

Company No.

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AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated In Malaysia)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

Company No.

723739	W
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AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated In Malaysia)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

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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 2008.

## **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**

### **Group and Company**

**RM'000**

Net loss for the financial year

(23,023)

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## **DIVIDENDS**

No dividend has been paid by the Company since 31 December 2007. The Directors do not recommend any dividend in respect of the financial year ended 31 December 2008.

## **RESERVES AND PROVISIONS**

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

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### **PROVISION FOR OUTSTANDING CLAIMS**

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 incurred claims.

### **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.

### **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

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### **CONTINGENT AND OTHER LIABILITIES** (continued)

- (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**

During the financial year ended 31 December 2008, the Company issued 19,000,000 new ordinary shares of RM1.00 each at par for cash, to fund the future expansion of the Company.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

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## **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 Bank Negara Malaysia’s (“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 and the 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-appointment 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 2008, 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 2008.

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.

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## **CORPORATE GOVERNANCE (continued)**

### **Board responsibility and oversight**

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 2008 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' Lodin Bin Wok Kamaruddin	6/6
David Matthews	5/6
Dato' Mustafa Bin Mohamad Ali	6/6
Dato' Mohd Sallehuddin Bin Othman	6/6
Kwo Shih Kang	6/6

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.

### **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 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.

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## **CORPORATE GOVERNANCE (continued)**

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

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 Committee during the financial year ended 31 December 2008 are 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 Matthews	3/4

During the financial year ended 31 December 2008, 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.



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## **CORPORATE GOVERNANCE** (continued)

### **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' Lodin Bin Wok Kamaruddin	Member (Non-independent Non-Executive)
David Matthews	Member (Non-independent Non-Executive)
Kwo Shih Kang	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.

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 Bank Negara Malaysia.

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## **CORPORATE GOVERNANCE** (continued)

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

The number of meetings attended by each member of the Nomination Committee during the financial year ended 31 December 2008 are 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' Lodin Bin Wok Kamaruddin	2/2
David Matthews	1/2
Kwo Shih Kang	2/2

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

### **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' Lodin Bin Wok Kamaruddin	Member (Non-independent Non-Executive)
David Matthews	Member (Non-independent Non-Executive)
Kwo Shih Kang	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.

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**CORPORATE GOVERNANCE** (continued)

**Remuneration Committee** (continued)

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 Bank Negara Malaysia; and
  - h) Performing other activities related to these terms and reference as requested by the Board.

The number of meetings attended by each member of the Remuneration Committee during the financial year ended 31 December 2008 are 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' Lodin Bin Wok Kamaruddin	1/1
David Matthews	1/1
Kwo Shih Kang	1/1

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## **CORPORATE GOVERNANCE** (continued)

### **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 Matthews	Member (Non-Independent Non-Executive)

The Risk Management Committee is chaired by an Independent Non-Executive Director and constantly reviewed 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.

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 2008 are 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 Matthews	3/4

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## **CORPORATE GOVERNANCE** (continued)

### **Investment Committee**

The members of the Investment Committee are as follows:

David Matthews	Chairman (Non-independent non-executive)
Tan Sri Dato' Lodin Wok Kamaruddin	Member (Non-independent non-executive)
Dato' Mustafa Bin Mohamad Ali	Member (Independent non-executive)
Kwo Shih Kang	Member (Non-independent executive)

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 2008 are as follows:

<b>Name of Directors</b>	<b>No. of Attendance</b>
David Matthews	5/6
Tan Sri Dato' Lodin Wok Kamaruddin	6/6
Dato' Mustafa Bin Mohamad Ali	6/6
Kwo Shih Kang	6/6

### **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.

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## **CORPORATE GOVERNANCE** (continued)

### **Management Accountability** (continued)

#### *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.

### **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.

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## **CORPORATE GOVERNANCE** (continued)

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

#### *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. The investment limits are monitored continuously to ensure compliance with the specification of admitted assets pursuant to Section 46(2) of the Insurance Act, 1996.

#### *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 2008 were Birthday Special, Level Term Assurance, Dimension, Dimension Waiver of Premium and Dimension Payor Benefit. They were duly deliberated by the Senior Management and approved in accordance with the established procedures.

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## **CORPORATE GOVERNANCE** (continued)

### **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.

### **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 MASB approved accounting standards in Malaysia for Entities Other than Private Entities so as to give a true and fair view of the Company's financial state of affairs as at the balance sheet date and of the results and cash flows of the Company for the period then ended on that date.

## **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' Lodin Bin Wok Kamaruddin

David Matthews

Dato' Mustafa Bin Mohamad Ali

Dato' Mohd Sallehuddin Bin Othman

Kwo Shih Kang



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## 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' Lodin Bin Wok Kamaruddin in the related corporations during the financial year ended 31 December 2008 as follows:

<b><u>Number of ordinary shares of RM 1 each</u></b>				
	<b>As at 01.01.2008</b>	<b>Bought</b>	<b>Sold</b>	<b>As at 31.12.2008</b>
1. AFFIN Holdings Berhad ^	8,714	800,000	-	808,714
2. Boustead Holdings Berhad	21,695,000	-	(1,879,000)	19,816,000
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	-	-	5,466,465

^ Shares held in trust by nominee company.

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

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**DIRECTORS' INTERESTS** (continued)

<b><u>Number of Warrants 2000/2010</u></b>				
	<b>As at 01.01.2008</b>	<b>Bought</b>	<b>Sold</b>	<b>As at 31.12.2008</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.

<b><u>Options over ordinary shares of RM 1 each</u></b>				
	<b>As at 01.01.2008</b>	<b>Exercised</b>	<b>Expired</b>	<b>As at 31.12.2008</b>
1. AFFIN Holdings Berhad ^	800,000	(800,000)	-	-
2. Boustead Holdings Berhad ^^	5,912,699	-	(5,912,699)	-

^ This option was granted by AFFIN Holdings Berhad under its Employee Share Option Scheme at the option price of RM1.41 per share and was exercised in full before the expiry date (i.e. 13 February 2008).

^^ This was part of the option granted by Lembaga Tabung Angkatan Tentera ("LTAT") to acquire 29,912,699 Boustead Holdings Berhad shares from LTAT at RM1.70 per share and has expired on 14 November 2008.

