

Company No.

854686	K
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DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2009

Company No.

854686

K

DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

CONTENTS	PAGE
DIRECTORS' REPORT	1 - 22
STATEMENT BY DIRECTORS	23
STATUTORY DECLARATION	23
INDEPENDENT AUDITORS' REPORT	24 - 25
FINANCIAL STATEMENTS	
BALANCE SHEET	26
INCOME STATEMENT	27
STATEMENT OF CHANGES IN EQUITY	28
CASH FLOW STATEMENT	29
NOTES TO THE FINANCIAL STATEMENTS	30 - 43

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854686

K

DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby submit their report to the members of the Company together with the audited financial statements of the Company for the financial period from 24 April 2009 (date of incorporation) to 31 December 2009.

PRINCIPAL ACTIVITY

The Company is principally engaged in providing financial guarantee insurance. The Company commenced its operations on 13 May 2009, but no financial guarantee policies were provided during the financial period from 24 April 2009 (date of incorporation) to 31 December 2009.

CHANGE OF COMPANY NAME

The Company has changed its name from FGI-CGC Corporation Berhad to Danajamin Nasional Berhad effective from 4 May 2009.

FINANCIAL RESULTS

	RM'000
Net profit for the financial period	<u>8,745</u>

DIVIDENDS

No dividend has been paid or declared by the Company since the date of incorporation. The Directors do not recommend any payment of dividend for the current financial period.

ISSUE OF SHARES

The authorised share capital of the Company is RM1,000,000,000 comprising 1,000,000,000 ordinary shares of RM1.00 each. As at 31 December 2009, the issued and paid-up share capital of the Company is RM1,000,000,000 divided into 1,000,000,000 ordinary shares of RM1.00 each. The ordinary shares of RM1.00 each were issued and fully paid for cash at par as follows:

	Number of shares
24 April 2009	2
15 May 2009	<u>999,999,998</u>
	<u>1,000,000,000</u>

The 2 ordinary shares of RM1.00 each were subscribers' shares. On 15 May 2009, 999,999,998 ordinary shares of RM1.00 were issued and allotted for cash at par and the shares rank pari passu in all respects with the existing ordinary shares of the Company.

Company No.

854686	K
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DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
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DIRECTORS' REPORT (CONTINUED)

ISSUE OF SHARES (CONTINUED)

In addition to the above, there is an additional RM1,000,000,000 capital on call from the Government of Malaysia which is recognised as qualified capital for purpose of meeting the regulatory requirements specified by the Bank Negara Malaysia ("BNM").

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

Before the income statement and balance sheet of 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 Company have been written down to an amount which they might be expected so to realise.

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

VALUATION METHODS

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

Company No.

854686

K

DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
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DIRECTORS' REPORT (CONTINUED)

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company for the financial period 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 period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the financial period in which this report is made.

CORPORATE GOVERNANCE

The Company is the nation's first Financial Guarantee Insurer, licensed under the Insurance Act, 1996 and regulated and supervised by BNM. As a licensed entity, the Company complies with the requirements of, and adopts management practices that are consistent with the principles of BNM's Guidelines on Corporate Governance for Licensed Institutions (BNM/RH/GL 01-1) and Prudential Framework of Corporate Governance for Insurers (BNM/RH/GL 003-01) ("BNM Guidelines").

Company No.

854686

K

DANAJAMIN NASIONAL BERHAD

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board responsibilities and oversight

The Board of Directors ("Board") acknowledges its overall responsibilities as set out in the BNM Guidelines and is committed in ensuring that the highest standards of governance are being practised in all aspects of the Company's operations.

The day-to-day management of the Company is delegated to the Managing Director ("MD")/Chief Executive Officer ("CEO") who, supported by a management team, is responsible for among others, ensuring the successful implementation of the Company's strategies and corporate policies.

The duties and responsibilities of the MD/CEO and other Non-Executive Directors are distinct and separate to ensure a balance of power and authority towards the establishment of an effective Board.

Board composition and balance

The Board currently has ten (10) directors comprising an Independent Non-Executive Chairman, six (6) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors and the MD/CEO. The Board has within it, professionals drawn from various backgrounds, bringing with them a wide range of skills, expertise and breadth of experience to provide direction and to support the Company's objectives and business operations.

A brief profile of each Director is presented as below:

1. Dato' Sri Abdul Hamidy bin Abdul Hafiz (Chairman)

Dato' Sri Hamidy was appointed as Independent Non-Executive Director on 14 May 2009 and has served as Chairman since then. He is also the Chairman of Board Underwriting Committee and Board Remuneration and Nomination Committee.

Dato' Sri Hamidy has over thirty (30) years of extensive banking experience in the fields of Commercial and Finance Banking, Investment Banking and Islamic Banking.

