

Company No.

738090	M
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**HONG LEONG TOKIO MARINE TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

Company No.

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HONG LEONG TOKIO MARINE TAKAFUL BERHAD  
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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**HONG LEONG TOKIO MARINE TAKAFUL 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 30 June 2009.

**PRINCIPAL ACTIVITIES**

The Company is principally engaged in managing family takaful including investment-linked business and all classes of general takaful business. There has been no significant change in the nature of this activity during the financial year.

**FINANCIAL RESULTS**

	RM'000
Net loss for the financial year	1,468

**DIVIDENDS**

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

The Directors do not recommend any dividend for the financial year ended 30 June 2009.

**RESERVES AND PROVISIONS**

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

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**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS**

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

YBhg Tan Sri A. Razak bin Ramli	Chairman, Independent Non-Executive Director
Ms Yvonne Chia	Non-Independent Non-Executive Director
Mr Jun Hemmi	Non-Independent Non-Executive Director
Mr Choong Yee How	Non-Independent Non-Executive Director
Encik Mustapha bin Hamat	Independent Non-Executive Director
Syed Zaid bin Syed Jaffar Albar	Chairman, Non-Independent Non-Executive Director (Resigned on 2 Jan 2009)
Mr Charlie Espinola Oropeza	Non-Independent Non-Executive Director (Resigned on 1 June 2009)
Mr Khalid Mahmood Bhaimia	Non-Independent Non-Executive Director (Resigned on 7 Nov 2008)

In accordance with Article 119 of the Company's Article of Association, Encik Mustapha bin Hamat and Mr Choong Yee How retire by rotation from the Board and being eligible, offer themselves for re-election.

**DIRECTORS' INTERESTS**

None of the directors holding office at the end of the financial year had any beneficial interest in ordinary shares, options over shares and debentures of the Company and/or its related corporations during the financial year ended 30 June 2009 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, except for Ms Yvonne Chia, Syed Zaid Bin Syed Jaffar Albar and Mr Choong Yee How, whose direct interests in the shares and options over shares of related corporations, are as follows:

	Nominal value per share (RM)	As at <u>1.7.2008</u>	Number of shares		As at <u>30.6.2009</u>
			<u>Acquired</u>	<u>Sold</u>	
Interest of Ms Yvonne Chia in:					
Hong Leong Bank Berhad	1.00	100,000	-	-	100,000
Guocoland (Malaysia) Berhad	0.50	10,000	-	-	10,000
Hong Leong Financial Group Berhad	1.00	10,000	-	-	10,000
	Nominal value per share (RM)	As at <u>1.7.2008</u>	Number of shares		As at <u>1.1.2009</u>
			<u>Acquired</u>	<u>Sold</u>	
Interest of Syed Zaid Bin Syed Jaffar Albar in:					
Hong Leong Financial Group Berhad	1.00	116,851	-	-	116,851

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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (CONTINUED)

	<u>Number of options over shares</u>			As at <u>30.6.2009</u>
	As at <u>1.7.2008</u>	<u>Acquired</u>	<u>Sold</u>	
Interest of Ms Yvonne Chia in:				
Hong Leong Bank Berhad	6,800,000	-	-	6,800,000
Interest of Mr Choong Yee How in:				
Hong Leong Financial Group Berhad	8,000,000	-	-	8,000,000

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by certain Directors as shown in the financial statements of the fixed salary of a full time employee of the Company or 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 the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year, which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the share options granted pursuant to the Executive Share Option Schemes of Hong Leong Bank Berhad and Hong Leong Financial Group Berhad, the immediate and intermediate holding companies respectively.

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**HONG LEONG TOKIO MARINE TAKAFUL BERHAD**  
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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE**

The Company has complied with the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under JPI/GPI 25: Prudential Framework of Corporate Governance for Insurers issued by Bank Negara Malaysia and the principles of Shariah.

Board of Directors/Chief Executive Officer

The Board of Directors of the Company ("Board") assumes responsibility for effective stewardship and control of the Company and has established terms of reference to assist in the discharge of this responsibility.

The roles and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Company's business; identifying principal risks and ensuring the implementation of appropriate systems to manage these risks; reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals and major capital expenditure and such other responsibilities that are required of them by Bank Negara Malaysia ("BNM") as specified in guidelines and circulars issued by BNM, from time to time.

The Chief Executive Officer of the Company is responsible for implementing the policies and decisions of the Board, overseeing the day-to-day operations, setting the plan and direction, benchmark and targets for the Company, tracking compliance and business progress, initiating innovative business ideas to create competitive edge and development of business and corporate strategies with the aim of enhancing shareholders' wealth.

The present Board comprises the Chairman who is an Independent Non-Executive Director, three Non-Independent Non-Executive Directors and one Independent Non-Executive Director. In accordance with the Guidelines on Directorships for Takaful Operators, all Directors are appointed to the Board after prior approval had been obtained from BNM.

During the financial year ended 30 June 2009, six Board Meetings were held and the attendance of the Directors was as follows:

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board of Directors/Chief Executive Officer (continued)

<u>Directors</u>	<u>Attendance</u>
YBhg Tan Sri A. Razak bin Ramli (Chairman) (Independent Non-Executive Director)	6/6
Ms Yvonne Chia (Non-Independent Non-Executive Director)	6/6
Mr Jun Hemmi (Non-Independent Non-Executive Director)	4/6
Mr Choong Yee How (Non-Independent Non-Executive Director)	6/6
Encik Mustapha bin Hamat (Independent Non-Executive Director)	6/6
Syed Zaid bin Syed Jaffar Albar (Chairman) <i>(Resigned on 2 Jan 2009)</i> (Non-Independent Non-Executive Director)	3/3
Mr Charlie Espinola Oropeza <i>(Resigned on 1 June 2009)</i> (Non-Independent Non-Executive Director)	4/6
Mr Khalid Mahmood Bhaimia <i>(Resigned on 7 Nov 2008)</i> (Non-Independent Non-Executive Director)	4/4

Chief Executive Officer

The Chief Executive Officer (non-director) of the Company is Encik Ab Latiff bin Hj Abu Bakar.

Supply of Information

Board reports are circulated prior to Board meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, performance of the Company and management's proposal which require the approval of the Board.

All Directors have access to the advice and services of the Company Secretary as well as independent professional advice, including the Internal Auditors.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Re-election

At the annual general meeting, all the Directors are required to submit themselves for election. At subsequent annual general meetings, one third (1/3) of the Directors shall retire from office. All Directors are required to submit themselves for re-election every three years.

Nomination Committee ("NC")

The members of the NC are as follows:

YBhg Tan Sri A. Razak bin Ramli	(Chairman, Independent Non-Executive Director) (Appointed on 2 Jan 2009)
Ms Yvonne Chia	(Non-Independent Non-Executive Director)
Mr Choong Yee How	(Non-Independent Non-Executive Director)
Encik Mustapha bin Hamat	(Independent Non-Executive Director)
Syed Zaid bin Jaffar Albar	(Chairman, Non-Independent Non-Executive Director) (Resigned on 2 Jan 2009)

The NC's functions and responsibilities are set out in the terms of reference as follows:

- Recommend to the Board the minimum requirements for appointments to the Board, Board committees and for the position of Chief Executive Officer.
- Review and recommend to the Board all Board appointments and re-appointments and removals including the Chief Executive Officer.
- Review annually the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive Directors and Independent Directors, and mix of skills and other core competencies required.
- Assess annually the effectiveness of the Board and key senior management officers as a whole and the contribution by each individual Director to the effectiveness of the Board and various Board Committees based on criteria approved by the Board.
- Oversee the appointment, management succession planning and performance evaluation of key senior management officers and recommend their removal if they are found ineffective, errant and negligent in discharging their responsibilities.
- Ensure that the Board receives an appropriate continuous training programme.

During the financial year ended 30 June 2009, three (3) NC meetings were held and the meetings were attended by all the members.

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

Remuneration Committee ("RC")

The members of the RC are as follows:

1. YBhg Tan Sri A. Razak bin Ramli (Chairman, Independent Non-Executive Director)
2. Mr Choong Yee How (Non-Independent Non-Executive Director)
3. Encik Mustapha bin Hamat (Independent Non-Executive Director)  
(Appointed on 2 Jan 2009)
4. Syed Zaid Bin Syed Jaffar Albar (Non-Independent Non-Executive Director)  
(Resigned on 2 Jan 2009)

The RC's functions and responsibilities are set out in the terms of reference as follows:

- Recommend to the Board the framework governing the remuneration of the:
  - ❖ Directors;
  - ❖ Chief Executive Officer; and
  - ❖ Key senior management officer.
- Review and recommend to the Board the specific remuneration packages of executive directors and the Chief Executive Officer.
- Review the remuneration package of key senior management officers.

During the financial year ended 30 June 2009, one (1) RC meeting was held and the meeting was attended by all the members.

The Directors fees are set out in Note 14 to the financial statements.

Board Audit and Risk Management Committee ("BARMC")

The financial reporting and internal control system of the Company is overseen by the BARMC. The members of the BARMC are as follows:

1. Encik Mustapha bin Hamat (Chairman, Independent Non-Executive Director)  
(Appointed on 2 Jan 2009)
2. YBhg Tan Sri A. Razak bin Ramli (Independent Non-Executive Director)
2. Ms Yvonne Chia (Non-Independent Non-Executive Director)
3. Syed Zaid Bin Syed Jaffar Albar (Non-Independent Non-Executive Director)  
(Resigned on 2 Jan 2009)

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Audit and Risk Management Committee ("BARMC") (continued)

During the financial year ended 30 June 2009, six BARMC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
YBhg Tan Sri A. Razak bin Ramli (Chairman, Independent Non-Executive Director)	6/6
Ms Yvonne Chia (Non-Independent Non-Executive Director)	4/6
Encik Mustapha bin Hamat (Appointed on 2 Jan 2009) (Independent Non-Executive Director)	2/3
Syed Zaid Bin Syed Jaffar Albar (Resigned on 2 Jan 2009) (Non-Independent Non-Executive Director)	3/3

The primary functions and responsibilities of the BARMC are set out in the terms of reference as follows:

- To review the audit plan, audit charter and budget of the Internal Audit Department as well as the scope of internal audit procedures and to ensure that the Internal Audit Department is distinct and has the appropriate status within the overall organisational structure for the internal auditors to achieve their audit objectives;
- To review the overall internal management system, in particular, financial status of the Company, its internal controls in critical areas of operations, risks and implications of the internal audit findings and recommendations;
- To advise on the appointment, remuneration, performance, evaluation, removal and redeployment of the Chief Internal Auditor and senior officers of the internal audit functions;
- To review with the external auditors, the scope of their audit and audit reports, including their findings, issues or reservations arising from the interim and financial audits and any action to be taken by management;
- To consider the provision of non-audit services by the external auditors;
- To review and assess the objectivity, performance and independence of the external auditors and to recommend the appointment or re-appointment of external auditors and to review and assess fees paid to the external auditors for their audit and non-audit services;
- To review the Chairman's statement, corporate governance disclosures in the Directors' Report, interim financial reports and all representation letters by management in relation to the financial audit of the Company;

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

Board Audit and Risk Management Committee ("BARMC") (continued)

- To review related party transactions and conflict of interest situations that may arise within the Company including any transaction, procedure or conduct that raises questions of management integrity;
- To ensure prompt publication of annual accounts of the Company. The Board is duty bound to ensure that accounts are prepared in a timely and accurate manner for regulatory, management and general reporting purposes, with frequent reviews of the adequacy of provisions and to ensure supervisory issues raised by Bank Negara Malaysia are resolved in a timely manner;
- To report and recommend to the Board measures:
  - (a) to identify all critical business risks faced by the Company;
  - (b) to improve risk management strategies and policies proposed by management; and
  - (c) to monitor and evaluate that risks have been managed effectively.
- To review the implementation of the Risk Management Framework and risk management activities and reports; and
- Other functions as may be determined by the Board.

