

723739	W
--------	---

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated In Malaysia)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

CONTENTS	PAGE
DIRECTORS' REPORT	1 - 17
STATEMENT BY DIRECTORS	18
STATUTORY DECLARATION	19
INDEPENDENT AUDITORS' REPORT	20 - 21
BALANCE SHEETS	22
INCOME STATEMENTS	23
LIFE FUND BALANCE SHEETS	24
LIFE FUND REVENUE ACCOUNTS	25
STATEMENTS OF CHANGES IN EQUITY	26
CASH FLOW STATEMENTS	27 – 29
NOTES TO THE FINANCIAL STATEMENTS	30 – 86

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

## DIRECTORS' REPORT

The directors hereby submit their annual report to the members together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2009.

## PRINCIPAL ACTIVITY

The Company is principally engaged in the underwriting of life insurance business, including investment-linked business. There have been no significant changes in the principal activity of the Company during the financial year.

The subsidiary is dormant and is now under members' voluntary liquidation.

## FINANCIAL RESULTS

<b>Group and Company</b>	<b>RM'000</b>
Net profit for the financial year	6,860

## DIVIDENDS

No dividend has been paid or declared by the Company since 31 December 2008. The Directors do not recommend any dividend in respect of the financial year ended 31 December 2009.

## RESERVES AND PROVISIONS

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

## PROVISION FOR INSURANCE LIABILITIES

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

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

## **DIRECTORS' REPORT (continued)**

### **BAD AND DOUBTFUL DEBTS**

Before the income statements and balance sheets of the Group and the Company were made out, the Directors took reasonable steps to ensure that proper action had been taken in relation to the writing off of bad debts and the making of the allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances that would render the amounts written off for bad debts or the amounts of allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent.

### **CURRENT ASSETS**

Before the income statements and balance sheets of the Group and the Company were made out, the Directors took reasonable steps to ensure that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and the Company have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and the Company misleading.

### **VALUATION METHODS**

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

## **DIRECTORS' REPORT (continued)**

### **CONTINGENT AND OTHER LIABILITIES**

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and the Company to meet its obligations as and when they fall due.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

### **CHANGE OF CIRCUMSTANCES**

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and the Company, which would render any amount stated in the financial statements misleading.

### **ITEMS OF AN UNUSUAL NATURE**

The results of the operations of the Group and the Company for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

### **SHARE CAPITAL**

On 4 March 2009, the Company issued 15,000,000 new ordinary shares of RM1.00 each at par for cash to fund the future expansion of the Company. The new ordinary shares issued ranked pari passu in all respects with the existing ordinary shares of the Company.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

## **DIRECTORS' REPORT (continued)**

### **CORPORATE GOVERNANCE**

#### **Statement of compliance with the Prudential Framework of Corporate Governance for Insurers - JPI/GPI 25**

The Board of Directors ("the Board") is satisfied that the Company has taken concerted steps to ensure compliance with BNM Prudential Framework of Corporate Governance (JPI/GPI 25) (Consolidated) for Insurers and its best practice applications.

#### **Board responsibility and oversight**

The Board affirms its overall responsibility for the Group's and Company's system of internal controls and risk management, and for reviewing the adequacy and integrity of these systems. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and accordingly, they can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Group has in place an on-going process for identifying, evaluating, monitoring and managing significant risks that may affect the achievement of the Group's business objectives throughout the year under review and up to the date of this report. This process is regularly reviewed by the Board via the Audit and Compliance Committee and the Risk Management Committee.

The Board has generally complied with BNM's Minimum Standards for Prudential Management of Insurers (JPI/GPI 1) (Consolidated).

The Board currently has six (6) members, comprising two (2) Independent Non-Executive Directors, three (3) Non-Executive Directors and an Executive Director. Together, the Directors come from various fields with a balance of skills and experiences which are necessary to enable the Company to achieve its corporate objectives and fulfill all its fiduciary duties. The roles and activities of the Chairman and the Chief Executive Officer are distinct and separate.

All the members of the Board have complied with the requirements of serving on the Board of not more than 15 group of companies.

The appointments of all the Board members were approved by BNM. All appointments and re-appointments of Board members were subject to the evaluation and review by the Nomination Committee and approved by the Board before the applications are submitted to BNM for approval.

The Board meets at least 6 times a year with additional meetings being convened as necessary. For the financial year ended 31 December 2009, the Board met 6 times. All the Directors satisfied the minimum attendance of at least 75% of the board meetings held during the financial year ended 31 December 2009.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

## **DIRECTORS' REPORT (continued)**

### **CORPORATE GOVERNANCE (continued)**

#### **Board responsibility and oversight (continued)**

The principal responsibilities of the Board include reviewing and approving a strategic plan, overseeing the Group and Company businesses, formalising documentation on matters specifically reserved for its decision and ensuring that the Group and Company internal controls and reporting procedures are adequate.

The composition of the Board during the period since the date of the last report and the number of meetings attended by each existing Director during the financial year ended 31 December 2009 are as follows:

<b>Name of Directors</b>	<b>No. of Attendance</b>
Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid	6/6
Tan Sri Dato' Che Lodin Bin Wok Kamaruddin	5/6
David William Matthews	6/6
Dato' Mustafa Bin Mohamad Ali	6/6
Dato' Mohd Sallehuddin Bin Othman	6/6
Loke Kah Meng (Appointed on 15 September 2009)	2/2
Kwo Shih Kang (Resigned on 6 April 2009)	2/2

The Board has established a number of Board committees and senior management committees. Each committee operates within defined term of reference. Board committees are the Audit and Compliance Committee, the Nomination Committee, the Remuneration Committee, the Risk Management Committee and the Investment Committee. Senior management committees include the Malaysia Leadership Team, the Local Management Audit and Compliance Committee, the Local Product and Management Committee and the Local Management Investment Committee.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

## **DIRECTORS' REPORT (continued)**

### **CORPORATE GOVERNANCE (continued)**

#### **Audit and Compliance Committee**

The members of the Audit and Compliance Committee are as follows:

Dato' Mustafa Bin Mohamad Ali	Chairman (Independent Non-Executive)
Dato' Mohd Sallehuddin Bin Othman	Member (Independent Non-Executive)
David William Matthews	Member (Non-Independent Non-Executive)

The Audit and Compliance Committee is chaired by an Independent Non-Executive Director. The Audit and Compliance Committee was established as a sub-committee of the Board with specific Terms of Reference that have been approved by the Board. The principal objectives are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company.

The principal duties and responsibilities are:

- i) To review financial reports with management and the external auditors;
- ii) To recommend to the Board as to the appointment of external auditors;
- iii) To review on a regular basis the management activity in relation to audit findings;
- iv) To approve the annual internal audit plan;
- v) To review management activity in relation to internal audit findings;
- vi) To review the effectiveness of the system for monitoring compliance with laws and regulations;
- vii) To review the findings of any examination by a regulatory agency and any auditor observations;
- viii) To review and monitor the fraud and anti-money laundering policies of the Company;
- ix) To report on a regular basis to the Board on Committee activities; and
- x) To perform any other activities according to the applicable requirements within the guidelines from BNM.

Other responsibilities of the Audit and Compliance Committee are prescribed within the Terms of Reference of the Committee approved by the Board.

The number of meetings attended by each member of the Audit and Compliance Committee during the financial year ended 31 December 2009 is as follows:

<b>Name of Directors</b>	<b>No. of Attendance</b>
Dato' Mustafa Bin Mohamad Ali	4/4
Dato' Mohd Sallehuddin Bin Othman	4/4
David William Matthews	4/4



AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

## **DIRECTORS' REPORT (continued)**

### **CORPORATE GOVERNANCE (continued)**

#### **Audit and Compliance Committee (continued)**

During the financial year ended 31 December 2009, the Audit and Compliance Committee had reviewed the annual financial statements, approved the external audit plan and annual internal audit plan. The plan is developed to cover key operational areas, financial activities and information systems that are significant to the overall performance of the Company on a cyclical basis.

#### **Nomination Committee**

The members of the Nomination Committee are as follows:

Dato' Mohd Sallehuddin Bin Othman	Chairman (Independent Non-Executive)
Dato' Mustafa Bin Mohamad Ali	Member (Independent Non-Executive)
Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid	Member (Non-Independent Non-Executive)
Tan Sri Dato' Che Lodin Bin Wok Kamaruddin	Member (Non-Independent Non-Executive)
David William Matthews	Member (Non-Independent Non-Executive)
Loke Kah Meng (Appointed on 15 September 2009)	Member (Non-Independent Executive)
Kwo Shih Kang (Resigned on 6 April 2009)	Member (Non-Independent Executive)

The Nomination Committee is chaired by an Independent Non-Executive Director. In consideration of the right candidate for appointment to the Board, the Nomination Committee takes into account the required mix of skills, experience and other core competencies that is necessary to enable the Group and the Company to achieve its corporate objectives and fulfill its fiduciary responsibilities. The Nomination Committee is also responsible for the annual review of the effectiveness of the Board and individual Directors.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

## **DIRECTORS' REPORT (continued)**

### **CORPORATE GOVERNANCE (continued)**

#### **Nomination Committee (continued)**

The Nomination Committee functions on Terms of Reference approved by the Board. The principal duties and responsibilities of the Nomination Committee are:

- i) To recommend to the Board on the selection and appointment of Non-Executive Directors and the Chief Executive Officer;
- ii) To review the effectiveness of the Board, Board committees and the performance of the Chief Executive Officer;
- iii) To consider the required competencies of new Directors having regard to the mix of skills, experience and other qualities of existing Directors;
- iv) To establish a mechanism for review of the performance of the Board and the Board committees;
- v) To ensure that an appropriate process for the orientation and induction of new Directors is carried out and that the process reflects the background and experience of each new Director;
- vi) To review the Board and senior executive succession plans; and
- vii) To perform other activities according to the application requirements in the guidelines from BNM.

The number of meetings attended by each member of the Nomination Committee during the financial year ended 31 December 2009 is as follows:

<b>Name of Directors</b>	<b>No. of Attendance</b>
Dato' Mohd Sallehuddin Bin Othman	2/2
Dato' Mustafa Bin Mohamad Ali	2/2
Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid	2/2
Tan Sri Dato' Che Lodin Bin Wok Kamaruddin	2/2
David William Matthews	2/2
Loke Kah Meng (Appointed on 15 September 2009)	1/1
Kwo Shih Kang (Resigned on 6 April 2009)	1/1

In the opinion of the Nomination Committee, the Board has a good mix of skills and experiences appropriate for the business of the Company.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

## **DIRECTORS' REPORT (continued)**

### **CORPORATE GOVERNANCE (continued)**

#### **Remuneration Committee**

The members of the Remuneration Committee are as follows:

Dato' Mohd Sallehuddin Bin Othman	Chairman (Independent Non-Executive)
Dato' Mustafa Bin Mohamad Ali	Member (Independent Non-Executive)
Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid	Member (Non-Independent Non-Executive)
Tan Sri Dato' Che Lodin Bin Wok Kamaruddin	Member (Non-Independent Non-Executive)
David William Matthews	Member (Non-Independent Non-Executive)
Loke Kah Meng (Appointed on 15 September 2009)	Member (Non-Independent Executive)
Kwo Shih Kang (Resigned on 6 April 2009)	Member (Non-Independent Executive)

The Remuneration Committee is chaired by an Independent Non-Executive Director. The Remuneration Committee is responsible for developing a remuneration policy that is sufficient to attract and retain Directors and key senior officers of caliber needed to manage the Company successfully.

