to the effective functioning of the Board.

Membership and Meetings of the Remuneration Committee For Financial Year Ended 31 March 2007

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Mr. Leung Hoong Kuan (Chairman)	3/3
Encik Mohamed Azmi Mahmood	3/3
Dato' Zainal Azmi Zainal Ariffin	3/3
Dato' James Lim Cheng Poh	3/3
Mr. Cheah Tek Kuang	3/3
Datuk Lakshmanan Meyyappan	3/3

Risk Management Committee

The Committee comprises of three (3) independent, non-executive directors and three (3) non-independent, non-executive directors. The primary objective of the Risk Management Committee is to oversee senior management's activities in managing the key risk areas of the insurer and that the risk management process is in place and functioning effectively.

The functions of the Committee are:

- (a) reviewing and recommending of Risk Management strategies, policies and risk tolerance for the board's approval.

CORPORATE GOVERNANCE (CONTD.)

Risk Management Committee (Contd.)

- (b) reviewing and assessing of the adequacy of Risk Management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively.
- (c) ensuring that adequate infrastructure, resources and systems are in place for an effective Risk Management i.e. ensuring that the staff responsible for implementing Risk Management systems perform those duties independently of the insurer's risk taking activities.
- (d) reviewing of the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

Membership and Meetings of the Risk Management Committee For Financial Year Ended 31 March 2007

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Datuk Lakshmanan Meyyappan (Chairman)	5/5
Encik Mohamed Azmi Mahmood	4/5
Mr. Leung Hoong Kuan	5/5
Dato' James Lim Cheng Poh	4/5
Dato' Zainal Azmi Zainal Ariffin	5/5
Mr Duncan Victor Brain (appointed on 30 May 2006)	3/4

Audit and Examination Committee

The Board has appointed the Audit and Examination Committee ("AEC") to assist in discharging its duties of maintaining a sound system of internal control to safeguard the company's assets and shareholders' investments. The Committee comprises of three (3) independent, non-executive directors and one (1) non-independent, non-executive directors.

The primary objective of the AEC is to provide assistance to and review and report to the Board in relation to:

- (i) fulfilling the statutory and fiduciary responsibilities of the Board; and
- (ii) monitoring of the accounting and financial reporting practices of the Company.

CORPORATE GOVERNANCE (CONTD.)**Audit and Examination Committee (Contd.)**

The AEC also determines that the Company has adequate established policies, procedures and guidelines as well as operating and internal controls, and that they are being complied with and are operating effectively in promoting efficiency and proper conduct and protection of the assets of the Company.

**Membership and Meetings of the Audit and Examination Committee
For Financial Year Ended 31 March 2007**

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Mr. Leung Hoong Kuan (Chairman)	9/9
Dato' Zainal Azmi Zainal Ariffin	8/9
Datuk Lakshmanan Meyyappan	8/9
Mr Duncan Victor Brain (appointed on 30 May 2006)	6/6
Dato' James Lim Cheng Poh (resigned as a member of AEC on 27 July 2006)	4/4
Encik Mohamed Azmi Mahmood (resigned as a member of AEC on 27 July 2006)	3/4

Investment Committee

The Committee comprises of one (1) independent, non-executive director and three (3) non-independent, non-executive directors. The primary objective of the Investment Committee is to oversee Investment Management's activities in managing the investment funds of the insurer and that the risk management and compliance process is effective and affective.

The functions of the Committee are:

- (a) reviewing of the investment performances of the investment portfolio by the internal investment department and external fund managers.
- (b) reviewing and recommending of investment strategies within approved risk levels for the committee's approval.
- (c) presenting the investment outlook and strategies with regards to the various asset classes of all funds under management.
- (d) reviewing of the risk management activities and the portfolio's risk exposure.

CORPORATE GOVERNANCE (CONTD.)**Investment Committee (Contd.)****Membership and Meetings of the Investment Committee
For Financial Year Ended 31 March 2007**

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Dato' James Lim Cheng Poh (Chairman)	10/10
Encik Mohamed Azmi Mahmood	7/10
Datuk Lakshmanan Meyyappan	9/10
Mr Duncan Victor Brain (appointed as member of IC on 27 July 2006)	8/8
Encik Mustafa Mohd Nor (resigned on 24 November 2006)	6/6

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement, to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 22 to the financial statements and the financial statements of its related corporations or the fixed salaries of full-time employees of related corporations) 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' INTERESTS

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

DIRECT INTERESTS

	Number of ordinary shares of RM1.00 each			
	Balance as of 1.4.2006	Bought	Sold	
AMMB Holdings Berhad (ultimate holding company)				
Encik Mohamed Azmi Mahmood	170,024	-	-	170,024
Mr. Cheah Tek Kuang	23,800	-	-	23,800

DIRECTORS' INTERESTS (CONTD.)

	Number of warrants 2003/2008			
	Balance as of 1.4.2006	Bought	Sold	
AMMB Holdings Berhad (ultimate holding company)				
Encik Mohamed Azmi				
Mahmood	16,083	-	-	16,083
Mr. Cheah Tek Kuang	46,189	-	-	46,189

	Number of ordinary shares of RM1.00 each			
	Balance as of 1.4.2006	Bought	Sold	
AmInvestment Group Berhad (other related company)				
Tan Sri Dato' Azman Hashim	94,554,848	-	-	94,554,848
Encik Mohamed Azmi				
Mahmood	150,000	-	-	150,000
Dato' James Lim Cheng Poh	30,000	-	-	30,000
Mr. Cheah Tek Kuang	1,120,100	-	(750,000)	370,100

AmFirst REIT (other related company)				
Mr. Cheah Tek Kuang	1,000	-	-	1,000

DEEMED INTERESTS

AMMB Holdings Berhad (ultimate holding company)					
		Number of ordinary shares of RM1.00 each			
Name of Company		Balance as of 1.4.2006	Bought	Sold	Balance as of 31.3.2007
Tan Sri	AmCorpGroup				
Dato'	Berhad	671,252,421	29,490,000	-	700,742,421
Azman	AMDB Equipment				
Hashim	Trading Sdn Bhd	439,047	-	-	439,047
	Regal Genius Sdn Bhd	29,490,000	-	(29,490,000)	-

DIRECTORS' INTERESTS (CONTD.)

	Name of Company	Number of warrants 2003/2008			Balance as of 31.3.2007
		Balance as of 1.4.2006	Bought	Sold	
Tan Sri Dato' Azman Hashim	AmCorpGroup Berhad	5,954,097	34,648,674	-	40,602,771
	AMDB Equipment Trading Sdn Bhd	22,682	-	-	22,682
	Regal Genius Sdn Bhd	2,989,936	-	(2,989,936)	-
	Corporateview Sdn Bhd	31,658,738	68,100	(31,726,838)	-

**AmInvestment Group Berhad
(other related company)**

	Name of Company	Number of ordinary shares of RM1.00 each			Balance as of 31.3.2007
		Balance as of 1.4.2006	Bought	Sold	
Tan Sri Dato' Azman Hashim	AmCorpGroup Berhad	150,896,688	6,760,238	-	157,656,926
	AMDB Equipment Trading Sdn Bhd	100,646	-	-	100,646
	Azman Hashim Holdings Sdn Bhd	209,502	-	-	209,502
	Regal Genius Sdn Bhd	6,760,238	-	-	6,760,238
	AMMB Holdings Bhd	673,200,000	-	-	673,200,000

By virtue of their shareholdings as mentioned above, the above directors are deemed to have an interest in the shares of the Company and its related companies, to the extent that the ultimate holding company has interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related companies during the financial year.

PROVISION FOR OUTSTANDING CLAIMS

Before the income statements and balance sheets of the Company were made out, the directors took reasonable steps to ascertain that there was adequate provision for incurred claims, including Incurred But Not Reported (“IBNR”) claims.

OTHER STATUTORY INFORMATION

- (a) Before the income statement and balance sheet of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONTD.)

(f) In the opinion of the directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

For the purpose of paragraphs (e) and (f) above, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 May 2007.

Tan Sri Dato' Azman Hashim

Leung Hoong Kuan

AMASSURANCE BERHAD
(Incorporated in Malaysia)

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

We, Tan Sri Dato' Azman Hashim and Leung Hoong Kuan, being two of the directors of AmAssurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 16 to 87 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 March 2007 and of the results and the cash flows of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 May 2007.

Tan Sri Dato' Azman Hashim

Leung Hoong Kuan

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

I, Ng Lian Lu, being the officer primarily responsible for the financial management of AmAssurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 16 to 87 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.

Subscribed and solemnly declared
by the abovenamed Ng Lian Lu at
Kuala Lumpur in Wilayah Persekutuan
on 18 May 2007

Ng Lian Lu

Before me,

Commissioner for Oaths

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**REPORT OF THE AUDITORS TO THE MEMBERS OF
AMASSURANCE BERHAD
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 16 to 87. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Company as at 31 March 2007 and of the results and the cash flows of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) 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.

Ernst & Young
AF: 0039
Chartered Accountants

Pushpanathan a/l S.A. Kanagarayar
No. 1056/03/09(J/PH)
Partner

Kuala Lumpur, Malaysia
18 May 2007

AMASSURANCE BERHAD
(Incorporated in Malaysia)

BALANCE SHEET AS AT 31 MARCH 2007

	Note	2007 RM'000	2006 RM'000
ASSETS			
General business and shareholders' fund assets			
Property, plant and equipment	4	16,929	22,626
Subsidiary company	5	6,000	6,000
Investments	7	615,417	543,227
Intangible assets	8	2,044	1,873
Loans	9	621	763
Receivables	10	60,822	38,860
Cash and bank balances		9,620	4,830
Total general business and shareholders' fund assets		<u>711,453</u>	<u>618,179</u>
Total life business assets (page 21)		<u>1,430,084</u>	<u>1,164,751</u>
TOTAL ASSETS		<u><u>2,141,537</u></u>	<u><u>1,782,930</u></u>
LIABILITIES			
General business and shareholders' fund liabilities			
Provision for outstanding claims	11	279,830	227,904
Payables	12	51,560	53,085
Tax liabilities		1,398	1,192
Amount owing to subsidiary company	5	7,565	7,565
Subordinated term loan	13	30,000	30,000
Deferred tax liabilities	14	2,159	1,526
Total general business and shareholders' fund liabilities		<u>372,512</u>	<u>321,272</u>
Total life business liabilities (page 21)		<u>100,806</u>	<u>97,355</u>
		<u><u>473,318</u></u>	<u><u>418,627</u></u>
INSURANCE RESERVES			
Unearned premium reserves	15	194,637	181,987
Life policyholders' fund	16	1,246,293	999,432
Unitholders' investment-linked fund	28	11,410	9,851
Total insurance reserves		<u><u>1,452,340</u></u>	<u><u>1,191,270</u></u>

AMASSURANCE BERHAD
(Incorporated in Malaysia)

BALANCE SHEET AS AT 31 MARCH 2007 (CONTD.)