Dato' Sri Hamidy was formerly the Managing Director/Chief Executive Officer of Affin Bank Berhad. Prior to joining Affin Bank Berhad, Dato' Sri Hamidy was the Managing Director of Pengurusan Danaharta Nasional Berhad, the country's first national asset management company, established by the Government of Malaysia to resolve the issue of non-performing loans (NPLs) in the banking sector during the 1998 financial crisis.

Dato' Sri Hamidy is also the Chairman of Corporate Debt Restructuring Committee established by BNM.

Dato' Sri Hamidy holds a Bachelor Degree in Business Administration and a Masters in Business Administration from Ohio University, USA.

DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board composition and balance (continued)

2. Dato' Mohd Hanif bin Sher Mohamed

Dato' Mohd Hanif was appointed as Non-Independent Non-Executive Director on 14 May 2009. He is also a member of Board Underwriting Committee and Board Remuneration and Nomination Committee.

Dato' Mohd Hanif has over thirty (30) years of experience in the banking industry and prior to his retirement on 31 December 2000, he was the Chief Executive Officer of Credit Corporation (Malaysia) Berhad.

Dato' Mohd Hanif is a Director of several public companies, including Credit Guarantee Corporation (Malaysia) Berhad and Agrobank Berhad (formerly known as Bank Pertanian Malaysia Berhad). Dato' Mohd Hanif is also the Chairman of Agensi Kaunseling and Pengurusan Kredit (AKPK), established by BNM.

Dato' Mohd Hanif holds a Masters in Business Administration from the United Kingdom. He is a member of the Australian Management College, British Institute of Management and the Institute of Credit Management, United Kingdom.

3. Datuk Manharlal a/l Ratilal (Datuk George Ratilal)

Datuk George Ratilal was appointed as an Independent Non-Executive Director on 14 May 2009. He is also the Chairman of Board Risk Committee and a member of Board Remuneration and Nomination Committee.

Presently, Datuk George Ratilal is the Vice President, Finance of Petroliam Nasional Berhad (PETRONAS). Prior to joining PETRONAS in 2003, he was the Managing Director of RHB Investment Bank (formerly known as RHB Sakura Merchant Bankers Berhad), where he served for eighteen (18) years.

Datuk George Ratilal is also a Director of KLCC Property Holdings Berhad, Cagamas Berhad and Cagamas Holdings Berhad and several subsidiaries of PETRONAS.

Datuk George Ratilal holds a Masters of Business Administration degree from the University of Aston in Birmingham, United Kingdom.

DANAJAMIN NASIONAL BERHAD

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board composition and balance (continued)

4. Dato' Mohammed Hussein

Dato' Mohammed Hussein was appointed as an Independent Non-Executive Director on 14 May 2009. He is a member of Board Investment Committee, Board Underwriting Committee and Board Audit Committee.

Dato' Mohammed Hussein served thirty-one (31) years in the Maybank Group, holding various senior management positions including Head of Corporate Banking, Head of Malaysian Operations and Managing Director of Aseambankers Malaysia Berhad (currently known as Maybank Investment Bank Berhad). The last position held prior to his retirement on 30 January 2008 was as the Deputy President/Chief Financial Officer of Maybank.

Dato' Mohammed Hussein is now a Senior Advisor of RSM Strategic Business Advisors Sdn Bhd. He serves as a Director of several private and public listed companies such as Hap Seng Consolidated Berhad and Ancom Berhad. He is also a member of Corporate Debt Restructuring Committee.

Dato' Mohammed Hussein obtained a Bachelor of Commerce degree majoring in Accounting from the University of Newcastle, New South Wales, Australia. He is also an alumnus of the Advance Management Program, Harvard Business School, Boston, USA.

5. Dato' Albert Yeoh Beow Tit

Dato' Albert Yeoh was appointed as an Independent Non-Executive Director on 14 May 2009. He is also a member of Board Underwriting Committee and Board Audit Committee.

Dato' Albert Yeoh was the Director-Corporate Banking Group for Citibank Berhad prior to joining OCBC Bank (Malaysia) Berhad in March 1996. He held various senior management positions within the OCBC Group, including the Chief Executive Officer of OCBC Bank (Malaysia) Berhad, a position which he held until his retirement on 31 July 2008.

Dato' Albert Yeoh also sits on the Board of Cagamas Berhad, Great Eastern Life Assurance (Malaysia) Berhad and Overseas Assurance Corporation (Malaysia) Berhad.

Dato' Albert Yeoh graduated with a Bachelor of Economics (Double Major in Economics and Operations Research) from Monash University, Australia in 1972 before obtaining his Master of Science in Management from University of Salford, Manchester, England in 1975. He was conferred a Fellowship of the Institute of Bankers Malaysia by the Governor of BNM in April 2002.