**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.

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**AUDITORS**

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 19 March 2009.

**DAVID MATTHEWS**  
DIRECTOR

**DATO' MUSTAFA BIN MOHAMAD ALI**  
DIRECTOR

Kuala Lumpur

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

We, David Matthews and Dato' Mustafa Bin Mohamad Ali, 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 81 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2008 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 19 March 2009.

**DAVID MATTHEWS**  
DIRECTOR

**DATO' MUSTAFA BIN MOHAMAD ALI**  
DIRECTOR

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

I, David Matthews, the Director 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 81 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.

**DAVID MATTHEWS**

Subscribed and solemnly declared by the above named David Matthews at Kuala Lumpur in Malaysia on 19 March 2009, 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 sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 22 to 81.

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

**Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and Company as of 31 December 2008 and of its financial performance and cash flows for the financial year then ended.

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

**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) Our audit reports 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

JAYARAJAN A/L U.RATHINASAMY  
(No. 2059/06/10 (J))  
Chartered Accountant

Kuala Lumpur  
19 March 2009

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**BALANCE SHEETS AS AT 31 DECEMBER 2008**

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>ASSETS</b>					
Shareholders' fund assets					
Intangible assets	5	99,120	99,120	99,120	99,120
Investments	7	79,086	70,247	79,086	70,247
Receivables	11	9,237	21,969	9,237	21,969
Deferred tax assets	12	247	247	247	247
Cash and bank balances		21	14	21	14
Total Shareholders' fund assets		187,711	191,597	187,711	191,597
Total Life fund assets (page 24)		237,974	256,177	237,962	256,177
<b>TOTAL ASSETS</b>		<b>425,685</b>	<b>447,774</b>	<b>425,673</b>	<b>447,774</b>
<b>LIABILITIES</b>					
Shareholders' fund liabilities					
Payables	14	396	259	396	259
Total Shareholders' fund liabilities		396	259	396	259
Total Life fund liabilities (page 24)		27,264	39,136	27,252	39,136
Life policyholders' fund	15	210,710	217,041	210,710	217,041
Total liabilities		238,370	256,436	238,358	256,436
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	16	237,000	218,000	237,000	218,000
Accumulated losses		(49,685)	(26,662)	(49,685)	(26,662)
		187,315	191,338	187,315	191,338
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>425,685</b>	<b>447,774</b>	<b>425,673</b>	<b>447,774</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 2008**

<b>Group and Company</b>	<b>Note</b>	<b>2008 RM'000</b>	<b>2007 RM'000</b>
<b>Operating Revenue</b>	17	54,449	41,425
Shareholders' fund:			
- Investment income	18	326	1,496
- Other operating (expenses) / income - net	19	(2,996)	-
- Management expenses	20	(388)	3,893
		(3,058)	5,389
Deficit transferred from Life Fund Revenue accounts		(19,965)	(24,137)
Loss before taxation		(23,023)	(18,748)
Taxation	21	-	-
Net loss for the financial year		(23,023)	(18,748)
Loss per share attributable to ordinary shareholders of the Company (sen)	23	(0.10)	(0.09)

*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 2008**

		Group		Company	
	Note	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>ASSETS</b>					
Property, plant and equipment	4	3,026	2,544	3,026	2,544
Intangible assets	5	4,004	2,308	4,004	2,308
Investment properties	6	27,610	32,150	27,610	32,150
Investments	7	149,431	156,471	149,431	156,471
Investment in subsidiary	8	-	-	971	971
Loans	9	6,699	6,632	6,699	6,632
Assets held for sale	10	1,062	1,062	-	-
Receivables	11	5,150	4,585	5,229	4,676
Cash and bank balances		1,937	1,572	1,937	1,572
		198,919	207,324	198,907	207,324
Investment-linked fund assets	24	39,055	48,853	39,055	48,853
Total Life fund assets		237,974	256,177	237,962	256,177
<b>LIABILITIES</b>					
Deferred tax liabilities	12	43	43	43	43
Current tax liabilities		93	259	93	259
Provision for outstanding claims	13	457	739	457	739
Payables	14	24,914	37,025	24,902	37,025
		25,507	38,066	25,495	38,066
Investment-linked fund liabilities	24	1,757	1,070	1,757	1,070
Total Life fund liabilities		27,264	39,136	27,252	39,136
Life policyholders' fund	15	210,710	217,041	210,710	217,041
Total Life fund liabilities and Life policyholders' funds		237,974	256,177	237,962	256,177

*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 2008**

<b>Group and Company</b>	<b>Note</b>	<b>2008 RM'000</b>	<b>2007 RM'000</b>
Gross premium	17	43,858	29,957
Less : Reinsurance		(2,692)	(750)
Net premium		41,166	29,207
Less : Benefit paid and payable :			
Death		(8,107)	(9,268)
Surrender		(5,395)	(6,194)
Maturity		(605)	(463)
Cash bonus		(4,317)	(6,271)
Others		(497)	(22)
Reinsurance recoveries		589	83
		(18,332)	(22,135)
		22,834	7,072
Commission and agency expenses		(3,236)	(1,332)
Management expenses	20	(36,810)	(33,107)
		(17,212)	(27,367)
Investment income	18	9,004	8,987
Other operating (expenses) / income - net	19	(3,821)	4,474
Deficit before taxation		(12,029)	(13,906)
Taxation	21	(1,375)	(970)
Deficit after taxation		(13,404)	(14,876)
(Deficit) / surplus from Investment-linked business	24	(12,892)	8,158
		(26,296)	(6,718)
Life policyholders' fund at beginning of financial year		217,041	199,622
Deficit transferred to Income Statement		19,965	24,137
Life policyholders' fund at end of financial year	15	210,710	217,041

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

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008**

	Note	Share Capital	Accumulated Loss	Total
<b>2008 Group and Company</b>		<b>RM'000</b>	<b>RM'000</b>	<b>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
<b>2007 Group and Company</b>		<b>Share Capital RM'000</b>	<b>Accumulated Loss RM'000</b>	<b>Total RM'000</b>
At beginning of financial year		218,000	(7,914)	210,086
Net loss for the financial year		-	(18,748)	(18,748)
At end of financial year		218,000	(26,662)	191,338