	Note	2007 RM'000	2006 RM'000
SHAREHOLDERS' EQUITY			
Issued capital	17	100,000	100,000
Unappropriated profit		115,879	73,033
Shareholders' equity		<u>215,879</u>	<u>173,033</u>
TOTAL LIABILITIES, INSURANCE RESERVES AND SHAREHOLDERS' EQUITY		<u>2,141,537</u>	<u>1,782,930</u>

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

AMASSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2007

	Note	Issued Capital RM'000	Distributable Unappropriated Profit RM'000	Total RM'000
At 31 March 2005		100,000	41,440	141,440
Net profit for the year		-	38,793	38,793
Final dividend paid for financial year ended 31 March 2005	18	-	(7,200)	(7,200)
At 31 March 2006		100,000	73,033	173,033
Net profit for the year		-	50,046	50,046
Final dividend paid for financial year ended 31 March 2006	18	-	(7,200)	(7,200)
At 31 March 2007		<u>100,000</u>	<u>115,879</u>	<u>215,879</u>

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

AMASSURANCE BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007 RM'000	2006 RM'000
Operating revenue	19	958,783	864,475
Transfers from insurance revenue accounts:			
General business		55,511	55,451
Life fund		13,500	-
		69,011	55,451
Shareholders' fund:			
Investment income	20	284	309
Net other operating income/(expenses)	21	756	(187)
Management expenses	22	(3)	(2)
		1,037	120
Profit from operations		70,048	55,571
Finance cost	26	(1,295)	-
Profit before taxation		68,753	55,571
Taxation	23	(18,707)	(16,778)
Net profit for the year		50,046	38,793
Earnings per ordinary share (sen)	24	50	39

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

AMASSURANCE BERHAD
(Incorporated in Malaysia)

GENERAL INSURANCE REVENUE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2007

	Note	Fire		Motor		Marine & Aviation		Misc.		Total	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Operating revenue	19									505,069	464,112
Gross premium		37,422	35,765	383,250	347,847	3,552	2,976	52,073	51,631	476,297	438,219
Reinsurance		(17,405)	(17,540)	(18,351)	(19,248)	(868)	(566)	(22,358)	(22,162)	(58,982)	(59,516)
Net premium		20,017	18,225	364,899	328,599	2,684	2,410	29,715	29,469	417,315	378,703
(Increase)/decrease in unearned premium reserves	15	(164)	(3,180)	(14,277)	(3,459)	182	(188)	1,609	(1,948)	(12,650)	(8,775)
Earned premium		19,853	15,045	350,622	325,140	2,866	2,222	31,324	27,521	404,665	369,928
Net claims incurred	25	(6,053)	(3,942)	(264,267)	(214,967)	(5,305)	(984)	(13,029)	(13,331)	(288,654)	(233,224)
Net commission		(2,140)	(1,509)	(35,471)	(33,041)	(341)	(403)	(6,871)	(6,284)	(44,823)	(41,237)
Underwriting surplus/(deficit) before management expenses		11,660	9,594	50,884	77,132	(2,780)	835	11,424	7,906	71,188	95,467
Management expenses	22									(63,758)	(63,189)
Underwriting surplus										7,430	32,278
Investment income	20									28,772	25,893
Net other operating income/(expenses)	21									19,309	(2,713)
Profit from operations										55,511	55,458
Finance cost	26									-	(7)
Transfer to income statement										55,511	55,451

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

AMASSURANCE BERHAD
(Incorporated in Malaysia)

LIFE FUND BALANCE SHEET
AS AT 31 MARCH 2007

	Note	2007 RM'000	2006 RM'000
ASSETS			
Property, plant and equipment	4	28,298	30,810
Investment properties	6	82,278	81,732
Investments	7	1,135,862	914,801
Intangible assets	8	2,712	1,078
Loans	9	87,474	77,964
Receivables	10	81,405	39,222
Cash and bank balances		544	9,212
Investment-linked business assets	28	11,511	9,932
Total life business assets		<u>1,430,084</u>	<u>1,164,751</u>
LIABILITIES			
Provision for outstanding claims	11	36,572	28,570
Payables	12	59,825	67,368
Tax liabilities		4,059	1,087
Deferred tax liabilities	14	249	249
Investment-linked business liabilities	28	101	81
Total life business liabilities		<u>100,806</u>	<u>97,355</u>
Amount due to shareholders' fund	10	71,575	58,113
Total liabilities		<u>172,381</u>	<u>155,468</u>
INSURANCE RESERVES			
Life policyholders' fund	16	1,246,293	999,432
Unitholders' investment linked fund	28	11,410	9,851
Total insurance reserves		<u>1,257,703</u>	<u>1,009,283</u>
Total life business liabilities and insurance reserves		<u>1,430,084</u>	<u>1,164,751</u>

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

AMASSURANCE BERHAD
(Incorporated in Malaysia)

LIFE FUND REVENUE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007 RM'000	2006 RM'000
Operating revenue	19	<u>453,430</u>	<u>400,054</u>
Gross premium		382,639	340,890
Reinsurance		<u>(14,854)</u>	<u>(28,221)</u>
Net premium		367,785	312,669
Benefits paid and payable:			
Death		(28,818)	(24,530)
Maturity		(9,708)	(8,516)
Surrender		(30,119)	(26,537)
Cash bonus		(553)	(705)
Others		<u>(12,245)</u>	<u>(9,619)</u>
		<u>(81,443)</u>	<u>(69,907)</u>
		286,342	242,762
Commission and agency expenses		(75,549)	(67,635)
Management expenses	22	<u>(42,732)</u>	<u>(38,529)</u>
		<u>(118,281)</u>	<u>(106,164)</u>
		168,061	136,598
Investment income	20	70,791	59,164
Net other operating income/(expenses)	21	<u>29,638</u>	<u>(2,901)</u>
Surplus before taxation		268,490	192,861
Taxation	23	<u>(8,129)</u>	<u>(4,527)</u>
Surplus after taxation		260,361	188,334
Life policyholders' fund at beginning of year		<u>999,432</u>	<u>811,098</u>
		1,259,793	999,432
Transfer to income statement		<u>(13,500)</u>	<u>-</u>
Life policyholders' fund at end of year		<u>1,246,293</u>	<u>999,432</u>

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

AMASSURANCE BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2007

	2007	2006
	RM'000	RM'000
CASH FLOW GENERATED FROM OPERATING ACTIVITIES		
Profit before taxation	68,753	55,571
Adjustments for:		
Life fund underwriting surplus	268,490	192,861
Increase in unearned premium reserves	12,650	8,775
Depreciation of property, plant and equipment	6,102	3,905
Provision for/(writeback of) provision for doubtful debts	2,834	(872)
Write off of intangible assets	2,199	-
Investment-linked surplus	1,571	2,322
Provision for/(writeback of) diminution in value of investments	1,387	(2,000)
Interest expense	1,295	7
Write off of property, plant and equipment	669	2
Amortisation of intangible assets	699	-
Provision for/(writeback of) retirement benefits	60	(58)
Interest income	(77,794)	(64,171)
Net investment (gain)/loss realised/unrealised	(54,656)	8,484
Dividend income	(10,441)	(13,095)
Life fund surplus transferred to income statement	(13,500)	-
Rental income	(6,123)	(4,400)
Accretion of discounts - net	(5,887)	(4,044)
Fair value adjustment on investment properties	(471)	-
Profit on disposal of property, plant and equipment	(2)	(13)
Operating profit from operations before changes in operating assets and liabilities	197,835	183,274
Purchase of investments	(647,173)	(670,881)
Proceeds from realisation of investments	584,713	431,070
Additions to investment properties	(74)	(55,762)
(Increase)/decrease in assets:		
Loans	(9,765)	(8,717)
Amount owing by agents/brokers, co-insurers and reinsurers/cedants	2,374	4,677
Other receivables, deposits and prepayments	(931)	(11,449)
Amount owing by other related companies	(64,315)	(7)
Fixed and call deposits	(173,224)	33,964
	<u>(110,560)</u>	<u>(93,831)</u>

AMASSURANCE BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2007 (CONTD.)

	2007	2006
	RM'000	RM'000
CASH FLOW GENERATED FROM OPERATING ACTIVITIES (CONTD.)		
Increase/(decrease) in liabilities:		
Provision for outstanding claims	59,928	25,413
Amount owing to agents/brokers, co-insurers, insured and reinsurers/cedants	(7,668)	5,499
Amount owing to other related companies	(324)	1,645
Other payables and accrued expense	(2,354)	17,414
Cash used in operations	<u>(60,978)</u>	<u>(43,860)</u>
Interest received	73,836	61,315
Dividend received	8,655	9,801
Rental received	6,183	4,875
Income tax paid	(21,066)	(13,316)
Retirement benefits paid	(46)	(7)
Interest paid	-	(7)
Net cash generated from operating activities	<u>6,584</u>	<u>18,801</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	12	27
Purchase of property, plant and equipment and intangible assets	(3,274)	(13,524)
Net cash used in investing activities	<u>(3,262)</u>	<u>(13,497)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayment of finance lease payables	-	(179)
Dividend paid	(7,200)	(7,200)
Net cash used in financing activities	<u>(7,200)</u>	<u>(7,379)</u>

AMASSURANCE BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2007 (CONTD.)

	2007	2006
	RM'000	RM'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,878)	(2,075)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14,044	16,119
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>10,166</u>	<u>14,044</u>
Cash and cash equivalents comprise:		
Cash and bank balances:		
General business	9,620	4,830
Life fund	544	9,212
Investment-linked fund	2	2
	<u>10,166</u>	<u>14,044</u>

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

AMASSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The principal place of business of the Company is located at 9th Floor, Bangunan AmAssurance, No. 1 Jalan Lumut, 50400 Kuala Lumpur.

The immediate and ultimate holding company of the Company is AMMB Holdings Berhad, a public listed company incorporated in Malaysia.

The principal activity of the Company is the underwriting of life and investment-linked insurance and all classes of general insurance business. The principal activity of the subsidiary is described in Note 5 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 May 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965, the Insurance Act and Regulations, 1996 and Guidelines/Circulars issued by Bank Negara Malaysia. 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 2006 as described fully in Note 2.3.

General business assets and liabilities relate to both general insurance and shareholders' funds.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except where otherwise indicated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies

(a) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Computer equipment under installation is not depreciated and is stated at cost, until such time when such assets are completed and are ready for active use. Depreciation of property, plant and equipment is provided on a straight-line basis, calculated to write-off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Freehold and leasehold property	2%
Motor vehicles	20%
Office and computer equipment	15% - 20%
Furniture, fittings and renovation	10% - 20%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(b) Subsidiary Company

A subsidiary company is a company in which the Company has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Investment in subsidiary company is stated at cost less impairment losses, if any. On disposal of such investment, the difference between net disposal/proceeds and their carrying amount is included in profit or loss.

The financial statements of the subsidiary company are not consolidated with the financial statements of the Company for the reasons stated in Note 6.

(c) Investments

- (i) Malaysian Government Securities and other approved investments as specified by BNM are stated at cost adjusted for the amortisation of premiums or accretion of discounts, calculated from the date of purchase to date of maturity on an effective yield basis. The amortisation of premium and accretion of discounts are recognised in the income statement and/or revenue accounts.
- (ii) Corporate bonds which are secured or which carry a minimum rating of “BBB” or “P3” are valued at cost adjusted for the amortisation of premiums or accretion of discounts, calculated on an effective yield basis from the dates of purchase to the maturity dates. Any bond with a lower rating is valued at the lower of cost and net realisable value. The amortisation of premiums and accretion of discounts are recognised in the income statement and/or revenue accounts.
- (iii) Quoted investments other than quoted corporate bonds are stated at the lower of cost and market value determined on an aggregate portfolio basis by category of investments except that if diminution in value of a particular investment is not regarded as temporary in accordance with the requirements of BNM, specific provision is made against the value of that investment. Quoted corporate bonds are valued using the method prescribed in the note above.
- (iv) Investments of the investment-linked business are stated at the closing market prices as at the balance sheet date. Unrealised gains and losses on these investments are taken into the investment-linked business income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(c) Investments (Contd.)

- (v) Unquoted and other investments are stated at cost less provision for any impairment in value. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(f).

(d) Investment Properties

Investment properties are initially stated at cost and include related and incidental expenditure incurred. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are recognised in the revenue account in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the revenue accounts in the year in which they arise.

(e) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in the income statement and/or revenue account.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(f).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(f) Impairment of Non-financial Assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(g) Interest Income and Other Income

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(h) Rental Income

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

(i) Dividend Income

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

(j) General Insurance Underwriting Results

The general insurance underwriting results, other than those arising from inward treaty business, are determined for each class of business, after taking into account reinsurances, unearned premium reserves, net commissions, net claims incurred and any other additional reserves.