The Remuneration Committee functions on Terms of Reference approved by the Board. The principal duties and responsibilities of the Remuneration Committee are to assist the Board in:

- i) Recommending a framework for the remuneration of the Directors, the Chief Executive Officer and key senior officers to:
  - a) Attract, motivate and retain high performing senior executives;
  - b) Align remuneration with business performance; and
  - c) Motivate Directors and management to pursue the long-term growth and success of the Company with an appropriate control framework.
- ii) Ensuring the highest standards of governance and disclosure in relation to remuneration.
- iii) The Remuneration Committee also has responsibilities for:
  - a) Strategy and policy for remuneration of the Company;
  - b) Directors' remuneration;
  - c) Chief Executive Officer employment and separation terms;
  - d) Senior executives long term incentive plan;
  - e) Remuneration budget in relation to base salary review, team and other incentive payments;
  - f) Appropriate governance and disclosure policy in respect of remuneration and performance;
  - g) Performing other activities according to the applicable requirements in the guidelines from BNM; and
  - h) Performing other activities related to these terms and reference as requested by the Board.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (continued)**

**CORPORATE GOVERNANCE (continued)**

**Remuneration Committee (continued)**

The number of meetings attended by each member of the Remuneration Committee during the financial year ended 31 December 2009 is as follows:

Name of Directors	No. of Attendance
Dato' Mohd Sallehuddin Bin Othman	1/1
Dato' Mustafa Bin Mohamad Ali	1/1
Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid	1/1
Tan Sri Dato' Che Lodin Bin Wok Kamaruddin	1/1
David William Matthews	1/1
Loke Kah Meng (Appointed on 15 September 2009)	-
Kwo Shih Kang (Resigned on 6 April 2009)	1/1

**Risk Management Committee**

The members of the Risk Management Committee are as follows:

Dato' Mustafa Bin Mohamad Ali	Chairman (Independent Non-Executive)
Dato' Mohd Sallehuddin Bin Othman	Member (Independent Non-Executive)
Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid	Member (Non-Independent Non-Executive)
David William Matthews	Member (Non-Independent Non-Executive)

The Risk Management Committee is chaired by an Independent Non-Executive Director and constantly reviews the risk factors of the Company to ensure risks at all levels are managed effectively. It will also formulate risk management policies, action plans and evaluate the adequacy of overall risk management policies and procedures.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

## **DIRECTORS' REPORT (continued)**

### **CORPORATE GOVERNANCE (continued)**

#### **Risk Management Committee (continued)**

The Risk Management Committee functions on Terms of Reference approved by the Board. The principal duties and responsibilities of Risk Management Committee are as follows:

- i) To review and recommend risk management strategies, policies and risk tolerance for the Board's approval;
- ii) To review and assess the adequacy of risk management policies, and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- iii) To ensure adequate infrastructure, resources and systems are in place for effective risk management; and
- iv) To review the periodic reports on risk exposure, risk portfolio composition and risk management activities.

The number of meetings attended by each member of the Risk Management Committee during the financial year ended 31 December 2009 is as follows:

<b>Name of Directors</b>	<b>No. of Attendance</b>
Dato' Mustafa Bin Mohamad Ali	4/4
Dato' Mohd Sallehuddin Bin Othman	4/4
Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid	4/4
David William Matthews	4/4

#### **Investment Committee**

The members of the Investment Committee are as follows:

David William Matthews	Chairman (Non-Independent Non-Executive)
Tan Sri Dato' Che Lodin Bin Wok Kamaruddin	Member (Non-Independent Non-Executive)
Dato' Mustafa Bin Mohamad Ali	Member (Independent Non-Executive)
Loke Kah Meng (Appointed on 15 September 2009)	Member (Non-Independent Executive)
Kwo Shih Kang (Resigned on 6 April 2009)	Member (Non-Independent Executive)

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (continued)**

**CORPORATE GOVERNANCE (continued)**

**Investment Committee (continued)**

The Investment Committee is chaired by a Non-Independent Non-Executive Director. The Committee is responsible to review and approve the strategies recommended by the Local Management Investment Committee as well as to establish investment objectives, policies and guidelines for the insurance funds. The Committee discusses investment strategies, asset allocation to monitor and evaluate the performance of the assets, as well as review the portfolio performance against benchmarks. The Committee also ensures that the investment management of the insurance funds complies with relevant authorities' guidelines and internal investment mandates.

The number of meetings attended by each member of the Investment Committee during the financial year ended 31 December 2009 is as follows:

Name of Directors	No. of Attendance
David William Matthews	6/6
Tan Sri Dato' Che Lodin Bin Wok Kamaruddin	6/6
Dato' Mustafa Bin Mohamad Ali	6/6
Loke Kah Meng (Appointed on 15 September 2009)	2/2
Kwo Shih Kang (Resigned on 6 April 2009)	2/2

**Management Accountability**

*Organisational Structure*

The organisational structure of the Company depicts clear lines of reporting responsibility and authority for all levels of staff of the Company. Authority is delegated by the Board to the Chief Executive Officer and the Malaysia Leadership Team for the implementation of strategy and management of the Company. The Company has in place a well-documented organisational structure, allocation of duties and responsibilities for all of its employees.

*Communication*

To support an effective flow of information within the Company and to ensure that important information reaches the appropriate personnel in a timely manner, the Company has in place the following practices:

- documentation of important policies and procedures in the form of operating manuals/ workflows;
- regular meetings to discuss issues of common concern; and
- induction programs for all new staff upon joining the Company.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

## **DIRECTORS' REPORT (continued)**

### **CORPORATE GOVERNANCE (continued)**

#### **Corporate Independence**

The Company has complied with the requirements of BNM's Guidelines on Related Party Transactions (JPI/GPI 19) in respect of all its related party undertakings. Necessary disclosures were made to the Board and where required, the Board's prior approval for the transactions has also been obtained.

#### **Internal Controls and Operational Risk Management**

The Board recognises the importance of having in place a risk management framework to identify principal risks and to implement appropriate controls to manage such risks as an integral part of the Company's operations.

The Company's key internal control processes include the following:

##### *Underwriting*

The Company exercises control over underwriting exposures covering both risks accepted and reinsured. Exposure limits are reviewed annually.

Operational authority limits covering underwriting of risks, claims settlement, and capital expenditures are reviewed and updated regularly.

##### *Financial position*

The business plans and budgets are submitted to the Board for approval.

##### *Investment*

The Investment Committee is responsible for setting investment policies, objectives, guidelines and controls for the Investment Department. Detailed procedures and controls, including Investment guidelines are documented to safeguard the interest of the Company. The objective of the Investment guidelines is to ensure that the Company's interests prevail over the personal interests of the employees.

The performance of investment funds and equities exposure reports are amongst the reports submitted to the Investment Committee for its review at its regular meetings.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

## **DIRECTORS' REPORT (continued)**

### **CORPORATE GOVERNANCE (continued)**

#### **Internal Controls and Operational Risk Management (continued)**

##### *Information System*

The Information Technology ("IT") Committee, whose members are represented by the Malaysia Leadership Team of the Company, is responsible for establishing effective plans and directions, authorising IT related expenditure above pre-defined limits and monitoring the progress of approved projects. The requirements of BNM's Guidelines on Management of IT environment GPIS1 and GPI 26 – Internet Security have been substantially met.

##### *Internal Audit*

The Internal Audit function undertakes regular reviews of the Company's operations and system of internal controls. It provides continuous monitoring of controls and risk management procedures. Internal audit findings are discussed at management level and actions are taken in response to the internal audit recommendations. The Audit Committee reviews all internal audit findings and management responses. The requirements of BNM's Guidelines on Audit Committees and Internal Auditor Departments for Insurance Companies (JPI/JPI 13) have been met.

#### **Products**

New products launched in financial year 2009 were Legacy 8, ValuePac, AFFIN HP Life, Global Energy & Income Plus Plan I & II, AXA AFFIN Income Plus Plan and MedPlus Plan. They were duly deliberated by the Senior Management and approved in accordance with the established procedures.

#### **Public Accountability**

The Company complies with the provisions relating to policies under Parts XII and XIII of the Insurance Act, 1996. Each member of the staff and agency force is also required to adhere to LIAM's Code of Ethics and Conduct when dealing with customers.

Members of the public are aware of avenues for appeal against the Company's practices or decisions. A policy contract issued to any policy owner contains a written disclosure alerting them to the existence of the Financial Mediation Bureau ("FMB") and Customer Services Bureau ("CSB"). In addition, notices containing the same information are exhibited in the Head Office and all the Company's branches. The Company's letter to any claimant on the rejection of a claim also includes similar information for appeal to FMB and CSB.



AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

## **DIRECTORS' REPORT (continued)**

### **CORPORATE GOVERNANCE (continued)**

#### **Financial Reporting**

Due care and diligence is exercised by the Company in ensuring compliance with the requirements of statutory reporting to BNM and the accuracy of information contained in the reports submitted to BNM as well as the maintenance of appropriate accounting records. The external auditors are appointed according to the provision of the Insurance Act, 1996. They provide an independent opinion that the financial statements have been prepared in accordance with Financial Reporting Standards which are the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities, modified by Bank Negara Malaysia, so as to give a true and fair view of the Company's financial position as at 31 December 2009 and of the financial performance and cash flows of the Company for the financial year then ended.

#### **DIRECTORS**

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

Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid

Tan Sri Dato' Che Lodin Bin Wok Kamaruddin

David William Matthews

Dato' Mustafa Bin Mohamad Ali

Dato' Mohd Sallehuddin Bin Othman

Loke Kah Meng (Appointed on 15 September 2009)

Kwo Shih Kang (Resigned on 6 April 2009)

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

## DIRECTORS' REPORT (continued)

### DIRECTORS' BENEFIT

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than share options granted pursuant to the Employee Share Option Scheme ("ESOS") of AFFIN Holdings Berhad, substantial shareholders' of the Company.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than Directors' remuneration as disclosed in Note 20 to the financial statements and other employee benefits received or due and receivable by Directors from the Company's related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has substantial financial interest.

### DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, none of Directors in office at the end of the financial year held any shares or options over shares and debentures in the Company and its related corporations, other than the shares held by Tan Sri Dato' Che Lodin Bin Wok Kamaruddin in the related corporations during the financial year ended 31 December 2009 as follows:

		<u>Number of ordinary shares of RM 1 each</u>			
		As at 1.1.2009	Bought	Sold	As at 31.12.2009
1.	AFFIN Holdings Berhad ^	808,714	-	-	808,714
2.	Boustead Holdings Berhad ^^	19,816,000	14,218,199	(7,911,600)	26,122,599
3.	Boustead Heavy Industries Corporation Berhad ^^	2,000,000	-	-	2,000,000
4.	Al-Hadharah Boustead REIT ^	200,000	-	-	200,000
5.	Boustead Petroleum Sdn Bhd ^	5,466,465	300,000	-	5,766,465
6.	Boustead Petroleum Sdn Bhd ^^	-	50	-	50

^ Shares held in trust by nominee company.

^^ Pursuant to a corporate restructuring scheme of Boustead Heavy Industries Corporation Berhad.

^^ Ordinary shares of 50 sen each.

^^ Redeemable preference shares of RM1 each.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (continued)**

**DIRECTORS' INTERESTS (continued)**

		<b><u>Number of Warrants 2000/2010</u></b>			
		<b>As at 1.1.2009</b>	<b>Bought</b>	<b>Sold</b>	<b>As at 31.12.2009</b>
1.	AFFIN Holdings Berhad	1,500	-	-	1,500

Each of the above Warrants 2000/2010 entitles the registered holder to subscribe for one new ordinary share of RM1.00 each in AFFIN Holdings Berhad at any time from the date of issue of 8 July 2000 at the exercise price of RM3.10 per share. The exercise period of AFFIN Warrants 2000/2010 will expire on 7 July 2010.

**HOLDING COMPANY**

Pursuant to the provisions of the Companies Act, 1965, the holding company is AFFIN Holdings Berhad, a public listed company incorporated in Malaysia.