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008**

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Cash flow from operating activities</b>				
Net loss for the financial year	(23,023)	(18,748)	(23,023)	(18,748)
Adjustments for :				
- Depreciation of property, plant and equipment	972	678	972	678
- Amortisation of intangible assets	1,416	1,075	1,416	1,075
- Loss / (gain) on disposal of investments	236	(8,980)	236	(8,980)
- Gain on disposal of investment properties	(188)	-	(188)	-
- Allowance for diminution in value of investment	5,641	-	5,641	-
- Fair values changes for investment properties	1,628	-	1,628	-
- Investment income	(10,591)	(11,468)	(10,591)	(11,468)
- Allowance for doubtful debts	396	77	396	77
- Unrealised loss / (gains) on investments of investment-linked fund	14,393	(2,732)	14,393	(2,732)
- (Decrease) / increase in life policyholders' fund	(6,331)	17,419	(6,331)	17,419
- Taxation	283	1,683	283	1,683
Profit from operations before changes in operating assets and liabilities	(15,168)	(20,996)	(15,168)	(20,996)
Increase in loans	(67)	(777)	(67)	(777)
Decrease in receivables	8,520	376	8,599	376
Decrease in provision for outstanding claims	(282)	(2,004)	(282)	(2,004)
Decrease in payables	(8,298)	(7,341)	(8,286)	(7,341)
Purchase of investments	(23,562)	(107,957)	(23,653)	(107,957)
Proceeds from disposal of Investments	31,891	101,921	31,891	101,921
Proceeds from disposal of Investment properties	3,100	-	3,100	-

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

**CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008**  
(Continued)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Increase / (decrease) in fixed and call deposits	(17,479)	37,546	(17,479)	37,546
Decrease in amount due to related parties	(1,064)	(5,982)	(1,064)	(5,982)
Cash used in operations	(22,409)	(5,214)	(22,409)	(5,214)
Taxation paid	(1,581)	(1,177)	(1,581)	(1,177)
Investment income received:				
- Dividend	2,136	1,987	2,136	1,987
- Interest	5,294	8,336	5,294	8,336
- Rental	209	670	209	670
<b>Net cash (used in) / generated from operating activities</b>	<b>(16,351)</b>	<b>4,602</b>	<b>(16,351)</b>	<b>4,602</b>
<b>Cash flow from investing activities</b>				
Purchase of property, plant and Equipment	(1,458)	(998)	(1,458)	(998)
Proceeds from disposal of property, plant and equipment	4	-	4	-
Purchase of intangible asset	(3,112)	(1,303)	(3,112)	(1,303)
<b>Net cash used in investing activities</b>	<b>(4,566)</b>	<b>(2,301)</b>	<b>(4,566)</b>	<b>(2,301)</b>
<b>Cash flow from financing activity</b>				
Proceeds from issuance of share capital	19,000	-	19,000	-
<b>Net cash generated from financing activities</b>	<b>19,000</b>	<b>-</b>	<b>19,000</b>	<b>-</b>

AXA AFFIN LIFE INSURANCE BERHAD  
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**CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008**  
(Continued)

	Group		Company	
	2008 RM'000 (1,917)	2007 RM'000 2,301	2008 RM'000 (1,917)	2007 RM'000 2,301
<b>Net (decrease) / increase in cash and cash equivalents</b>				
<b>Cash and cash equivalents at beginning of financial year</b>	5,047	2,746	5,047	2,746
<b>Cash and cash equivalents at end of financial year</b>	3,130	5,047	3,130	5,047
Cash and bank balances :				
- Shareholders' fund	21	14	21	14
- Life fund	1,937	1,572	1,937	1,572
- Investment-linked funds	1,172	3,461	1,172	3,461
<b>Total</b>	<b>3,130</b>	<b>5,047</b>	<b>3,130</b>	<b>5,047</b>

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008**

### **1. GENERAL INFORMATION**

The Company is engaged principally in the underwriting of life insurance and 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 8<sup>th</sup> 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 19 March 2009.

### **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. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

#### **(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"), 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.

The preparation of financial statements in conformity with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingents 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 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.



AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

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

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

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.

#### **Standards, amendments to published standards and interpretations that are relevant and applicable to the Company and are effective**

The new accounting standards, amendments to published standards and interpretations to existing standards effective for the Company's financial year ended 31 December 2008, and relevant and applicable to the Company are as follows:

FRS 107	Cash Flow Statements
FRS 118	Revenue
FRS 137	Provision, Contingent Liabilities and Contingent Asset

There were no significant changes to the Company's accounting policies that affect net profits or retained earnings and disclosures arising from the adoption of the above standards.

#### **Standards, amendments to published standards and interpretations to existing standards that are relevant and applicable to the Group but not yet effective**

The new standards and interpretations that is relevant and applicable to the Group, but which the Group has not early adopted, are as follows;

- (i) 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 Group will apply this standard from financial periods beginning on 1 January 2010.
- (ii) The following standards will be effective for annual period beginning on or after 1 January 2010. The Group will apply these standards from financial periods beginning on 1 January 2010. The Group 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.

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

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

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 (h) 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 (h) on impairment of assets.

AXA AFFIN LIFE INSURANCE BERHAD  
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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:

Office equipment	-	5 years
Furniture and fittings	-	5 years
Renovation	-	5 years
Motor vehicles	-	5 years
Computer equipment	-	3 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(h) 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  
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2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

(e) **Investments**

Malaysian Government Securities, Government Investment Issues, Malaysia Government guaranteed bonds, Cagamas papers and other unquoted debt securities as specified by Bank Negara Malaysia are stated at cost adjusted for the amortisation of premiums or the accretion of discounts, calculated on a constant yield basis, from the date of purchase to maturity date. The amortisation of premiums and accretion of discounts are recognised in the income statements / revenue accounts.

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

Unquoted investments are stated at cost and an allowance for diminution in value is made when the directors are of the view that there is a diminution in their value which is other than temporary. Such a decline is recognised as an expense in the financial year in which the decline is identified.

Investments of investment-linked business are valued at the market value at balance sheet date for quoted investments and at prices quoted by financial institutions at balance sheet date for unquoted corporate debt securities. Any increase or decrease in value of these investments is recognised in the statement of income and expenditure of the investment-linked funds.