(i) Premium Income

Premium income is recognised in a financial period in respect of risks assumed during the particular financial period. Inward treaty reinsurance premium are recognised on the basis of periodic advices received from ceding insurers.

(ii) Unearned Premium Reserves

The Unearned Premium Reserves (“UPR”) represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of policies at the end of the financial year. In determining the UPR at the balance sheet date, the method that most accurately reflects the actual unearned premium is used as follows:

- 25% method for marine cargo, aviation cargo and transit business;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(j) General Insurance Underwriting Results (Contd.)

(ii) Unearned Premium Reserves (Contd.)

- 1/24th method for all other classes of Malaysian policies reduced by the corresponding percentage of accounted gross direct business commissions and agency-related expenses not exceeding the limits specified by BNM as follows:

Motor	10%
Fire, engineering, aviation and marine hull	15%
Medical and health	
- Standalone individuals	15%
- Group of 3 or more	10%
Workmen's compensation and employers' liability	
- Foreign workers	10%
- Others	25%
Other classes	10% - 25%

- 1/8th method for all other classes of overseas inward treaty business with a deduction of 20% for commission.
- Non-annual policies are time apportioned over the period of the risks

(iii) Acquisition Costs

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

(iv) Provision for Claims

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance. The amount of outstanding claims is the best estimate of the cost of all claims together with related expenses less reinsurance recoveries, in respect of claims notified but not settled at balance sheet date using the case-basis method.

Provision is also made for the cost of claims together with related expenses incurred but not reported ("IBNR") at balance sheet date based on an actuarial estimation by the qualified independent actuary using a mathematical method of estimation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(k) Life Insurance Underwriting Results

The surplus transferable from the life fund to the income statement is based on the surplus determined by an annual actuarial valuation of the long-term liabilities to policyholders, made in accordance with the provisions of the Insurance Act, 1996 by the Company's appointed actuary. Any deficit arising from the actuarial valuation is recoverable from the shareholders' fund.

(i) Premium Income

Premium is recognised as soon as the amount of the premium can be reliably measured. First premium income is recognised from inception date and subsequent premium income is recognised when it is due. Premium outstanding at balance sheet date is recognised as income for the year, provided it is still within the grace period allowed for payment.

(ii) Commission and Agency Expenses

Commission and agency expenses, which are costs directly incurred in securing premium on insurance policies net of income derived from reinsurers in the course of the ceding of premium to reinsurers, are charged to the revenue account in the period in which they are incurred.

(iii) Provision for Claims

Claims and settlement costs that are incurred during the financial period are recognised when a claimable event occurs and/or the insurer is notified.

Claims and provisions for claims arising on life insurance policies, including settlement costs, are accounted for using the case-basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

- (i) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates; and
- (ii) death, surrender and other benefits without due dates are treated as claims payable on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(l) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

(m) Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the dates of the transactions. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rates that existed when the values were determined. All exchange rate differences are taken to the income statement and/or revenue accounts.

(n) Employee Benefits

(i) Short-term benefits

Wages, salaries and other salary related expenses are recognised as an expense in the year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(n) Employee Benefits (Contd.)

(ii) Defined contribution plan

As required by law, the Company makes contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement and/or revenue accounts as incurred.

(o) Assets Acquired under Finance Lease Arrangements

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership.

Assets acquired under finance lease arrangements are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as finance lease payables. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2(b).

(p) Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents consist of cash on hand and at bank, excluding fixed and call deposits.

The cash flow statement has been prepared using the indirect method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(q) Financial Instruments

Financial instruments are recognised in the balance sheet when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Disclosure information for financial assets and liabilities that relate to rights and obligations arising under insurance contracts are excluded from the scope of Financial Reporting Standard 132 - Financial Instruments: Disclosure and Presentation.

(i) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

Specific provisions are made for any premiums including agents, brokers or reinsurance balances which remain outstanding for more than thirty days for motor business and six months for other classes of business from the date on which they become receivable.

(ii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iii) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised and accounted for in the statement of changes in equity in the period in which they are declared.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising From Adoption of New and Revised FRSs

On 1 January 2006, the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The Company has not early adopted FRS 117 - Leases, FRS 124 Related Party Disclosures and the deferred FRS 139 - Financial Instruments: Recognition and Measurement and the following FRSs and amendment that are mandatory for financial periods beginning on or after 1 January 2006:

(i) FRS 6: Exploration for and Evaluation of Mineral Resources

FRS 6 is not relevant to the Company's operations.

(ii) Amendment to FRS 119₂₀₀₄: Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures

The amendments to FRS 119 is not relevant to the Company's operations.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising From Adoption of New and Revised FRSs (Contd.)

The adoption of revised FRS 2, 3, 5, 101, 102, 108, 110, 121, 127, 128, 131, 132, 133 and 136 does not result in significant changes in accounting policies of the Company. The principal changes in accounting policies and their effects resulting from the adoption of the revised FRSs are discussed below:

(a) FRS 116: Property Plant and Equipment

Prior to 1 January 2006, all properties were stated as investment properties in accordance with FRS 203 Life Insurance Business. Investment Properties were not depreciated and carried at cost less provision for impairment. Upon the adoption of FRS 140, self-occupied properties are reclassified as property, plant and equipment and depreciated accordingly and this is considered a change in accounting policy and depreciation is accounted for and charged out during the year.

Upon the adoption of FRS 140, each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation has not been applied retrospectively and as disclosed in Note 2.4, certain comparatives have been restated.

(b) FRS 138: Intangible Assets

Prior to 1 January 2006, costs of internally developed software and computer applications were recognised in Property, Plant and Equipment. Upon the adoption of FRS 138, such costs are now reclassified as intangible assets with a finite useful life. Software development costs are amortised from the date of system commissioning, on a straight line basis over its estimated useful life of 5 years. The carrying amount is assessed for impairment annually.

The reclassification has been applied retrospectively and as disclosed in Note 2.4, certain comparatives have been restated.

(c) FRS 140: Investment Properties

Prior to 1 January 2006, all investment properties were stated at cost less impairment loss in accordance with FRS 203 Life Insurance Business. Investment properties were not depreciated. Upon the adoption of FRS 140, properties held to earn rentals or for capital appreciation or both are classified as investment properties. In addition, investment properties are measured using the fair value model and reflecting the market condition.

The change in accounting policy has been accounted for during the year and as disclosed in Note 2.4, certain comparatives have been restated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Summary of effects of adopting new and revised FRSs on the current year's financial statements

The following tables provide estimates of the extent to which each of the line items in the balance sheet and revenue accounts for the year ended 31 March 2007 is higher or lower than it would have been had the previous policies been applied in the current year.

(i) Effects on the balance sheets as at 31 March 2007

General and shareholders' fund

Description of Change	Increase/(Decrease)			
	FRS 116 RM'000	FRS 138 RM'000	FRS 140 RM'000	Total RM'000
Property, plant and equipment	-	(2,044)	-	(2,044)
Intangible assets	-	2,044	-	2,044

Life Fund

Description of Change	Increase/(Decrease)			
	FRS 116 RM'000	FRS 138 RM'000	FRS 140 RM'000	Total RM'000
Property, plant and equipment	23,512	(2,712)	-	20,800
Intangible assets	-	2,712	-	2,712
Investments	(23,512)	-	(82,278)	(105,790)
Investment properties	-	-	82,278	82,278
Life Policyholders' Fund	(2,910)	-	471	(2,439)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Summary of effects of adopting new and revised FRSs on the current year's financial statements (Contd.)

(ii) Effects on the Life fund revenue account for the year ended 31 March 2007

Description of Change	Increase/(Decrease)		
	FRS 116 RM'000	FRS 140 RM'000	Total RM'000
Management expenses	2,910	-	2,910
Net other operating income	-	471	471
Surplus before taxation	(2,910)	471	(2,439)
Surplus after taxation	(2,910)	471	(2,439)

2.5 Restatement of comparatives

The following comparative amounts have been restated as a result of adopting the new and revised FRS:

General and Shareholders' Fund

Description of Change	Increase/(Decrease)		
	Previously Stated RM'000	FRS 138 RM'000	Restated RM'000
At 1 April 2005			
Property, plant and equipment	15,991	(2,135)	13,856
Intangible assets	-	2,135	2,135
At 31 March 2006			
Property, plant and equipment	24,499	(1,873)	22,626
Intangible assets	-	1,873	1,873

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Life Fund

2.5 Restatement of comparatives (Contd.)

Description of Change	Increase/(Decrease)			
	Previously Stated RM'000	FRS 138 RM'000	FRS 140 RM'000	Restated RM'000
At 1 April 2005				
Property, plant and equipment	4,389	(604)	10,552	14,337
Intangible assets	-	604	-	604
Investments	826,953	-	(52,373)	774,580
Investment properties	-	-	41,821	41,821
Life Policyholders' Fund	811,098	-	-	811,098
At 31 March 2006				
Property, plant and equipment	5,485	(1,078)	26,403	30,810
Intangible assets	-	1,078	-	1,078
Investments	1,022,936	-	(108,135)	914,801
Investment properties	-	-	81,732	81,732
Life Policyholders' Fund	999,432	-	-	999,432

2.6 Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following FRS, amendments to FRS and Interpretations were issued but not yet effective and have not been applied by the Company:

FRS, Amendments to FRS and Interpretations	Effective for financial periods beginning on or after
FRS 139: Financial Instruments: Recognition and Measurement	Deferred
FRS 6: Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 119 ²⁰⁰⁴ : Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.6 Standards and Interpretations Issued but Not Yet Effective (Contd.)

FRS, Amendments to FRS and Interpretations	Effective for financial periods beginning on or after
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7: Applying the Restatement Approach under FRS 129 ₂₀₀₄ - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8: Scope of FRS 2	1 July 2007

The above FRS, amendments to FRS and Interpretations are expected to have no significant impact on the financial statements of the Company upon their initial application.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical Judgements Made in Applying Accounting Policies

The following are judgements made by management in the process of applying the Group's accounting policies that have most significant effect on the amounts recognised in the financial statements.

(i) Liabilities of life insurance business

The estimation of the ultimate liability arising from claims made under life insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimation of the liabilities that the Company will ultimately be required to pay as claims. For life insurance contracts, estimates are made for future deaths, disabilities, maturities, investment returns, voluntary terminations and expenses in accordance with regulatory requirements. The Company bases the estimate of expected number of deaths on statutory mortality tables, adjusted where appropriate to reflect the Company's unique risk exposures. The estimated number of deaths determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future premiums. For those contracts that insure risk to disability, estimates are made based on recent past experience and emerging trends. However epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future exposure. All of this will give rise to estimation uncertainties of projected ultimate liability of the life insurance fund.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTD.)

(a) Critical Judgements Made in Applying Accounting Policies (Contd.)

(ii) Uncertainties in Accounting Estimates for General Insurance Business

The principal uncertainty in the Company's general insurance business arises from the technical provisions which include the provisions of premiums and claims liabilities. The premium liabilities comprise unearned premium reserves while claim liabilities comprise provision for outstanding claims. The estimation bases for unearned premium reserves are explained in the related accounting policy statement.

Generally, claims liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premiums and claims liabilities will not exactly develop as projected and may vary from the Company's projections. The estimates of premiums and claims liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premiums and claims liabilities may vary from the initial estimates. There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported to the Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

(iii) Classification between investment properties and property, plant and equipment

The Company has developed certain criteria based on FRS 140 in making judgement whether a property qualifies to be classified as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purpose. If these portions could be sold separately (or leased out separately under finance lease), the Company would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purpose.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTD.)

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Depreciation of property, plant and equipment

The cost of freehold and leasehold properties are depreciated on a straight line basis over their estimated useful lives of 50 years. The Company estimates that at the end of the useful lives, these properties will not have any residual values.