Internal Audit

The Chief Internal Auditor reports directly to the BARMC and provides the BARMC and management with an independent assessment of the adequacy of risk management practice. Significant breaches and deficiencies identified are discussed with the BARMC and remedial action taken by management are reported to and monitored by the BARMC.

Corporate Independence

The Company has complied with BNM's Guidelines JPI/GPI 19 on Related Party Transactions. All necessary disclosures have been made to the Board regularly and where required, prior Board approval has been obtained. All material related party transactions are disclosed in Note 22 to the financial statements.

Financial Reporting

The Board is responsible for ensuring that the accounting records of the Company are properly maintained. Financial and management reports of the Company are reviewed at Board meetings.

Internal Controls and Operational Risk Management

The Board holds overall responsibility for maintaining a system of internal controls, which provides reasonable assessment of effective and efficient operations, internal financial controls and compliance with laws and regulations.

The Company has established authority limits and internal controls to manage operational and financial risks. The authority limits and system of internal controls are regularly reviewed to ensure continuous improvement in the control environment.

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**HONG LEONG TOKIO MARINE TAKAFUL BERHAD**  
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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

Management Accountability

The Company operates in an organisational structure and control environment which are constantly being reviewed and enhanced to ensure that it remains appropriate for the operating environment.

Relationship with Auditors

External auditors are appointed based on the recommendation by the BARMC. The BARMC also determines the remuneration of external auditors. The external auditors meet with the BARMC to:

- (a) Present the scope of audit before the commencement of audit; and
- (b) Review the results of the financial year as well as the Internal Control letter after the conclusion of the audit.

**HOLDING COMPANIES**

The immediate and ultimate holding companies are Hong Leong Bank Berhad and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

**OTHER STATUTORY INFORMATION REGARDING THE COMPANY**

- (l) As at the end of the financial year
  - (a) Before the financial statements of the Company were made out, the Directors took reasonable steps:
    - (i) to ascertain that there was adequate provision for incurred claims, including incurred but not reported claims ("IBNR");
    - (ii) to ascertain proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
    - (iii) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
  - (b) In the opinion of the Directors, the results of the operations of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

HONG LEONG TOKIO MARINE TAKAFUL BERHAD  
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION REGARDING THE COMPANY (CONTINUED)

(II) As at the end of the financial year to the date of this report

(a) The Directors are not aware of any circumstances:

- (i) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any material extent;
- (ii) which would render the values attributed to current assets in the financial statements misleading; and
- (iii) which had arisen which would render adherence to the existing method of valuation of assets and liabilities of the Company misleading or inappropriate.

(b) In the opinion of the Directors:

- (i) the results of the operations of the Company for the financial year ended 30 June 2009 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
- (ii) 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 their obligations as and when they fall due (for the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contract of takaful underwritten in the ordinary course of business of the Company).

(III) As at the date of this report

- (a) There are no charges on the assets of the Company which had arisen since the end of the financial year to secure the liabilities of any other person;
- (b) There are no contingent liabilities which had arisen since the end of the financial year; and
- (c) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.

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**DIRECTORS' REPORT (CONTINUED)**

**AUDITORS**

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

**SIGNIFICANT EVENT DURING THE YEAR**

On 21 November 2008, the subsidiary of the ultimate holding company, Hong Leong Financial Group Berhad ("HLFG") has obtained the approval from Bank Negara Malaysia ("BNM") for the proposed rationalisation scheme to streamline and consolidate HLFG's equity holdings in its insurance company and takaful operator under HLA Holdings Sdn Bhd ("HLAH") involving the following:-

- (I) Proposed transfer of 10% equity interest in Hong Leong Tokio Marine Takaful Berhad ("HLTMT") from the subsidiary of HLFG, Hong Leong Assurance Berhad ("HLA") to HLAH; and
- (II) Proposed acquisition by HLAH of 55% equity interest in HLTMT from the immediate holding company, Hong Leong Bank Berhad ("HLB").

Signed on behalf of the Board, in accordance with, a resolution of the Directors dated 27 July 2009.

TAN SRI A. RAZAK BIN RAMLI  
DIRECTOR

YVONNE CHIA  
DIRECTOR

Kuala Lumpur  
25 August 2009

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**HONG LEONG TOKIO MARINE TAKAFUL BERHAD**  
(Incorporated in Malaysia)

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

We, Tan Sri A. Razak bin Ramli and Yvonne Chia, being two of the Directors of Hong Leong Tokio Marine Takaful Berhad, state that, in the opinion of the Directors, the financial statements set on pages 17 to 82 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 30 June 2009 and of the results and cash flows of the Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

On behalf of the Board,

TAN SRI A. RAZAK BIN RAMLI  
DIRECTOR

YVONNE CHIA  
DIRECTOR

Kuala Lumpur  
25 August 2009

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

I, Ab Latiff bin Hj Abu Bakar, the Officer primarily responsible for the financial management of Hong Leong Tokio Marine Takaful Berhad, do solemnly and sincerely declare that the financial statements set out on pages 17 to 82 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 above named Ab Latiff bin Hj Abu Bakar )  
at Kuala Lumpur in )  
Wilayah Persekutuan on )  
25 August 2009 )  
Before me,

Ab Latiff bin Hj Abu Bakar

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**HONG LEONG TOKIO MARINE TAKAFUL BERHAD**  
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**REPORT OF THE SHARIAH ADVISORY COMMITTEE**

In the name of Allah, The Beneficent, The Merciful.

To the Shareholders of Hong Leong Tokio Marine Takaful Berhad,

In compliance with the letter of appointment, we are required to submit the following report:

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Company during the financial year ended 30 June 2009. We have also conducted our review to form an opinion as to whether the Company has complied with Shariah rules and principles and with the specific fatwas, rulings and guidelines issued by us.

The Company's management is responsible for ensuring that the Company conducts its business in accordance with Shariah rules and principles. It is our responsibility to form an independent opinion and report, based on our review of the operations of the Company.

We performed our review on the basis of information and explanations provided to us which are deemed essential together with sufficient evidence to give reasonable assurance that the Company has not violated Shariah rules and principles.

In our opinion:

- a) the contracts, transactions and dealings entered into by the Company during the financial year ended 30 June 2009 that we have reviewed are in compliance with the Shariah rules and principles;
- b) the main sources and investments of the Company disclosed to us conform to the basis that had been approved by us in accordance with Shariah rules and principles;

We beg Allah the Almighty to grant us all the success and straight-forwardness.

ASSOC. PROF. DR. AB. MUMIN AB. GHANI  
Chairman  
Shariah Advisory  
Committee

ASSOC. PROF. DR. MUHAMAD RAHIMI OSMAN  
Member  
Shariah Advisory  
Committee

Kuala Lumpur  
25 August 2009

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF HONG LEONG TOKIO MARINE TAKAFUL BERHAD**  
(Incorporated in Malaysia)  
(Company No. 738090 M)

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of Hong Leong Tokio Marine Takaful Berhad, which comprise the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 17 to 82.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair value of the financial position of the Company as of 30 June 2009 and of its financial performance and cash flows for the financial year then ended.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF HONG LEONG TOKIO MARINE TAKAFUL BERHAD  
(CONTINUED)  
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**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

**OTHER MATTERS**

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

**PRICEWATERHOUSECOOPERS**  
(No. AF:1146)  
Chartered Accountants

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

Kuala Lumpur  
25 August 2009

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**HONG LEONG TOKIO MARINE TAKAFUL BERHAD**  
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**BALANCE SHEET**  
**AS AT 30 JUNE 2009**

	<u>Note</u>	<u>2009</u> RM'000	<u>2008</u> RM'000
<b>ASSETS</b>			
<b>SHAREHOLDERS' FUND ASSETS</b>			
Property, plant and equipment	4	872	944
Intangible assets	5	1,336	1,753
Investments	6(a)	93,993	97,166
Receivables	7	2,183	1,058
Cash and bank balances		634	390
		<hr/>	<hr/>
Total shareholders' fund assets		99,018	101,311
Total general takaful fund assets (page 20)		3,061	1,122
Total family takaful fund assets (page 23)		219,977	164,571
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>322,056</b>	<b>267,004</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES</b>			
<b>SHAREHOLDERS' FUND LIABILITIES</b>			
Payables	8	2,482	2,461
Due to related companies	22	205	1,197
Deferred wakalah income		209	63
		<hr/>	<hr/>
Total shareholders' fund liabilities		2,896	3,721
Total general takaful fund liabilities (page 20)		1,979	542
Total family takaful fund liabilities (page 23)		6,285	3,831
		<hr/>	<hr/>
General takaful fund	17(a)	11,160	8,094
Family takaful fund	17(b)	(225)	40
Unearned contribution reserves	18	213,692	160,740
		<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>		<b>225,934</b>	<b>169,414</b>
		<hr/> <hr/>	<hr/> <hr/>

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

Company No.

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HONG LEONG TOKIO MARINE TAKAFUL BERHAD  
(Incorporated in Malaysia)

BALANCE SHEET  
AS AT 30 JUNE 2009 (CONTINUED)

	<u>Note</u>	<u>2009</u> RM'000	<u>2008</u> RM'000
SHAREHOLDERS' EQUITY			
Share capital	9	100,000	100,000
Accumulated losses		(3,878)	(2,410)
TOTAL SHAREHOLDERS' EQUITY		<u>96,122</u>	<u>97,590</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u><u>322,056</u></u>	<u><u>267,004</u></u>

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

Company No.

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HONG LEONG TOKIO MARINE TAKAFUL BERHAD  
(Incorporated in Malaysia)

INCOME STATEMENT FOR THE FINANCIAL  
YEAR ENDED 30 JUNE 2009

	<u>Note</u>	<u>2009</u> RM'000	<u>2008</u> RM'000
Operating revenue	10	67,755	174,705
Share of investment profit from:			
Family takaful		67	61
General takaful		3	2
Wakalah fee		4,764	7,583
Investment income	12	3,506	3,407
Other operating expenses - net	13	(464)	(237)
Management expenses	14	(6,760)	(6,728)
Commission paid		(2,558)	(3,785)
(Loss)/profit before zakat and taxation		(1,442)	303
Taxation	15	(26)	(30)
Net (loss)/profit for the financial year		(1,468)	273

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

Company No.