(f) **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.

AXA AFFIN LIFE INSURANCE BERHAD  
(Incorporated in Malaysia)

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

(g) **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.

(h) **Impairment of 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 are not reversed.

(i) **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 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 Company has no further payment obligations.

AXA AFFIN LIFE INSURANCE BERHAD  
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2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

(j) **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.

(k) **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.

(l) **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 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 statement to the Life fund is made in the financial year of the actuarial valuation.

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.

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

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

(i) **Premium income** (continued)

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 receipt basis.

(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.

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

(m) **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.

(n) **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.



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

(n) **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.

(o) **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.

(p) **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 contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(q) **Dividends**

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

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

(r) **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.

(s) **Cash and cash equivalents**

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

(t) **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.

(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 and Cagamas papers are based on the indicative market prices;

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

(t) **Financial instruments** (continued)

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

(b) Government Investment Issues, Malaysian Government guaranteed bonds and 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.

(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 a value in use calculation. Value in use comprises embedded value and value of expected future new business. The embedded value and value of future new business are based on a pre-tax discount rate of 12.5%. Other key assumptions taken into account in preparing the valuation are detailed as follows:

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

3.1 **Critical accounting estimates and assumptions** (continued)

(a) **Impairment of goodwill on acquisition of life insurance business** (continued)

- (i) New business index growth of approximately three fold in 2009, double in 2010, 38% in 2011, 34% in 2012 and average of 10% per annum thereafter. New Business Index represent 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-linked products and 5.94% per annum for 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 26%

At 31 December 2008, 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 "value in use" is sensitive to, amongst others, the assumptions on new business index growth and discount rate. The circumstances where a reasonable possible change in the key assumptions will cause an impairment loss to be recognised include the following:

- (i) A reduction of more than 50% of the projected new business index growth; or
- (ii) Pre-tax discount rate of 20% and more.

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

The determination of liabilities under long-term insurance contracts is based on the statutory reserving methodology as outlined in Par XIII of the Insurance Regulations, 1996. The appointed actuary has tested the statutory basis assumptions against the relevant experience from the Group, and against national mortality tables and available industry statistics, and has determined that an appropriate, but not excessive margin for prudence is implied by the reserving basis.

Additional reserves are set aside over and above the statutory required reserves to allow for future expenses under limited payment and paid up policies. Also, an additional provision is included to allow policy movement differences.

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

3.1 **Critical accounting estimates and assumptions** (continued)

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

The main sources of uncertainty relating to these reserves pertain to the possibility that epidemics, such as 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.

(c) **Taxation**

Under Section 60(10A) of the Income Tax Act, 1967 (“the Act”), tax losses of the Life fund is 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, have 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) 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 RM1,785,000 and carrying forward unutilised tax losses in the Shareholders’ fund of RM57,690,000, for which no deferred tax asset has yet to be recognised.

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.

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4. PROPERTY, PLANT AND EQUIPMENT

2008 Group	Freehold land RM'000	Office equipment RM'000	Furniture & fittings RM'000	Computer equipment RM'000	Renovation RM'000	Motor vehicles RM'000	Total RM'000
<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  
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4. **PROPERTY, PLANT AND EQUIPMENT** (continued)

<b>2008 Company</b>	<b>Freehold land 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  
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4. **PROPERTY, PLANT AND EQUIPMENT** (continued)

<b>2007 Group</b>	<b>Freehold land 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 vehicle RM'000</b>	<b>Total RM'000</b>
<b>Life fund</b>							
<u>Cost</u>							
At beginning of financial year	449	287	794	716	734	-	2,980
Additions	-	97	59	301	309	232	998
Transferred to asset held for sale	(449)	-	-	-	-	-	(449)
At end of financial year	-	384	853	1,017	1,043	232	3,529
<u>Accumulated depreciation</u>							
At beginning of financial year	-	(27)	(101)	(109)	(70)	-	(307)
Depreciation charge for the financial year	-	(58)	(146)	(262)	(177)	(35)	(678)
At end of financial year	-	(85)	(247)	(371)	(247)	(35)	(985)
<u>Net book value</u>							
At 31 December 2007	-	299	606	646	796	197	2,544



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

<b>2007 Company</b>	<b>Freehold land 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 vehicle RM'000</b>	<b>Total RM'000</b>
<b>Life fund</b>							
<u>Cost</u>							
At beginning of financial year	-	287	794	716	734	-	2,531
Additions	-	97	59	301	309	232	998
At end of financial year	-	384	853	1,017	1,043	232	3,529
<u>Accumulated depreciation</u>							
At beginning of financial year	-	(27)	(101)	(109)	(70)	-	(307)
Depreciation charge for the financial year	-	(58)	(146)	(262)	(177)	(35)	(678)
At end of financial year	-	(85)	(247)	(371)	(247)	(35)	(985)
<u>Net book value</u>							
At 31 December 2007	-	299	606	646	796	197	2,544

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5. INTANGIBLE ASSETS

Group and Company	2008 RM'000	2007 RM'000
<b>Shareholders' fund</b>		
Goodwill arising on acquisition of life insurance business At beginning / end of financial year	99,120	99,120
<b>Life fund</b>		
Computer software At beginning of financial year	2,308	2,080
Addition	3,112	1,303
Amortisation charge for the financial year	(1,416)	(1,075)
At the end of financial year	4,004	2,308

6. INVESTMENT PROPERTIES

Group and Company	2008 RM'000	2007 RM'000
<b>Life fund</b>		
At beginning of financial year	32,150	32,150
Disposal	(2,912)	-
Fair value loss	(1,628)	-
	27,610	32,150
Represented by :		
Freehold land and buildings	12,276	15,485
Leasehold land and buildings	15,334	16,665
	27,610	32,150

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6. **INVESTMENT PROPERTIES** (continued)

All titles to the properties have been transferred to the Company except for the 6 parcels of properties amounting to RM8,100,000 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 assumes 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.

In 2008, the Group and the Company carried out a review of market values of the properties, except for two properties which are in the process of being disposed, based on open market values determined by independent professional valuer. The valuation of these properties together with the agreed selling price of the two properties which are in the process of being disposed were adopted by the Boards for the financial year ended 31 December 2008.