DANAJAMIN NASIONAL BERHAD

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board composition and balance (continued)

6. Philip Tan Puay Koon

Philip Tan was appointed as an Independent Non-Executive Director on 14 May 2009. He is a member of Board Investment Committee, Board Risk Committee and Board Remuneration and Nomination Committee.

Philip Tan has more than twenty-four (24) years of experience in the field of banking and finance, principally in the areas of treasury and risk management. He was formerly a Managing Director and Chief Financial Officer of Emerging Market Sales and Trading, Asia-Pacific of Citigroup. He was also the Country Treasurer and Financial Market Head of Citibank Berhad from November 1999 to July 2001.

Philip Tan is currently a Director of Malaysian Electronic Clearing Corporation Sdn. Bhd. (MyClear), established by BNM and a member of Corporate Debt Restructuring Committee.

Philip Tan holds a First Class Honours B.A. Degree in Business Studies (Accounting and Finance) from North-East London Polytechnic, U.K. and has attended the Oxford International Executive Programme and the Stanford-NUS Executive Programme.

7. Abdul Kadir bin Md Kassim

Abdul Kadir was appointed as an Independent Non-Executive Director on 14 May 2009. He is the Chairman of Board Investment Committee and a member of Board Underwriting Committee and Board Remuneration and Nomination Committee.

Abdul Kadir is a practising lawyer with over forty (40) years of experience. He is currently the Managing Partner of Messrs Kadir, Andri and Partners.

Abdul Kadir sits on the Board of various public listed and non listed companies including Proton Holdings Berhad, Suria Capital Holdings Berhad, TIME dotCom Berhad, Sino Hua-An International Berhad and the UEM Group of Companies. He also serves as Chairman of the Exchange Committee of the Labuan International Financial Exchange and a member of the Investment Panel of the Lembaga Tabung Haji and the Corporate Debt Restructuring Committee.

Abdul Kadir holds a Degree in Law from the University of Singapore, Singapore.

DANAJAMIN NASIONAL BERHAD

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board composition and balance (continued)

8. Nik Mohd Hasyudeen bin Yusoff

Nik Hasyudeen was appointed as an Independent Non-Executive Director on 14 May 2009. He is the Chairman of Board Audit Committee and a member of Board Risk Committee.

Nik Hasyudeen is a career Chartered Accountant with over twenty (20) years of experience. He is currently the Chief Executive Officer of Inovastra Sdn Bhd, a strategic business advisory practice. He also serves on the Board of PNB Development Sdn. Bhd. and is a member of Corporate Debt Restructuring Committee and Bursa Malaysia Listing Committee.

Nik Hasyudeen is a member of the Operational Review panel of the Malaysian Anti-Corruption Commission. He had formerly served as the President of the Malaysian Institute of Accountants and on the Malaysian Accounting Standards Board and was a member of the Board and Strategy Committee of the Confederation of Asian and Pacific Accountants.

Nik Hasyudeen graduated from Curtin University of Technology, Australia and is a member of the Malaysian Institute of Accountants and a Fellow CPA of CPA Australia.

9. Ahmad Badri bin Mohd Zahir

Ahmad Badri was appointed as a Non-Independent Non-Executive Director on 25 June 2009. He is also a member of Board Investment Committee and Board Risk Committee.

Ahmad Badri is currently the Senior Principal Assistant Secretary of the Market Loan, Bilateral and Multilateral Section at the Ministry of Finance. He has served for more than twenty (20) years in the Ministry of Finance, holding several senior positions.

Ahmad Badri is also a Director of Bank Kerjasama Rakyat Malaysia Berhad and a member of the Corporate Debt Restructuring Committee.

Ahmad Badri holds a Masters in Business Administration from the University of Hull, United Kingdom.

DANAJAMIN NASIONAL BERHAD

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board composition and balance (continued)**10. Ahmad Zulqarnain bin Che On**

Ahmad Zulqarnain was appointed as a CEO on 14 August 2009 and MD on 8 October 2009.

Ahmad Zulqarnain graduated from Harvard University, with a Bachelor of Arts in Economics. Prior to his appointment as a CEO of the Company, he was the Chief Corporate Strategist at Affin Bank Berhad.

Ahmad Zulqarnain started his career working with UBS Warburg as an Equity Research Analyst, and subsequently joined Pengurusan Danaharta Nasional Berhad. He then joined the Investment Banking team at CIMB Investment Bank Berhad before being seconded to the Corporate Debt Restructuring Committee. He had also held other positions previously including Director, Corporate Finance and Planning in the Symphony House Berhad responsible for the Group Corporate Finance and Strategic Planning and Executive Director at Bolton Berhad.

Board meetings

The Board meets at least once in every two months in a financial year and also at other times as and when Board meetings are required. Since its incorporation, the Board has met eight (8) times to deliberate and consider a variety of significant matters that required its guidance and approval.