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HONG LEONG TOKIO MARINE TAKAFUL BERHAD  
(Incorporated in Malaysia)

GENERAL TAKAFUL BALANCE SHEET  
AS AT 30 JUNE 2009

	<u>Note</u>	<u>2009</u> RM'000	<u>2008</u> RM'000
<b>ASSETS</b>			
Investments	6(b)	1,928	411
Receivables	7	1,075	446
Cash and bank balances		58	265
<b>TOTAL GENERAL TAKAFUL ASSETS</b>		<u>3,061</u>	<u>1,122</u>
<b>LIABILITIES</b>			
Payables	8	1,661	306
Outstanding claims		318	236
<b>TOTAL GENERAL TAKAFUL LIABILITIES</b>		<u>1,979</u>	<u>542</u>
<b>PARTICIPANTS' FUND</b>			
General takaful fund	17(a)	(225)	40
Unearned contribution reserves	18	1,307	540
		<u>1,082</u>	<u>580</u>
<b>TOTAL GENERAL TAKAFUL LIABILITIES AND PARTICIPANTS' FUND</b>		<u>3,061</u>	<u>1,122</u>

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

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HONG LEONG TOKIO MARINE TAKAFUL BERHAD  
(Incorporated in Malaysia)

GENERAL TAKAFUL REVENUE ACCOUNT  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	<u>Note</u>	<u>Fire</u> RM'000	<u>Motor</u> RM'000	<u>Misc</u> RM'000	<u>Total</u> RM'000
Gross contributions	10	2,614	311	1,529	4,454
Retakaful		(1,974)	-	(1,192)	(3,166)
Net contributions		640	311	337	1,288
Increase in unearned contribution reserves	18	(155)	(285)	(327)	(767)
Earned contributions		485	26	10	521
Net claims incurred	16	(12)	(22)	(133)	(167)
Wakalah fees	11	(738)	(62)	(447)	(1,247)
Commission earned from retakaful ceded		502	-	388	890
Underwriting surplus/ (deficit)		237	(58)	(182)	(3)
Net investment income	12				23
Allowance for doubtful debts					(88)
Deficit before taxation					(68)
Taxation	15				-
Deficit after taxation					(68)
Decrease in Qardh					(197)
General takaful fund at beginning of financial year	17(a)				40
General takaful fund at end of financial year	17(a)				(225)

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

Company No.

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HONG LEONG TOKIO MARINE TAKAFUL BERHAD  
(Incorporated in Malaysia)

GENERAL TAKAFUL REVENUE ACCOUNT  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	<u>Note</u>	<u>Fire</u> RM'000	<u>Misc</u> RM'000	<u>Total</u> RM'000
Gross contributions	10	1,211	58	1,269
Retakaful		(668)	(6)	(674)
		<hr/>	<hr/>	<hr/>
Net contributions		543	52	595
Increase in unearned contribution reserves	18	(340)	(39)	(379)
		<hr/>	<hr/>	<hr/>
Earned contributions		203	13	216
Net claims incurred	16	(229)	(1)	(230)
Wakalah fees	11	(364)	(19)	(383)
Commission earned from retakaful ceded		90	-	90
		<hr/>	<hr/>	<hr/>
Underwriting deficit		(300)	(7)	(307)
Net investment income	12			20
				<hr/>
Deficit before taxation				(287)
Taxation	15			-
				<hr/>
Deficit after taxation				(287)
Increase in Qardh				356
General takaful fund at beginning of financial year	17(a)			(29)
				<hr/>
General takaful fund at end of financial year	17(a)			40
				<hr/> <hr/>

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

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HONG LEONG TOKIO MARINE TAKAFUL BERHAD  
(Incorporated in Malaysia)

FAMILY TAKAFUL BALANCE SHEET  
AS AT 30 JUNE 2009

	<u>Note</u>	<u>2009</u> RM'000	<u>2008</u> RM'000
<b>ASSETS</b>			
Investments	6(c)	18,555	9,054
Receivables	7	4,025	2,312
Cash and bank balances		1,237	5,112
Investment-linked business assets	19(a)	196,160	148,093
		<hr/>	<hr/>
<b>TOTAL FAMILY TAKAFUL ASSETS</b>		<b>219,977</b>	<b>164,571</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES</b>			
Payables	8	2,500	1,963
Outstanding claims		70	157
Investment-linked business liabilities	19(a)	3,715	1,711
		<hr/>	<hr/>
<b>TOTAL FAMILY TAKAFUL LIABILITIES</b>		<b>6,285</b>	<b>3,831</b>
		<hr/>	<hr/>
<b>PARTICIPANTS' FUND</b>			
Family takaful fund	17(b)	213,692	160,740
		<hr/>	<hr/>
<b>TOTAL FAMILY TAKAFUL LIABILITIES AND PARTICIPANTS' FUND</b>		<b>219,977</b>	<b>164,571</b>
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*The accompanying notes form an integral part of the financial statements*

Company No.

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HONG LEONG TOKIO MARINE TAKAFUL BERHAD  
(Incorporated in Malaysia)

FAMILY TAKAFUL REVENUE ACCOUNT  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	<u>Note</u>	<u>2009</u> RM'000	<u>2008</u> RM'000
Gross contributions	10	59,230	169,334
Retakaful		(1,084)	(486)
		<hr/>	<hr/>
Net contributions		58,146	168,848
		<hr/>	<hr/>
Benefits paid and payable:			
Death		(1,514)	(1,912)
Surrender		(3,485)	(757)
Medical		(6)	(4)
		<hr/>	<hr/>
Total benefits paid and payable		(5,005)	(2,673)
		<hr/>	<hr/>
Wakalah fees	11	(3,663)	(7,262)
Net investment income	12	399	495
Other operating expenses - net	13	(17)	(20)
Reversal of inward retakaful surplus sharing with ceding takaful operator		-	278
		<hr/>	<hr/>
Surplus before taxation		49,860	159,666
Taxation	15	(89)	(92)
		<hr/>	<hr/>
Surplus after taxation before surplus from investment-linked business		49,771	159,574
Surplus/ (deficit) after taxation from investment-linked business	19(b)	3,181	(4,169)
		<hr/>	<hr/>
		52,952	155,405
Decrease in Qardh		-	(41)
Family takaful fund at beginning of financial year		160,740	5,376
		<hr/>	<hr/>
Family takaful fund at end of financial year	17(b)	213,692	160,740
		<hr/> <hr/>	<hr/> <hr/>

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

Company No.

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**HONG LEONG TOKIO MARINE TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

		Issued and fully paid ordinary shares of RM1 each		Accumulated	Total
	Note	Number of shares	Nominal value RM'000	losses RM'000	RM'000
At 1 July 2008	9	100,000	100,000	(2,410)	97,590
Net loss for the financial year		-	-	(1,468)	(1,468)
At 30 June 2009		<u>100,000</u>	<u>100,000</u>	<u>(3,878)</u>	<u>96,122</u>
At 1 July 2007	9	100,000	100,000	(2,683)	97,317
Net profit for the financial year		-	-	273	273
At 30 June 2008		<u>100,000</u>	<u>100,000</u>	<u>(2,410)</u>	<u>97,590</u>

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

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**HONG LEONG TOKIO MARINE TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**CASH FLOW STATEMENT FOR THE FINANCAL YEAR ENDED 30 JUNE 2009**

	<u>2009</u> RM'000	<u>2008</u> RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss)/ profit for the financial year	(1,468)	273
Adjustments for:		
Depreciation of property, plant and equipment	236	202
Amortisation of intangible assets	478	406
Loss on disposal of property, plant and equipment	-	52
Gain on disposal of investments	(51)	(40)
(Accretion of discounts)/ amortisation of premiums - net	(130)	88
Profits and dividend income	(4,090)	(4,216)
Allowance for diminution in value of investments	464	185
Unrealised capital (gain)/loss on investments of investment-linked fund	(3,318)	4,716
Increase in unearned contribution reserves	767	379
Increase in family takaful fund	53,220	155,364
(Decrease)/increase in general takaful fund	(265)	69
Increase in deferred wakalah fee income reserve	146	63
Taxation expense / (income)	26	(337)
	<hr/>	<hr/>
Profit from operations before changes in operating assets and liabilities	46,015	157,204
Proceeds from disposal of investments	14,775	329
Purchase of investments	(68,488)	(188,107)
Decrease in deposit and money market placements	707	25,773
Increase in receivables	(984)	(35)
(Decrease)/increase in outstanding claims	(5)	363
Increase in payables	1,041	2,748
Decrease/(increase) in Qardh	197	(315)
(Decrease)/increase in amount due to related companies	(992)	833
	<hr/>	<hr/>
	(7,734)	(1,207)
Profit received from investments	4,218	3,846
Dividend received from investments	57	65
Tax paid	(26)	(30)
	<hr/>	<hr/>
Net cash (used in)/ generated from operating activities	<u>(3,485)</u>	<u>2,674</u>

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HONG LEONG TOKIO MARINE TAKAFUL BERHAD  
(Incorporated in Malaysia)

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009  
(CONTINUED)

	<u>2009</u> RM'000	<u>2008</u> RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of intangible assets	(61)	(507)
Purchase of property, plant and equipment	(164)	(221)
Proceeds from disposal of property, plant and equipment	-	154
	<u>          </u>	<u>          </u>
Net cash used in investing activities	(225)	(574)
	<u>          </u>	<u>          </u>
Net (decrease)/increase in cash and cash equivalents	(3,710)	2,100
Cash and cash equivalents at beginning of financial year	5,770	3,670
	<u>          </u>	<u>          </u>
Cash and cash equivalents at end of the financial year	2,060	5,770
	<u>          </u>	<u>          </u>
Cash and cash equivalents comprise:		
Shareholders' fund	634	390
Family fund	1,237	5,112
Investment-linked business	131	3
General fund	58	265
	<u>          </u>	<u>          </u>
	2,060	5,770
	<u>          </u>	<u>          </u>

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

Company No.

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**HONG LEONG TOKIO MARINE TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

**1 CORPORATE INFORMATION**

The Company is engaged principally in the managing of family takaful including investment-linked business and all classes of general takaful business. There has been no significant change in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 8, Wisma Hong Leong, 18, Jalan Perak, 50450 Kuala Lumpur. The principal place of business of the Company is located at Level 5, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

The immediate and ultimate holding companies are Hong Leong Bank Berhad and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 July 2009.

**2 SIGNIFICANT ACCOUNTING POLICIES**

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements and to all the financial years presented.

**(a) Basis of preparation**

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this significant accounting policies and comply with Financial Reporting Standards ("FRS"), which are MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, the provisions of the Companies Act, 1965, the Takaful Act, 1984, and relevant Guidelines and Circulars issued by Bank Negara Malaysia ("BNM") in all material aspects.

The preparation of financial statements in conformity with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgment in the process of applying the Company's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ.

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

HONG LEONG TOKIO MARINE TAKAFUL BERHAD  
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(i) Standards and amendments to published statements and interpretation to existing standards that are applicable and relevant to the Company

There are no new accounting standards, amendments to published standards and interpretation that are relevant and effective to the Company for financial statements commencing 1 July 2008.

(ii) Standards that are applicable and relevant to the Company but not yet effective and have not been early adopted

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

FRS 139	– Financial Instruments: Recognition and Measurement
FRS 4	– Insurance Contracts
FRS 7	– Financial Instruments: Disclosures

(iii) Standards, amendments to published statements and interpretations to existing standards that are not yet effective and not relevant for the Company's operations

The following standards will be effective for accounting periods beginning on or after 1 July 2009.

FRS 8	– Operating Segments
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The following standards will be effective for accounting periods beginning on or after 1 January 2010.