**AUDITORS**

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 16 March 2010.

Jeneral (B) Tan Sri Dato' Seri Abdul Rahman  
Bin Abdul Hamid  
DIRECTOR

Loke Kah Meng  
DIRECTOR

Kuala Lumpur

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

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

We, Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid and Loke Kah Meng, two of the Directors of AXA AFFIN Life Insurance Berhad, state that, in the opinion of the Directors, the accompanying financial statements set out on pages 22 to 86 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2009 and of the financial performance and cash flows of the Group and the Company for the financial year ended on that date in accordance with Financial Reporting Standards which are the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities, modified by Bank Negara Malaysia, and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 16 March 2010.

Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid  
DIRECTOR

Loke Kah Meng  
DIRECTOR

Kuala Lumpur

723739	W
--------	---

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

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

I, Edward Kong Tek Fah, the officer primarily responsible for the financial management of AXA AFFIN Life Insurance Berhad, do solemnly and sincerely declare that in my opinion, the financial statements set out on pages 22 to 86 are 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.

**EDWARD KONG TEK FAH**

Subscribed and solemnly declared by the above named Edward Kong Tek Fah at Kuala Lumpur in Malaysia on 16 March 2010, before me,

COMMISSIONER FOR OATHS

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF AXA AFFIN LIFE INSURANCE BERHAD**  
(Incorporated in Malaysia)  
(Company No. 723739-W)

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of AXA AFFIN Life Insurance Berhad, which comprise the balance sheets as at 31 December 2009, and the income statements, statement of changes in equity and cash flow statements for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 22 to 86.

**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 Financial Reporting Standards which are the Malaysian Accounting Standard Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, modified by Bank Negara Malaysia, and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' Responsibility**

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

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

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

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF AXA AFFIN LIFE INSURANCE BERHAD (continued)**  
(Incorporated in Malaysia)  
(Company No. 723739-W)

**Opinion**

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards which are the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, modified by Bank Negara Malaysia, and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and Company as of 31 December 2009 and of the financial performance and cash flows of the Group and Company for the financial year then ended.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) 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.
- (b) We are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The audit report on the financial statements of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) 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

16 March 2010

**BALANCE SHEETS AS AT 31 DECEMBER 2009**

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>ASSETS</b>					
Shareholders' fund assets					
Intangible assets	5	99,120	99,120	99,120	99,120
Securities available-for-sale	7(a)	28,313	-	28,313	-
Investments	7(c)	-	36,986	-	36,986
Fixed and call deposits	7(d)	54,938	42,100	54,938	42,100
Receivables	11	25,628	9,237	25,628	9,237
Deferred tax assets	12	-	247	-	247
Cash and bank balances		10,214	21	10,214	21
Total Shareholders' fund assets		218,213	187,711	218,213	187,711
Total Life fund assets (page 24)		383,283	237,974	383,283	237,962
<b>TOTAL ASSETS</b>		<b>601,496</b>	<b>425,685</b>	<b>601,496</b>	<b>425,673</b>
<b>LIABILITIES</b>					
Shareholders' fund liabilities					
Payables	14	539	396	539	396
Total Shareholders' fund liabilities		539	396	539	396
Total Life fund liabilities (page 24)		68,997	27,264	68,997	27,252
Life policyholders' fund (page 24)	15	314,286	210,710	314,286	210,710
<b>TOTAL LIABILITIES</b>		<b>383,822</b>	<b>238,370</b>	<b>383,822</b>	<b>238,358</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	16	252,000	237,000	252,000	237,000
Accumulated losses (page 26)		(39,811)	(49,685)	(39,811)	(49,685)
Available-for-sale reserve (page 26)		5,485	-	5,485	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>217,674</b>	<b>187,315</b>	<b>217,674</b>	<b>187,315</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>601,496</b>	<b>425,685</b>	<b>601,496</b>	<b>425,673</b>

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



AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009**

<b>Group and Company</b>	<b>Note</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>Operating Revenue</b>	17	187,004	54,449
Shareholders' fund:			
- Investment income	18	1,182	326
- Other operating income / (expenses) - net	19	4,512	(2,996)
- Management expenses	20	(415)	(388)
		5,279	(3,058)
Deficit transferred from Life Fund Revenue accounts (page 25)		-	(19,965)
Profit / (loss) before taxation		5,279	(23,023)
Taxation	21	1,581	-
Net profit / (loss) for the financial year		6,860	(23,023)
Profit / (loss) per share attributable to ordinary shareholders of the Company (sen)	23	2.75	(10.13)

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

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**LIFE FUND BALANCE SHEETS AS AT 31 DECEMBER 2009**

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>ASSETS</b>					
Property, plant and equipment	4	3,144	3,026	3,144	3,026
Intangible assets	5	5,866	4,004	5,866	4,004
Investment properties	6	13,800	27,610	13,800	27,610
Securities available-for-sale	7(a)	143,380	-	143,380	-
Investments	7(c)	-	142,539	-	142,539
Fixed and call deposits	7(d)	34,948	6,892	34,948	6,892
Investment in subsidiary	8	-	-	971	971
Loans	9	6,834	6,699	6,834	6,699
Assets held for sale	10	10,032	1,062	8,970	-
Receivables	11	7,866	5,150	7,957	5,229
Tax recoverable		979	-	979	-
Cash and bank balances		5,971	1,937	5,971	1,937
		232,820	198,919	232,820	198,907
Investment-linked fund assets	24	150,463	39,055	150,463	39,055
<b>Total Life fund assets</b>		<b>383,283</b>	<b>237,974</b>	<b>383,283</b>	<b>237,962</b>
<b>LIABILITIES</b>					
Deferred tax liabilities	12	7	43	7	43
Current tax liabilities		92	93	92	93
Provision for outstanding claims	13	1,785	457	1,785	457
Payables	14	65,187	24,914	65,187	24,902
		67,071	25,507	67,071	25,495
Investment-linked fund liabilities	24	1,926	1,757	1,926	1,757
<b>Total Life fund liabilities</b>		<b>68,997</b>	<b>27,264</b>	<b>68,997</b>	<b>27,252</b>
Life policyholders' fund	15	314,286	210,710	314,286	210,710
<b>Total Life fund liabilities and Life policyholders' fund</b>		<b>383,283</b>	<b>237,974</b>	<b>383,283</b>	<b>237,962</b>

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

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**LIFE INSURANCE REVENUE ACCOUNTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009**

<b>Group and Company</b>	<b>Note</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
Gross premium	17	177,674	43,858
Less : Reinsurance		(3,397)	(2,692)
<b>Net premium</b>		<b>174,277</b>	<b>41,166</b>
<b>Less : Gross benefits paid and payable :</b>			
Death		(10,722)	(8,107)
Surrender		(26,685)	(5,395)
Maturity		(659)	(605)
Cash bonus		(5,683)	(4,317)
Others		(299)	(497)
Reinsurance recoveries		1,793	589
<b>Net benefits paid and payable</b>		<b>(42,255)</b>	<b>(18,332)</b>
		132,022	22,834
Commission and agency expenses		(12,770)	(3,236)
Management expenses	20	(39,269)	(36,810)
		79,983	(17,212)
Investment income	18	7,217	9,004
Other operating expenses – net	19	(2,173)	(3,821)
<b>Surplus / (deficit) before taxation</b>		<b>85,027</b>	<b>(12,029)</b>
Taxation	21	(211)	(1,375)
<b>Surplus / (deficit) after taxation</b>		<b>84,816</b>	<b>(13,404)</b>
Surplus / (deficit) from Investment-linked business	24	12,902	(12,892)
		97,718	(26,296)
Life policyholders' fund at beginning of financial year		210,710	217,041
Deficit transferred to Income Statement		-	19,965
Movement in available-for-sale reserve during the financial year, net of tax	15	5,858	-
<b>Life policyholders' fund at end of financial year</b>	<b>15</b>	<b>314,286</b>	<b>210,710</b>

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

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009**

<b>2009 Group and Company</b>	<b>Note</b>	<b>Share capital RM'000</b>	<b>Accumulated losses RM'000</b>	<b><u>Non- distributable</u> Available- for-sale reserve RM'000</b>	<b>Total RM'000</b>
At beginning of financial year: As previously reported		237,000	(49,685)	-	187,315
Change in accounting policy	28	-	3,014	(3,014)	-
As restated		237,000	(46,671)	(3,014)	187,315
Issuance of shares during the financial year	16	15,000	-	-	15,000
Net profit for the financial year		-	6,860	-	6,860
Movement in available-for-sale reserve (net of tax) during the financial year		-	-	8,499	8,499
At end of financial year		252,000	(39,811)	5,485	217,674

<b>2008 Group and Company</b>	<b>Note</b>	<b>Share capital RM'000</b>	<b>Accumulated losses RM'000</b>	<b><u>Non- distributable</u> Available- for-sale reserve RM'000</b>	<b>Total RM'000</b>
At beginning of financial year		218,000	(26,662)	-	191,338
Issuance of shares during the financial year	16	19,000	-	-	19,000
Net loss for the financial year		-	(23,023)	-	(23,023)
At end of financial year		237,000	(49,685)	-	187,315

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

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009**

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Cash flows from operating activities</b>				
Net profit / (loss) for the financial year	6,860	(23,023)	6,860	(23,023)
Adjustments for:				
- Depreciation of property, plant and equipment	1,189	972	1,189	972
- Amortisation of intangible assets	3,069	1,416	3,069	1,416
- (Gain) / loss on disposal of investments	(9,282)	236	(9,282)	236
- Gain on disposal of investment properties	(42)	(188)	(42)	(188)
- Allowance for diminution in value of investments	-	5,641	-	5,641
- Fair value loss of investment properties	3,430	1,628	3,430	1,628
- Investment income	(9,330)	(10,591)	(9,330)	(10,591)
- Allowance for bad and doubtful debts	274	396	274	396
- Unrealised (gain) / loss on investments of investment-linked funds	(9,456)	14,393	(9,456)	14,393
- Increase / (decrease) in actuarial liabilities	105,952	(6,331)	105,952	(6,331)
- Deficit in Life fund	(8,234)	-	(8,234)	-
- Taxation	(40)	283	(40)	283
	84,390	(15,168)	84,390	(15,168)
Increase in loans	(135)	(67)	(135)	(67)
(Increase) / decrease in receivables	(18,715)	8,520	(18,727)	8,599
Increase / (decrease) in provision for outstanding claims	1,328	(282)	1,328	(282)
Increase / (decrease) in payables	39,750	(8,298)	39,762	(8,286)
Purchase of investments	(159,507)	(23,562)	(159,507)	(23,653)
Proceeds from disposal of investments	89,438	31,891	89,438	31,891
Proceeds from disposal of investment properties	1,152	3,100	1,152	3,100

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009  
(continued)**

	Note	2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	2008 RM'000
Increase in fixed and call deposits		(36,586)	(17,479)	(36,586)	(17,479)
Increase / (decrease) in amount due to related parties		1,106	(1,064)	1,106	(1,064)
Cash generated from / (used in) operations		2,221	(22,409)	2,221	(22,409)
Taxation paid		(2,024)	(1,581)	(2,024)	(1,581)
Investment income received:					
- Dividend		1,761	2,136	1,761	2,136
- Interest		7,119	5,294	7,119	5,294
- Rental		112	209	112	209
<b>Net cash generated from / (used in) operating activities</b>	25	9,189	(16,351)	9,189	(16,351)
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(1,009)	(1,458)	(1,009)	(1,458)
Proceeds from disposal of property, plant and equipment		2	4	2	4
Purchase of intangible assets		(4,931)	(3,112)	(4,931)	(3,112)
<b>Net cash used in investing activities</b>	25	(5,938)	(4,566)	(5,938)	(4,566)
<b>Cash flow from financing activities</b>					
Proceeds from issuance of share capital		15,000	19,000	15,000	19,000
<b>Net cash generated from financing activities</b>	25	15,000	19,000	15,000	19,000

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009  
(continued)**

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Net increase / (decrease) in cash and cash equivalents</b>	25	18,251	(1,917)	18,251	(1,917)
<b>Cash and cash equivalents at beginning of financial year</b>	25	3,130	5,047	3,130	5,047
<b>Cash and cash equivalents at end of financial year</b>	25	21,381	3,130	21,381	3,130
Cash and bank balances:					
- Shareholders' fund		10,214	21	10,214	21
- Life fund		5,971	1,937	5,971	1,937
- Investment-linked funds		5,196	1,172	5,196	1,172
<b>Total</b>		<b>21,381</b>	<b>3,130</b>	<b>21,381</b>	<b>3,130</b>

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

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

### 1. GENERAL INFORMATION

The Company is engaged principally in the underwriting of life insurance business, including investment-linked business. There have been no significant changes in the nature of these activities during the financial year.