(ii) Amortisation of intangible assets

The Company recognises the costs of significant development of knowledge based software and computer applications as intangible assets with finite useful lives. Such software and applications are unique to the requirements of the insurance business and the Company establishes that these development costs will generate economic benefits beyond one year.

The Company estimates the useful lives of these software costs to be between 5 to 10 years.

The Company expects that amortisation on Software under development will only commence after the software and computer applications are available to be used and generate future economic benefits.

4. PROPERTY, PLANT AND EQUIPMENT

General business and shareholders' fund

2007

	Freehold building RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture, fittings and renovation RM'000	Computer equipment RM'000	Computer equipment under installation RM'000	Total RM'000
Cost							
At beginning of year	9,794	752	2,198	5,936	14,537	9,714	42,931
Additions	-	5	62	107	381	816	1,371
Disposals	-	-	(10)	-	-	-	(10)
Write off	-	-	(4)	(7)	-	(669)	(680)
Transfer	-	-	-	-	-	(4,551)	(4,551)
At end of year	9,794	757	2,246	6,036	14,918	5,310	39,061
Accumulated Depreciation							
At beginning of year	2,252	592	1,604	4,102	11,755	-	20,305
Charge for the year	196	94	144	536	877	-	1,847
Disposals	-	-	(9)	-	-	-	(9)
Write off	-	-	(4)	(7)	-	-	(11)
At end of year	2,448	686	1,735	4,631	12,632	-	22,132
Net Carrying Amount							
At end of year	7,346	71	511	1,405	2,286	5,310	16,929

4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**General business and shareholders' fund (Contd.)****2006**

	Freehold building RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture, fittings and renovation RM'000	Computer equipment RM'000	Computer equipment under installation RM'000	Total RM'000
Cost							
At beginning of year	9,794	694	2,047	5,910	13,981	15	32,441
Additions	-	97	168	264	578	9,714	10,821
Disposals	-	(39)	-	-	-	-	(39)
Write off	-	-	(17)	(238)	(22)	-	(277)
Transfer	-	-	-	-	-	(15)	(15)
At end of year	<u>9,794</u>	<u>752</u>	<u>2,198</u>	<u>5,936</u>	<u>14,537</u>	<u>9,714</u>	<u>42,931</u>
Accumulated Depreciation							
At beginning of year	2,056	497	1,494	3,734	10,804	-	18,585
Charge for the year	196	134	128	605	971	-	2,034
Disposals	-	(39)	-	-	-	-	(39)
Write off	-	-	(18)	(237)	(20)	-	(275)
At end of year	<u>2,252</u>	<u>592</u>	<u>1,604</u>	<u>4,102</u>	<u>11,755</u>	<u>-</u>	<u>20,305</u>
Net Carrying Amount							
At end of year	<u>7,542</u>	<u>160</u>	<u>594</u>	<u>1,834</u>	<u>2,782</u>	<u>9,714</u>	<u>22,626</u>

In the previous financial year, under the general business and shareholders' fund, the cost and net book value of the office and computer equipment acquired under finance lease arrangements amounted to RM1,326,000 and RM1 respectively.

4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**Life fund****2007**

	Buildings - owner occupied properties RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture, fittings and renovation RM'000	Computer equipment RM'000	Total RM'000
Cost						
At beginning of year	26,403	267	2,022	7,891	7,124	43,707
Additions	19	-	145	1,315	273	1,752
Disposals	-	-	(4)	(1)	(14)	(19)
At end of year	<u>26,422</u>	<u>267</u>	<u>2,163</u>	<u>9,205</u>	<u>7,383</u>	<u>45,440</u>

**Accumulated
Depreciation**

At beginning of year	-	213	1,410	4,874	6,400	12,897
Charge for the year	2,910	54	144	917	230	4,255
Disposals	-	-	(4)	(1)	(5)	(10)
At end of year	<u>2,910</u>	<u>267</u>	<u>1,550</u>	<u>5,790</u>	<u>6,625</u>	<u>17,142</u>

Net Carrying Amount

At end of year	<u>23,512</u>	<u>-</u>	<u>613</u>	<u>3,415</u>	<u>758</u>	<u>28,298</u>
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2006**Cost**

At beginning of year	10,551	267	1,908	7,461	6,876	27,063
Additions	15,852	-	247	1,203	288	17,590
Disposals	-	-	-	-	(40)	(40)
Write off	-	-	(133)	(773)	-	(906)
At end of year	<u>26,403</u>	<u>267</u>	<u>2,022</u>	<u>7,891</u>	<u>7,124</u>	<u>43,707</u>

**Accumulated
Depreciation**

At beginning of year	-	160	1,415	4,915	6,236	12,726
Charge for the year	-	53	128	732	191	1,104
Disposals	-	-	-	-	(27)	(27)
Write off	-	-	(133)	(773)	-	(906)
At end of year	<u>-</u>	<u>213</u>	<u>1,410</u>	<u>4,874</u>	<u>6,400</u>	<u>12,897</u>

Net Carrying Amount

At end of year	<u>26,403</u>	<u>54</u>	<u>612</u>	<u>3,017</u>	<u>724</u>	<u>30,810</u>
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4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Included in owner-occupied properties of the life fund are properties with a total net book value amounting to RM16,248,000 (2006: RM16,639,000), for which the title deeds are still in the process of being transferred to the Company.

Included in the property, plant and equipment of the Company are the costs of fully depreciated assets which are still in use as follows:

	General business and shareholders' fund		Life fund	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Motor vehicles	651	281	267	-
Office equipment	1,281	1,270	1,194	1,086
Furniture, fittings and renovation	3,205	2,519	3,344	3,073
Computer equipment	10,364	10,364	6,063	6,105
	<u>15,501</u>	<u>14,434</u>	<u>10,868</u>	<u>10,264</u>

5. SUBSIDIARY COMPANY

General business and shareholders' fund

	2007	2006
	RM'000	RM'000
Unquoted shares, at cost	<u>6,000</u>	<u>6,000</u>

The subsidiary company is:

	Place of incorporation	Paid-up capital RM'000	Effective Equity interest		Principal activity
			2007	2006	
			%	%	
Arab-Malaysian Services Bhd.	Malaysia	6,000	100	100	Dormant

The financial statements of the subsidiary company are not consolidated as the holding company, AMMB Holdings Berhad produces consolidated financial statements that are available for public use and which comply with applicable Financial Reporting Standards in Malaysia. The financial statements of the subsidiary are annexed to these financial statements.

The amount owing to the subsidiary company arose mainly from non-trade advances which are unsecured, interest free and have no fixed terms of repayment.

6. INVESTMENT PROPERTIES**Life fund**

	2007	2006
	RM'000	RM'000
At beginning of year	81,732	41,821
Additions from acquisition	-	39,911
Additions from subsequent expenditure	75	-
Fair value adjustments	471	-
At end of year	<u>82,278</u>	<u>81,732</u>

The following investment properties
are held under lease terms:

Leasehold land and buildings	18,025	16,544
Freehold land and buildings	64,253	65,188
	<u>82,278</u>	<u>81,732</u>

Included in investment properties of the life fund are properties with a total net book value amounting to RM73,568,000 (2006: RM79,772,000), for which the title deeds are still in the process of being transferred to the Company.

7. INVESTMENTS**General business and shareholders' fund**

	2007		2006	
	Cost	Market	Cost	Market
	RM'000	value	RM'000	value
		RM'000		RM'000
Malaysian Government Securities	36,910		43,068	
Amortisation of premiums net of accretion of discounts	<u>(1,471)</u>		<u>(1,495)</u>	
	<u>35,439</u>	<u>35,418</u>	<u>41,573</u>	<u>41,385</u>
Government investment issues	8,672		8,671	
Accretion of discounts	<u>1,035</u>		<u>750</u>	
	<u>9,707</u>	<u>9,655</u>	<u>9,421</u>	<u>9,317</u>
Cagamas bonds	15,001		25,005	
Amortisation of premiums net of accretion of discounts	<u>(1)</u>		<u>(5)</u>	
	<u>15,000</u>	<u>14,910</u>	<u>25,000</u>	<u>24,862</u>

7. INVESTMENTS (CONTD.)

General business and shareholders' fund (Contd.)

	2007		2006	
	Cost RM'000	Market value RM'000	Cost RM'000	Market value RM'000
Shares of corporations quoted in Malaysia	-		48,368	
Provision for diminution in value	-		(146)	
	<u>-</u>	<u>-</u>	<u>48,222</u>	<u>51,593</u>
Quoted REITS	23,065		3,342	
Provision for diminution in value	(656)		-	
	<u>22,409</u>	<u>22,409</u>	<u>3,342</u>	<u>3,920</u>
Other investments	13,924		25,025	
Provision for diminution in value	(702)		(1,047)	
	<u>13,222</u>	<u>15,194</u>	<u>23,978</u>	<u>24,900</u>
Unquoted shares of corporations	44		44	
Provision for diminution in value	(44)		(44)	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Quoted bonds of corporations	-	-	598	586
Negotiable Instruments of Deposit	102,321		82,308	
Accretion of discounts net of amortisation of premiums/ (amortisation of premiums net of accretion of discounts)	751		(348)	
	<u>103,072</u>	<u>105,332</u>	<u>81,960</u>	<u>82,488</u>
Unquoted bonds of corporations	296,542		277,650	
Accretion of discounts net of amortisation of premiums	1,911		2,609	
	<u>298,453</u>	<u>304,692</u>	<u>280,259</u>	<u>285,912</u>
Investment-linked fund	4,000		4,000	

7. INVESTMENTS (CONTD.)**General business and shareholders' fund (Contd.)**

	2007		2006	
	Cost	Market	Cost	Market
	RM'000	value	RM'000	value
		RM'000		RM'000
Fixed and call deposits with:				
Licensed banks	-		405	
Other corporations	114,115		24,469	
	<u>114,115</u>		<u>24,874</u>	
Total investments	<u>615,417</u>		<u>543,227</u>	

Included in fixed and call deposits are RM51,918,529 (2006: RM17,485,000) placed with other related companies with interest rates ranging from 2.0% to 3.2% per annum (2006: 2.0% to 3.2% per annum).

Life fund

	2007		2006	
	Cost	Market	Cost	Market
	RM'000	value	RM'000	value
		RM'000		RM'000
Malaysian Government				
Securities	65,091		76,267	
Amortisation of premiums net				
of accretion of discounts	<u>(1,700)</u>		<u>(2,119)</u>	
	<u>63,391</u>	<u>63,776</u>	<u>74,148</u>	<u>74,459</u>
Government investment issues:	5,008		5,008	
Amortisation of premiums net				
of accretion of discounts	<u>(1)</u>		<u>(1)</u>	
	<u>5,007</u>	<u>5,285</u>	<u>5,007</u>	<u>5,137</u>
Cagamas bonds	<u>5,000</u>	<u>4,972</u>	<u>5,000</u>	<u>4,961</u>
Shares of corporations				
quoted in Malaysia	<u>6,458</u>	<u>8,232</u>	<u>85,893</u>	<u>88,832</u>
Quoted REITS	24,972		5,389	
Provision for diminution				
in value	<u>(1,075)</u>		<u>-</u>	
	<u>23,897</u>	<u>23,897</u>	<u>5,389</u>	<u>6,305</u>

7. INVESTMENTS (CONTD.)**Life fund (Contd.)**

	2007		2006	
	Cost RM'000	Market value RM'000	Cost RM'000	Market value RM'000
Other investments	21,857		22,579	
Provision for diminution in value	(445)		(445)	
	<u>21,412</u>	<u>23,383</u>	<u>22,134</u>	<u>22,829</u>
Unquoted shares of corporations	2,147		2,147	
Provision for diminution in value	(53)		(52)	
	<u>2,094</u>		<u>2,095</u>	
Negotiable Instruments of Deposit	82,181		41,590	
Accretion of discounts net of amortisation of premiums/ (amortisation of premiums net of accretion of discounts)	979		(89)	
	<u>83,160</u>	<u>84,992</u>	<u>41,501</u>	<u>42,198</u>
Unquoted bonds of corporations	653,181		484,826	
Accretion of discounts net of amortisation of premiums	7,425		5,056	
	<u>660,606</u>	<u>683,319</u>	<u>489,882</u>	<u>504,229</u>
Quoted bonds of corporations	-	-	5,000	4,900
Fixed and call deposits with:				
Licensed banks	128,341		123,339	
Other corporations	136,496		55,413	
	<u>264,837</u>		<u>178,752</u>	
Total investments	<u>1,135,862</u>		<u>914,801</u>	

Included in fixed and call deposits are RM152,787,000 (2006: RM132,051,000) placed with other related companies with interest rates ranging from 3.35% to 7% per annum (2006: 2.4% to 7% per annum).