For the financial period ended 31 December 2009, all Directors have complied with the requirement in the BNM Guidelines that Directors must attend at least 75% of Board meetings held during the financial period. Details of attendance of each Director who was in office during the financial period ended 31 December 2009 are as follows:

<u>Name of Directors</u>	<u>Status of Directorship</u>	<u>Number of Meetings and Attendance</u>	<u>Percentage of Attendance</u>
Datuk Wan Azhar bin Wan Ahmad	Promoter	2/2*	100%
Zaiton binti Mohd Hassan	Promoter	2/2*	100%
Dato' Sri Abdul Hamidy bin Abdul Hafiz	Independent Non-Executive Chairman	6/6	100%
Dato' Mohd Hanif bin Sher Mohamed	Non-Independent Non-Executive Director	6/6	100%

* – Resigned on 14 May 2009

Company No.

854686

K

DANAJAMIN NASIONAL BERHAD

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board meetings (continued)

<u>Name of Directors</u>	<u>Status of Directorship</u>	<u>Number of Meetings and Attendance</u>	<u>Percentage of Attendance</u>
Datuk George Ratilal	Independent Non-Executive Director	6/6	100%
Dato' Mohammed Hussein	Independent Non-Executive Director	5/6	83.33%
Dato' Albert Yeoh Beow Tit	Independent Non-Executive Director	6/6	100%
Philip Tan Puay Koon	Independent Non-Executive Director	6/6	100%
Abdul Kadir bin Md Kassim	Independent Non-Executive Director	6/6	100%
Nik Mohd Hasyudeen bin Yusoff	Independent Non-Executive Director	5/6	83.33%
Ahmad Badri bin Mohd Zahir	Non-Independent Non-Executive Director	4/4**	100%
Ahmad Zulqarnain bin Che On	MD/CEO	2/2 [#]	100%

** – Appointed on 25 June 2009

– Appointed on 8 October 2009

Prior to each Board meeting, an Agenda together with comprehensive information, documents and material ("Board Papers") for each Agenda item to be discussed will be forwarded to each Director at least five (5) days before the scheduled meeting date to give reasonable time for the Directors to review the Board Papers and to enable the Directors to obtain further clarification or explanation, where necessary. However, Board Papers for matters that are deemed urgent may still be submitted to the Company Secretary after the expiry of such deadline, subject to the approval of the Chairman.

The Board has full and unrestricted access to the information of the Company through the Senior Management and the Company Secretary.

Company No.

854686

K

DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Roles and Responsibilities of the Chairman and the MD/CEO

The roles of both the Chairman and the MD/CEO are clearly separated with the position being held by two (2) different individuals to ensure that an appropriate balance of role and authority is maintained.

Chairman

The Chairman is responsible to ensure the smooth and effective functioning of the Board and the governance structure, inculcating positive culture in the Board, providing avenues for all Directors to participate openly in the discussion, providing leadership to the Board and is responsible for the development needs of the Board.

MD/CEO

The MD/CEO is responsible for the implementation and execution of strategic goals as determined by the Board and to manage and oversee the day-to-day operations to ensure the smooth and effective running of the Company. The MD/CEO also acts as an intermediary between the Board and Senior Management.

Board Committees

The Board has established several Committees which operate within clearly defined Terms of Reference to assist the Board in executing its duties and responsibilities. Although the Board may delegate certain duties to its Committees, it remains ultimately responsible for the decisions of the Committees.

The Board has established the following Board Committees namely:

1. Audit Committee;
2. Risk Committee;
3. Remuneration and Nomination Committee;
4. Investment Committee; and
5. Underwriting Committee.

The functions and Terms of Reference of the Board Committees are clearly defined and in compliance with the relevant governing laws, regulations and guidelines among others the BNM/RH/GL 01-1.

DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

1. Audit Committee

Members

- (i) Nik Mohd Hasyudeen bin Yusoff (Chairman)
- (ii) Dato' Albert Yeoh Beow Tit
- (iii) Dato' Mohammed Hussein

The details of attendance of each Member at the meeting during the financial period ended 31 December 2009 are as follows:

<u>Name of Directors</u>	<u>Status of Directorship</u>	<u>Number of Meetings and Attendance</u>	<u>Percentage of Attendance</u>
Nik Mohd Hasyudeen bin Yusoff (Chairman)	Independent Non-Executive Director	1/1	100%
Dato' Mohammed Hussein	Independent Non-Executive Director	1/1	100%
Dato' Albert Yeoh Beow Tit	Independent Non-Executive Director	1/1	100%

Composition

The composition of the Audit Committee has conformed with the requirements as stipulated by the BNM's Guidelines for Audit Committees and Internal Audit Department.