In 2008, four investment properties have been disposed, amounting to RM2,912,000. At the same time, there are another two properties which are in the process of being disposed at the value of RM1,110,000.

7. **INVESTMENTS**

<b>Group and Company</b>	<b>2008 RM'000</b>	<b>2007 RM'000</b>
<b>Shareholders' fund</b>		
Investment in Investment-linked funds (seed capital), at cost	35,000	35,000
Allowance for diminution in values	(3,014)	-
	31,986	35,000
-----		
Corporate debt securities of corporations unquoted, at cost	5,000	14,801
Accretion of discounts	-	143
	5,000	14,944
-----		
Fixed and call deposits with :		
Licensed banks	36,658	-
Licensed investment banks	5,442	20,303
	42,100	20,303
-----		
<b>Total Investments – Shareholders' fund</b>	<b>79,086</b>	<b>70,247</b>

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7. **INVESTMENTS** (continued)

<b>Group and Company</b>	<b>2008 RM'000</b>	<b>2007 RM'000</b>
<b>Life fund</b>		
Malaysian government securities, at cost	35,574	40,576
Accretion of discounts / amortisation of premiums - net	75	84
	35,649	40,660
Equity securities of corporations quoted in Malaysia, at cost	20,544	19,457
Allowance for diminution in values	(2,627)	-
	17,917	19,457
Equity securities of corporations unquoted in Malaysia, at cost	2,063	2,063
Corporate debt securities of corporations unquoted, at cost	86,614	87,048
Accretion of discounts - net	296	107
	86,910	87,155
Fixed and call deposits : Licensed banks	6,892	7,136
<b>Total Investments – Life fund</b>	<b>149,431</b>	<b>156,471</b>
	<b>2008</b>	<b>2007</b>
<b>Life fund</b>		
Market value of quoted investments Equity securities of corporations quoted in Malaysia	17,917	27,921

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7. **INVESTMENTS** (continued)

<b>Group and Company</b>	<b>2008 RM'000</b>	<b>2007 RM'000</b>
<b>Investment - linked funds</b>		
Equity securities of corporations quoted in Malaysia, at cost	16,882	12,144
Unrealised (losses) / gains	(5,256)	2,685
At market value	11,626	14,829
Equity securities of corporations quoted outside Malaysia, at cost	14,501	9,192
Unrealised (losses) / gains	(4,280)	886
At market value	10,221	10,078
Malaysian government securities, at cost	1,040	1,573
Unrealised losses	(35)	(37)
At market value	1,005	1,536
Unit trust quoted in Malaysia, at cost	1,054	474
Unrealised losses	(403)	(22)
At market value	651	452
Unit trust quoted outside Malaysia, at cost	2,050	1,491
Unrealised losses	(957)	(41)
At market value	1,093	1,450
Corporate debt securities of corporations unquoted, at cost	-	1,011
Unrealised losses	-	(9)
At market value	-	1,002
Fixed and call deposits : Licensed banks	11,827	15,901
<b>Total Investments – Investment - linked funds</b>	<b>36,423</b>	<b>45,248</b>

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7. **INVESTMENTS** (continued)

The maturity structure of Malaysian government securities, corporate debt securities of corporations quoted in Malaysia and fixed and call deposits held as at the balance sheet date are 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	47,100	6,892	12,832	66,824
Maturing after 12 months	-	122,559	-	122,559
	47,100	129,451	12,832	189,383

  

<b>2007 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	20,303	7,136	15,901	43,340
Maturing after 12 months	14,944	127,815	2,538	145,297
	35,247	134,951	18,439	188,637

As at the balance sheet date, the following assets of the Shareholders fund totaling RM60,544,000 (2007 : RM56,528,000) have been assigned by the Company to the Life fund for purpose of meeting the solvency margin requirement of the life fund :

	<b>2008 RM'000</b>	<b>2007 RM'000</b>
Fixed and call deposits with licensed banks	32,000	18,056
Corporate debt securities of corporations	5,000	14,944
Investment in Investment-linked funds (seed capital)	23,544	23,528
	60,544	56,528

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## 8. INVESTMENT IN SUBSIDIARY

Company	2008 RM'000	2007 RM'000
<b>Life fund</b>		
Investment in subsidiary, at cost	971	971

Details of the subsidiary are as follows :

Company	Country of Incorporation	Group effective interest (100%)	Principal activities
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") forms 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 and is now under members' voluntary liquidation.

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9. LOANS

<b>Group and Company</b>	<b>2008 RM'000</b>	<b>2007 RM'000</b>
<b>Life fund</b>		
Policy loans	1,670	1,608
Mortgage loans	247	320
Automatic premium loans	4,782	4,782
Other secured loans	-	26
	6,699	6,736
Less : Allowance for doubtful debts	-	(104)
	6,699	6,632
Receivable within 12 months	29	32
Receivable after 12 months	6,670	6,600
	6,699	6,632

10. ASSETS HELD FOR SALE

<b>Group</b>	<b>2008 RM'000</b>	<b>2007 RM'000</b>
<b>Life fund</b>		
At beginning of financial year	1,062	-
Transferred from property, plant and equipment	-	449
Transferred from prepaid lease rental	-	613
	1,062	1,062

On 19 November 2008, the Group received an offer letter from the subsidiary's liquidator of a potential offer to purchase the said asset and as at 31 December 2008, no sales and purchase agreement has been entered into by the Group. The Group remains actively committed to dispose the subsidiary asset.