8. INTANGIBLE ASSETS

Software costs	General business and shareholders' fund		Life fund	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Cost				
At beginning of year	7,640	7,246	3,502	2,955
Additions	773	434	3,930	547
Write off	-	(40)	(2,199)	-
At end of year	<u>8,413</u>	<u>7,640</u>	<u>5,233</u>	<u>3,502</u>
Accumulated Amortisation				
At beginning of year	5,767	5,111	2,424	2,351
Amortisation for the year	602	696	97	73
Write off	-	(40)	-	-
At end of year	<u>6,369</u>	<u>5,767</u>	<u>2,521</u>	<u>2,424</u>
Net Carrying Amount				
At 31 March 2007	<u>2,044</u>	<u>1,873</u>	<u>2,712</u>	<u>1,078</u>

Included in intangible assets of the life fund are the cost of software under development amounting to RM2,389,000 (2006: RM861,000).

Included in the intangible assets of the Company are the costs of fully amortised software which are still in use as follows:

	General business and shareholders' fund		Life fund	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Software	<u>4,691</u>	<u>4,691</u>	<u>2,338</u>	<u>2,338</u>

9. LOANS

	General business and shareholders' fund		Life fund	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Policy loans	-	-	78,645	68,353
Mortgage loans	-	-	9,032	9,616
Provisions for doubtful debts	-	-	(799)	(411)
	-	-	8,233	9,205
Other secured loans	653	801	733	546
Provisions for doubtful debts	(32)	(38)	(137)	(140)
	621	763	596	406
	621	763	87,474	77,964
Receivables:				
- within 12 months	192	174	751	890
- after 12 months	429	589	86,723	77,074
	621	763	87,474	77,964

10. RECEIVABLES

	General business and shareholders' fund		Life fund	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Trade receivables				
Outstanding premiums including agents/brokers and co-insurers balances	34,200	31,615	11,384	14,984
Provisions for doubtful debts	(10,515)	(8,096)	(986)	(440)
	23,685	23,519	10,398	14,544
Amount owing by reinsurers/cedants	4,319	4,142	1,851	3,376
Provisions for doubtful debts	(1,794)	(2,310)	(852)	(852)
	2,525	1,832	999	2,524
	26,210	25,351	11,397	17,068

10. RECEIVABLES (CONTD.)

	General business and shareholders' fund		Life fund	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Other receivables				
Other receivables, deposits and prepayments	6,519	4,504	9,659	9,205
Provisions for doubtful debts	(457)	(450)	-	-
	<u>6,062</u>	<u>4,054</u>	<u>9,659</u>	<u>9,205</u>
Tax recoverable	2,455	2,343	-	-
Malaysian Institute of Insurance ("MII") bonds	200	200	-	-
Income due and accrued	5,891	5,273	12,907	9,870
Amount owing by other related companies	20,004	1,639	47,442	3,079
	<u>34,612</u>	<u>13,509</u>	<u>70,008</u>	<u>22,154</u>
	<u>60,822</u>	<u>38,860</u>	<u>81,405</u>	<u>39,222</u>
Amount due from life fund	<u>71,575</u>	<u>58,113</u>		
	<u>132,397</u>	<u>96,973</u>		

In the composite balance sheet on page 17, the amount due from life fund of RM71,575,000 (2006: RM58,113,000) has been offset against the amount due to shareholders' fund in the life fund balance sheet on page 21.

Included in the amount owing by reinsurers/cedants of the general business as at 31 March 2007 are the balances for which statements from third parties have not been received amounting to RM4,850,000 (2006: RM3,868,000).

In cases where statements from third parties have not been received, the Company makes specific requests to the parties concerned to submit such statements, in order to facilitate the reconciliation exercise. Where statements of accounts were received, the unreconciled differences did not exceed 2% of the gross balances outstanding in the respective categories of assets.

11. PROVISION FOR OUTSTANDING CLAIMS

	General business and shareholders' fund		Life fund	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Provision for outstanding claims	410,409	340,057	46,222	30,433
Recoverable from reinsurers	(130,579)	(112,153)	(9,650)	(1,863)
Net outstanding claims	<u>279,830</u>	<u>227,904</u>	<u>36,572</u>	<u>28,570</u>

12. PAYABLES

	General business and shareholders' fund		Life fund	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Trade payables				
Amount owing to agents/ brokers, co-insurers and insureds	10,994	9,286	6,531	6,668
Amount owing to reinsurers/cedants	18,828	22,148	2,110	8,037
	<u>29,822</u>	<u>31,434</u>	<u>8,641</u>	<u>14,705</u>
Other payables				
Other payables and accrued expenses	20,443	21,619	48,540	49,727
Amount owing to other related companies	1,295	32	2,644	2,936
	<u>21,738</u>	<u>21,651</u>	<u>51,184</u>	<u>52,663</u>
	<u>51,560</u>	<u>53,085</u>	<u>59,825</u>	<u>67,368</u>

Included in the amount owing to reinsurers/cedants of the general business as at 31 March 2007 are balances for which statements from third parties have not been received amounting to RM2,608,000 (2006: RM2,244,000).

In cases where statements from third parties have not been received, the Company makes specific requests to the parties concerned to submit such statements, in order to facilitate the reconciliation exercise. Where statements of accounts were received, the unreconciled differences did not exceed 2% of the gross balances outstanding in the respective categories of liabilities.

13. SUBORDINATED TERM LOAN

	2007	2006
	RM'000	RM'000
General business and shareholders' fund		
Subordinated term loan	<u>30,000</u>	<u>30,000</u>

In 1998, a subordinated term loan of RM80 million was obtained from a then major shareholder of the Company, AmMerchant Bank Berhad ("AMMB"), to supplement its capital fund.

The initial term of the loan facility was for a period of five (5) years commencing from the date of first drawdown in June 1998. The rate of interest payable was 1% plus AMMB's cost of funds and the repayment of the principal amount was to be made in one single payment at the end of the initial loan period. The interest was waived with effect from 1 July 2000.

The shareholders of the Company had undertaken to subscribe to their respective entitlement under a rights issue of shares to convert or otherwise replace the loan with share capital. The exercise for the rights issue of shares to increase the paid-up capital of the Company to RM100 million was completed on 5 November 2001.

Accordingly, RM50 million of the above loan was repaid by the Company in 2002. BNM had agreed for the Company to maintain RM30 million as a subordinated term loan pursuant to the increase in the paid-up capital. The subordinated term loan cannot be repaid without the prior approval of BNM.

The Company has subsequently obtained approval from BNM for the extension of the loan term until 30 June 2007.

During the financial year, AMMB obtained approval from BNM to charge interest on the term loan at the rate of 1% above AMMB's cost of funds, effective 1 July 2006 until the expiry of the loan facility on 30 June 2007.

14. DEFERRED TAX LIABILITIES

	General business and		Life fund	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
At beginning of year	(1,526)	(842)	(249)	(249)
Recognised in the Income Statement/Life Insurance Revenue Account (Note 23)	<u>(633)</u>	<u>(684)</u>	<u>-</u>	<u>-</u>
At end of year	<u>(2,159)</u>	<u>(1,526)</u>	<u>(249)</u>	<u>(249)</u>

14. DEFERRED TAX LIABILITIES (CONTD.)

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 income taxes relate to the same fiscal authority. Net deferred tax liabilities shown on the Balance Sheets have been determined after considering appropriate offsetting as follows:

	General business and shareholders' fund		Life fund	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	859	456	15	15
Deferred tax liabilities	(3,018)	(1,982)	(264)	(264)
	<u>(2,159)</u>	<u>(1,526)</u>	<u>(249)</u>	<u>(249)</u>

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

2007**Deferred Tax Assets****General business and shareholders' fund**

	Provision for diminution of investment RM'000	Others RM'000	Total RM'000
At 1 April 2006	419	37	456
Recognised in the Income Statement	(419)	822	403
At 31 March 2007	<u>-</u>	<u>859</u>	<u>859</u>

Life fund

	Provision for diminution of investment RM'000
At 1 April 2006 and 31 March 2007	<u>15</u>

14. DEFERRED TAX LIABILITIES (CONTD.)**2006****Deferred Tax Assets (Contd.)****General business and shareholders' fund (Contd.)**

	Provision for diminution of investment RM'000	Others RM'000	Total RM'000
At 1 April 2005	330	116	446
Recognised in the Income Statement	89	(79)	10
At 31 March 2006	<u>419</u>	<u>37</u>	<u>456</u>

Life fund (Contd.)

	Provision for diminution of investment RM'000
At 1 April 2005 and 31 March 2006	<u>15</u>

2007**Deferred Tax Liabilities****General business and shareholders' fund**

	Accelerated capital allowance on property, plant and equipment RM'000	Others RM'000	Total RM'000
At 1 April 2006	(1,982)	-	(1,982)
Recognised in the Income Statement	(781)	(255)	(1,036)
At 31 March 2007	<u>(2,763)</u>	<u>(255)</u>	<u>(3,018)</u>

14. DEFERRED TAX LIABILITIES (CONTD.)**2007 (Contd.)****Deferred Tax Liabilities (Contd.)****Life fund**

	Accelerated capital allowance on property, plant and equipment RM'000	Net accretion of discounts RM'000	Total RM'000
At 1 April 2006 and 31 March 2007	(88)	(176)	(264)

2006**Deferred Tax Liabilities****General business and shareholders' fund**

	Accelerated capital allowance on property, plant and equipment RM'000	Others RM'000	Total RM'000
At 1 April 2005	(1,288)	-	(1,288)
Recognised in the Income Statement	(694)	-	(694)
At 31 March 2006	(1,982)	-	(1,982)

Life fund

	Accelerated capital allowance on property, plant and equipment RM'000	Net accretion of discounts RM'000	Total RM'000
At 1 April 2005 and 31 March 2006	(88)	(176)	(264)

15. UNEARNED PREMIUM RESERVES

	Fire RM'000	Motor RM'000	Marine, aviation and transit RM'000	Miscellaneous RM'000	Total RM'000
2007					
At beginning of year	10,696	154,600	734	15,957	181,987
Increase/(decrease) in unearned premium reserves	164	14,277	(182)	(1,609)	12,650
At end of year	<u>10,860</u>	<u>168,877</u>	<u>552</u>	<u>14,348</u>	<u>194,637</u>
2006					
At beginning of year	7,516	151,141	546	14,009	173,212
Increase in unearned premium reserves	3,180	3,459	188	1,948	8,775
At end of year	<u>10,696</u>	<u>154,600</u>	<u>734</u>	<u>15,957</u>	<u>181,987</u>

16. LIFE POLICYHOLDERS' FUND

Based on the actuarial valuation of the fund made up to 31 March 2007, the actuary was satisfied that the assets available in the life fund are sufficient to meet its long term liabilities to policyholders.