Quorum

Quorum shall be at least two-third (2/3) of members, with Independent Directors forming the majority.

Secretary

Company Secretary

Frequency of meetings

The Audit Committee shall meet at least once every financial quarter.

Functions, duties and responsibilities

- a. To review the Company's financial statements for submission to the Board and ensure compliance with disclosure requirements and any adjustments as suggested by the Auditors.
- b. To review the reports of the Internal Auditors, External Auditors, BNM Examiners and any other relevant parties, including obligatory reports to the BNM on matters covered under Section 82 of the Insurance Act 1996.
- c. To ensure the independence and effectiveness of the internal audit functions.
- d. To review the appropriateness of the risk assessment methodology employed and adequacy of the Company's internal controls.

DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

1. Audit Committee (continued)

Functions, duties and responsibilities (continued)

- e. To be responsible for the appointment of the External Auditors and assessing the Auditors' objectivity, performance and independence.
- f. To review with the External Auditors the scope of the audit plan, the financial statements, changes in accounting policies and principles, compliance with laws and accounting standards, material variances or fluctuations, validity of going concern assumptions, system of internal accounting controls and any other relevant findings or concerns raised by the External Auditors.
- g. To make recommendations to the Board on the appointment of External Auditors.
- h. To meet with the External Auditors without the presence of management at least once per annum.
- i. To review and approve the annual audit plan and budget for the internal audit functions.
- j. To be directly responsible for the role and performance of the Head of Internal Audit functions and his or her remuneration scheme; to ensure the adequacy of resources for the carrying out of the internal audit functions.
- k. To report to the Board via minutes of meetings or special report on the findings of its meetings/activities.
- l. To carry out such other responsibilities as may be delegated by the Board from time to time.
- m. To ensure compliance with BNM's Guidelines for Audit Committee and Internal Audit Department, and as may be amended from time to time.

Authority

The Audit Committee shall have unlimited access to all relevant records, information and documents, to the Internal and External Auditors and to senior management of the Company.

The Internal and External Auditors shall have free access to the Audit Committee and be allowed to attend and to be heard at the Committee meetings.

The Audit Committee is authorised by the Board to obtain outside independent professional advice, from time to time as it considers necessary.

DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

2. Risk Committee

Members

- (i) Datuk George Ratilal (Chairman)
- (ii) Nik Mohd Hasyudeen bin Yusoff
- (iii) Philip Tan Puay Koon
- (iv) Ahmad Badri bin Mohd Zahir

The details of attendance of each Member at the meeting during the financial period ended 31 December 2009 are as follows:

<u>Name of Directors</u>	<u>Status of Directorship</u>	<u>Number of Meetings and Attendance</u>	<u>Percentage of Attendance</u>
Datuk George Ratilal (Chairman)	Independent Non-Executive Director	2/2	100%
Nik Mohd Hasyudeen bin Yusoff	Independent Non-Executive Director	2/2	100%
Philip Tan Puay Koon	Independent Non-Executive Director	2/2	100%
Ahmad Badri bin Mohd Zahir	Non-Independent Non-Executive Director	2/2	100%

Objective

To ensure the risk management functions and practices of the Company are conducted and discharged effectively to ensure management and mitigation of key risks.

Composition

At least three (3) members, comprising Non-Executive Directors who are not members of the Board Underwriting Committee.

Frequency of meetings

At least four (4) times each financial year, on a quarterly basis.

Quorum

At least two (2) members.

Voting

By majority, with casting vote to Chairman.

Secretary

Company Secretary

DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

2. Risk Committee (continued)

Duties and responsibilities

- a. To review the risk-taking strategies and risk management policies of the Company.
- b. To review the overall risk profile of the Company, including market risks and credit risks within the portfolio.
- c. To set the risk appetite appropriate for the Company.
- d. To review the performance of the risk management function of the Company.
- e. To approve contingency plans for dealing with potential high-impact risk events.
- f. To ensure a culture of risk-awareness and risk-mitigation in the Company.

3. Remuneration and Nomination Committee

Members

- (i) Dato' Sri Abdul Hamidy bin Abdul Hafiz (Chairman)
- (ii) Dato' Mohd Hanif bin Sher Mohamed
- (iii) Datuk George Ratilal
- (iv) Philip Tan Puay Koon
- (v) Abdul Kadir bin Md Kassim

The details of attendance of each Member at the meeting during the financial period ended 31 December 2009 are as follows:

<u>Name of Directors</u>	<u>Status of Directorship</u>	<u>Number of Meetings and Attendance</u>	<u>Percentage of Attendance</u>
Dato' Sri Abdul Hamidy bin Abdul Hafiz (Chairman)	Independent Non-Executive Chairman	1/1	100%
Dato' Mohd Hanif bin Sher Mohamed	Non-Independent Non-Executive Director	1/1	100%
Datuk George Ratilal	Independent Non-Executive Director	1/1	100%
Philip Tan Puay Koon	Independent Non-Executive Director	1/1	100%
Abdul Kadir bin Md Kassim	Independent Non-Executive Director	1/1	100%

DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

3. Remuneration and Nomination Committee (continued)

Objectives

- (i) To ensure that the Board has the appropriate balance and size, and the required mix of skills, experience and other core competencies.
- (ii) To ensure the Company can attract and retain high caliber executives needed to run and manage the Company successfully.