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11. RECEIVABLES

Group and Company	2008 RM'000	2007 RM'000		
<b>Shareholders' fund</b>				
<b>Other receivables</b>				
Amount due from Life fund (note 14)	9,077	21,934		
Amount due from Investment-linked funds (note 24)	11	25		
Other receivables	149	10		
	9,237	21,969		
	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</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 RM326,000 (2007: nil))	842	450	842	450
<b>Other receivables</b>				
Malaysian Institute of Insurance (MII) bonds	100	100	100	100
Other receivables, deposits and prepayments	497	780	497	794
Investment income due and accrued	3,067	3,104	3,067	3,104
Amount due from Investment-linked funds (note 24)	644	151	644	151
Amount due from subsidiary	-	-	79	77
	5,150	4,585	5,229	4,676

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

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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	2008		2007	
	Shareholders' fund RM'000	Life fund RM'000	Shareholders' fund RM'000	Life fund RM'000
Deferred tax assets	247	-	247	-
Deferred tax liabilities	-	(43)	-	(43)
	247	(43)	247	(43)
At beginning of financial year	247	(43)	247	(43)
Credit / (charged) to income statements / revenue accounts (Note 21)	-	-	-	-
At end of financial year	247	(43)	247	(43)
<u>Subject to income tax :</u>				
Deferred tax assets (before offsetting)	247	-	247	2
Offsetting	-	-	-	(2)
Deferred tax asset (after offsetting)	247	-	247	-
Deferred tax liabilities (before offsetting)	-	(43)	-	(45)
Offsetting	-	-	-	2
Deferred tax liabilities (after offsetting)	-	(43)	-	(43)

The amount of unutilised tax losses for which no deferred tax asset is recognised in the balance sheet is RM57,690,000 (2007: RM32,711,000)

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13. PROVISION FOR OUTSTANDING CLAIMS/ NET OUTSTANDING CLAIMS

<b>Group and Company</b>	<b>2008 RM'000</b>	<b>2007 RM'000</b>
<b>Life fund</b>		
Provision for outstanding claims / net outstanding claims	457	739

14. PAYABLES

<b>Group and Company</b>	<b>2008 RM'000</b>	<b>2007 RM'000</b>
<b>Shareholders' fund</b>		
Sundry creditors	396	259
	396	259

	<b>Group</b>		<b>Company</b>	
	<b>2008 RM'000</b>	<b>2007 RM'000</b>	<b>2008 RM'000</b>	<b>2007 RM'000</b>
<b>Life fund</b>				
<b>Trade Payables</b>				
Due to re-insurers and agents	6,664	4,455	6,664	4,455
<b>Other Payables</b>				
Other payables and accrued expenses	8,614	9,013	8,602	9,013
Amount due to Shareholders' fund (note 11)	9,077	21,934	9,077	21,934
Amounts due to related parties	559	1,623	559	1,623
	24,914	37,025	24,902	37,025

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

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15. LIFE POLICYHOLDERS' FUND

Group and Company	2008 RM'000	2007 RM'000
<b>Actuarial liabilities :</b>		
At beginning of financial year	217,041	199,600
Add : (Decrease) / increase in policy reserves	(6,331)	17,441
At end of financial year	210,710	217,041
<b>Unallocated surplus :</b>		
At beginning of financial year	-	22
Add : Transferred from Shareholders' fund	19,965	24,137
Less: Deficit arising during the financial year	(19,965)	(24,159)
At end of financial year	-	-
<b>Life policyholders' fund at end of financial year / period :</b>		
Actuarial liabilities	210,710	217,041
Unallocated surplus	-	-
	210,710	217,041

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16. **SHARE CAPITAL**

Group and Company	2008		2007	
	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	218,000	218,000	218,000	218,000
Issued during the financial year	19,000	19,000	-	-
At end of financial year	237,000	237,000	218,000	218,000

The Company issued new ordinary shares of RM1.00 each at par, to fund the future expansion of the Company. The new ordinary share issued ranked pari passu in all respects with the existing ordinary shares of the Company.

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17. OPERATING REVENUE

Group and Company	2008				2007			
	Shareholders' fund	Life fund	Investment linked funds	Total	Shareholders' fund	Life fund	Investment linked funds	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross premium income	-	40,958	2,900	43,858	-	26,884	3,073	29,957
Investment income (note 18)	326	9,004	1,261	10,591	1,496	8,987	985	11,468
At end of financial year	326	49,962	4,161	54,449	1,496	35,871	4,058	41,425

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18. INVESTMENT INCOME (continued)

Group and Company	2008			2007		
	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	-	1,703	59	-	2,541	52
Corporate debt securities of corporations	43	3,961	83	-	3,930	109
Loan and receivables :						
- automatic premium loans	-	532	-	-	464	-
- other secured loans	-	10	-	-	16	-
Fixed and call deposits	227	1,337	422	1,362	292	406
	270	7,543	564	1,362	7,243	567
(Amortisation of premiums) / accretion of discounts from :						
Malaysian government securities	-	(10)	2	-	(409)	(35)
Corporate debt securities of corporations	65	190	(7)	143	308	-
	65	180	(5)	143	(101)	(35)
Gross dividends from equity securities of corporations quoted in Malaysia	-	1,118	1,018	-	1,218	769

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18. INVESTMENT INCOME (continued)

Group and Company	2008			2007		
	Shareholders' fund	Life fund	Investment linked funds	Shareholders' fund	Life fund	Investment linked funds
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross rental income	-	712	-	-	1,081	-
Less : Rates and maintenance for investment purposes	-	(503)	-	-	(411)	-
	-	209	-	-	670	-
	335	9,050	1,577	1,505	9,030	1,301
Less : Investment expenses	(9)	(46)	(316)	(9)	(43)	(316)
	326	9,004	1,261	1,496	8,987	985

19. OTHER OPERATING (EXPENSES) / INCOME - NET

Group and Company	2008			2007		
	Shareholders' fund	Life fund	Investment linked fund	Shareholders' fund	Life fund	Investment linked fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gain / (loss) on disposal of :						
- Equity securities in corporations	-	184	(501)	-	3,711	5,154
- Corporate debt securities of corporations	18	63	-	-	115	-
- Investment properties	-	188	-	-	-	-
Allowance for diminution in value of investments	(3,014)	(2,627)	-	-	-	-
Fair values changes of investment properties	-	(1,628)	-	-	-	-
Other (expense) / income	-	(1)	22	-	648	-
Foreign exchange loss	-	-	(373)	-	-	-
	(2,996)	(3,821)	(852)	-	4,474	5,154