FRS 123	– Borrowing Costs
Amendment to FRS 1 & FRS 127	– Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendment to FRS 2	– Vesting Conditions and Cancellations
IC Interpretation 9	– Reassessment of Embedded Derivatives
IC Interpretation 10	– Interim Financial Reporting and Assessment
IC Interpretation 11	– FRS 2 – Group and Treasury Share Transaction
IC Interpretation 13	– Customer Loyalty Programme
IC Interpretation 14	– FRS 119 – The Limit On a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

**HONG LEONG TOKIO MARINE TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property, Plant and Equipment

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

Subsequent expenditure 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.

Repairs and maintenance costs are charged to the income statement and/or revenue accounts during the financial year in which they are incurred.

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

Furniture & fittings, office equipment and renovations	5 years
Computer and peripherals	5 years
Motor vehicles	4 years

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date.

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

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

HONG LEONG TOKIO MARINE TAKAFUL BERHAD  
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Intangible Assets - Computer Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives, not exceeding a period of 5 years.

(d) Investments

Islamic corporate debentures

Islamic corporate debentures which are secured or which carry a minimum rating of "BBB" or "P3" are stated at cost adjusted for amortisation of premiums or accretion of discounts, calculated on a constant yield basis, from the date of purchase to maturity date. The amortisation of premiums and accretion of discounts are recognised in the income statement and/or revenue accounts.

Quoted investments

Quoted investments are stated at the lower of cost and market value determined on an aggregate portfolio basis by category of investments except that if diminution in value of a particular investment is not regarded as temporary, allowance is made against the value of that investment. Market value is determined by reference to the stock exchange closing price at the balance sheet date.

Unquoted investments

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

HONG LEONG TOKIO MARINE TAKAFUL BERHAD  
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investments (continued)

Investment-linked business

Quoted investments of investment-linked business, are stated at closing market prices as at balance sheet date.

Unquoted islamic corporate debentures are stated at average indicative market prices quoted by at least two licensed financial institutions.

Structured investments are investments where a substantial amount of the fund is invested in fixed income instruments issued by financial institutions while the remaining amount is invested in instruments which are linked to the performance of one or more equity, commodity and/or currency indices and market prices that introduce certain risks that will affect the performance of these instruments. Structured investments are carried at fair values quoted by counter parties based on a specific valuation model as at the balance sheet date.

Any increase or decrease in value of these investments is recognised in the investment-linked business revenue account.

(e) Impairment of Non-financial Assets

At each balance sheet date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. Impairment is measured by comparing carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net realisable value and the value in use, which is measured by reference to discounted cash flows.

An impairment loss is recognised as an expense in the income statement and/or revenue accounts immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased. A reversal of such impairment loss is recognised as an income in the income statement and/or revenue accounts.

(f) Trade Receivables

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

Known bad debts are written off and specific allowances are made for any contributions including agents' or retakaful balances which remain outstanding for more than six months from the date on which they become receivable and for all debts which are considered doubtful, except for outstanding motor contributions for which allowance is made for amounts outstanding for more than thirty days.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances excluding deposits in Islamic investment accounts, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**HONG LEONG TOKIO MARINE TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Payables

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

(i) Taxation

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

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purpose and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

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

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

(j) Zakat

Zakat represents tithes payable by the Company to comply with Shariah principles and as approved by the Shariah Advisory Committee. Zakat provision is calculated based on 2.5% of net asset method. Zakat is only provided when there is a commitment or obligation exists as at financial year end.

(k) Management Expenses, Commission Expenses and Wakalah Fee

Acquisition costs, commissions and management expenses are borne by the family takaful and general takaful funds respectively in the revenue accounts at an agreed percentage of the gross contribution, in accordance with the principles of "Wakalah" as approved by the Company's Shariah Advisory Committee and agreed between the participants and the Company. These expenses are transferred to the shareholders' fund via upfront wakalah fee and deferred wakalah fee.

Upfront wakalah fee is allocated to the shareholders' fund and recognised as income upon issuance of certificates.

Deferred wakalah fee is allocated to the shareholders' fund upon monthly allocation of tabarru'/donation from the participants' fund to the risk fund and is deferred as a liability under "deferred wakalah fee reserve". Deferred wakalah fee is recognised as income in the shareholders' fund based on the recommendation by the appointed actuary when the risk fund is in a surplus position after an annual actuarial valuation of the risk fund at the end of the financial year.

**HONG LEONG TOKIO MARINE TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Management Expenses, Commission Expenses and Wakalah Fee (continued)

In the event that the risk fund is in a deficit position, the deficit in the risk fund will be made good by the "deferred wakalah fee reserve" before the shareholders' fund via a benevolent loan or Qardh.

(l) Employee Benefits

Short-term employee benefits

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

Post employment benefits

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

(m) Family Takaful Fund

The family takaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 and includes the amount attributable to participants. The amount attributable to participants represents the accumulated surplus attributable to the participants as determined by an annual actuarial valuation of the Family Takaful fund, and is distributed in accordance with the terms and conditions prescribed by the Shariah Advisory Committee of the Company.

Any actuarial deficit in the family takaful fund will be made good by the shareholder's fund via a benevolent loan or Qardh.

Contribution Income

Contributions are recognised as soon as the amount of contributions can be reliably measured. Initial contribution is recognised from inception date and subsequent contributions are recognised on due dates.

Inward treaty retakaful contributions are recognised on the basis of periodic advices received from ceding companies.

Outward retakaful contributions are recognised in the same accounting year as the original certificates to which the retakaful relates.

Contribution of investment-linked business is in respect of the net creation of units which represents contribution paid by participants as payment for new certificates or subsequent payments to increase the amount of their certificate. Net creation of units is recognised on a receipt basis.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Family Takaful Fund (continued)

Provision for Claims

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

Recoveries on retakaful claims are accounted for in the same financial year as the original claims are recognised.

Claims and provision for claims arising on family takaful certificates, including settlement costs, are accounted for using the case basis method and for this purpose the benefits payable under a family takaful certificate are recognised as follows:

- (i) Maturity or other certificate benefit payments due on specified dates are treated as claims payable on the due dates;
- (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 participant or occurrence of contingency covered.

The benefits payable under investment-linked business are in respect of net creation of units and are recognised as surrenders.

(n) General Takaful Underwriting Results

The general takaful underwriting results are determined for each class of business after taking into account retakaful, wakalah fee, unearned contribution and claim incurred.

General Takaful fund

The general takaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 and consists of participants' account and participants' special account. Participants' account represents the proportion of contributions set aside for the purpose of investment. Participants' special account represents the accumulated participants' share in the net surplus of the general takaful revenue account, distributable in accordance with the terms and conditions prescribed by the Shariah Advisory Committee of the Company.

Any deficit in the participants' special account will be made good by the shareholders' fund via a benevolent loan or Qardh.

Contribution Income

Contributions are recognised in a financial year in respect of risks assumed during that particular financial year. Contributions from direct business are recognised during the financial year upon the issuance of debit notes. Contributions in respect of risks incepted for which debit notes have not been raised as of the balance sheet date are accrued at that date.

Outward retakaful contributions are recognised in the same accounting year as the original certificates to which the retakaful relates.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) General Takaful Fund (continued)

Unearned Contribution Reserves

Unearned contribution reserves ("UCR") represent the portion of net contributions of takaful certificates written that relate to the unexpired period of the certificates at the end of the financial year. In determining the UCR at balance sheet date, the method that most accurately reflects the actual unearned contributions is used as follows:

- (i) 1/365th method for all classes of general takaful business within Malaysia, reduced by the corresponding percentage of accounted gross direct business commissions not exceeding the limits specified by BNM.
- (ii) Time apportionment method for non-annual certificates with certificate cover period of more than one year, reduced by the corresponding percentage of accounted gross direct business commissions to the corresponding contribution, not exceeding the limits specified by BNM.

Provision for Outstanding Claims

A liability for outstanding claims is recognised in respect of both direct takaful and inward retakaful business. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less retakaful recoveries to settle the present obligation at the balance sheet date.

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

(o) Other Revenue Recognition

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

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

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

Investment profit of family takaful and general takaful funds is shared by the participants and the shareholders' fund at an agreed percentage, in accordance with the principles of Mudharabah basis as approved by the Company's Shariah Advisory Committee and agreed between the participants and the Company.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Foreign Currencies

(i) Functional and presentation currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

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

(q) Contingent Liabilities and Contingent Assets

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

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Financial Instruments

Description

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

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

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

Recognition

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

Fair value estimation for disclosure purpose

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are as follows:

- (i) Fair values of quoted investments are based on quoted market price;
- (ii) Fair values of unquoted islamic corporate debentures are based on the indicative market prices quoted by at least two licensed financial institutions.
- (iii) The carrying value for other financial assets and liabilities with a maturity period of less than one year are assumed to approximate their fair values.

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NOTES TO THE FINANCIAL STATEMENTS  
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3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

Provision for incurred but not reported ("IBNR") claims

For the financial year ended 30 June 2009, the IBNR estimates have been computed by a qualified actuary, Mercer Zainal Consulting Sdn Bhd ("MERCER"). Different methods can be used to analyse past data and project past patterns into the future, however the choice of method is constrained by the fact that the Company only has three years of operations. MERCER has considered the Ultimate Loss Ratio ("ULR") for the IBNR estimates. The method requires a selected ULR to be applied to net earned contribution in order to project the amount of ultimate claims incurred for each loss year, then subtract claims incurred for known claims from the projected ultimate claims incurred for each loss year in order to estimate the amount of claims to be incurred for IBNR claims.

Assumptions regarding the ULR vary by class of business and take into account the following:

- (i) The Company's claims incurred development to date;
- (ii) Net contribution remaining after deducting wakalah fee; and
- (iii) The industry loss experience.

It is impracticable to disclose the extent of the possible effects of the potential changes to the key assumptions used in assessing the IBNR claims due to the number of variables included in the assessment. However, it is reasonably possible that outcomes within the next financial year which are based on key assumptions that are different from the current assumptions could cause material adjustments to the IBNR claims of the Company.

Actuarial liabilities for family takaful fund

For family takaful plans, the actuarial liabilities are determined by the Company's Appointed Actuary and were set up based on the unearned contribution reserve basis in which the proportion is equivalent to the ratio of the period from the valuation date to the period of next Tabarru' dripping period and the period of cover provided by risk charges recognised.

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NOTES TO THE FINANCIAL STATEMENTS  
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3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Actuarial liabilities for family takaful fund (continued)

The following methodology is used in determining the unearned contribution reserve:

For long term liabilities, which currently consist of Mortgage Reducing Term Takaful policies, the cash flow reserves are set up for mortality benefits on a best estimate basis, which results in reserves being equal to a proportion of the risk charges, for unexpired risk or unearned contribution. Cash flow reserves for future expenses are not set up as management expenses and commissions are paid from the shareholders' fund.

It is impracticable to disclose the extent of the possible effects of the potential changes to the key assumptions used in assessing the actuarial liabilities for family takaful fund due to the number of variables included in the assessment. However, it is reasonably possible that outcomes within next financial year which are based on key assumptions that are different from the current assumptions could cause material adjustments to the actuarial liabilities for family takaful fund.