Composition

At least three (3) members, comprising Non-Executive Directors.

Frequency of meetings

At least once every financial year.

Quorum

At least (2) members.

Voting

By majority, with casting vote to Chairman.

Secretary

Company Secretary

Duties and responsibilities

- a. To review and recommend to the Board the compensation and benefits package and salary scale and terms and conditions for all levels of employees of the Company.
- b. To review and recommend to the Board the basis for the annual bonus and salary increment for all levels of employees of the Company.
- c. To consider and recommend suitable persons for appointment as Directors, CEO and Deputy CEO.
- d. To review and recommend to the Board the compensation and benefits package and the terms and conditions of service of the CEO and Deputy CEO.
- e. To review and recommend to the Board the remuneration for Non-Executive Directors of the Company.
- f. To review and approve the recruitment and remuneration package of Head of Divisions if the package exceeds the limits set by the Scheme of Service.
- g. To annually review performance of CEO, Deputy CEO and Heads of Divisions.
- h. To assess the effectiveness of the Board, the Committees of the Board and each individual Director.

DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

3. Remuneration and Nomination Committee (continued)

Duties and responsibilities (continued)

- i. To consider and recommend measures to upgrade the effectiveness of the Board and Committees of the Board.
- j. To annually review the required mix of skills and experience and other qualities, including core competencies, which Non-Executive Directors should bring to the Board.
- k. To consider and recommend solutions on issues of conflict of interest affecting Directors.
- l. To approve the appointments of all Heads of Divisions.

4. Investment Committee

Members

- (i) Abdul Kadir bin Md Kassim (Chairman)
- (ii) Dato' Mohammed Hussein
- (iii) Philip Tan Puay Koon
- (iv) Ahmad Badri bin Mohd Zahir

The details of attendance of each Member at the meeting during the financial period ended 31 December 2009 are as follows:

<u>Name of Directors</u>	<u>Status of Directorship</u>	<u>Number of Meetings and Attendance</u>	<u>Percentage of Attendance</u>
Abdul Kadir bin Md Kassim (Chairman)	Independent Non-Executive Director	1/1	100%
Dato' Mohammed Hussein	Independent Non-Executive Director	1/1	100%
Philip Tan Puay Koon	Independent Non-Executive Director	1/1	100%
Ahmad Badri bin Mohd Zahir	Non-Independent Non-Executive Director	1/1	100%

Objective

To ensure the Company invests and manages its capital resources in a professional and prudent manner, achieves the targeted returns while assuming an appropriate level of risk, maintain a sufficient level of liquidity for claim events and maintain conformity with all regulatory requirements.

Composition

At least three (3), comprising Non-Executive Directors.

DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)

(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

4. Investment Committee (continued)

Frequency of meetings

At least four (4) times each financial year, on a quarterly basis, and from time to time, for the deliberation of specific investment proposals.

Quorum

Two (2) members.

Voting

By majority, with casting vote to Chairman.

Secretary

Company Secretary

Duties and responsibilities

- a. To review and, if appropriate, approve proposals for investments and divestments of investment assets (other than short-term term deposits and government securities) valued at RM25 million and above.
 - b. To review the performance of the portfolio of capital resources.
 - c. To determine from time to time the asset allocation target for the portfolio of capital resources.
5. Underwriting Committee

Members

- (i) Dato' Sri Abdul Hamidy bin Abdul Hafiz (Chairman)
- (ii) Dato' Mohd Hanif bin Sher Mohamed
- (iii) Dato' Mohammed Hussein
- (iv) Dato' Albert Yeoh Beow Tit
- (v) Abdul Kadir bin Md Kassim

The details of attendance of each Member at the meeting during the financial period ended 31 December 2009 are as follows:

<u>Name of Directors</u>	<u>Status of Directorship</u>	<u>Number of Meetings and Attendance</u>	<u>Percentage of Attendance</u>
Dato' Sri Abdul Hamidy bin Abdul Hafiz (Chairman)	Independent Non-Executive Chairman	3/3	100%
Dato' Mohd Hanif bin Sher Mohamed	Non-Independent Non-Executive Director	3/3	100%
Dato' Mohammed Hussein	Independent Non-Executive Director	3/3	100%

DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

5. Underwriting Committee (continued)

Members (continued)

<u>Name of Directors</u>	<u>Status of Directorship</u>	<u>Number of Meetings and Attendance</u>	<u>Percentage of Attendance</u>
Dato' Albert Yeoh Beow Tit	Independent Non-Executive Director	3/3	100%
Abdul Kadir bin Md Kassim	Independent Non-Executive Director	3/3	100%

Objective

To review and endorse (with power to veto) underwriting proposals approved by the Management Underwriting Committee.