The subsidiary is dormant and is now under members' voluntary liquidation as disclosed in note 8 to the financial statements.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The address of the registered office of the Company is 8th Floor, Chulan Tower, 3, Jalan Conlay, 50450 Kuala Lumpur.

The financial statements have been approved for issue by the Board of Directors in accordance with their resolution on 16 March 2010.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) Basis of preparation

The financial statements of the Group and the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies. The financial statements comply with Financial Reporting Standards ("FRS") which are the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the provisions of the Companies Act, 1965, the Insurance Act, 1996 and the relevant Guidelines/Circulars issued by Bank Negara Malaysia ("BNM") in all material respects, modified by BNM in respect of the following areas as specified in the Risk-Based Capital ("RBC") Framework for Insurers issued by BNM:

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

The financial impact of the above changes arising from the RBC Framework implementation is disclosed in Note 28 to the financial statements.



AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (a) Basis of preparation (continued)

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

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

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

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

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

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

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (a) Basis of preparation (continued)

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

- FRS 139 Financial Instruments: Recognition and Measurement (effective for annual period beginning on or after 1 January 2010). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted under strict circumstances. The amendments to FRS 139 provide further guidance on eligible hedged items. The amendment provides guidance for two situations. On the designation of a one-sided risk in a hedged item, the amendment concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. The improvement to FRS 139 clarifies that the scope exemption in FRS 139 only applies to forward contracts but not options for business combinations that are firmly committed to being completed within a reasonable timeframe. The Group and Company will apply this standard from financial periods beginning on 1 January 2010.
- The amendments to FRS 132 Financial instruments: Presentation and FRS 101 (revised) Presentation of Financial Statements - Puttable financial instruments and obligations arising on liquidation (effective for annual period beginning on or after 1 January 2010) require entities to classify puttable financial instruments and instruments that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation as equity, if they have particular features and meet specific conditions. The Group and Company will apply this standard from financial periods beginning on 1 January 2010.
- The amendments to FRS 139 Reclassification of Financial Assets (effective for annual period beginning on or after 1 January 2010). This amendment allows an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss ("FVTPL") by the entity upon initial recognition) out of the FVTPL category in particular circumstances. It also allows an entity to transfer from the available-for-sale ("AFS") to the loans and receivables ("LAR") category for which have met the definition of LAR (if the financial assets had not been designated as AFS), if the entity has the intention and ability to hold that financial asset for foreseeable future. The Group and Company will apply this standard from financial periods beginning on 1 January 2010. This amendment is not expected to have significant changes to the Group's and Company's accounting policies.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (a) Basis of preparation (continued)

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

- FRS 4 Insurance Contracts (effective for annual period beginning on or after 1 January 2010) allows entities to continue with their existing accounting policies for insurance contracts if those policies meet certain minimum criteria. One of the minimum criteria is that the amount of the insurance liability is subject to a liability adequacy test. The Group and Company will apply this standard from financial periods beginning on 1 January 2010.
- FRS 7 Financial instruments: Disclosures (effective for annual period beginning on or after 1 January 2010) provides information to users of financial statements about an entity's exposure to risks and how the entity manages those risks. The improvement FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the income statement. The Group and Company will apply this standard from financial periods beginning on 1 January 2010.
- IC Interpretation 9 Reassessment of Embedded Derivatives (effective for annual period beginning on or after 1 January 2010). IC Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The improvement to IC Interpretation 9 (effective from 1 July 2010) clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture. The Group and Company will apply this standard from financial periods beginning on 1 January 2010.
- IC Interpretation 10 Interim Financial Reporting and Impairment (effective for annual period beginning on or after 1 January 2010). IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This Interpretation is not expected to have significant changes to the Group's and Company's accounting policies.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(a) Basis of preparation (continued)**

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

- The following standards will be effective for annual period beginning on or after 1 January 2010. The Group and Company will apply these standards from financial periods beginning on 1 January 2010. The Group and Company has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the standard on the financial statements of the Group and Company.
  - FRS 139, Amendments to FRS 139 on eligible hedged items, Improvement to FRS 139 and IC Interpretation 9
  - FRS 4
  - FRS 7 and Improvement to FRS 7

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

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

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (b) Subsidiaries

Subsidiaries are those corporations, partnerships or other entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, subsidiaries are consolidated from the date on which control is transferred to the Group, and are no longer consolidated from the date that control ceases. The cost of an acquisition is the amount of cash paid and the fair value at the date of acquisition of other purchase consideration given by the acquirer, together with directly attributable expenses of the acquisition (other than costs of issuing shares and other capital instruments).

Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in the consolidated income statement.

Under the separate financial statements of the Company, investment in subsidiaries is stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 2(i) on impairment of assets.

#### (c) Intangible assets

##### (i) Goodwill arising on acquisition of life insurance business

Goodwill arising on acquisition of life insurance business represents the excess of the cost of acquisition of the life insurance business over the fair value of the identifiable net assets recognised at the date of acquisition. Goodwill on acquisition of life insurance business is included in the balance sheet as intangible assets.

Goodwill on acquisition of life insurance business is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill on acquisition of life insurance business is not reversed. See accounting policy Note 2(i) on impairment of assets.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(c) Intangible assets (continued)**

**(ii) Computer software**

Software development costs are capitalised where it is expected that future economic benefits will be derived and are amortised over a period of not exceeding three years. Software maintenance costs are expensed as incurred.

**(d) Property, plant and equipment**

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statements/revenue accounts during the financial year in which they are incurred.

Freehold land is not depreciated as it has an infinite life. Other 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:

Leasehold building	-	Over the remaining period of the lease or 50 years whichever is shorter
Office equipment	-	5 years
Furniture and fittings	-	5 years
Computer equipment	-	3 years
Renovation	-	5 years
Motor vehicles	-	5 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date. At each balance sheet date, the Group 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(i) on impairment of assets.

Gains and losses on disposals are determined by comparing the net disposal proceeds with their carrying amounts, and are credited or charged to the income statements / revenue accounts.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Securities available-for-sale (“AFS”)**

The Company had classified its investments into AFS securities following the implementation of the RBC Framework with effect from 1 January 2009. The accounting policy on investments in the previous financial year is disclosed in Note 28 to the financial statements.

Securities classified as AFS are securities that are not classified as held-for-trading or held-to-maturity. Securities AFS are initially recorded at fair value. After initial measurement, the securities AFS are re-measured at fair value.

Interest from the securities AFS, calculated using the effective interest method, is recognised in the income statements / revenue accounts. Any gains and losses arising from the change in fair value adjustments, net of income tax, are recognised directly as a separate component of equity except for impairment losses and foreign exchange gains and losses. When the securities AFS are derecognised, the cumulative gains and losses previously recognised in equity shall be transferred to the income statements / revenue accounts.

**(f) Securities held-for-trading (“HFT”)**

Securities held under the investment-linked business are classified as HFT.

Securities are classified as HFT if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or it is part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. Securities HFT are stated at fair value, and any gain or loss arising from a change in the fair value is recognised in the income statements / revenue accounts.

Interest from the securities HFT, calculated using the effective interest method, is recognised in the income statements / revenue accounts.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (g) Investment properties

Investment properties, comprising principally land and office buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are initially stated at cost including related and incidental expenditure incurred, and are subsequently carried at fair value, representing open market value determined by independent professional valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of specific asset. The fair values of investment properties are reviewed annually, and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying value of the investment properties differ materially from the fair values. Changes in fair values are recognised in the income statements / revenue accounts.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the balance sheet). The difference between the net disposal proceeds and the carrying amount is recognised in the income statements / revenue accounts in the financial year of the retirement or disposal.

#### (h) Assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less cost to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

#### (i) Impairment of assets

##### Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

A subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statements / revenue accounts immediately. Impairment loss on goodwill is not reversed.



AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(i) Impairment of assets (continued)**

Impairment of securities

Impairment of AFS securities are assessed when there is an objective evidence of impairment. Cumulative unrealised losses that had been recognised directly in equity are removed and recognised in the income statements / revenue accounts even though the securities have not been derecognised.

If, in subsequent periods, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment was recognised, that portion of impairment loss shall be reversed in the income statements / revenue accounts. Impairment loss recognised in the income statements / revenue accounts for an investment in equities classified as AFS is not reversed through the income statements / revenue accounts.

**(j) Employee benefits**

**(i) Short-term employee benefits**

Wages, salaries and bonuses are recognised as expenses in the financial year in which the associated services are rendered by employees of the Group.

**(ii) Defined contribution plan**

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

**(k) Operating leases**

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement and/or revenue account on the straight line basis over the lease period.

The up-front payments made for leasehold land represent prepaid lease rentals and are amortised on straight-line basis over the lease term.

When an operating lease is terminated before the lease period expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(l) Receivables**

Trade and other receivables are carried at invoiced amount less allowance for doubtful debts. Known bad debts are written off and specific allowances are made for any outstanding premiums including agents' balances or reinsurance 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.

**(m) Life insurance underwriting results**

**(i) Premium income**

The surplus transferable from the Life fund to the income statements is based on the surplus determined by an annual actuarial valuation of the long term liabilities to policyholders, made in accordance with the provisions of the Insurance Act, 1996 and the RBC Framework by the Company's Appointed Actuary. In the event the actuarial valuation indicates that a transfer is required from the Shareholders' fund, the transfer from the income statements to the Life fund is made in the financial year of the actuarial valuation. The valuation methods of life insurance liabilities in the current and previous financial years are disclosed in Note 3.1(b) to the financial statements.

Premium income includes premium recognised in the Life fund and the Investment-linked fund.

Premium income of the Life fund is recognised as soon as the amount of the premium can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured and it is still within the grace period allowed for payment or covered by the cash surrender value of the policies.

Outward reinsurance premiums are recognised in the same financial year as the original policies to which the reinsurance relates.

Premium income of the Investment-linked business includes the net creation of units which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on the receipt basis.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(m) Life insurance underwriting results (continued)**

**(ii) Commission and agency expenses**

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

**(iii) Provision for claims**

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

Recoveries on reinsurance claims are accounted for in the same financial year as the original claims are recognised. Claims and provisions for claims arising on life insurance policies including settlement costs, less reinsurance recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

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

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

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(n) Other revenue recognition**

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

Other interest income is recognised on a time proportion basis that takes into account the effective yield of the asset.

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

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

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

**(o) Income taxes**

Current tax expense is determined according to the tax laws of the jurisdiction in which the Company operates and include all taxes based upon the taxable profits. The tax expense on the Life fund is based on the method prescribed under the Income Tax Act, 1967 for Life insurance business.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets or 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 future taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, except where the timing on the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(o) Income taxes (continued)**

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax assets is realised or the deferred tax liability is settled.