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20. MANAGEMENT EXPENSES

Group	2008		2007	
	Shareholders' fund RM'000	Life fund RM'000	Shareholders' fund RM'000	Life fund RM'000
Staff cost :				
- salary and bonus	-	10,731	-	9,738
- defined contribution retirement plan	-	1,889	-	1,893
- others	-	3,178	-	2,737
	-	15,798	-	14,368
Write back of provision for stamp duty	-	-	(4,300)	-
Management and consultancy fees	-	5,155	-	4,727
Advertising	-	2,827	-	3,397
IT expenses	-	3,107	-	3,247
Withholding tax on payment to non-resident	-	-	-	(146)
Rental of premises	-	1,732	-	1,284
Allowance for bad and doubtful debts	-	396	-	77
Depreciation of property, plant and equipment	-	972	-	678
Amortisation of intangible assets	-	1,416	-	1,075
Directors' remuneration :				
- Non – Executive	281	-	299	-
- Executive	-	1,059	-	808
Auditors remuneration	-	99	-	92
Other expenses	107	4,249	108	3,500
	388	36,810	(3,893)	33,107

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20. **MANAGEMENT EXPENSES** (continued)

Company	2008		2007	
	Shareholders' fund RM'000	Life fund RM'000	Shareholders' fund RM'000	Life fund RM'000
Staff cost :				
- salary and bonus	-	10,731	-	9,738
- defined contribution retirement plan	-	1,889	-	1,893
- others	-	3,178	-	2,737
	-	15,798	-	14,368
Write back of provision for stamp duty	-	-	(4,300)	-
Management and consultancy fees	-	5,155	-	4,727
Advertising	-	2,827	-	3,397
IT expenses	-	3,107	-	3,247
Withholding tax on payment to non-resident	-	-	-	(146)
Rental of premise	-	1,732	-	1,284
Increase in allowance for bad and doubtful debts	-	396	-	77
Depreciation of property, plant and equipment	-	972	-	678
Amortisation of intangible assets	-	1,416	-	1,075
Directors' remuneration :				
- Non – Executive	281	-	299	-
- Executive	-	1,059	-	808
Auditors remuneration	-	99	-	92
Other expenses	107	4,249	108	3,500
	388	36,810	(3,893)	33,107

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the financial year amounted to RM1,079,000 (2007: RM808,000).

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

Total staff cost of the Group and Company (including Executive Director) is RM16,857,000 (2007: RM15,176,000).

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21. TAXATION

<b>Group and Company</b>	<b>2008 RM'000</b>	<b>2007 RM'000</b>
<b>Shareholders' fund</b>		
In respect of current financial year :		
Current financial year	-	-
Deferred tax asset (note 12)	-	-
	-	-
<hr/>		
<b>Group and Company</b>	<b>2008 RM'000</b>	<b>2007 RM'000</b>
<b>Life fund</b>		
In respect of current financial year :		
Current financial year	1,375	970
Deferred tax liability (note 12)	-	-
	1,375	970

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>2008 %</b>	<b>2007 %</b>
Malaysian tax rate	26	27
Tax effects of :		
- expenses not deductible for tax purpose	-	-
- temporary differences not recognised	(33)	(33)
- income not subject to tax	7	6
Average effective tax rate	-	-

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21. **TAXATION** (continued)

As at the balance sheet date, the Group has unutilised tax losses of approximately RM57,690,000 (2007: RM32,711,000) 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.

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

<b>Group and Company</b>	<b>Future minimum lease payment</b>	
	<b>2008</b> <b>RM'000</b>	<b>2007</b> <b>RM'000</b>
Not later than 1 year	1,251	508
Later than 1 year and not later than 5 years	728	1,244
	<b>1,979</b>	<b>1,752</b>

23. **LOSS PER SHARE**

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

<b>Group</b>	<b>2008</b>	<b>2007</b>
Net loss attributable to ordinary shareholders (RM'000)	(23,023)	(18,748)
Weighted average number of ordinary shares in issue ('000)	227,186	218,000
Loss per share (sen)	(0.10)	(0.09)

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24. INVESTMENT-LINKED BUSINESS

Balance Sheet as at 31 December 2008

Group and Company	2008 RM'000	2007 RM'000
<b>Assets</b>		
Investments (note 7)	36,423	45,248
Receivables	587	144
Deferred tax asset	873	-
Cash and bank balances	1,172	3,461
	39,055	48,853
<b>Liabilities</b>		
Payables	242	58
Current tax payable	568	545
Deferred tax liabilities	292	291
Amount due to Life fund (note 11)	644	151
Amount due to Shareholders' fund (note 11)	11	25
	1,757	1,070
<b>Net asset value of fund</b>	<b>37,298</b>	<b>47,783</b>
Represented by :		
<b>Policyholders' account</b>		
At the beginning of financial year	47,783	36,708
Net creations of units	2,900	3,073
Cancellation of units	(493)	(156)
Net (deficit) / surplus for financial year	(12,892)	8,158
At end of financial year	37,298	47,783

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

**Statement of Income and Expenditure for the financial year ended 31 December 2008**

<b>Group and Company</b>	<b>2008 RM'000</b>	<b>2007 RM'000</b>
Investment income (note 18)	1,261	985
Other operating (expenses) / income (note 19)	(852)	5,154
Unrealised capital (losses) / gains on investments	(14,393)	2,732
(Deficit) / surplus before taxation	(13,984)	8,871
Taxation	1,092	(713)
Net (deficit) / surplus for the financial year	(12,892)	8,158

25. **SEGMENT INFORMATION ON CASH FLOWS**

<b>Group and Company</b>	<b>2008</b>			<b>2007</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	(18,993)	2,642	(16,351)	8	4,594	4,602
Investing activities	-	(4,566)	(4,566)	-	(2,301)	(2,301)
Financing activities	19,000	-	19,000	-	-	-
Net increase in cash and cash equivalents	7	(1,924)	(1,917)	8	2,293	2,301
Cash and cash equivalents :						
At beginning of financial year	14	5,033	5,047	6	2,740	2,746
At end of financial year	21	3,109	3,130	14	5,033	5,047

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## 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
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 party by virtue of being subsidiary 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>2008 RM'000</b>	<b>2007 RM'000</b>
<b>Non - Executive Directors</b>		
- fees	235	256
- meeting allowance	46	43
	<b>281</b>	<b>299</b>

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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>2008 RM'000</b>	<b>2007 RM'000</b>
Salary, bonus and benefit	2,717	2,169
Defined contribution plan	403	324
Benefits-in-kind	18	10
	<b>3,138</b>	<b>2,503</b>