Composition

At least five (5) Non-Executive Directors.

Quorum

At least three (3) members.

Frequency of meetings

Twice a month, subject to proposals to be considered.

Voting

By majority, with casting vote to Chairman.

Secretary

Company Secretary

Duties and responsibilities

- a. To review and, if appropriate, endorse underwriting proposals that have been approved by the Management Underwriting Committee.
- b. Where an underwriting proposal has been approved by the Management Underwriting Committee and the Board Underwriting Committee disagrees with the proposal, to exercise the power of veto.
- c. To review and monitor reports on the underwriting performance of the Company.

Company No.

854686

K

DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Internal control and enterprise risk management

The Board is primarily responsible to determine the strategies and policies for risk and control, whilst the Management is responsible for the effectiveness of the design and operation of risk management and control processes.

The process for the identification and evaluation of significant risks is through the adoption of the Enterprise Risk Management ("ERM") framework and policy which was implemented in 2010. The Board Risk Committee will oversee senior management's activities in managing the key risk areas and ensure that the risk management framework and processes are in place and functioning effectively.

The Internal Audit Division, through a systematic and disciplined risk-based audit approach, will provide an independent assurance by evaluating and improving the effectiveness of risk management, control and governance process.

Underwriting risk

The Company minimises the underwriting risks through a diversified mix and spread of businesses and observing specific guidelines governing the prudential limits on exposure to a single Company/Group and an industry or business sector. Exposure limits are reviewed as and when necessary by the Board Risk Committee.

Credit risk

In mitigating credit risk, the Company has a set of stringent underwriting standards and comprehensive credit risk policies. The Company adopts a robust credit evaluation and approval process to screen the applicants to ensure that the shareholders' capital and its ratings are protected.

The Company will actively monitor the credit quality of its portfolio and risks emanating from any adverse market changes that may have an impact on its counterparties. Such instances will be analysed in depth to enable pre-emptive and where necessary prompt remedial measures to be taken expeditiously to mitigate the risks.

Internal audit

As at 31 December 2009, the Board Audit Committee was established and a meeting was held. The Director of Internal Audit was identified in 2009. The Internal Audit Department effective from January 2010 reports functionally to the Board Audit Committee. The Board Audit Committee is responsible to provide independent oversight of the Company's Internal Audit division among others, by ensuring Internal Audit division is in compliance with "Guidelines on Minimum Audit Standards for Internal Auditor of Financial Institutions (BNM/RH/GL 013-1)".

Company No.

854686

K

DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

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

Datuk Wan Azhar bin Wan Ahmad	(appointed on 24 April 2009 and resigned on 14 May 2009)
Zaiton binti Mohd Hassan	(appointed on 24 April 2009 and resigned on 14 May 2009)
Dato' Sri Abdul Hamidy bin Abdul Hafiz	(appointed on 14 May 2009)
Dato' Mohammed bin Haji Che Hussein	(appointed on 14 May 2009)
Dato' Mohd Hanif bin Sher Mohamed	(appointed on 14 May 2009)
Dato' Albert Yeoh Beow Tit	(appointed on 14 May 2009)
Datuk Manharlal a/l Ratilal	(appointed on 14 May 2009)
Philip Tan Puay Koon	(appointed on 14 May 2009)
Nik Mohd Hasyudeen bin Yusoff	(appointed on 14 May 2009)
Abdul Kadir bin Md Kassim	(appointed on 14 May 2009)
Ahmad Badri bin Mohd Zahir	(appointed on 25 June 2009)
Ahmad Zulqarnain bin Che On (MD/CEO)	(appointed on 8 October 2009)

In accordance with the Company's Articles of Association, all Directors shall retire and, being eligible, offer themselves for election at the first Annual General Meeting of the Company, except for the MD/CEO.

DIRECTORS' BENEFITS

Since the date of incorporation, no arrangements subsisted to which the Company is a party, with the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the date of incorporation, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, none of the Directors in office at the end of the financial period had any interest in shares in, or debentures of, the Company or its related corporations during the financial period.

Company No.

854686

K

DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

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 17 March 2010.