	2007 RM'000	2006 RM'000
Actuarial liabilities:		
At beginning of year	948,483	761,630
Add: Increase in policy reserves	238,211	206,641
Bonus allocated to participating policyholders (including interim bonus) from normal surplus	11,173	10,610
Less: Interim bonus	(464)	(820)
Increase in reinsurance	(78,659)	(29,578)
	<u>170,261</u>	<u>186,853</u>
At end of year	<u>1,118,744</u>	<u>948,483</u>

16. LIFE POLICYHOLDERS' FUND (CONTD.)

	2007	2006
	RM'000	RM'000
Unallocated surplus:		
At beginning of year	50,949	49,468
Less: Surplus/(deficit) arising during the year	22,614	(17,487)
Bonus allocated to participating policyholders (including interim bonus) from normal surplus	(11,173)	(10,610)
Transfer to shareholders' fund	(13,500)	-
Add: Increase in reinsurance	78,659	29,578
	<u>76,600</u>	<u>1,481</u>
At end of year	<u>127,549</u>	<u>50,949</u>
Life policyholders' fund at end of year:		
Actuarial liabilities	1,118,744	948,483
Unallocated surplus	127,549	50,949
	<u>1,246,293</u>	<u>999,432</u>

17. SHARE CAPITAL

	2007	2006
	RM'000	RM'000
Authorised:		
100,000,000 ordinary shares of RM1 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
100,000,000 ordinary shares of RM1 each	<u>100,000</u>	<u>100,000</u>

18. DIVIDENDS

	Dividends in respect		Dividends	
	of Year		Recognised in Year	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Recognised during the year:				
Final dividend for 2006: 10% less 28% taxation, on 100,000,000 ordinary shares (RM7.20 per share)	-	7,200	7,200	-

18. DIVIDENDS (CONTD.)

	Dividends in respect of Year		Dividends Recognised in Year	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Final dividend for 2005: 10% less 28% taxation, on 100,000,000 ordinary shares (RM7.20 per share)	-	7,200	7,200	-

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 March 2007 of 10% less 27% tax on 100,000,000 ordinary shares, amounting to a dividend payable of RM7.3 million (7.3 sen net per ordinary share) will be proposed for approval by Bank Negara Malaysia ("BNM") and shareholders. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, upon approval by BNM and the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2008.

19. OPERATING REVENUE

	Shareholders' fund RM'000	General business RM'000	Life fund RM'000	Total RM'000
2007				
Gross premiums	-	476,297	382,639	858,936
Investment income (Note 20)	284	28,772	70,791	99,847
	<u>284</u>	<u>505,069</u>	<u>453,430</u>	<u>958,783</u>
2006				
Gross premiums	-	438,219	340,890	779,109
Investment income (Note 20)	309	25,893	59,164	85,366
	<u>309</u>	<u>464,112</u>	<u>400,054</u>	<u>864,475</u>

20. INVESTMENT INCOME

	Shareholders' fund RM'000	General business RM'000	Life Fund RM'000
2007			
Interest from:			
Malaysian Government Securities	-	1,789	3,670
Cagamas bonds	-	636	156
Unquoted corporate bonds	203	15,832	32,187
Policy loans	-	-	6,640
Mortgage loans	-	-	481
Other loans	-	31	26
Fixed and call deposits	29	4,279	11,753
Gross dividends from:			
Shares quoted in Malaysia	17	2,974	5,224
Other investments	48	697	1,173
Rental income	-	-	6,123
Accretion of discounts, net of amortisation of premiums	(13)	2,534	3,358
	<u>284</u>	<u>28,772</u>	<u>70,791</u>
2006			
Interest from:			
Malaysian Government Securities	-	2,380	4,176
Cagamas bonds	-	804	155
Unquoted corporate bonds	266	12,925	23,090
Quoted corporate bonds	-	-	153
Policy loans	-	-	4,969
Mortgage loans	-	-	474
Other loans	-	47	21
Fixed and call deposits	5	3,653	10,980
Gross dividends from:			
Shares quoted in Malaysia	12	4,087	7,685
Other investments	29	501	516
Rental income	-	-	4,400
Accretion of discounts, net of amortisation of premiums	(3)	1,496	2,545
	<u>309</u>	<u>25,893</u>	<u>59,164</u>

21. NET OTHER OPERATING INCOME/(EXPENSES)

	Shareholders' fund RM'000	General business RM'000	Life Fund RM'000
2007			
Profit on disposal of			
property, plant and equipment	-	-	2
Write off of property, plant and equipment		(669)	
Write off of intangible assets	-	-	(2,199)
Realised loss on foreign exchange	-	(8)	(57)
Profit on disposal of investments in:			
Quoted shares	254	18,142	29,228
Unquoted corporate bonds	421	-	2,269
Malaysian Government Securities	-	1,108	98
Other investments	-	505	902
Writeback of/(provision for) diminution			
in value of investment:			
Unquoted shares	-	-	(1)
Other investments	137	(447)	(1,075)
Fair value adjustment on investment			
properties	-	-	471
Sundry income	-	679	-
Sundry expenditure	(56)	(1)	-
	<u>756</u>	<u>19,309</u>	<u>29,638</u>
2006			
Profit on disposal of			
property, plant and equipment	-	13	-
Write off of property, plant and			
equipment	-	(1)	(1)
Realised loss on foreign exchange	-	-	(12)
(Loss)/profit on disposal of investment in:			
Quoted shares	-	(8,044)	(6,556)
Unquoted corporate bonds	(2)	2,579	3,575
Other investments	-	13	399
Writeback of/(provision for) diminution			
in value of investment:			
Quoted shares	61	2,334	-
Unquoted shares	-	-	(30)
Other investments	(227)	(299)	(276)
Sundry income	-	693	-
Sundry expenditure	(19)	(1)	-
	<u>(187)</u>	<u>(2,713)</u>	<u>(2,901)</u>

22. MANAGEMENT EXPENSES

	Shareholders' fund RM'000	General business RM'000	Life fund RM'000
2007			
Staff costs			
Directors' remuneration (Note (a))	-	294	196
Chief Executive Officer's ("CEO") remuneration (Note (a))	-	686	458
Wages, salaries and bonuses	-	22,970	14,468
Contributions to EPF	-	3,583	2,385
Other employee benefits	-	1,567	925
	<u>-</u>	<u>29,100</u>	<u>18,432</u>
Provisions for doubtful debts	-	1,898	941
Writeback of provision for doubtful debts	-	-	(5)
Bad debts written off	-	532	11
Auditors' remuneration	3	87	50
Rental of office from third parties	-	1,333	1,404
Rental of office from other related companies	-	139	268
Depreciation of property, plant and equipment	-	1,847	4,255
Amortisation of intangible assets	-	602	97
IGSF levies	-	1,072	-
Other expenses	-	27,148	17,279
	<u>3</u>	<u>34,658</u>	<u>24,300</u>
	<u>3</u>	<u>63,758</u>	<u>42,732</u>
2006			
Staff costs			
Directors' remuneration (Note (a))	-	251	157
Chief Executive Officer's ("CEO") remuneration (Note (a))	-	656	438
Wages, salaries and bonuses	-	22,278	14,529
Contributions to EPF	-	3,415	2,261
Other employee benefits	-	1,957	1,433
	<u>-</u>	<u>28,557</u>	<u>18,818</u>

22. MANAGEMENT EXPENSES (CONTD.)

	Shareholders' fund RM'000	General business RM'000	Life fund RM'000
2006 (Contd.)			
Staff costs			
Provisions for doubtful debts	-	-	186
Writeback of provision for doubtful debts	-	(1,058)	-
Bad debts written off	-	476	-
Auditors' remuneration	2	78	50
Rental of office from third parties	-	830	1,197
Rental of office from other related companies	-	298	1,174
Depreciation of property, plant and equipment	-	2,034	1,104
Amortisation of intangible assets	-	696	73
IGSF levies	-	1,000	-
Other expenses	-	30,278	15,927
	<u>2</u>	<u>34,632</u>	<u>19,711</u>
	<u>2</u>	<u>63,189</u>	<u>38,529</u>

(a) Directors' and CEO Remuneration

	General business		Life fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non-executive directors:				
Fees	174	156	116	104
Allowances and other emoluments	120	95	80	53
	<u>294</u>	<u>251</u>	<u>196</u>	<u>157</u>

The remuneration including benefits-in-kind, attributable to the CEO of the Company during the year amounted to RM1,144,000 (2006: RM1,094,000).

22. MANAGEMENT EXPENSES (CONTD.)

The number of directors of the Company whose remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2007	2006
Non-executive directors:		
Below RM50,000	3	6
RM50,001 - RM100,000	7	5
	<hr/>	<hr/>

23. TAXATION

	General business and shareholders' fund		Life fund	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Tax expense for the year	18,074	16,094	8,129	4,527
Deferred tax relating to origination and reversal of temporary differences (Note 14)	633	684	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	18,707	16,778	8,129	4,527

Domestic income tax for general business and shareholders' fund is calculated at the Malaysian statutory rate of 27% (2006: 28%) of the estimated assessable profit for the year.

The amount of tax charged on the life fund is based on the method prescribed under the Income Tax Act, 1967 for life business.

A reconciliation of income tax expenses applicable to profit/surplus before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the general business and shareholder's fund is as follows:

(a) General business and shareholder's fund

	2007	2006
	RM'000	RM'000
Profit before tax	68,753	55,571
	<hr/>	<hr/>
Taxation at Malaysian statutory tax rate of 28%	18,563	15,526
Expenses not deductible for tax purposes	144	1,252
Tax expense for the year	18,707	16,778
	<hr/>	<hr/>

23. TAXATION (CONTD.)

A reconciliation of income tax expenses applicable to surplus before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the life fund is as follows:

(b) Life fund

	2007	2006
	RM'000	RM'000
Surplus before taxation	268,490	192,861
Taxation at Malaysian tax charge of 8%	21,479	15,429
Income not subject to tax	(30,638)	(25,021)
Expenses not deductible for tax purposes	17,288	14,119
Tax expense for the year	8,129	4,527

As of 31 March 2007, the Company has tax exempt account amounting to about RM9,364,000 (2006: RM9,364,000) arising from income earned in the basis period 1999 which is tax exempt under the Income Tax (Amendment) Act, 1999 to facilitate the transition of the income tax assessment from a preceding year basis to a current year basis. This amount is subject to agreement by Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income to frank the payment of net dividends out of its entire unappropriated profit as of 31 March 2007 without additional tax liability being incurred.