Critical judgments in applying the Company's accounting policies:

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

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)

4 PROPERTY, PLANT AND EQUIPMENT

Shareholders' fund

	Furniture & fittings, office equipment and <u>renovations</u> RM'000	Computer and <u>peripherals</u> RM'000	Motor <u>vehicles</u> RM'000	<u>Total</u> RM'000
<u>2009</u>				
<u>Cost</u>				
At 1 July 2008	579	431	273	1,283
Additions	152	12	-	164
At 30 June 2009	<u>731</u>	<u>443</u>	<u>273</u>	<u>1,447</u>
<u>Accumulated depreciation</u>				
At 1 July 2008	204	115	20	339
Depreciation charge for the financial year	125	88	23	236
At 30 June 2009	<u>329</u>	<u>203</u>	<u>43</u>	<u>575</u>
<u>Net book value</u>				
At 30 June 2009	<u>402</u>	<u>240</u>	<u>230</u>	<u>872</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Shareholders' fund

	Furniture & fittings, office equipment and renovations RM'000	Computer and peripherals RM'000	Motor vehicles RM'000	Total RM'000
<u>2008</u>				
<u>Cost</u>				
At 1 July 2007	563	405	321	1,289
Additions	50	26	145	221
Disposals	(34)	-	(193)	(227)
At 30 June 2008	<u>579</u>	<u>431</u>	<u>273</u>	<u>1,283</u>
<u>Accumulated depreciation</u>				
At 1 July 2007	102	34	22	158
Depreciation charge for the financial year	103	81	18	202
Disposals	(1)	-	(20)	(21)
At 30 June 2008	<u>204</u>	<u>115</u>	<u>20</u>	<u>339</u>
<u>Net book value</u>				
At 30 June 2008	<u>375</u>	<u>316</u>	<u>253</u>	<u>944</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)

5 INTANGIBLE ASSETS

Shareholders' fund

Computer  
software  
RM'000

2009

Cost

At 1 July 2008	2,347
Additions	61
	<hr/>
At 30 June 2009	2,408

Accumulated amortisation

At 1 July 2008	594
Amortisation charge for the financial year	478
	<hr/>
At 30 June 2009	1,072

Net book value

At 30 June 2009	1,336
	<hr/> <hr/>

2008

Cost

At 1 July 2007	1,840
Additions	507
	<hr/>
At 30 June 2008	2,347

Accumulated amortisation

At 1 July 2007	188
Amortisation charge for the financial year	406
	<hr/>
At 30 June 2008	594

Net book value

At 30 June 2008	1,753
	<hr/> <hr/>

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NOTES TO THE FINANCIAL STATEMENTS  
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6 INVESTMENTS

	2009		2008	
	Carrying value RM'000	Market value RM'000	Carrying value RM'000	Market value RM'000
<b>(a) Shareholders' fund</b>				
Quoted in Malaysia:				
Equity securities of corporations, at cost	1,917		1,908	
Allowance for diminution in value	(656)		(192)	
	1,261	1,261	1,716	1,716
Unquoted:				
Government guaranteed debt securities, at cost	9,006		9,006	
Government investment issues, at cost	4,306		-	
Islamic debt securities, at cost	37,310		31,544	
Accretion of discounts/ (amortisation of premiums)	30		(124)	
	50,652		40,426	
Unit-linked funds (seed money), at cost	4,000		4,000	
Deposits and money market placements with licensed banks	38,080		51,024	
Total investments	93,993		97,166	

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)

6 INVESTMENTS (CONTINUED)

	2009		2008	
	Carrying value RM'000	Market value RM'000	Carrying value RM'000	Market value RM'000
<b>(b) General takaful fund</b>				
Unquoted:				
Government guaranteed debt securities, at cost	100		100	
Deposits and money market placements with licensed banks	1,828		311	
Total investments	1,928		411	
<b>(c) Family takaful fund</b>				
Unquoted:				
Government guaranteed debt securities, at cost	900		900	
Islamic debt securities, at cost	1,384		2,385	
Accretion of discounts	13		3	
	2,297		3,288	
Deposits and money market placements with licensed banks	16,258		5,766	
Total investments	18,555		9,054	

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)

6 INVESTMENTS (CONTINUED)

	<u>2009</u> Carrying value RM'000	<u>2008</u> Carrying value RM'000
<b>(d) Investment-linked fund</b>		
Quoted in Malaysia:		
Equity securities of corporations, at cost	168	169
Unrealised capital loss	(59)	(38)
	<u>109</u>	<u>131</u>
At fair value		
Unquoted:		
Government investment issues, at cost	1,080	3,964
Unrealised capital loss	(78)	(93)
	<u>1,002</u>	<u>3,871</u>
At fair value		
Islamic debt securities, at cost	3,964	-
Unrealised capital loss	(26)	-
	<u>3,938</u>	<u>-</u>
At fair value		
Structured investments, at cost	189,783	146,212
Unrealised capital loss	(1,235)	(4,585)
	<u>188,548</u>	<u>141,627</u>
At fair value		
Deposits and money market placements with licensed banks	2,269	2,041
	<u>195,866</u>	<u>147,670</u>
Total investments	<u><u>195,866</u></u>	<u><u>147,670</u></u>

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NOTES TO THE FINANCIAL STATEMENTS  
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6 INVESTMENTS (CONTINUED)

The maturity structure of government guaranteed securities, islamic debt securities, structured investments and deposit and money market placements with licensed banks above is as follows:

	Shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Investment- linked fund RM'000	Total RM'000
<u>2009</u>					
Investments maturing within 12 months	42,837	1,828	16,258	2,208	58,374
Investments maturing after 12 months	46,345	100	2,297	193,549	250,598
Total	<u>89,182</u>	<u>1,928</u>	<u>18,555</u>	<u>195,757</u>	<u>308,972</u>
<u>2008</u>					
Investments maturing within 12 months	51,024	311	6,767	2,041	60,143
Investments maturing after 12 months	40,426	100	2,287	145,498	188,311
Total	<u>91,450</u>	<u>411</u>	<u>9,054</u>	<u>147,539</u>	<u>248,454</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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7 RECEIVABLES	Shareholders' fund	General takaful fund	Family takaful fund
	RM'000	RM'000	RM'000
<u>2009</u>			
Trade receivables:			
Outstanding contributions	-	1,079	173
Amount due from retakaful operator	-	-	28
	-	1,079	201
Less: Allowances for doubtful debts	-	(88)	-
	-	991	201
Other receivables:			
Amount due from family takaful fund (Note 8)	1,410	-	-
Amount due from general takaful fund (Note 8)	29	-	-
Amount due from investment-linked fund (Note 19(a))	16	-	3,699
Profits receivable	339	7	16
Qardh	158	-	-
Other debtors, deposits and prepayments	231	77	109
	2,183	84	3,824
Total receivables	2,183	1,075	4,025
<u>2008</u>			
Trade receivables:			
Outstanding contributions	-	30	331
Amount due from retakaful operator	-	-	131
	-	30	462
Other receivables:			
Amount due from shareholders' fund (Note 8)	-	360	110
Amount due from general takaful fund (Note 8)	-	-	6
Amount due from investment-linked fund (Note 19(a))	9	-	1,702
Profits receivable	523	7	28
Qardh	356	-	-
Other debtors, deposits and prepayments	170	49	4
	1,058	416	1,850
Total receivables	1,058	446	2,312

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NOTES TO THE FINANCIAL STATEMENTS  
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7 RECEIVABLES (CONTINUED)

Qardh represents an interest-free loan to the general takaful fund to make good the actuarial deficit and underwriting deficit in the fund. The amount is unsecured, not subject to any profit element and has no fixed terms of repayment.

Amounts due from takaful funds and shareholders' fund are unsecured, not subject to any profit element and have no fixed terms of repayment.

8 PAYABLES

	Shareholders' fund	General takaful fund	Family takaful fund
	RM'000	RM'000	RM'000
<u>2009</u>			
Trade payables:			
Amount due to retakaful operator	-	1,573	125
	-	1,573	125
Other payables:			
Contribution deposits	-	-	792
Amount due to shareholders' fund (Note 7)	-	29	1,410
Sundry payables and accruals	2,482	59	173
	2,482	88	2,375
	2,482	1,661	2,500
<u>2008</u>			
Trade payables:			
Amount due to retakaful operator	-	-	362
	-	-	362
Other payables:			
Contribution deposits	-	-	852
Amount due to general takaful fund (Note 7)	360	-	-
Amount due to family takaful fund (Note 7)	110	6	-
Sundry payables and accruals	1,991	300	749
	2,461	306	1,601
	2,461	306	1,963

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**NOTES TO THE FINANCIAL STATEMENTS**  
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8 PAYABLES (CONTINUED)

Amount due to general takaful fund in the shareholders' fund includes the interest-free loan from the shareholders' fund to the takaful funds under Qardh principle as disclosed in Note 2(n).

Amounts due to takaful funds and shareholders' fund are unsecured, not subject to any profit element and have no fixed term of repayment.

9 SHARE CAPITAL

	<u>2009</u>		<u>2008</u>	
	No. of shares '000	RM'000	No. of shares '000	RM'000
Ordinary shares of RM1.00 each				
Authorised:				
At beginning of financial year	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid:				
At beginning of financial year	100,000	100,000	100,000	100,000
At end of financial year	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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10 OPERATING REVENUE

	Shareholders' fund <u>RM'000</u>	General takaful fund <u>RM'000</u>	Family takaful fund <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
<u>2009</u>				
Gross contributions	-	4,454	59,230	63,684
Investment income	3,506	23	542	4,071
	<u>3,506</u>	<u>4,477</u>	<u>59,772</u>	<u>67,755</u>
<u>2008</u>				
Gross contributions	-	1,269	169,334	170,603
Investment income	3,407	20	675	4,102
	<u>3,407</u>	<u>1,289</u>	<u>170,009</u>	<u>174,705</u>

Investment income of family takaful fund includes investment income of investment-linked fund of RM143,000 (2008: RM180,000).

11 WAKALAH FEES

	General takaful fund <u>RM'000</u>	Family takaful fund <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
<u>2009</u>			
Net commission expenses	743	1,815	2,558
Management expenses	504	1,848	2,352
	<u>1,247</u>	<u>3,663</u>	<u>4,910</u>
<u>2008</u>			
Net commission expenses	207	3,595	3,802
Management expenses	176	3,667	3,843
	<u>383</u>	<u>7,262</u>	<u>7,645</u>

Wakalah fee of family takaful fund includes deferred wakalah fee of RM146,362 (2008: RM62,325).