**(p) Foreign currencies**

**(i) Functional and presentation currency**

Items included in the financial statements of the Group and the Company 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 Group's and the Company's functional and presentation currency.

**(ii) Transaction and balances**

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

**(q) Contingent liabilities and contingent assets**

The Group 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 uncertain future events beyond the control of the Group 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 uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

**(r) Dividends**

Dividends are recognised as liabilities when the obligation to pay is established. No provision is made for a proposed dividend.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(s) Provisions**

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

**(t) Cash and cash equivalents**

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

**(u) Financial instruments**

**(i) Description**

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

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

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

**(ii) Recognition method**

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.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

## **NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(u) Financial instruments (continued)**

##### **(iii) Fair value estimation for disclosure purpose**

The Group's basis of estimations of fair values in the financial statements is as follow:

- (a) Malaysian Government securities are based on the indicative market prices;
- (b) Unquoted corporate debts securities are based on the indicative market yields obtained from financial managers; and
- (c) Quoted shares/warrants of corporations, quoted unit trusts, quoted debt securities and investment-linked funds are based on quoted market prices.

The carrying values of financial assets and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

### **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

#### **3.1 Critical accounting estimates and assumptions**

The Group 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.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

#### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

##### (a) Impairment of goodwill on acquisition of life insurance business

The Group tests goodwill on acquisition of life insurance business for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary.

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing. A CGU represents the lowest level for which there are separately identifiable operational cash flows.

In testing whether impairment is necessary, the recoverable amount has been determined based on the embedded value and value of expected future new business i.e. the appraisal value of the life business. The appraisal value of the life business is based on a pre-tax discount rate of 12.5%. Other key assumptions taken into account in preparing the valuation are detailed as follows:

- (i) New business index growth of 77% in 2010, 46% in 2011, 45% in 2012 and average of 10% per annum thereafter. New Business Index represents sum of 100% annualised first year premium, 10% new single premium and 100% new repeating single premium.
- (ii) Investment returns, net of tax and investment expenses, of 4.5% per annum for non-par products, 5.75% per annum for par products and 5.94% per annum for unit linked products.
- (iii) Expenses and lapse rates based on past performance and the Group's expectations of the market development.
- (iv) Value of New Business margin of 44%.

At 31 December 2009, the recoverable amount exceeds the carrying value.

Management's judgement is involved in estimating the embedded value and value of expected future new business. The appraisal value is sensitive to, amongst others, the assumptions on new business index growth and discount rate.



AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

**(b) Estimates of liabilities under long term insurance contracts**

In the previous financial year, the determination of liabilities under long-term insurance contracts was based on the statutory reserving methodology as outlined in Part XIII of the Insurance Regulations, 1996, and a reserve was set up such that it would not fall below the reserve determined on the minimum valuation basis. The Appointed Actuary tested the statutory basis assumptions against the relevant experience from the Company, and against national mortality tables and available industry statistics, and determined that an appropriate, but not excessive margin for prudence is implied by the reserving basis.

With effect from 1 January 2009, all insurers licensed under the Insurance Act, 1996 are required to report valuation of the actuarial liabilities based on the statutory reserving methodology as outlined in the RBC Framework for Insurers 2009 (BNM/RH/GL 003-24). The actuarial valuation was carried out using a gross premium valuation method. The policy liabilities are determined first by projecting future cash flows using realistic assumptions and then discounting these cash flow streams at appropriate interest rates. Additional provision may be required in the valuation assumptions to allow for any adverse deviation from the best estimate experience and to reflect the inherent uncertainty of the best estimate of the actuarial liabilities held.

The main sources of uncertainty relating to these reserves pertain to the possibility that epidemics, such as AH1N1, AIDS or SARS or other catastrophes result in mortality that is significantly worse than that expected. Also, should future asset returns fall and remain below the statutory valuation rate, additional provisions may need to be set aside.

It is thus, impracticable to disclose the extent of the possible effects of potential changes to the key assumptions used in assessing the liabilities under long term insurance contracts due to the number of variables involved in the assessment.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

## **NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

### **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

#### **(c) Taxation**

Under Section 60 (10A) of the Income Tax Act, 1967 ("the Act"), tax losses of the Life fund are restricted for deduction against future statutory income of the Life fund. However, Section 60 is silent with regards to the utilisation of unabsorbed tax losses arising from the Shareholders' fund. The industry in general, has in the past, adopted the position that the tax losses of the Shareholders' fund should be preserved for utilisation against the taxable income from the same source. However, the tax authority has made adjustments to utilise the unabsorbed losses of the Shareholders' fund to offset against the income of the Life fund based on the general provision of the Act. This will result in the tax losses from the Shareholders' fund (that would be taxed at the corporate rate) to be offset against the taxable income of the Life fund (that would be taxed at a lower rate of 8%). The industry has appealed to the Ministry of Finance to allow tax losses of the Shareholders' fund to be preserved for utilisation against the taxable income from the same source. Pending the outcome of the appeal, the Company has adopted the industry practice, thus providing for the tax liability of the Life fund of RM886,000 for the current financial year (2008: RM1,156,000) and carrying forward unutilised tax losses in the Shareholders' fund of RM59,851,000 as at 31 December 2009 (2008: RM58,885,000).

#### **3.2 Critical judgement in applying the entity's accounting policies**

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

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**4. PROPERTY, PLANT AND EQUIPMENT**

<b>2009 Group and Company</b>	<b>Leasehold building RM'000</b>	<b>Office equipment RM'000</b>	<b>Furniture &amp; fittings RM'000</b>	<b>Computer equipment RM'000</b>	<b>Renovation RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Life fund</b>							
<u>Cost</u>							
At beginning of financial year	-	427	876	1,190	2,112	377	4,982
Transfer from investment properties (Note 6)	300	-	-	-	-	-	300
Additions	-	35	44	341	589	-	1,009
Disposal	-	-	-	(4)	-	-	(4)
At end of financial year	300	462	920	1,527	2,701	377	6,287
<u>Accumulated depreciation</u>							
At beginning of financial year	-	(178)	(420)	(732)	(543)	(83)	(1,956)
Depreciation charge for the financial year	(2)	(87)	(182)	(372)	(471)	(75)	(1,189)
Disposal	-	-	-	2	-	-	2
At end of financial year	(2)	(265)	(602)	(1,102)	(1,014)	(158)	(3,143)
<u>Net book value</u>							
At 31 December 2009	298	197	318	425	1,687	219	3,144

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**4. PROPERTY, PLANT AND EQUIPMENT (continued)**

<b>2008 Group and Company</b>	<b>Leasehold building RM'000</b>	<b>Office equipment RM'000</b>	<b>Furniture &amp; fittings RM'000</b>	<b>Computer equipment RM'000</b>	<b>Renovation RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Life fund</b>							
<u>Cost</u>							
At beginning of financial year	-	384	853	1,017	1,043	232	3,529
Additions	-	43	23	178	1,069	145	1,458
Disposal	-	-	-	(5)	-	-	(5)
At end of financial year	-	427	876	1,190	2,112	377	4,982
<u>Accumulated depreciation</u>							
At beginning of financial year	-	(85)	(247)	(371)	(247)	(35)	(985)
Depreciation charge for the financial year	-	(93)	(173)	(362)	(296)	(48)	(972)
Disposal	-	-	-	1	-	-	1
At end of financial year	-	(178)	(420)	(732)	(543)	(83)	(1,956)
<u>Net book value</u>							
At 31 December 2008	-	249	456	458	1,569	294	3,026

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**5. INTANGIBLE ASSETS**

<b>Group and Company</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>Shareholders' fund</b>		
<u>Goodwill arising on acquisition of life insurance business</u>		
At beginning / end of financial year	99,120	99,120
<b>Life fund</b>		
<u>Computer software</u>		
At beginning of financial year	4,004	2,308
Additions	4,931	3,112
Amortisation charge for the financial year	(3,069)	(1,416)
At end of financial year	5,866	4,004

**6. INVESTMENT PROPERTIES**

<b>Group and Company</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>Life fund</b>		
At beginning of financial year	27,610	32,150
Disposal	(1,110)	(2,912)
Fair value loss	(3,430)	(1,628)
Transfer to assets held for sale (Note 10)	(8,970)	-
Transfer to property, plant & equipment (Note 4)	(300)	-
At end of financial year	13,800	27,610
Represented by :		
Freehold land and buildings	9,642	12,276
Leasehold land and buildings	4,158	15,334
	13,800	27,610

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**6. INVESTMENT PROPERTIES (continued)**

All titles to the properties have been transferred to the Company except for 6 parcels of properties amounting to RM7,200,000 which are still registered in the name of Tahan Insurance Malaysia Berhad as the Company is in the process of disposing all investment properties. The Company assumed all rights and interest to these properties via the vesting order dated 12 June 2006 and all titles to these properties are in the possession of the Company.

**7(a) SECURITIES AVAILABLE-FOR-SALE**

<b>Group and Company</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>Shareholders' fund</b>		
<u>At fair value</u>		
Investment in investment-linked funds (seed capital)	28,313	-
<hr/>		
<b>Life fund</b>		
<u>At fair value</u>		
Malaysian Government securities	36,803	-
Equity securities of corporations quoted in Malaysia	24,288	-
Equity securities of corporations unquoted in Malaysia	2,063	-
Unquoted corporate debt securities of corporations	80,226	-
	143,380	-

The maturity structure of Malaysian Government securities and corporate debt securities of corporations as at the balance sheet date is as follows:

<b>2009 Group and Company</b>	<b>Shareholders' fund RM'000</b>	<b>Life fund RM'000</b>	<b>Total RM'000</b>
Maturing after 12 months	-	117,029	117,029

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**7(b) SECURITIES HELD-FOR-TRADING**

<b>Group and Company</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>Investment-linked funds</b>		
<u>At fair value</u>		
Equity securities of corporations quoted in Malaysia	14,593	-
Equity securities of corporations quoted outside Malaysia,	12,462	-
Structured investments quoted outside Malaysia	110,175	-
Unit trusts quoted outside Malaysia	471	-
	137,701	-

**7(c) INVESTMENTS**

<b>Group and Company</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>Shareholders' fund</b>		
Investment in investment-linked funds (seed capital), at cost	-	35,000
Allowance for diminution in value	-	(3,014)
	-	31,986
-----		
Unquoted corporate debt securities of corporations, at cost	-	5,000
	-	5,000
	-	36,986

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

7(c) **INVESTMENTS (continued)**

<b>Group and Company</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>Life fund</b>		
Malaysian Government securities, at cost	-	35,574
Accretion of discounts	-	75
	-	35,649
Equity securities of corporations quoted in Malaysia, at cost	-	20,544
Allowance for diminution in values	-	(2,627)
	-	17,917
Equity securities of corporations unquoted in Malaysia, at cost	-	2,063
Unquoted corporate debt securities of corporations, at cost	-	86,614
Accretion of discounts	-	296
	-	86,910
	-	142,539



AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

7(c) **INVESTMENTS (continued)**

<b>Group and Company</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>Investment-linked funds</b>		
Equity securities of corporations quoted in Malaysia, at cost	-	16,882
Unrealised losses	-	(5,256)
	-	11,626
<hr style="border-top: 1px dashed black;"/>		
Equity securities of corporations quoted outside Malaysia, at cost	-	14,501
Unrealised losses	-	(4,280)
	-	10,221
<hr style="border-top: 1px dashed black;"/>		
Malaysian Government securities, at cost	-	1,040
Unrealised losses	-	(35)
	-	1,005
<hr style="border-top: 1px dashed black;"/>		
Unit trusts quoted in Malaysia, at cost	-	1,054
Unrealised losses	-	(403)
	-	651
<hr style="border-top: 1px dashed black;"/>		
Unit trusts quoted outside Malaysia, at cost	-	2,050
Unrealised losses	-	(957)
	-	1,093
<hr style="border-top: 1px dashed black;"/>		
	-	24,596