(a) **Significant related party transactions**

<b>Life fund</b>	<b>2008 RM'000</b>	<b>2007 RM'000</b>
<b>Transactions with AFFIN Group</b>		
Irat Hotels & Resorts Sdn Bhd - Rental of office and utility expenses	1,368	1,332
AFFIN Bank Berhad – Commission	864	91
Boustead Travel Services Sdn Bhd - Provision for Travel Services	129	22
AXA-AFFIN General Insurance Berhad – Insurance Premium	782	86
	<b>3,143</b>	<b>1,531</b>
<b>Transactions with AXA Group</b>		
Reimbursements of software development cost	3,112	1,390
Management and consultancy fees	4,476	3,934
Software licensed fees	518	834
	<b>8,106</b>	<b>6,158</b>



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

(b) **Related party balances**

<b>Life fund</b>	<b>2008 RM'000</b>	<b>2007 RM'000</b>
Amount due to AXA Group included in other payables (note 14)	559	1,623

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' Lodin Bin Wok Kamaruddin

David Matthews

Dato' Mustafa Bin Mohamad Ali

Dato' Mohd Sallehuddin Bin Othman

**Executive Directors**

Kwo Shih Kang

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## 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>2008 RM'000</b>	<b>2007 RM'000</b>
<b>Rating of specified debt securities on carrying value basis</b>		
AAA	35,590	46,699
AA	26,166	31,498
P1*	5,000	14,916
Non-rated**	25,154	9,988
	91,910	103,101

\* Refers to commercial papers

\*\* Refers to government guaranteed bonds

#### 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 manage 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. The Group's exposures to foreign exchange risk are as shown below:-

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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 :-

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
Corporate debt securities of corporations unquoted	-	5,000	-	5,210	5,193	15,711	60,796	91,910	4.70
Equity securities of corporations	41,827	-	-	-	-	-	-	41,827	
Unit trust	1,744	-	-	-	-	-	-	1,744	
Fixed and call deposits	-	60,819	-	-	-	-	-	60,819	3.34
Investments in investment-linked fund	31,986	-	-	-	-	-	-	31,986	
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	289,901	
Other financial assets *								842	
Non financial assets								135,942	
Total Assets								425,685	

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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”.

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27. **FINANCIAL INSTRUMENTS** (continued)

**Interest rate risk** (continued)

2007 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>ASSETS</b>								
Investments :								
Malaysian government securities	-	1,536	-	-	5,001	35,659	42,196	4.03
Corporate debt securities of corporations	-	15,946	-	10,628	5,238	71,289	103,101	4.60
Equity securities of corporations	46,427	-	-	-	-	-	46,427	-
Quoted real estate trust	1,902	-	-	-	-	-	1,902	-
Fixed and call deposits	-	43,340	-	-	-	-	43,340	3.50
Investments in investment-linked fund	35,000	-	-	-	-	-	35,000	-
Loans	-	6,632	-	-	-	-	6,632	8.00
Other receivables	26,248	-	-	-	-	-	26,248	-
Cash and bank balances	5,047	-	-	-	-	-	5,047	-
Financial assets	114,624	67,454	-	10,628	10,239	106,948	309,893	
Other financial assets *							450	
Non financial assets							137,431	
Total Assets							447,774	

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27. **FINANCIAL INSTRUMENTS** (continued)

**Interest rate risk** (continued)

2007 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	33,063	-	-	-	-	-	33,063	
Financial liabilities	33,063	-	-	-	-	-	33,063	
Other financial liabilities *							222,235	
Non financial liabilities							1,138	
Total Liabilities							256,436	

\* 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”.

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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 trust	1,744	-	-	-	-	-	-	1,744	
Fixed and call deposits	-	60,819	-	-	-	-	-	60,819	3.34
Investments in investment-linked fund	31,986	-	-	-	-	-	-	31,986	
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	

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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	

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27. **FINANCIAL INSTRUMENTS** (continued)

**Interest rate risk** (continued)

2007 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>ASSETS</b>								
Investments :								
Malaysian government securities	-	1,536	-	-	5,001	35,659	42,196	4.03
Corporate debt securities of corporations	-	15,946	-	10,628	5,238	71,289	103,101	4.60
Equity securities in corporations	46,427	-	-	-	-	-	46,427	-
Quoted real estate trust	1,902	-	-	-	-	-	1,902	-
Fixed and call deposits	-	43,340	-	-	-	-	43,340	3.50
Investments in investment-linked fund	35,000	-	-	-	-	-	35,000	-
Loans	-	6,632	-	-	-	-	6,632	8.00
Other receivables	26,339	-	-	-	-	-	26,339	-
Cash and bank balances	5,047	-	-	-	-	-	5,047	-
Financial assets	114,715	67,454	-	10,628	10,239	106,948	309,984	
Other financial assets *							1,421	
Non financial assets							136,369	
Total Assets							447,774	

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27. **FINANCIAL INSTRUMENTS** (continued)

**Interest rate risk** (continued)

2007 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	33,063	-	-	-	-	-	33,063	
Financial liabilities	33,063	-	-	-	-	-	33,063	
Other financial liabilities *							222,235	
Non financial liabilities							1,138	
Total Liabilities							256,436	

\* 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”.

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27. **FINANCIAL INSTRUMENTS** (continued)

**Fair values**

The fair value of assets of financial assets carried on the balance sheet as at 31 December 2008 are as follows :-

<b>Group and Company</b>	<b>2008</b>		<b>2007</b>	
	<b>Carrying Value RM'000</b>	<b>Fair Value RM'000</b>	<b>Carrying Value RM'000</b>	<b>Fair Value RM'000</b>
Malaysian government securities	36,654	39,838	42,196	43,389
Corporate debt securities of corporations*	91,910	90,436	103,101	104,201
Equity securities of corporations	41,827	41,827	46,427	56,482
Investment in investment-linked fund (seed capital)	31,986	31,986	35,000	44,295
	<b>202,377</b>	<b>204,087</b>	<b>226,724</b>	<b>248,367</b>

\* The carrying value of investments in corporate debt securities of corporations at the balance sheet date has not been written down to its fair value as the Director is of the opinion that these investments will be held for long term purposes.