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)

12 INVESTMENT INCOME

	Shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
<u>2009</u>			
Gross dividends from equity securities of companies quoted in Malaysia	58	-	-
Profits from:			
- Islamic debt securities	2,217	4	120
- Deposits and money market placements with licensed banks	1,060	22	313
Accretion of discounts – net	120	-	10
Gain on disposal of investments	51	-	-
	<u>3,506</u>	<u>26</u>	<u>443</u>
Less:			
Share of investment profit of takaful funds with shareholders' fund	-	(3)	(44)
	<u>3,506</u>	<u>23</u>	<u>399</u>
<u>2008</u>			
Gross dividends from equity securities of companies quoted in Malaysia	85	-	-
Profits from:			
- Islamic debt securities	1,242	3	53
- Deposits and money market placements with licensed banks	2,140	19	495
(Amortisation of premiums)/accretion of discounts – net	(91)	-	3
Gain on disposal of investments	31	-	-
	<u>3,407</u>	<u>22</u>	<u>551</u>
Less:			
Share of investment profit of takaful funds with shareholders' fund	-	(2)	(56)
	<u>3,407</u>	<u>20</u>	<u>495</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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13 OTHER OPERATING EXPENSES - NET

	Shareholders' fund <u>RM'000</u>	Family takaful fund <u>RM'000</u>
<u>2009</u>		
Allowance for diminution in value of investments	464	-
Others	-	17
	<u>464</u>	<u>17</u>
	<u><u>464</u></u>	<u><u>17</u></u>
<u>2008</u>		
Allowance for diminution in value of investments	185	-
Loss on disposal of property, plant and equipment	52	-
Others	-	20
	<u>237</u>	<u>20</u>
	<u><u>237</u></u>	<u><u>20</u></u>

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## 14 MANAGEMENT EXPENSES

	General takaful fund <u>RM'000</u>	Family takaful fund <u>RM'000</u>	<u>Total</u> RM'000
<u>2009</u>			
Staff costs:			
Salary and bonus	1,374	1,374	2,748
Social security costs	8	8	16
Employees' provident fund	140	140	280
Other staff related expenses	144	144	288
Directors' fees	88	88	176
Shariah committee remuneration and other expenses	142	142	284
Depreciation of property, plant and equipment (Note 4)	118	118	236
Amortisation of intangible assets (Note 5)	239	239	478
Auditors' remuneration			
Statutory audit	30	30	60
Tax consultation	11	11	22
Rental of properties	152	152	304
Realised foreign exchange loss	-	20	20
Other expenses	924	924	1,848
	<u>3,370</u>	<u>3,390</u>	<u>6,760</u>
<u>2008</u>			
Staff costs:			
Salary and bonus	1,268	1,268	2,536
Social security costs	7	7	14
Employees' provident fund	123	123	246
Other staff related expenses	43	43	86
Directors' fees	97	97	194
Shariah committee remuneration and other expenses	36	36	72
Depreciation of property, plant and equipment (Note 4)	101	101	202
Amortisation of intangible assets (Note 5)	203	203	406
Auditors' remuneration			
Statutory audit	20	20	40
Tax consultation	8	8	16
Rental of properties	150	150	300
Realised foreign exchange loss	13	13	26
Other expenses	1,295	1,295	2,590
	<u>3,364</u>	<u>3,364</u>	<u>6,728</u>

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14 MANAGEMENT EXPENSES (CONTINUED)

Management expenses of general and family takaful funds are transferred to the shareholders' fund under the principles of Wakalah as disclosed in Note 2 (k).

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the financial year amounted to RM315,643 (2008: RM422,496).

Included in the staff costs are the remuneration for key management personnel, which is disclosed in Note 23.

15 TAXATION

	<u>Shareholders'</u> <u>fund</u> RM'000	<u>General</u> <u>takaful</u> <u>fund</u> RM'000	<u>Family</u> <u>takaful</u> <u>Total</u> RM'000
<u>2009</u>			
Current tax:			
Malaysian tax	26	-	-
Foreign tax	-	-	89
	<u>          </u>	<u>          </u>	<u>          </u>
<u>2008</u>			
Current tax:			
Malaysian tax	30	-	-
Foreign tax	-	-	92
	<u>          </u>	<u>          </u>	<u>          </u>

The taxation charge of the family takaful fund and general takaful fund is based on the method prescribed under the Income Tax Act, 1967. The taxation charge in the income statement of the Company relates to income attributable to shareholders' fund.

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15 TAXATION (CONTINUED)

The numerical reconciliation between taxation and the product of accounting profit multiplied by the Malaysian tax rate:

	<u>2009</u> RM'000	<u>2008</u> RM'000
Profit/(loss) before taxation	(1,442)	303
Taxation at Malaysia statutory rate of 25% (2008: 26%)	(360)	79
Tax effects of expenses not deductible for tax purposes	276	188
Tax effects of income not taxable for tax purposes	-	(8)
Tax losses of takaful funds utilised by shareholders' fund	-	(211)
Previously unrecognised tax losses	(16)	(160)
Deductible temporary difference not recognised	126	142
	<u>26</u>	<u>30</u>

The amount of deductible temporary differences, unutilised capital allowances and tax losses for which no deferred tax asset is recognised in the balance sheet is as follows:

	<u>Shareholders'</u> <u>fund</u> RM'000	<u>General</u> <u>takaful</u> <u>fund</u> RM'000	<u>Family</u> <u>takaful</u> <u>fund</u> RM'000
<u>2009</u>			
Deductible temporary differences	1,199	-	-
Unutilised capital allowances	-	52	1,918
Unutilised tax losses	-	115	-
	<u>1,199</u>	<u>167</u>	<u>1,918</u>
<u>2008</u>			
Deductible temporary differences	696	-	-
Unutilised capital allowances	-	71	1,926
Unutilised tax losses	-	178	-
	<u>696</u>	<u>249</u>	<u>1,926</u>

No deferred tax is recognised as the Company is still in a tax loss position.

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16 NET CLAIMS INCURRED

General takaful fund

<u>2009</u>	<u>Fire</u> RM'000	<u>Motor</u> RM'000	<u>Misc</u> RM'000	<u>Total</u> RM'000
Gross claims paid less salvage/net claims paid	5	-	80	85
	<u>5</u>	<u>-</u>	<u>80</u>	<u>85</u>
Net outstanding claims:				
At beginning of financial year	235	-	1	236
At end of financial year	242	22	54	318
	<u>242</u>	<u>22</u>	<u>54</u>	<u>318</u>
Net claims incurred	<u>12</u>	<u>22</u>	<u>133</u>	<u>167</u>
	<u><u>12</u></u>	<u><u>22</u></u>	<u><u>133</u></u>	<u><u>167</u></u>
<u>2008</u>	<u>Fire</u> RM'000		<u>Misc</u> RM'000	<u>Total</u> RM'000
Gross claims paid less salvage/net claims paid	24		-	24
	<u>24</u>		<u>-</u>	<u>24</u>
Net outstanding claims:				
At beginning of financial year	30		-	30
At end of financial year	235		1	236
	<u>235</u>		<u>1</u>	<u>236</u>
Net claims incurred	<u>229</u>		<u>1</u>	<u>230</u>
	<u><u>229</u></u>		<u><u>1</u></u>	<u><u>230</u></u>

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17(a) GENERAL TAKAFUL FUND

	<u>2009</u> RM'000	<u>2008</u> RM'000
<u>Liabilities to participants</u>		
<u>Participants' Account ("PA"):</u>		
At beginning of financial year	40	(35)
Add: (Decrease)/increase in PA	(265)	75
	<hr/>	<hr/>
At end of financial year	(225)	40
	<hr/>	<hr/>
<u>Participants' Special Account ("PSA"):</u>		
At beginning of financial year (before Qardh)	-	6
Add: Increase/(decrease) in PSA	-	(6)
	<hr/>	<hr/>
At end of financial year	-	-
	<hr/>	<hr/>
Liabilities to participants at end of financial year	(225)	40
	<hr/>	<hr/>
<u>Unallocated surplus:</u>		
At beginning of financial year	-	-
Deficit after taxation	(68)	(287)
(Decrease)/increase in Qardh	(197)	356
Decrease/(increase) in PA	265	(75)
(Increase)/decrease in PSA	-	6
	<hr/>	<hr/>
Unallocated surplus carried forward	-	-
	<hr/>	<hr/>
<u>General takaful fund at end of financial year:</u>		
Liabilities to participants	(225)	40
Unallocated surplus	-	-
	<hr/>	<hr/>
	(225)	40
	<hr/> <hr/>	<hr/> <hr/>
Qardh as at end of financial year	159	356
	<hr/> <hr/>	<hr/> <hr/>

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17(b) FAMILY TAKAFUL FUND

	<u>2009</u> RM'000	<u>2008</u> RM'000
<u>Liabilities to participants</u>		
<u>Participants' Account ("PA"):</u>		
At beginning of financial year	160,131	4,895
Add: Increase in PA	52,279	155,236
	<hr/>	<hr/>
At end of financial year	212,410	160,131
	<hr/>	<hr/>
<u>Participants' Special Account ("PSA"):</u>		
At beginning of financial year	417	420
Add: Increase/(decrease) in PSA	28	(3)
	<hr/>	<hr/>
At end of financial year	445	417
	<hr/>	<hr/>
Liabilities to participants at end of financial year	212,855	160,548
	<hr/>	<hr/>
<u>Unallocated surplus:</u>		
At beginning of financial year	192	61
Surplus after taxation	52,952	155,405
Decrease in Qardh	-	(41)
Increase in PA	(52,279)	(155,236)
(Increase)/decrease in PSA	(28)	3
	<hr/>	<hr/>
Unallocated surplus carried forward	837	192
	<hr/>	<hr/>
<u>Family takaful fund at end of financial year:</u>		
Liabilities to participants	212,855	160,548
Unallocated surplus	837	192
	<hr/>	<hr/>
	213,692	160,740
	<hr/> <hr/>	<hr/> <hr/>
Qardh as at end of financial year	-	-
	<hr/> <hr/>	<hr/> <hr/>

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NOTES TO THE FINANCIAL STATEMENTS  
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18 UNEARNED CONTRIBUTION RESERVES

<u>2009</u>	<u>Fire</u> RM'000	<u>Motor</u> RM'000	<u>Misc</u> RM'000	<u>Total</u> RM'000
At beginning of financial year	501	-	39	540
Increase during the financial year	155	285	327	767
At end of the financial year	<u>656</u>	<u>285</u>	<u>366</u>	<u>1,307</u>
<u>2008</u>		<u>Fire</u> RM'000	<u>Misc</u> RM'000	<u>Total</u> RM'000
At beginning of financial year		161	-	161
Increase during the financial year		340	39	379
At end of the financial year		<u>501</u>	<u>39</u>	<u>540</u>

19 INVESTMENT-LINKED BUSINESS

(a) Balance sheet as at 30 June

	<u>2009</u> RM'000	<u>2008</u> RM'000
<u>Assets</u>		
Investments (Note 6(d))	195,866	147,670
Receivables	64	53
Deferred tax assets	99	367
Cash and bank balances	131	3
Investment-linked business assets	<u>196,160</u>	<u>148,093</u>
<u>Liabilities</u>		
Amount due to shareholders fund (Note 7)	16	9
Amount due to family fund (Note 7)	3,699	1,702
Investment-linked business liabilities	<u>3,715</u>	<u>1,711</u>
Net asset value of funds	<u>192,445</u>	<u>146,382</u>

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19 INVESTMENT-LINKED BUSINESS (CONTINUED)

(a) Balance sheet as at 30 June (continued)

	<u>2009</u> RM'000	<u>2008</u> RM'000
Represented by:		
<u>Unitholders' account</u>		
At beginning of the financial year	146,382	4,271
Net creation of units	46,220	147,027
Cancellation of units	(3,338)	(747)
Surplus for the financial year	3,181	(4,169)
	<u>192,445</u>	<u>146,382</u>

(b) Income statement for the financial year ended 30 June

Investment income*	143	180
Unrealised gain/ (loss) on investments	3,318	(4,716)
Other expenses	(12)	-
	<u>3,449</u>	<u>(4,536)</u>
Surplus/(deficit) before taxation		
Taxation:		
- current tax	-	-
- deferred tax	(268)	367
	<u>3,181</u>	<u>(4,169)</u>

\* Net of share of investment profit of takaful with shareholders' fund of RM23,000 (2008: RM6,000).