The maturity structure of Malaysian Government securities and corporate debt securities of corporations as at the balance sheet date is as follows:

<b>2008 Group and Company</b>	<b>Shareholders' fund RM'000</b>	<b>Life fund RM'000</b>	<b>Investment- linked funds RM'000</b>	<b>Total RM'000</b>
Maturing within 12 months	5,000	-	1,005	6,005
Maturing after 12 months	-	122,559	-	122,559
	5,000	122,559	1,005	128,564

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**7(d) FIXED AND CALL DEPOSITS**

<b>Group and Company</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>Shareholders' fund</b>		
Fixed and call deposits with :		
Licensed banks	31,202	36,658
Licensed investment banks	23,736	5,442
	54,938	42,100
<b>Life fund</b>		
Fixed and call deposits :		
Licensed banks	16,812	6,892
Licensed investment banks	18,136	-
	34,948	6,892
<b>Investment-linked funds</b>		
Fixed and call deposits :		
Licensed banks	7,519	11,827
	7,519	11,827

The maturity structure of fixed and call deposits held as at the balance sheet date is as follows:

<b>2009 Group and Company</b>	<b>Shareholders' fund RM'000</b>	<b>Life fund RM'000</b>	<b>Investment- linked funds RM'000</b>	<b>Total RM'000</b>
Maturing within 12 months	54,938	34,948	7,519	97,405
<b>2008 Group and Company</b>	<b>Shareholders' fund RM'000</b>	<b>Life fund RM'000</b>	<b>Investment- linked funds RM'000</b>	<b>Total RM'000</b>
Maturing within 12 months	42,100	6,892	11,827	60,819

Pursuant to the implementation of the RBC Framework on 1 January 2009, the Company has reclassified all its investments as securities available-for-sale or held-for-trading, as disclosed in Notes 7(a) and 7(b) to the financial statements.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**8. INVESTMENT IN SUBSIDIARY**

<b>Company</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>Life fund</b>		
Investment in subsidiary, at cost	971	971

Details of the subsidiary are as follows:

<b>Company</b>	<b>Country of Incorporation</b>	<b>Group effective interest (100%)</b>	<b>Principal activities</b>
Waikiki Beach Hotel Sdn Bhd (in liquidation)	Malaysia	100	Dormant

In accordance with the Business Transfer Agreement ("BTA") dated 18 November 2006, Waikiki Beach Hotel Sdn Bhd ("Waikiki"), a wholly-owned subsidiary of Tahan Life Insurance Berhad ("Tahan") formed part of the life insurance business to be transferred to the Company. It was mutually agreed that the shares of Waikiki shall not be transferred and registered in the name of the Company upon completion of the BTA and Tahan shall assist with the liquidation of Waikiki. Arising from the BTA and the said arrangement, the Company is recognised as the beneficial owner of Waikiki. Hence, the investment in subsidiary forms part of the life insurance fund assets and accordingly the subsidiary has been consolidated in the Life fund financial statements.

The subsidiary is dormant other than a property that is held for sale (see Note 10), and is now under members' voluntary liquidation.

**9. LOANS**

<b>Group and Company</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>Life fund</b>		
Policy loans	6,620	6,452
Mortgage loans	214	247
	6,834	6,699
Receivable within 12 months	22	29
Receivable after 12 months	6,812	6,670
	6,834	6,699

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**10. ASSETS HELD FOR SALE**

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
<b>Life fund</b>				
At beginning of financial year	1,062	1,062	-	-
Transfer from investment properties (Note 6)	8,970	-	8,970	-
	10,032	1,062	8,970	-

On 15 September 2009, the subsidiary's liquidator notified the Group that it had disposed an asset in the subsidiary to a third party for a total consideration of RM2,900,000, and the carrying book value of the asset is RM1,062,000. Proceeds from the disposal were received by the subsidiary's solicitors in December 2009. This disposal has yet to be completed at the date of these financial statements.

On 17 September 2009, the Company entered into a sale and purchase agreement with a third party to dispose an investment property in Johor Bahru, with a carrying value of RM850,000 for a consideration of RM820,000. This disposal has yet to be completed at the date of these financial statements.

On 19 October 2009, the Company entered into a sale and purchase agreement with a third party to dispose an investment property in Seremban, with a carrying value of RM550,000 for a consideration of RM450,000. The disposal was subsequently completed on 7 January 2010.

On 2 December 2009, the Company entered into a sale and purchase agreement with a third party to dispose an investment property in Kuala Lumpur, with a carrying value of RM9,200,000 for a consideration of RM7,700,000. This disposal has yet to be completed at the date of these financial statements.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**11. RECEIVABLES**

<b>Group and Company</b>	<b>2009</b> <b>RM'000</b>	<b>2008</b> <b>RM'000</b>		
<b>Shareholders' fund</b>				
<b>Other receivables</b>				
Amount due from Life fund (Note 14)	25,553	9,077		
Amount due from Investment-linked funds (Note 24)	-	11		
Investment income due and accrued	63	140		
Other receivables	12	9		
	25,628	9,237		
	<b>Group</b>	<b>2008</b>	<b>Company</b>	<b>2008</b>
	<b>2009</b>	<b>RM'000</b>	<b>2009</b>	<b>RM'000</b>
	<b>RM'000</b>		<b>RM'000</b>	<b>RM'000</b>
<b>Life fund</b>				
<b>Trade receivables</b>				
Due premiums including agents brokers and co-insurer balances (less allowance for doubtful debts of RM599,800 (2008: RM326,000))	878	842	878	842
Amount due from reinsurers	511	-	511	-
<b>Other receivables</b>				
Malaysian Institute of Insurance bonds	100	100	100	100
Other receivables, deposits and prepayments	1,433	497	1,433	497
Investment income due and accrued	3,516	3,067	3,516	3,067
Amount due from Investment-linked funds (Note 24)	1,428	644	1,428	644
Amount due from subsidiary	-	-	91	79
	7,866	5,150	7,957	5,229

Amount due from subsidiary is unsecured, interest free and has no fixed terms of repayment.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**12. DEFERRED TAX**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet.

Group and Company	2009		2008	
	Shareholders' fund	Life fund	Shareholders' fund	Life fund
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	-	-	247	-
Deferred tax liabilities	-	(7)	-	(43)
	-	(7)	247	(43)
At beginning of financial year	247	(43)	247	(43)
Credited / (charged) to income statements / revenue accounts (Note 21)			-	-
- Securities available for sale	-	105	-	-
- Investments	(247)	-	-	-
- Investment properties	-	274	-	-
- Property, plant and equipment	-	(249)	-	-
- Payables	-	187	-	-
- Unutilised tax losses	1,828	-	-	-
	1,581	317	-	-
Charged to available-for-sale reserve	(1,828)	(281)	-	-
At end of financial year	-	(7)	247	(43)

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**12. DEFERRED TAX (continued)**

Group and Company	2009		2008	
	Shareholders' fund	Life fund	Shareholders' fund	Life fund
	RM'000	RM'000	RM'000	RM'000
<u>Subject to income tax :</u>				
Deferred tax assets (before offsetting)				
- Securities available for sale	-	105	-	-
- Investments	-	-	247	-
- Investment properties	-	274	-	-
- Payables	-	187	-	-
- Unutilised tax losses	1,828	-	-	-
Offsetting	(1,828)	(566)	-	-
Deferred tax asset (after offsetting)	-	-	247	-
Deferred tax liabilities (before offsetting)				
- Property, plant and equipment	-	(292)	-	(43)
- Securities available-for-sale	(1,828)	(281)	-	-
Offsetting	1,828	566	-	-
Deferred tax liabilities (after offsetting)	-	(7)	-	(43)

The amount of unutilised tax losses for which no deferred tax asset is recognised in the balance sheet is RM52,539,000 (2008: RM58,885,000).

**13. PROVISION FOR OUTSTANDING CLAIMS/ NET OUTSTANDING CLAIMS**

Group and Company	2009 RM'000	2008 RM'000
<b>Life fund</b>		
Provision for outstanding claims / net outstanding claims	1,785	457

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**14. PAYABLES**

<b>Group and Company</b>			<b>2009</b>	<b>2008</b>
			<b>RM'000</b>	<b>RM'000</b>
<b>Shareholders' fund</b>				
Accrued expenses			539	396
			539	396
	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Life fund</b>				
<b>Trade payables</b>				
Due to agents and insureds	17,263	522	17,263	522
Due to reinsurers	10,432	6,142	10,432	6,142
<b>Other payables</b>				
Other payables and accrued expenses	10,274	8,614	10,274	8,602
Amount due to Shareholders' fund (Note 11)	25,553	9,077	25,553	9,077
Amounts due to related parties	1,665	559	1,665	559
	65,187	24,914	65,187	24,902

Amounts due to related parties are unsecured, interest free and are payable one month after invoice date.



AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**15. LIFE POLICYHOLDERS' FUND**

<b>Group and Company</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>Actuarial liabilities :</b>		
At beginning of financial year – as previously reported	210,710	217,041
Add : Change in accounting policy (Note 28)	(17,609)	-
Adjusted balance at beginning of financial year	193,101	217,041
Add : Increase / (decrease) in policy reserves	105,952	(6,331)
At end of financial year	299,053	210,710
<b>Available for sale reserve :</b>		
At beginning of financial year – as previously reported	-	-
Add : Change in accounting policy (Note 28)	(2,627)	-
Adjusted balance at beginning of financial year	(2,627)	-
Add : Movement during the financial year (net of tax)	5,858	-
At end of financial year	3,231	-
<b>Unallocated surplus :</b>		
At beginning of financial year – as previously reported	-	-
Add : Change in accounting policy (Note 28)	20,236	-
Adjusted balance at beginning of financial year	20,236	-
Less: Deficit arising during the financial year	(8,234)	(19,965)
Add : Transferred from Shareholders' fund	-	19,965
At end of financial year	12,002	-
<b>Life policyholders' fund at end of financial year :</b>		
Actuarial liabilities	299,053	210,710
Available for sale reserve	3,231	-
Unallocated surplus	12,002	-
	<b>314,286</b>	<b>210,710</b>

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**16. SHARE CAPITAL**

Group and Company	2009		2008	
	Number of shares RM'000	Nominal Value RM'000	Number of shares RM'000	Nominal Value RM'000
<b>Shareholders' fund</b>				
<b>Authorised :</b>				
Ordinary shares of RM1.00 each				
At beginning / end of financial year	1,000,000	1,000,000	1,000,000	1,000,000
<b>Issued and fully paid :</b>				
Ordinary shares of RM1.00 each				
At beginning of financial year	237,000	237,000	218,000	218,000
Issued during the financial year	15,000	15,000	19,000	19,000
At end of financial year	252,000	252,000	237,000	237,000

During the financial year, the Company issued 15 million new ordinary shares of RM1.00 each at par, to fund the future expansion of the Company. During the previous financial year, the Company issued 19 million new ordinary shares of RM1.00 each at par, to fund the future expansion of the Company. The new ordinary shares issued ranked pari passu in all respects with the existing ordinary shares of the Company.