24. EARNINGS PER ORDINARY SHARE

	2007	2006
Basic		
Net profit attributable to ordinary shareholders (RM'000)	50,046	38,793
Number of ordinary shares of RM1 each ('000)	100,000	100,000
Basic earnings per share (sen)	50	39

25. NET CLAIMS INCURRED

	Fire		Motor		Marine & Aviation		Misc.		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross claims paid less salvage	15,982	8,777	225,495	205,099	3,679	856	23,072	24,205	268,228	238,937
Reinsurance recoveries	(10,603)	(4,178)	(11,074)	(12,475)	(621)	(261)	(9,202)	(11,290)	(31,500)	(28,204)
Net claims paid	5,379	4,599	214,421	192,624	3,058	595	13,870	12,915	236,728	210,733
Net outstanding claims:										
At end of year	5,869	5,195	248,916	199,070	4,832	2,585	20,213	21,054	279,830	227,904
At beginning of year	(5,195)	(5,852)	(199,070)	(176,727)	(2,585)	(2,196)	(21,054)	(20,638)	(227,904)	(205,413)
	674	(657)	49,846	22,343	2,247	389	(841)	416	51,926	22,491
Net claims incurred	6,053	3,942	264,267	214,967	5,305	984	13,029	13,331	288,654	233,224

26. FINANCE COSTS

	General business and shareholders' fund		Life fund	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Interest on subordinated loan from AMMB	1,295	-	-	-
Interest on finance lease	-	7	-	-
	<u>1,295</u>	<u>7</u>	<u>-</u>	<u>-</u>

27. CASH FLOW INFORMATION BY SEGMENT

	Shareholders' fund	General business	Life fund	Total
	RM'000	RM'000	RM'000	RM'000
2007				
Cash flows from/(used in):				
Operating activities	7,200	2,380	(2,996)	6,584
Investing activities	-	2,410	(5,672)	(3,262)
Financing activities	(7,200)	-	-	(7,200)
Net decrease in cash and cash equivalents	-	4,790	(8,668)	(3,878)
Cash and cash equivalents:				
At beginning of year	-	4,830	9,214	14,044
At end of year	-	9,620	546	10,166
2006				
Operating activities	7,200	9,411	2,190	18,801
Investing activities	-	(11,224)	(2,273)	(13,497)
Financing activities	(7,200)	(179)	-	(7,379)
Net decrease in cash and cash equivalents	-	(1,992)	(83)	(2,075)
Cash and cash equivalents:				
At beginning of year	-	6,822	9,297	16,119
At end of year	-	4,830	9,214	14,044

28. INVESTMENT-LINKED BUSINESS**BALANCE SHEET AS AT 31 MARCH 2007**

	Note	2007 RM'000	2006 RM'000
ASSETS			
Investments	(a)	11,334	9,831
Tax recoverable		83	53
Amount due from brokers		47	6
Other receivables		25	20
Deferred tax asset	(b)	20	20
Cash and bank balances		2	2
		<u>11,511</u>	<u>9,932</u>
LIABILITIES			
Other payables		81	61
Provision for taxation		2	2
Deferred tax liabilities	(b)	18	18
		<u>101</u>	<u>81</u>
NET ASSET VALUE OF FUNDS		<u>11,410</u>	<u>9,851</u>
REPRESENTED BY:			
UNITHOLDERS' ACCOUNT		<u>11,410</u>	<u>9,851</u>

**INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2007**

	Note	2007 RM'000	2006 RM'000
Creation of units		1,612	2,638
Cancellation of units		(2,132)	(611)
		<u>(520)</u>	<u>2,027</u>
Net investment income	(c)	396	344
Gain/(loss) on disposal of investments in quoted shares		268	(449)
Unrealised capital gain		1,461	436
Management expenses		(34)	(36)
		<u>1,571</u>	<u>2,322</u>
Surplus before tax		1,571	2,322
Income tax expense	(d)	(12)	-
Surplus after tax		<u>1,559</u>	<u>2,322</u>
Unitholders' account at beginning of year		9,851	7,529
Unitholders' account at end of year		<u>11,410</u>	<u>9,851</u>

28. INVESTMENT-LINKED BUSINESS (CONTD.)**(a) Investments**

	2007	2006
	Cost/Market	Cost/Market
	Value	Value
	RM'000	RM'000
Shares of corporations quoted in Malaysia		
At cost	4,481	4,009
Unrealised gain	1,500	172
At market value	<u>5,981</u>	<u>4,181</u>
Unquoted bonds of corporations		
At cost	669	669
Accretion of discounts	23	15
Unrealised gain	36	18
At market value	<u>728</u>	<u>702</u>
Quoted REITS		
At cost	36	18
Unrealised loss	(2)	(1)
At market value	<u>34</u>	<u>17</u>
Other investments		
At cost	3,601	1,957
Unrealised gain	140	23
At market value	<u>3,741</u>	<u>1,980</u>
Fixed and call deposits with licensed banks	<u>850</u>	<u>2,951</u>
Total investments by Investment-linked business	<u>11,334</u>	<u>9,831</u>

(b) Deferred tax

	2007	2006
	RM'000	RM'000
At beginning of year	2	-
Recognised in the income statement (Note (d))		
Deferred tax asset	-	20
Deferred tax liabilities	-	(18)
At end of year	<u>2</u>	<u>2</u>

28. INVESTMENT-LINKED BUSINESS (CONTD.)**(b) Deferred tax (Contd.)**

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 income taxes relate to the same fiscal authority.

The components and movements of deferred tax assets and liabilities during the financial year are as follows:

Deferred tax assets

	Tax losses RM'000
At 1 April 2006 and 31 March 2007	<u>20</u>

Deferred tax liabilities

	Net unrealised gain RM'000	Net accretion of discounts RM'000	Total RM'000
At 1 April 2006 and at 31 March 2007	<u>(17)</u>	<u>(1)</u>	<u>(18)</u>

(c) Net investment income

	2007 RM'000	2006 RM'000
Interest from:		
Unquoted corporate bonds	14	14
Fixed and call deposits	67	59
Gross dividends from shares quoted in Malaysia	308	264
Accretion of discounts, net	<u>7</u>	<u>7</u>
	<u>396</u>	<u>344</u>

(d) Taxation

	2007 RM'000	2006 RM'000
Tax expense for the year		
Malaysian income tax	<u>12</u>	<u>2</u>
Deferred tax (Note (b)):		
Relating to origination and reversal of temporary differences	-	15
Deferred tax not recognised in prior year	<u>-</u>	<u>(17)</u>
	<u>-</u>	<u>(2)</u>

28. INVESTMENT-LINKED BUSINESS (CONTD.)**(d) Taxation (Contd.)**

The Malaysian tax charge on the investment-linked business is based on the method prescribed under the Income Tax Act, 1967 for life business.

A reconciliation of income tax expenses applicable to surplus before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the investment-linked business is as follows:

	2007	2006
	RM'000	RM'000
Surplus before tax	1,571	2,322
Taxation at Malaysian statutory tax rate of 8%	126	186
Income not subject to tax	(287)	(220)
Expenses not deductible for tax purposes	173	51
Deferred tax not recognised in prior year	-	(17)
Tax expense for the year	12	-

29. SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS

The related parties and their relationship with the Company as of 31 March 2007 are as follows:

Name	Relationship
AMMB Holdings Berhad	Ultimate holding company
IAG Ltd	Corporate shareholder
AmInvestment Bank Berhad (formerly known as AmMerchant Bank Berhad)	Other related company
AMFB Holdings Berhad	Other related company
AmBank (M) Berhad	Other related company
AmInvestment Management Sdn. Bhd.	Other related company
AmInvestment Services Berhad	Other related company

29. SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS (CONTD.)

Name	Relationship
AmSecurities Sdn. Bhd.	Other related company
Arab-Malaysian Credit Berhad	Other related company
AmTrustee Berhad	Other related company
Amcorp Group Berhad	A corporate shareholder of ultimate holding company
Melawangi Sdn Bhd	Company in which a director, Tan Sri Dato' Azman Hashim and a past director, Dato' Azlan Hashim, have financial interests
AMDB Berhad	Company in which a director, Tan Sri Dato' Azman Hashim and a past director, Dato' Azlan Hashim, have financial interests
Harpers Travel (M) Sdn. Bhd.	Company in which a director, Tan Sri Dato' Azman Hashim and a past director, Dato' Azlan Hashim, have financial interests
Medan Delima Sdn. Bhd.	Company in which a director, Tan Sri Dato' Azman Hashim and a past director, Dato' Azlan Hashim, have financial interests
Syarikat Kompleks Damai Sdn. Bhd.	Company in which a director, Tan Sri Dato' Azman Hashim and a past director, Dato' Azlan Hashim, have financial interests
AMDB Property Management Company Sdn. Bhd.	Company in which a director, Tan Sri Dato' Azman Hashim and a past director, Dato' Azlan Hashim, have financial interests
Computer System Advisers (M) Berhad	Company in which a director of the ultimate holding company, Prof Tan Sri Dato' Dr Mohd Rashdan Bin Haji Baba, has a financial interest
Global Carrier Berhad	Company in which a director, Tan Sri Dato' Azman Hashim has a financial interest

29. SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS (CONTD.)

Name	Relationship
MCM Consulting Sdn. Bhd.	Company in which a director, Tan Sri Dato' Azman Hashim and a past director, Dato' Azlan Hashim, have financial interests
MCM Horizon Sdn. Bhd.	Company in which a director, Tan Sri Dato' Azman Hashim and a past director, Dato' Azlan Hashim, have financial interests

In the normal course of business, the Company undertakes various transactions with subsidiary and associated companies of its ultimate holding company, AMMB Holdings Berhad and other companies deemed related parties by virtue of common director's shareholdings and a corporate shareholder's interest in its ultimate holding company. The Directors are of the opinion that the Company sold insurance policies to the related companies and related parties on terms and conditions no more favourable than those available on similar transactions to its other customers or employees, and other related party transactions were also carried out on terms and conditions no more favourable than those available on similar transactions to its unrelated parties, unless otherwise stated.

	General business and		Life fund	
	shareholders' fund		2007	2006
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Included in receivables (Note 10):				
Outstanding premium including agents/brokers and co-insurers balances				
AmBank (M) Berhad	3,031	3,386	900	486
Amcorp Group Berhad	-	-	71	7
AmSecurities Sdn. Bhd.	-	-	-	74
AmInvestment Bank Berhad	344	630	253	291
	<u>3,375</u>	<u>4,016</u>	<u>1,224</u>	<u>858</u>
Included in amount owing by other related companies (Note 10):				
AmSecurities Sdn. Bhd.	-	1,596	-	3,073
AmInvestment Bank Berhad	19,363	35	47,442	-
Arab-Malaysian Credit Berhad	-	-	-	6
AmBank (M) Berhad	641	8	-	-
	<u>20,004</u>	<u>1,639</u>	<u>47,442</u>	<u>3,079</u>

29. SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS (CONTD.)

	General business and shareholders' fund		Life fund	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Included in income due and accrued (Note 10):				
AmInvestment Bank Berhad	408	202	544	163
AmIslamic Bank Berhad	26	-	369	-
AmBank (M) Berhad	164	169	1,140	1,124
	<u>598</u>	<u>371</u>	<u>2,053</u>	<u>1,287</u>
Included in payables (Note 12):				
Amount owing to agents/brokers, co-insurers and insureds				
Arab-Malaysian Credit Berhad				
	5	5	1	-
AmInvestment Bank Berhad				
	23	6	251	-
AmSecurities Sdn. Bhd.	-	-	3	5
Amcorp Group Berhad	-	-	-	123
AmBank (M) Berhad	2,954	4,497	220	296
AMDB Berhad	-	-	26	19
IAG Ltd	434	-	-	-
	<u>3,416</u>	<u>4,508</u>	<u>501</u>	<u>443</u>
Included in amount owing to other related companies (Note 12):				
AmInvestment Bank Berhad				
	1,295	-	458	1,226
AmBank (M) Berhad	-	32	2,186	1,710
	<u>1,295</u>	<u>32</u>	<u>2,644</u>	<u>2,936</u>

The significant transactions of the Company with related parties during the financial year are as follows:

	2007	2006
	RM'000	RM'000
Interest income receivable from:		
AmInvestment Bank Berhad	3,713	3,112
AmIslamic Bank Berhad	340	-
AmBank (M) Berhad	7,804	8,037
	<u>11,857</u>	<u>11,149</u>

29. SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS (CONTD.)

	2007	2006
	RM'000	RM'000
Rental income receivable from:		
AmBank (M) Berhad	3,393	3,366
AmInvestment Bank Berhad	268	269
Syarikat Kompleks Damai Sdn. Bhd	4,000	333
	<u>7,661</u>	<u>3,968</u>
Commission expenses payable to:		
AmBank (M) Berhad	28,056	27,213
AmInvestment Bank Berhad	149	175
AMDB Berhad	19	8
Amcorp Group Berhad	22	7
AmSecurities Sdn. Bhd.	8	20
	<u>28,254</u>	<u>27,423</u>
Commission income receivable from:		
IAG Ltd	525	-
	<u>525</u>	<u>-</u>
Gross premium income earned from:		
AmBank (M) Berhad	181,263	144,778
AmInvestment Bank Berhad	1,045	1,141
AmSecurities Sdn. Bhd.	86	87
Amcorp Group Berhad	216	75
AMDB Berhad	187	186
	<u>182,797</u>	<u>146,267</u>
Reinsurance premium ceded to:		
IAG Ltd	2,736	-
	<u>2,736</u>	<u>-</u>
General and administrative expenses payable to:		
AmInvestment Bank Berhad	2,140	931
Computer Systems Advisers (M) Berhad	454	876
Harpers Travel (M) Sdn. Bhd.	2,506	675
AMDB Property Management Company Sdn. Bhd.	88	96
Melawangi Sdn. Bhd.	488	331
	<u>5,676</u>	<u>2,909</u>
Brokerage rebate receivable from:		
AmSecurities Sdn. Bhd.	34	30
	<u>34</u>	<u>30</u>

29. SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS (CONTD.)

	2007	2006
	RM'000	RM'000
Subordinated term loan interest payable to:		
AmInvestment Bank Berhad	1,295	-
Purchases of buildings & other assets:		
Syarikat Kompleks Damai Sdn. Bhd.	-	54,109
MCM Horizon Sdn. Bhd.	604	6,815
	<u>604</u>	<u>60,924</u>
Management fees payable to:		
AmInvestment Management Sdn. Bhd.	598	652
AmTrustee Berhad	395	341
	<u>993</u>	<u>993</u>
Rental expenses payable to:		
Syarikat Kompleks Damai Sdn. Bhd.	-	1,113
AmInvestment Bank Berhad	74	103
Medan Delima Sdn. Bhd.	96	96
AmBank (M) Berhad	196	171
Global Carrier Berhad	41	-
	<u>407</u>	<u>1,483</u>

30. CAPITAL COMMITMENTS

As of 31 March 2007, capital expenditure approved by Directors but not provided for in the financial statements are as follows:

	General business and shareholders' fund		Life fund	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Authorised and contracted but not provided for:				
Property, plant and equipment	67	3,215	-	6,603
Investment properties	-	-	675	675
	<u>67</u>	<u>3,215</u>	<u>675</u>	<u>7,278</u>

31. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The operations of the Company is subject to four major areas of risk which comprise underwriting, credit, interest rate and liquidity risks. The Company's risk management objective is to effectively link and manage risks with rewards in order to maximise the Company's shareholders' value as well as to ensure that the Company is able to sustain its performance.

The Company is guided by risk management policies and guidelines which set out their overall business strategies and their general risk management philosophy where the principal objective is to minimise the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Company. The Company has established processes to monitor and control risks on an ongoing basis.

The Company has to comply with the Insurance Act and Regulations in Malaysia, as applicable, including guidelines on investment limits. The responsibility for the formulation, establishment and approval of the Company's investment policy rests with the Board of Directors (Board). The Board exercises oversight on investments to safeguard the interests of policyholders and shareholders.

The Board constituted the Investment Committee (IC), to comprise three Directors of the Board. The principal role of the IC is to provide oversight on the implementation of the investment policy as approved by the Board, review the investment policy on a regular basis so that it remains appropriate and consistent with product pricing and asset/liability management strategies, ensure that the risk management functions and internal control systems relating to investments are adequate and oversee assets allocation.

(b) Underwriting Risk

Underwriting risk include the risk of incurring higher claims costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting insurance pricing and conditions of insurance or reinsurance cover. This may result in the insurer having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected. The Company seeks to minimise underwriting risks with a balanced mix and spread of business between classes of business and by observing underwriting guidelines and limits, conservative estimation of the claims provisions, and high standards applied to the security of reinsurers.

31. FINANCIAL INSTRUMENTS (CONTD.)**(c) Credit Risk**

Credit risk represents the exposure to the risk that any of the Company's business counterparties to insurance, reinsurance and investment transactions fail to perform and meet their contractual obligations. In the case of premiums payment obligations by cedants or brokers, the Company has sound credit control policies in place to ensure that premiums are duly collected from the cedants and brokers. Credit evaluations are performed on all new customers, agents, brokers, reinsurers, financial institutions and other counterparties. Similarly on investment operations, the Company's investment portfolio managers adopt a very stringent set of quantitative and qualitative criteria in selecting issuers of financial instruments that the Company invests in.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Company are represented by the carrying amount of each financial asset. The credit ratings of corporate bonds obtained from reputable rating agencies, based on their market values are as follows:

	<----- Market value ----->			
	General business and shareholders' fund		Life fund	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Rating of corporate bonds on market value basis:				
AAA	66,841	61,569	208,283	119,693
AA	70,737	51,892	226,233	144,611
A	138,682	129,808	237,739	217,743
Non-rated	28,432	42,643	11,064	22,182
	<u>304,692</u>	<u>285,912</u>	<u>683,319</u>	<u>504,229</u>

(d) Interest Rate Risk

The Company's core insurance and investment activities are inherently exposed to interest rate risk which arises principally from differences in maturities of invested assets and long term policyholders' liabilities. Hence, the Company's earnings can be potentially affected by changes in market interest rates in view of the impact, such fluctuations have on interest income from cash and cash equivalents and other fixed income investments. In dealing with this risk, the Company adopts an approach of focusing on achieving a desired overall interest rate profile, which may change over time, based on management's longer term view of interest rates and economic conditions.

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

31. FINANCIAL INSTRUMENTS (CONTD.)

(d) Interest Rate Risk (Contd.)

	Effective interest rate %	Total RM'000	31 March 2007		
			Within 1 year RM'000	1 - 5 years RM'000	After 5 years RM'000
Financial assets					
General and shareholders' fund					
Malaysian Government Securities	3.35	35,439	25,405	5,000	5,034
Government Investment Issues	3.02	9,707	-	9,707	-
Cagamas bonds	3.13	15,000	10,000	5,000	-
Quoted bonds of corporations	-	-	-	-	-
Unquoted bonds of corporations	5.94	298,453	29,168	147,077	122,208
Negotiable Instruments of Deposits	4.34	103,072	9,000	74,576	19,496
Fixed and call deposits	3.38	114,115	114,115	-	-
Other secured loans	4.00	621	192	429	-
Financial assets					
Life fund					
Malaysian Government Securities	3.81	63,391	23,185	30,153	10,053
Government Investment Issues	4.17	5,007	-	-	5,007
Cagamas bonds	3.14	5,000	5,000	-	-
Quoted bonds of corporations	-	-	-	-	-
Unquoted bonds of corporations	5.88	660,606	32,830	274,376	353,400
Negotiable Instruments of Deposits	4.36	83,160	-	53,252	29,908
Fixed and call deposits	4.74	264,837	164,837	-	100,000
Loans:					
Policy loans	8.00	78,645	-	-	78,645
Mortgage loans	4.00	8,233	600	2,509	5,124
Other secured loans	4.00	596	151	445	-
Investment-linked business					
Unquoted bonds of corporations	4.00	728	-	728	-
Fixed and call deposits	3.40	850	850	-	-

31. FINANCIAL INSTRUMENTS (CONTD.)

(d) Interest Rate Risk (Contd.)

	Effective interest rate %	Total RM'000	31 March 2006		
			Within 1 year RM'000	1 - 5 years RM'000	After 5 years RM'000
Financial assets					
General and shareholders' fund					
Malaysian Government Securities	3.37	41,573	5,718	30,815	5,040
Government Investment Issues	3.00	9,421	-	9,421	-
Cagamas bonds	3.22	25,000	10,000	15,000	-
Quoted bonds of corporations	3.05	598	-	598	-
Unquoted bonds of corporations	6.06	280,259	12,227	117,016	151,016
Negotiable Instruments of Deposits	4.44	81,960	-	72,995	8,965
Fixed and call deposits	2.89	24,874	24,874	-	-
Other secured loans	4.00	763	174	589	-
Life fund					
Malaysian Government Securities	3.73	74,148	10,242	53,844	10,062
Government Investment Issues	4.40	5,007	-	-	5,007
Cagamas bonds	3.12	5,000	-	5,000	-
Quoted bonds of corporation	3.05	5,000	-	5,000	-
Unquoted bonds of corporations	6.36	489,882	18,471	178,050	293,361
Negotiable Instruments of Deposits	4.68	41,501	-	32,536	8,965
Fixed and call deposits	5.11	178,752	78,752	-	100,000
Loans:					
Policy loans	8.00	68,353	-	-	68,353
Mortgage loans	4.00	9,205	743	3,711	4,751
Other secured loans	4.00	406	147	259	-
Investment-linked business					
Unquoted bonds of corporations	5.28	702	-	702	-
Fixed and call deposits	3.16	2,951	2,951	-	-

31. FINANCIAL INSTRUMENTS (CONTD.)**(e) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Company manages this risk by monitoring daily and monthly projected and actual cash inflows and outflows and by ensuring that a reasonable amount of financial assets are kept in liquid instruments at all times.

(f) Fair Value of Financial Instruments

Financial instruments comprise financial assets and financial liabilities. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. The information presented herein represents best estimates of fair values of financial instruments at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates and the corresponding fair values.

The estimated fair values of the Company's financial instruments are as follows:

	31 March 2007			
	General business and shareholders' fund		Life fund	
	Carrying Value RM'000	Estimated Fair Value RM'000	Carrying Value RM'000	Estimated Fair Value RM'000
Financial assets				
Investments	615,417	621,726	1,135,862	1,164,787
Loans	621	621	87,474	87,474
Other receivables	34,612	34,612	70,008	70,008
Cash and bank balances	9,620	9,620	544	544
Investment-linked business assets	-	-	11,511	11,511
Financial liabilities				
Other payables	21,738	21,738	50,903	50,903
Subordinated term loan	30,000	30,000	-	-
Investment-linked business liabilities	-	-	101	101

31. FINANCIAL INSTRUMENTS (CONTD.)**(f) Fair Value of Financial Instruments (Contd.)**

	31 March 2006			
	General business and shareholders' fund		Life fund	
	Carrying Value RM'000	Estimated Fair Value RM'000	Carrying Value RM'000	Estimated Fair Value RM'000
Financial assets				
Investments	543,227	553,837	914,801	934,697
Loans	763	763	77,964	77,964
Other receivables	13,509	13,509	22,154	22,154
Cash and bank balances	4,830	4,830	9,212	9,212
Investment-linked business assets	-	-	9,932	9,932
Financial liabilities				
Other payables	21,651	21,651	52,663	52,663
Subordinated term loan	30,000	30,000	-	-
Investment-linked business liabilities	-	-	81	81

The following methods and assumptions were used to estimate the fair value of assets and liabilities as of 31 March 2007:

(i) Investments

The estimated fair value is based on quoted or observable market prices at the balance sheet date. Where such quoted or observable market prices are not available, the fair value is estimated using discounted cash flow or net tangible assets techniques. Where the discounted cash flow technique is used, the estimated future cash flows are discounted using prevailing market rates for similar instruments at the balance sheet date.

(ii) Loans

The fair values of loans receivable are determined by discounting the relevant cash flow using the prevailing interest rates for similar instruments at balance sheet date.

(iii) Receivables and Payables

The fair values of receivables and payables are estimated to approximate their carrying values because of the short-term nature of these financial instruments.

31. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair Value of Financial Instruments (Contd.)

(iv) Cash and Bank Balances

The carrying values are a reasonable estimate of the fair values because of negligible credit risk and their short-term in nature or frequent repricing.

No disclosure is made for amount owing to a subsidiary company as it is impractical to determine its fair value with sufficient reliability given this balance has no fixed terms of repayment.

32. COMPARATIVES

The presentation and classification of items in the current year financial statements have been consistent with the previous year except that certain comparative amounts have been adjusted as a result of changes in accounting policies.