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NOTES TO THE FINANCIAL STATEMENTS  
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20 SEGMENTAL INFORMATION ON CASH FLOW

	Shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Investment- linked fund RM'000	Total RM'000
<u>2009</u>					
Cash flows from:					
Operating activities	469	(207)	(3,875)	128	(3,485)
Investing activities	(225)	-	-	-	(225)
	<u>244</u>	<u>(207)</u>	<u>(3,875)</u>	<u>128</u>	<u>(3,710)</u>
Net (decrease)/increase in cash and cash equivalents					
	244	(207)	(3,875)	128	(3,710)
Cash and cash equivalents:					
At beginning of financial year	<u>390</u>	<u>265</u>	<u>5,112</u>	<u>3</u>	<u>5,770</u>
At end of financial year	<u><u>634</u></u>	<u><u>58</u></u>	<u><u>1,237</u></u>	<u><u>131</u></u>	<u><u>2,060</u></u>
<u>2008</u>					
Cash flows from:					
Operating activities	(2,281)	149	4,803	3	2,674
Investing activities	(574)	-	-	-	(574)
	<u>(2,855)</u>	<u>149</u>	<u>4,803</u>	<u>3</u>	<u>2,100</u>
Net (decrease)/increase in cash and cash equivalents					
	(2,855)	149	4,803	3	2,100
Cash and cash equivalents:					
At beginning of financial year	<u>3,245</u>	<u>116</u>	<u>309</u>	<u>-</u>	<u>3,670</u>
At end of financial year	<u><u>390</u></u>	<u><u>265</u></u>	<u><u>5,112</u></u>	<u><u>3</u></u>	<u><u>5,770</u></u>

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21 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

	<u>2009</u> RM'000	<u>2008</u> RM'000
Future minimum lease		
Not later than 1 year	67	300
Later than 1 year and not later than 5 years	-	50
	<u>67</u>	<u>350</u>

22 RELATED PARTY TRANSACTIONS

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

<u>Related Parties</u>	<u>Relationship</u>
Hong Leong Company (Malaysia) Berhad	Ultimate holding company
Hong Leong Bank Berhad	Immediate holding company
Tokio Marine & Nichido Fire Insurance Co. Limited	Substantial shareholder of the Company
Hong Leong Assurance Berhad	Subsidiary of ultimate holding company
Hong Leong Islamic Bank Berhad	Subsidiary of immediate holding company

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22 RELATED PARTY TRANSACTIONS (CONTINUED)

The Directors are of the opinion that related party transactions were entered into in the normal course of business and have been established on terms and conditions that are no more favourable than those obtainable in similar transactions with unrelated parties unless otherwise stated.

Significant related party transactions with related parties during the financial year are as follows:

	2009 RM'000	2008 RM'000
Transactions with ultimate holding company:		
Other expenses	-	(3)
	<u>          </u>	<u>          </u>
Transactions with companies within the Hong Leong Company (Malaysia) Berhad Group:		
- Commission expenses	(1,361)	(3,659)
- Profits from Islamic deposits and money market placements with licensed banks	1,417	2,710
- Profits from Islamic corporate debentures	253	-
- Office rental expenses	(304)	(300)
- Shared services fee	(16)	(847)
- Other expenses	(266)	(495)
	<u>          </u>	<u>          </u>
Transactions with companies within the Tokio Marine & Nichido Fire Insurance Co. Limited:		
- Shared service fee	30	(92)
	<u>          </u>	<u>          </u>

Companies within the Hong Leong Company (Malaysia) Berhad Group include Hong Leong Bank Berhad, Hong Leong Islamic Bank Berhad and Hong Leong Assurance Berhad where there were related party transactions.

Companies within the Tokio Marine & Nichido Fire Insurance Co. Limited, include Tokio Marine Asia Ltd where there were related party transactions.

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22 RELATED PARTY TRANSACTIONS (CONTINUED)

Included in the balance sheet of the Company are significant related party balances, represented by the following:

	<u>2009</u> RM'000	<u>2008</u> RM'000
Amount due from/(to) other related companies within the Hong Leong Company (Malaysia) Berhad Group:		
- Bank balances	777	5,342
- Structured investments, at fair value (Note 6)	23,621	-
- Islamic deposits and money market placements with licensed banks (Note 6)	57,790	58,620
- Islamic corporate debentures (Note 6)	5,007	5,009
- Profits receivables (Note 7)	47	71
- Rental deposit (Note 7)	101	75
- Amount due to related companies	(205)	(1,167)
	<u>          </u>	<u>          </u>
Transactions with companies within the Tokio Marine & Nichido Fire Insurance Co. Limited:		
Amount due to related companies	-	(30)
	<u>          </u>	<u>          </u>

Amounts due to related companies are unsecured, interest free and have no fixed term of repayment.

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23 KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel are defined as those persons having authority and responsibility for the planning, directing and control of the Company's activities, either directly or otherwise. The key management personnel include all the Directors of the Company, and selected senior management members.

Key management personnel's remuneration is as follows:

	<u>2009</u> RM'000	<u>2008</u> RM'000
Non-executive directors' fees	176	194
Key management personnel		
Short term employee benefits:		
Salary and other remuneration	314	407
Benefits-in-kind/perquisite	2	15
	<hr/>	<hr/>
	316	422
	<hr/>	<hr/>
Total	<u>492</u>	<u>616</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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24 FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company has to comply with the Takaful Act, 1984, 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 ("the Board"). The Board exercises oversight on investments to safeguard the interests of the stakeholders.

The deployment and execution of the investment policies is delegated to the Investment Committee ("IC") in which the members are appointed by the Board. The IC oversees the formulation of investment, risk strategy and asset allocation to determine the optimum risk and return profile.

Risk limits are in place at various levels and monitored by a risk manager to ensure all investment securities are in compliance with the Hong Leong Company (Malaysia) Berhad Group's and Company's investment principles and philosophy. Sensitivity and stress tests are carried out on regular basis to assess the resilience of the investment portfolios and the impact on Company's solvency.

The relevant risks affecting the Company are:

(1) Takaful risks

The core activities of the Company are the provision of financial advisory services coupled with Takaful protection against such risks such as mortality, morbidity, disability, critical illness, medical health and personal accident. The mortality and morbidity risks are managed through various risk mitigation measures as well as appropriate actuarial techniques. New risks are carefully assessed before the formation of Takaful contracts.

(2) Investment and pricing risks

The appropriate asset/liability match is derived through formulation of appropriate investment strategy, assets mix and pricing/re-pricing of products. Pricing risks pertaining to the risk of Takaful contribution being paid are generally inadequate to meet the obligations of the certificate benefits and general cost of carrying on the business. Such a situation may arise when there is an increase in operating costs, unfavourable change in the mortality and/or morbidity experience and major fluctuation in expected long term investment return.

Generally, products are developed and priced after considerable market research to minimise risks associated with the above factors.

There is also regular reporting to the IC on compliance with established financial risk limits.

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24 **FINANCIAL INSTRUMENTS (CONTINUED)**

(3) Profit rate risks

The Company's core Takaful and investment activities are inherently exposed to profit rate risks which arise principally from differences in maturities or re-pricing of the invested assets and also long-term participants' liabilities. In dealing with the risk, the Company adopts an approach of focusing on achieving a desired overall profit rate profile, which may change over time, based on management's long term view of profit rates and economic conditions.

(4) Equity price risks

The Company monitors its equity price through regular stress testing and constant market supervision of the equity price.

(5) Credit risks

Credit risk is the risk of loss due to the inability or unwillingness of a counter-party to meet the payment obligations. The Company implements a strict credit control policy to minimise credit risks.

The Company's exposure to credit risk analysed by industry:

	Carrying <u>Amount</u> <u>2009</u> RM'000	Carrying <u>Amount</u> <u>2008</u> RM'000
Islamic government guaranteed and debt securities:		
Consumer products	5,005	4,992
Finance	1,000	1,000
Plantation	1,000	1,000
Power	7,773	10,005
Properties	4,661	9,595
Telecommunication	9,832	5,014
Transportation	5,006	5,009
Utilities	1,058	1,064
Services	7,341	-
Other government guaranteed financing low risk assets	15,313	10,006
Structured investments:		
Citibank Barhad	165,485	141,627
Hong Leong Bank Berhad	23,063	-
	<hr/>	<hr/>
Total	246,537	189,312
	<hr/> <hr/>	<hr/> <hr/>

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NOTES TO THE FINANCIAL STATEMENTS  
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24 FINANCIAL INSTRUMENTS (CONTINUED)

(5) Credit risks (continued)

Ratings of Islamic corporate debentures, bonds and other government guaranteed low-risk asset securities on carrying value basis are as follows:

	<u>2009</u> RM'000	<u>2008</u> RM'000
Islamic government guaranteed and debt securities:		
AAA	17,008	14,604
AA	24,668	22,075
A	1,000	1,000
Other government guaranteed financing low risk assets	15,313	10,006
Structured investments:		
AAA	165,485	141,627
AA	23,063	-
Total	<u>246,537</u>	<u>189,312</u>

(6) Liquidity risks

Liquidity risk is the risk where the Company is unable to meet its obligations at reasonable cost or at any time. The Finance Department manages this risk by monitoring daily as well as monthly, projected and actual cash inflows/outflows and by ensuring that a reasonable amount of financial assets are kept in liquid instruments at all times.

(7) Business and operational risks

Operational risks include legal, political, regulatory, market conduct, competition, tax, environmental and business continuity risks. The Group Internal Auditor reviews the effectiveness of the internal controls and reports to the Board Audit and Risk Management Committee on a regular basis.

(8) Market risk

Equity risk

Adverse changes in the equity market impair the carrying value of the equity portfolio which could affect the solvency of the Company. The Board has set internal limits for maximum equity exposure and individual stock exposure, which are consistent with BNM's guidelines and has also imposed daily trading limits. The Company's IC decides on the appropriate asset allocation for equities on a regular basis in line with the investment and economic conditions at time of review.