**17. OPERATING REVENUE**

Group and Company	2009				2008			
	Shareholders' fund RM'000	Life fund RM'000	Investment-linked funds RM'000	Total RM'000	Shareholders' fund RM'000	Life fund RM'000	Investment-linked funds RM'000	Total RM'000
Gross premium income	-	57,625	120,049	177,674	-	40,958	2,900	43,858
Investment income (Note 18)	1,182	7,217	931	9,330	326	9,004	1,261	10,591
	1,182	64,842	120,980	187,004	326	49,962	4,161	54,449

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**18. INVESTMENT INCOME**

Group and Company	2009			2008		
	Shareholders' fund RM'000	Life fund RM'000	Investment-linked funds RM'000	Shareholders' fund RM'000	Life fund RM'000	Investment-linked funds RM'000
Interest income from :						
Malaysian Government securities	-	1,590	11	-	1,703	59
Corporate debt securities of corporations	85	3,756	-	43	3,961	83
Loans and receivables :						
- policy loans	-	498	-	-	532	-
- mortgage loans	-	10	-	-	10	-
Fixed and call deposits	1,084	447	290	227	1,337	422
	1,169	6,301	301	270	7,543	564
Accretion of discounts / (amortisation of premiums) from :						
Malaysian Government Securities	-	13	-	-	(10)	2
Corporate debt securities of corporations	22	169	-	65	190	(7)
	22	182	-	65	180	(5)
Gross dividends from equity securities of corporations quoted in Malaysia	-	694	1,024	-	1,118	1,018

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**18. INVESTMENT INCOME (continued)**

Group and Company	2009			2008		
	Shareholders' fund RM'000	Life fund RM'000	Investment-linked funds RM'000	Shareholders' fund RM'000	Life fund RM'000	Investment-linked funds RM'000
Gross rental income	-	555	-	-	712	-
Less : Rates and maintenance for investment purposes	-	(476)	-	-	(503)	-
	-	79	-	-	209	-
	1,191	7,256	1,325	335	9,050	1,577
Less : Investment expenses	(9)	(39)	(394)	(9)	(46)	(316)
	1,182	7,217	931	326	9,004	1,261

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**19. OTHER OPERATING (EXPENSES) / INCOME - NET**

Group and Company	2009			2008		
	Shareholders' fund RM'000	Life fund RM'000	Investment-linked fund RM'000	Shareholders' fund RM'000	Life fund RM'000	Investment-linked fund RM'000
Gain / (loss) on disposal of :						
- Equity securities in corporations	-	1,095	3,596	-	184	(501)
- Corporate debt securities of corporations	-	79	-	18	63	-
- Investment properties	-	42	-	-	188	-
- Investment-linked fund	4,512	-	-	-	-	-
Allowance for diminution in value of investments	-	-	-	(3,014)	(2,627)	-
Fair value loss of investment properties	-	(3,430)	-	-	(1,628)	-
Other (expenses) / income	-	(61)	(19)	-	(1)	22
Foreign exchange gain / (loss)	-	102	268	-	-	(373)
	4,512	(2,173)	3,845	(2,996)	(3,821)	(852)

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**20. MANAGEMENT EXPENSES**

Group and Company	2009		2008	
	Shareholders' fund RM'000	Life fund RM'000	Shareholders' fund RM'000	Life fund RM'000
Staff costs :				
- salary and bonus	-	15,017	-	12,599
- defined contribution plan	-	2,503	-	1,889
- others	-	854	-	1,310
	-	18,374	-	15,798
Management and consultancy fees	-	4,493	-	5,155
Advertising	-	1,531	-	2,827
IT expenses	-	2,764	-	3,107
Rental of premises	-	1,993	-	1,732
Allowance for bad and doubtful debts	-	274	-	396
Recovery of bad debts	-	(1,041)	-	-
Depreciation of property, plant and equipment	-	1,189	-	972
Amortisation of intangible assets	-	3,069	-	1,416
Directors' remuneration :				
- Non-Executive	283	-	281	-
- Executive	-	1,739	-	1,059
Auditors' remuneration	-	168	-	99
Other expenses	132	4,716	107	4,249
	415	39,269	388	36,810

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the financial year amounted to RM1,739,000 (2008: RM1,059,000).

The Non-Executive Director, David William Matthews, will not receive the remuneration personally as it will be paid directly to AXA Asia Pacific Holdings Limited.

Total staff costs of the Group and Company (including Executive Director) are RM20,113,000 (2008: RM16,857,000).

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**21. TAXATION**

<b>Group and Company</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>Shareholders' fund</b>		
Deferred tax income (Note 12)	(1,581)	-
<hr/>		
<b>Group and Company</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>Life fund</b>		
Current tax	528	1,375
Deferred tax income (Note 12)	(317)	-
	211	1,375

The taxation charge in the income statement of the Company relates to income attributable to the Life fund and Shareholder's fund. The income tax in the Life fund is calculated at 8% on investment income.

The reconciliation between the average effective tax rate and the Malaysian tax rate for the current financial year for the Shareholder's fund is as follows :

<b>Group and Company</b>	<b>2009 %</b>	<b>2008 %</b>
Malaysian tax rate	25	26
Tax effects of :		
- expenses not deductible for tax purpose	2	-
- temporary differences not recognised	(27)	(33)
- income not subject to tax	-	7
Average effective tax rate	-	-

As at the balance sheet date, the Company has unutilised tax losses of approximately RM59,851,000 (2008: RM58,885,000) available for carry forward to offset against its future taxable income, subject to the provision of the tax legislations and agreement with the tax authorities.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**22. NON – CANCELLABLE OPERATING LEASE COMMITMENTS**

<b>Group and Company</b>	<b>Future minimum lease payment</b>	
	<b>2009 RM'000</b>	<b>2008 RM'000</b>
Not later than 1 year	2,205	1,251
Later than 1 year and not later than 5 years	3,523	728
	<b>5,728</b>	<b>1,979</b>

**23. PROFIT / (LOSS) PER SHARE**

Profit / (loss) per share of the Group is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

<b>Group</b>	<b>2009</b>	<b>2008</b>
Net profit / (loss) attributable to ordinary shareholders (RM'000)	6,860	(23,023)
Weighted average number of ordinary shares in issue ('000)	249,452	227,186
Profit / (loss) per share (sen)	2.75	(10.13)



AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**24. INVESTMENT-LINKED BUSINESS**

**Balance Sheet as at 31 December 2009**

<b>Group and Company</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>Assets</b>		
Securities held-for-trading (Note 7(b))	137,701	-
Investments (Note 7(c))	-	24,596
Fixed and call deposits (Note 7(d))	7,519	11,827
Investment income due and accrued	16	50
Other receivables	-	294
Tax recoverable	31	243
Deferred tax asset	-	873
Cash and bank balances	5,196	1,172
	150,463	39,055
<b>Liabilities</b>		
Payables	201	534
Current tax liabilities	198	568
Deferred tax liabilities	99	-
Amount due to Life fund (Note 11)	1,428	644
Amount due to Shareholders' fund (Note 11)	-	11
	1,926	1,757
<b>Net asset value of fund</b>	148,537	37,298
Represented by :		
<b>Policyholders' account</b>		
At beginning of financial year	37,298	47,783
Net creations of units	120,049	2,900
Cancellation of units	(21,712)	(493)
Net surplus / (deficit) for financial year	12,902	(12,892)
At end of financial year	148,537	37,298

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**24. INVESTMENT-LINKED BUSINESS (continued)**

**Statement of Income and Expenditure for the financial year ended 31 December 2009**

<b>Group and Company</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
Investment income (Note 18)	931	1,261
Other operating income / (expenses) (Note 19)	3,845	(852)
Unrealised capital gain / (loss) on investments	9,456	(14,393)
Surplus / (deficit) before taxation	14,232	(13,984)
Current tax	(358)	219
Deferred tax	(972)	873
Net surplus / (deficit) for the financial year	12,902	(12,892)

**25. SEGMENT INFORMATION ON CASH FLOWS**

<b>Group and Company</b>	<b>2009</b>			<b>2008</b>		
	<b>Shareholders' fund RM'000</b>	<b>Life fund RM'000</b>	<b>Total RM'000</b>	<b>Shareholders' fund RM'000</b>	<b>Life fund RM'000</b>	<b>Total RM'000</b>
Cash inflows / (outflows) from :						
Operating activities	(4,807)	13,996	9,189	(18,993)	2,642	(16,351)
Investing activities	-	(5,938)	(5,938)	-	(4,566)	(4,566)
Financing activities	15,000	-	15,000	19,000	-	19,000
Net increase / (decrease) in cash and cash equivalents	10,193	8,058	18,251	7	(1,924)	(1,917)
Cash and cash equivalents :						
At beginning of financial year	21	3,109	3,130	14	5,033	5,047
At end of financial year	10,214	11,167	21,381	21	3,109	3,130

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**26. SIGNIFICANT RELATED PARTY DISCLOSURE**

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party disclosures:

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

<b>Name of Company</b>	<b>Relationship</b>
AFFIN Holdings Berhad ("AFFIN")	Substantial shareholder
Irat Hotels and Resorts Sdn Bhd	Related company of AFFIN
National Mutual International Pty Ltd ("NMI")	Substantial shareholder
AXA Asia Pacific Holdings Ltd ("AAPH")	Holding company of NMI
PT AXA Life Indonesia	Subsidiary of NMI
AFFIN Bank Berhad	Subsidiary of AFFIN
Boustead Travel and Services Sdn Bhd	Subsidiary of AFFIN
Boustead Hotels & Resorts Sdn Bhd	Subsidiary of AFFIN
AXA AFFIN General Insurance Berhad	Affiliate

In the normal course of business, the Company undertake at agreed terms and prices, various transactions with other companies deemed related parties by virtue of being subsidiaries of AFFIN (collectively known as the AFFIN Group) and holding company and subsidiaries of NMI (collectively known as AXA Group).

The significant related party transactions during the financial year and balances at the financial year end between the Company and the related parties are set out below.

The aggregate amount of emoluments receivable by Non-Executive Directors of the Company during the financial year was as follows:

<b>Shareholders' fund</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>Non-Executive Directors</b>		
- fees	235	235
- meeting allowance	48	46
	<b>283</b>	<b>281</b>

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**26. SIGNIFICANT RELATED PARTY DISCLOSURE (continued)**

Key management personnel represents persons with the authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

The compensation of the key management personnel including the Executive Director are as follows:

<b>Life Fund</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
Salary, bonus and benefit	3,976	2,717
Defined contribution plan	455	403
Benefits-in-kind	21	18
	<b>4,452</b>	<b>3,138</b>

**(a) Significant related party transactions**

<b>Life fund</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>Transactions with AFFIN Group</b>		
Irat Hotels & Resorts Sdn Bhd - Rental of office and utility expenses	1,526	1,368
AFFIN Bank Berhad – Commission	896	864
Boustead Travel Services Sdn Bhd - Provision for travel services	162	129
AXA AFFIN General Insurance Berhad – Insurance premium	1,265	782
Boustead Hotel and Resorts Sdn Bhd - Provision for hotel services	75	-
AFFIN Holdings Berhad – Directors' benefits	36	-
	<b>3,960</b>	<b>3,143</b>
<b>Transactions with AXA Group</b>		
Reimbursements of software development cost	4,365	3,112
Management and consultancy fees	5,643	4,476
Software license fees	566	518
	<b>10,574</b>	<b>8,106</b>

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**26. SIGNIFICANT RELATED PARTY DISCLOSURE (continued)**

**(b) Related party balances**

<b>Life fund</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
Amount due to AXA Group included in other payables (Note 14)	1,665	559

The Directors of the Company in office during the financial year were as follows:

**Non-Executive Directors**

Jeneral (B) Tan Sri Dato' Seri Abdul Rahman Bin Abdul Hamid

Tan Sri Dato' Che Lodin Bin Wok Kamaruddin

David William Matthews

Dato' Mustafa Bin Mohamad Ali

Dato' Mohd Sallehuddin Bin Othman

**Executive Director**

Loke Kah Meng

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**27. FINANCIAL INSTRUMENTS**

**Financial risk management objectives and policies**

**Market risk**

The net asset value of the investments by the Group may fluctuate due to changing economic, political and market conditions. Market risk is managed through portfolio diversification and asset allocation.