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HONG LEONG TOKIO MARINE TAKAFUL BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS  
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24 FINANCIAL INSTRUMENTS (CONTINUED)

(8) Market risk (Continued)

The weighted average effective profit rate as at financial year end and the maturity structured for each class of financial assets and liabilities are as follows:

<u>Shareholders' fund</u>	<u>Non profit bearing</u>	<u>Profit bearing</u>						<u>Total carrying value</u>	<u>Weighted average effective profit rate</u>
		<u>1 year or less</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>More than 5 years</u>		
<u>2009</u>									
<u>Assets</u>									
Investments:									
- Islamic government guaranteed and debt securities	-	4,503	7,269	6,005	-	13,039	19,836	50,652	4.64%
- Deposit and money market placement with licensed banks	-	38,080	-	-	-	-	-	38,080	
- Equity securities of companies	1,261	-	-	-	-	-	-	1,261	
- Unit-linked funds (seed money)	4,000	-	-	-	-	-	-	4,000	
- Cash and bank balances	634	-	-	-	-	-	-	634	
Other receivables	2,183	-	-	-	-	-	-	2,183	
Financial assets	8,078	42,583	7,269	6,005	-	13,039	19,836	96,810	
Non-financial assets								2,208	
Total assets								99,018	

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## HONG LEONG TOKIO MARINE TAKAFUL BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)

#### 24 FINANCIAL INSTRUMENTS (CONTINUED)

##### (8) Market risk (Continued)

The weighted average effective profit rate as at financial year end and the maturity structured for each class of financial assets and liabilities are as follows:

	Non-profit bearing	Profit bearing						Total carrying value	Weighted average effective profit rate
		1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years		
<u>Shareholders' fund</u>									
<u>2009</u>									
<u>Liabilities</u>									
Other payables	2,482	-	-	-	-	-	-	2,482	
Amount due to related companies	205	-	-	-	-	-	-	205	
Financial liabilities	<u>2,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,687</u>	
Non-financial liabilities								209	
Total liabilities								<u><u>2,896</u></u>	

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## HONG LEONG TOKIO MARINE TAKAFUL BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)

#### 24 FINANCIAL INSTRUMENTS (CONTINUED)

##### (8) Market risk (Continued)

The weighted average effective profit rate as at financial year end and the maturity structured for each class of financial assets and liabilities are as follows:

	Non-profit bearing	Profit bearing						Total carrying value	Weighted average effective profit rate
		1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years		
<u>Shareholders' fund</u>									
<u>2008</u>									
<u>Assets</u>									
Investments:									
- Islamic government guaranteed and debt securities	-	-	10,522	5,385	6,096	2,000	16,423	40,426	4.35%
- Deposit and money market placement with licensed banks	-	51,024	-	-	-	-	-	51,024	
- Equity securities of companies	1,716	-	-	-	-	-	-	1,716	
- Unit-linked funds (seed money)	4,000	-	-	-	-	-	-	4,000	
- Cash and bank balances	390	-	-	-	-	-	-	390	
Other receivables	1,058	-	-	-	-	-	-	1,058	
Financial assets	7,164	51,024	10,522	5,385	6,096	2,000	16,423	98,614	
Non-financial assets								2,697	
Total assets								101,311	

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## HONG LEONG TOKIO MARINE TAKAFUL BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)

#### 24 FINANCIAL INSTRUMENTS (CONTINUED)

##### (8) Market risk (Continued)

The weighted average effective profit rate as at financial year end and the maturity structured for each class of financial assets and liabilities are as follows:

	Non-profit bearing	Profit bearing						Total carrying value	Weighted average effective profit rate
		1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years		
<u>Shareholders' fund</u>									
<u>2008</u>									
<u>Liabilities</u>									
Other payables	2,461	-	-	-	-	-	-	2,461	
Amount due to related companies	1,197	-	-	-	-	-	-	1,197	
Financial liabilities	<u>3,658</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,658</u>	
Non-financial liabilities								63	
Total liabilities								<u>3,721</u>	

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HONG LEONG TOKIO MARINE TAKAFUL BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)

24 FINANCIAL INSTRUMENTS (CONTINUED)

(8) Market risk (Continued)

The weighted average effective profit rate as at financial year end and the maturity structured for each class of financial assets and liabilities are as follows:

<u>General fund</u>	Non- profit bearing	Profit bearing						Total carrying value	Weighted average effective profit rate
		<u>1 year or less</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>More than 5 years</u>		
<u>2009</u>									
<u>Assets</u>									
Investments:									
- Islamic government guaranteed and debt securities	-	-	-	-	-	100	-	100	3.90%
- Deposit and money market placement with licensed banks	-	1,828	-	-	-	-	-	1,828	
Cash and bank balances	58	-	-	-	-	-	-	58	
Other receivables	84	-	-	-	-	-	-	84	
Financial assets	142	1,828	-	-	-	100	-	2,070	
Other financial assets*								991	
Total assets								3,061	

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## HONG LEONG TOKIO MARINE TAKAFUL BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)

#### 24 FINANCIAL INSTRUMENTS (CONTINUED)

##### (8) Market risk (Continued)

The weighted average effective profit rate as at financial year end and the maturity structured for each class of financial assets and liabilities are as follows:

	Non- profit bearing	Profit bearing						Total carrying value	Weighted average effective profit rate
		1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years		
<u>General fund</u>									
<u>Liabilities</u>									
Payables	88	-	-	-	-	-	-	88	
Financial liabilities	88	-	-	-	-	-	-	88	
Other financial liabilities*								1,666	
Non-financial liabilities								1,307	
Total liabilities								3,061	

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HONG LEONG TOKIO MARINE TAKAFUL BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)

24 FINANCIAL INSTRUMENTS (CONTINUED)

(8) Market risk (Continued)

The weighted average effective profit rate as at financial year end and the maturity structured for each class of financial assets and liabilities are as follows:

	Non-profit bearing	Profit bearing						Total carrying value	Weighted average effective profit rate
		1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years		
<u>2008</u>									
<u>Assets</u>									
Investments:									
- Islamic government guaranteed and debt securities	-	-	-	-	-	100	-	100	3.90%
- Deposit and money market placement with licensed banks	-	311	-	-	-	-	-	311	
Cash and bank balances	265	-	-	-	-	-	-	265	
Other receivables	416	-	-	-	-	-	-	416	
Financial assets	681	311	-	-	-	100	-	1,092	
Other financial assets*								30	
Total assets								1,122	

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## HONG LEONG TOKIO MARINE TAKAFUL BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)

#### 24 FINANCIAL INSTRUMENTS (CONTINUED)

##### (8) Market risk (Continued)

The weighted average effective profit rate as at financial year end and the maturity structured for each class of financial assets and liabilities are as follows:

<u>General fund</u>	Non- profit bearing	Profit bearing						Total carrying value	Weighted average effective profit rate
		<u>1 year or less</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>More than 5 years</u>		
<u>2008</u>									
<u>Liabilities</u>									
Payables	306	-	-	-	-	-	-	306	
Financial liabilities	306	-	-	-	-	-	-	306	
Other financial liabilities*								276	
Non-financial liabilities								540	
Total liabilities								1,122	

\* Disclosure information for financial assets and liabilities that relates to rights and obligations arising under takaful contracts is not shown as it is excluded from the scope of FRS132 – Financial Instruments: Disclosure and Presentation.

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## HONG LEONG TOKIO MARINE TAKAFUL BERHAD

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)

## 24 FINANCIAL INSTRUMENTS (CONTINUED)

## (8) Market risk (Continued)

The weighted average effective profit rate as at financial year end and the maturity structured for each class of financial assets and liabilities are as follows:

Family takaful fund including investment-linked	Non-profit bearing	Profit bearing						Total carrying value	Weighted average effective profit rate
		1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years		
<u>2009</u>									
<u>Assets</u>									
Investments:									
- Islamic government guaranteed and debt securities	-	1,007	-	1,000	-	1,896	3,334	7,237	4.52%
- Structured investments	-	-	143,352	23,621	21,575	-	-	188,548	
- Deposit and money market placement with licensed banks	-	18,527	-	-	-	-	-	18,527	1.72%
- Equity securities of companies	109	-	-	-	-	-	-	109	
Cash and bank balances	1,368	-	-	-	-	-	-	1,368	
Other receivables	3,888	-	-	-	-	-	-	3,888	
Financial assets	5,365	19,534	143,352	24,621	21,575	1,896	3,334	219,677	
Other financial assets*								201	
Non financial assets								99	
Total assets								219,977	

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## HONG LEONG TOKIO MARINE TAKAFUL BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)

#### 24 FINANCIAL INSTRUMENTS (CONTINUED)

##### (8) Market risk (Continued)

The weighted average effective profit rate as at financial year end and the maturity structured for each class of financial assets and liabilities are as follows:

Family takaful fund including <u>investment-linked</u>	Non- profit <u>bearing</u>	<u>Profit bearing</u>						Total carrying <u>value</u>	Weighted average effective <u>profit rate</u>
		<u>1 year or less</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>More than 5 years</u>		
<u>2009</u>									
<u>Liabilities</u>									
Payables	6,090	-	-	-	-	-	-	6,090	
Financial liabilities	6,090	-	-	-	-	-	-	6,090	
Other financial liabilities*								213,887	
Non-financial liabilities								-	
Total liabilities								219,977	

\* Disclosure information for financial assets and liabilities that relates to rights and obligations arising under takaful contracts is not shown as it is excluded from the scope of FRS132 – Financial Instruments: Disclosure and Presentation.

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## HONG LEONG TOKIO MARINE TAKAFUL BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)

#### 24 FINANCIAL INSTRUMENTS (CONTINUED)

##### (8) Market risk (Continued)

The weighted average effective profit rate as at financial year end and the maturity structured for each class of financial assets and liabilities are as follows:

Family takaful fund including investment-linked	Non-profit bearing	Profit bearing						Total carrying value	Weighted average effective profit rate
		1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years		
<u>2008</u>									
<u>Assets</u>									
Investments:									
- Islamic government guaranteed and debt securities	-	1,001	1,017	-	985	-	4,156	7,159	4.55%
- Structured investments	-	-	-	141,627	-	-	-	141,627	
- Deposit and money market placement with licensed banks	-	7,745	-	62	-	-	-	7,807	
- Equity securities of companies	131	-	-	-	-	-	-	131	
Cash and bank balances	5,115	-	-	-	-	-	-	5,115	
Other receivables	1,903	-	-	-	-	-	-	1,903	
Financial assets	7,149	8,746	1,017	141,689	985	-	4,156	163,742	
Other financial assets*								462	
Non financial assets								367	
Total assets								164,571	

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## HONG LEONG TOKIO MARINE TAKAFUL BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)

#### 24 FINANCIAL INSTRUMENTS (CONTINUED)

##### (8) Market risk (Continued)

The weighted average effective profit rate as at financial year end and the maturity structured for each class of financial assets and liabilities are as follows:

Family takaful fund including investment linked	Non- profit bearing	Profit bearing						Total carrying value	Weighted average effective profit rate
		1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years		
<u>Liabilities</u>									
Payables	3,311	-	-	-	-	-	-	3,311	
Financial liabilities	3,311	-	-	-	-	-	-	3,311	
Other financial liabilities*								161,260	
Non-financial liabilities								-	
Total liabilities								164,571	

\* Disclosure information for financial assets and liabilities that relates to rights and obligations arising under takaful contracts is not shown as it is excluded from the scope of FRS132 – Financial Instruments: Disclosure and Presentation.

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HONG LEONG TOKIO MARINE TAKAFUL BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009 (CONTINUED)

25 FAIR VALUES

The carrying values of financial assets and liabilities of the company as at 30 June 2009 approximate their fair values, except for the following:

	<u>2009</u>		<u>2008</u>	
	<u>Carrying</u> <u>values</u>	<u>Fair</u> <u>values</u>	<u>Carrying</u> <u>values</u>	<u>Fair</u> <u>values</u>
	RM'000	RM'000	RM'000	RM'000
Investments:				
Islamic government guaranteed and debt securities	53,050	52,500	47,685	46,904

The carrying value of investments in Islamic corporate debentures at the balance sheet has not been written down to their fair value as the Directors are of the opinion that these investments will be held for long term purpose.