**Credit risk**

Credit risk is the risk of loss due to the inability or unwillingness of a counter-party to meet payment obligations of principal and/or interest. The Group has a credit policy in place for the funds and the exposure to credit risk is monitored on an ongoing basis.

All bond investments must carry a minimum rating of A or P1 by rating agencies established in Malaysia or by any internationally recognised rating agency as outlined in the Group's manual of investment policies approved by the Board.

The Group's and Company's exposure to credit risk is further analysed as follows:

<b>Group and Company</b>	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b>Rating of specified debt securities on carrying value basis</b>		
AAA	59,863	40,755
AA	15,385	26,166
P1	-	5,000
Non-rated	41,781	56,643
	<b>117,029</b>	<b>128,564</b>

**Liquidity risk**

Liquidity risk is the risk of the Group being unable to meet its obligations at a reasonable cost or at any time. The Group manages this risk by holding sufficient quantity of liquid investments that can be readily converted to cash.

**Foreign exchange risk**

Foreign exchange risk is the risk whereby the value of the assets and liabilities will fluctuate due to changes in foreign exchange rates. Foreign exchange risk embodies not only the potential losses but also the potential for gains.

## AXA AFFIN LIFE INSURANCE BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

## 27. FINANCIAL INSTRUMENTS (continued)

## Interest rate risk

The Group's earnings are affected by changes in market interest rates due to the impact such changes have on interest income from investments.

In managing interest rate risk, the Group aims to reduce the impact of short term fluctuations on its earnings by adopting an approach which focuses on achieving the overall targeted interest rate based on its long term view of interest rate and macroeconomic conditions. Over the longer term, however, any prolonged adverse changes in interest rates would have an impact on earnings. The following table shows information about the Group's and the Company's exposure to interest rate risk :-

2009 Group	Non- interest bearing	Interest – bearing : contractual re-pricing or maturity date (whichever is earlier)						Total carrying value	Average effective interest rate %
		< 1 years	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years		
		←----- RM'000 -----→							
<b>ASSETS</b>									
Securities AFS :									
Malaysian Government securities	-	-	-	-	-	10,598	26,205	36,803	4.42
Unquoted corporate debt securities of corporations	-	-	5,140	5,267	10,254	22,047	37,518	80,226	4.18
Equity securities of corporations	26,351	-	-	-	-	-	-	26,351	
Investment in investment-linked funds	28,313	-	-	-	-	-	-	28,313	
Securities HFT :									
Equity securities of corporations	27,055	-	-	-	-	-	-	27,055	
Structured investments	110,175	-	-	-	-	-	-	110,175	
Unit trusts	471	-	-	-	-	-	-	471	
Fixed and call deposits	-	97,405	-	-	-	-	-	97,405	2.16
Loans	-	-	6,834	-	-	-	-	6,834	8.00
Other receivables	31,863	-	-	-	-	-	-	31,863	
Cash and bank balances	21,381	-	-	-	-	-	-	21,381	
Financial assets	245,609	97,405	11,974	5,267	10,254	32,645	63,723	466,877	
Other financial assets *								2,360	
Non financial assets								132,259	
Total assets								601,496	

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**27. FINANCIAL INSTRUMENTS (continued)**

**Interest rate risk (continued)**

2009 Group	Non- interest bearing	Interest – bearing : contractual re-pricing or maturity date (whichever is earlier)					Total carrying value	Average Effective Interest rate %
		1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years		
		←----- RM'000 ----->						
<b>LIABILITIES</b>								
Payables	39,660	-	-	-	-	-	39,660	
Financial liabilities	39,660	-	-	-	-	-	39,660	
Other financial liabilities *							343,766	
Non financial liabilities							396	
Total liabilities							383,822	

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



AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**27. FINANCIAL INSTRUMENTS (continued)**

2008 Group	Non- interest bearing	Interest – bearing : contractual re-pricing or maturity date (whichever is earlier)						Total carrying value	Average effective Interest rate %
		< 1 years	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years		
		----- RM'000 -----							
		--->							
<b>ASSETS</b>									
Investments :									
Malaysian government securities	-	1,005	-	-	-	-	35,649	36,654	3.10
Unquoted corporate debt securities of corporations	-	5,000	-	5,210	5,193	15,711	60,796	91,910	4.70
Equity securities of corporations	41,827	-	-	-	-	-	-	41,827	
Unit trusts	1,744	-	-	-	-	-	-	1,744	
Investment in investment-linked funds	31,986	-	-	-	-	-	-	31,986	
Fixed and call deposits	-	60,819	-	-	-	-	-	60,819	3.34
Loans	-	-	6,699	-	-	-	-	6,699	8.00
Other receivables	14,132	-	-	-	-	-	-	14,132	
Cash and bank balances	3,130	-	-	-	-	-	-	3,130	
Financial assets	92,819	66,824	6,699	5,210	5,193	15,711	96,445	288,901	
Other financial assets *								842	
Non financial assets								135,942	
Total assets								425,685	

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**27. FINANCIAL INSTRUMENTS (continued)**

**Interest rate risk (continued)**

2008 Group	Non- interest bearing	Interest – bearing : contractual re-pricing or maturity date (whichever is earlier)					Total carrying value	Average Effective Interest rate %
		1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years		
		←----- RM'000 ----->						
<b>LIABILITIES</b>								
Payables	19,543	-	-	-	-	-	19,543	
Financial liabilities	19,543	-	-	-	-	-	19,543	
Other financial liabilities *							217,831	
Non financial liabilities							996	
Total liabilities							238,370	

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

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)  
**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**27. FINANCIAL INSTRUMENTS (continued)**

**Interest rate risk (continued)**

2009 Company	Non- interest bearing	Interest – bearing : contractual re-pricing or maturity date (whichever is earlier)						Total carrying value	Average effective Interest rate %
		< 1 years	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years		
		<----- RM'000 ----->							
<b>ASSETS</b>									
Securities AFS :									
Malaysian Government securities	-	-	-	-	-	10,598	26,205	36,803	4.42
Unquoted corporate debt securities of corporations	-	-	5,140	5,267	10,254	22,047	37,518	80,226	4.18
Equity securities of corporations	26,351	-	-	-	-	-	-	26,351	
Investment in investment-linked funds	28,313	-	-	-	-	-	-	28,313	
Securities HFT :									
Equity securities of corporations	27,055	-	-	-	-	-	-	27,055	
Structured investments	110,175	-	-	-	-	-	-	110,175	
Unit trust	471	-	-	-	-	-	-	471	
Fixed and call deposits	-	97,405	-	-	-	-	-	97,405	2.16
Loans	-	-	6,834	-	-	-	-	6,834	8.00
Other receivables	31,863	-	-	-	-	-	-	31,863	
Cash and bank balances	21,381	-	-	-	-	-	-	21,381	
Financial assets	245,609	97,405	11,974	5,267	10,254	32,645	63,723	466,877	
Other financial assets *								2,360	
Non financial assets								132,259	
Total assets								601,496	

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**27. FINANCIAL INSTRUMENTS (continued)**

**Interest rate risk (continued)**

2009 Company	Non- interest bearing	Interest – bearing : contractual re-pricing or maturity date (whichever is earlier)					Total carrying value	Average effective Interest rate %
		1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years		
		←----- RM'000 ----->						
<b>LIABILITIES</b>								
Payables	39,660	-	-	-	-	-	39,660	
Financial liabilities	39,660	-	-	-	-	-	39,660	
Other financial liabilities *							343,766	
Non financial liabilities							396	
Total liabilities							383,822	

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

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**27. FINANCIAL INSTRUMENTS (continued)**

**Interest rate risk (continued)**

2008 Company	Non- interest bearing	Interest – bearing : contractual re-pricing or maturity date (whichever is earlier)						Total carrying value	Average effective Interest rate %
		< 1 years	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years		
		←----- RM'000 ----->							
		---->							
<b>ASSETS</b>									
Investments :									
Malaysian Government securities	-	1,005	-	-	-	-	35,649	36,654	3.10
Unquoted corporate debt securities of corporations	-	5,000	-	5,210	5,193	15,711	60,796	91,910	4.70
Equity securities of corporations	41,827	-	-	-	-	-	-	41,827	
Unit trusts	1,744	-	-	-	-	-	-	1,744	
Investment in investment-linked funds	31,986	-	-	-	-	-	-	31,986	
Fixed and call deposits	-	60,819	-	-	-	-	-	60,819	3.34
Loans	-	-	6,699	-	-	-	-	6,699	8.00
Other receivables	14,132	-	-	-	-	-	-	14,132	
Cash and bank balances	3,130	-	-	-	-	-	-	3,130	
Financial assets	92,819	66,824	6,699	5,210	5,193	15,711	96,445	288,901	
Other financial assets *								1,813	
Non financial assets								134,959	
Total assets								425,673	

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**27. FINANCIAL INSTRUMENTS (continued)**

**Interest rate risk (continued)**

2008 Company	Non- interest bearing	Interest – bearing : contractual re-pricing or maturity date (whichever is earlier)					Total carrying value	Average effective Interest rate %
		1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years		
		←----- RM'000 ----->						
<b>LIABILITIES</b>								
Payables	19,531	-	-	-	-	-	19,531	
Financial liabilities	19,531	-	-	-	-	-	19,531	
Other financial liabilities *							217,831	
Non financial liabilities							996	
Total liabilities							238,358	

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

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**27. FINANCIAL INSTRUMENTS (continued)**

**Fair values**

The fair values of financial assets at the balance sheet date are as follows :

Group and Company	2009		2008	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Malaysian Government securities	36,803	36,803	36,654	39,838
Unquoted corporate debt securities of corporations	80,226	80,226	91,910	90,436
Equity securities of corporations	53,406	53,406	41,827	41,827
Structured investments	110,175	110,175	-	-
Investment in investment-linked funds (seed capital)	28,313	28,313	31,986	31,986
Unit trusts	471	471	1,744	1,744
	309,394	309,394	204,121	205,831

In the previous financial year, the carrying value of investment in unquoted corporate debt securities of corporations was not written down to its fair value as the Directors were of the opinion that these investments will be held for long-term purposes.

It was not practicable within the constraints of timeliness and cost to estimate the fair values of loans with carrying values of RM6,834,000 as at 31 December 2009 (2008: RM6,699,000).

**28. CHANGE IN ACCOUNTING POLICY**

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

In previous financial years, investments in Malaysian Government securities and corporate debt securities as specified by BNM, were stated at cost, adjusted for the amortisation of premiums or accretion of discounts calculated on an effective yield basis over the period from acquisition to maturity of the investments. Quoted investments were stated at the lower of cost and market value determined on an aggregate portfolio basis by category of investments, except that if diminution in value of a particular investment was not regarded as temporary, specific allowance was made against the value of that investment. Unquoted investments in unit trusts were stated at the lower of cost and market value. Other unquoted investments were stated at cost and allowance was made where in the opinion of the Directors, there was a decline other than temporary in the value of an investment.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)**

**28. CHANGE IN ACCOUNTING POLICY (continued)**

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

In addition, the RBC Framework also requires insurers to estimate their life insurance liabilities following the valuation methods as prescribed in Part D of the RBC Framework as described in Note 3.1(b) to the financial statements.

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

	As previously <u>reported</u> RM'000	Effects of change <u>in policy</u> RM'000	As <u>restated</u> RM'000
<u>Balance Sheet - Life policyholders' fund</u>			
At 1 January 2009:			
Actuarial liabilities	210,710	(17,609)	193,101
Available-for-sale reserve	-	(2,627)	(2,627)
Unallocated surplus	-	20,236	20,236
<u>Balance Sheet – Shareholders' fund</u>			
At 1 January 2009:			
Accumulated losses	(49,685)	3,014	(46,671)
Available-for-sale reserve	-	(3,014)	(3,014)