DATO' SRI ABDUL HAMIDY BIN ABDUL HAFIZ
CHAIRMAN



AHMAD ZULQARNAIN BIN CHE ON
MANAGING DIRECTOR/ CHIEF
EXECUTIVE OFFICER

Kuala Lumpur

DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

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

We, **Dato' Sri Abdul Hamidy bin Abdul Hafiz** and **Ahmad Zulqarnain bin Che On**, being two of the Directors of Danajamin Nasional Berhad (formerly known as FGI-CGC Corporation Berhad), state that, in the opinion of the Directors, the financial statements set out on pages 26 to 43 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2009 and of its financial performance and cash flows for the financial period from 24 April 2009 (date of incorporation) to 31 December 2009 in accordance with Financial Reporting Standards, 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 a resolution of the Directors dated 17 March 2010.

DATO' SRI ABDUL HAMIDY BIN ABDUL HAFIZ
CHAIRMAN

AHMAD ZULQARNAIN BIN CHE ON
MANAGING DIRECTOR/ CHIEF
EXECUTIVE OFFICER

Kuala Lumpur

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

I, **Lim Hou Hock**, being the officer primarily responsible for the financial management of Danajamin Nasional Berhad (formerly known as FGI-CGC Corporation Berhad), do solemnly and sincerely declare that in my opinion, the financial statements set out on pages 26 to 43 are correct, and I make this solemn declaration conscientiously believing the same to be true by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly
declared at Kuala Lumpur
this 17 March 2010)
)
)

Before me,



COMMISSIONER FOR OATHS

Kuala Lumpur

Suite 8-8-2, Menara Mutiara Bangsar,
Jalan Liku, Off Jalan Riong
Bangsar,
59100 Kuala Lumpur

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF DANAJAMIN NASIONAL BERHAD**
(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)
(Company no: 854686 K)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Danajamin Nasional Berhad (formerly known as FGI-CGC Corporation Berhad), which comprise the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the financial period from 24 April 2009 (date of incorporation) to 31 December 2009, and a summary of significant accounting policies and other explanatory notes, as set out on pages 26 to 43.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards, the Malaysian Accounting Standards 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 Financial Reporting Standards, the 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 Company as of 31 December 2009 and of its financial performance and cash flows for the financial period from 24 April 2009 (date of incorporation) to 31 December 2009.


**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF DANAJAMIN NASIONAL BERHAD (CONTINUED)**
(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)
(Company no: 854686 K)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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



PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants



MOHAMMAD FAIZ BIN MOHAMMAD AZMI
(No. 2025/03/10 (J))
Chartered Accountant

Kuala Lumpur
17 March 2010

Company No.

854686	K
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DANAJAMIN NASIONAL BERHAD
(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

BALANCE SHEET AS AT 31 DECEMBER 2009

	<u>Note</u>	<u>2009</u> RM'000
ASSETS		
Property, plant and equipment	3	2,538
Other receivables	4	6,816
Fixed and call deposits with licensed banks		1,000,788
Cash and bank balances		79
Total assets		<u>1,010,221</u>
LIABILITIES		
Other payables	5	1,476
Total liabilities		<u>1,476</u>
SHAREHOLDERS' EQUITY		
Share capital	6	1,000,000
Retained earnings	7	8,745
		<u>1,008,745</u>
Total liabilities and shareholders' equity		<u>1,010,221</u>

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

Company No.

854686	K
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DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)

(Incorporated in Malaysia)

INCOME STATEMENT

FOR THE FINANCIAL PERIOD FROM 24 APRIL 2009 (DATE OF INCORPORATION) TO 31 DECEMBER 2009

	<u>Note</u>	<u>2009</u> RM'000
Operating revenue	8	14,125
Shareholders' fund:		
Investment income	9	14,125
Management expenses	10	(5,380)
Profit before taxation		8,745
Taxation	11	-
Net profit for the financial period		8,745
Earnings per share (sen)	12	0.95

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

Company No.

854686	K
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DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 24 APRIL 2009 (DATE OF INCORPORATION) TO 31 DECEMBER 2009

	<u>Note</u>	<u>Issued and fully paid ordinary shares of RM1 each</u>		<u>Distributable</u>	<u>Total</u> RM'000
		<u>Number of shares</u> '000	<u>Nominal value</u> RM'000	<u>Retained earnings</u> RM'000	
At date of incorporation		*	*	-	-
Issuance of shares during the financial period	6	1,000,000	1,000,000	-	1,000,000
Net profit for the financial period		-	-	8,745	8,745
At 31 December 2009		<u>1,000,000</u>	<u>1,000,000</u>	<u>8,745</u>	<u>1,008,745</u>

* Denotes 2 subscribers' ordinary shares of RM1.00 each.

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

Company No.

854686	K
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DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

CASH FLOW STATEMENT

FOR THE FINANCIAL PERIOD FROM 24 APRIL 2009 (DATE OF INCORPORATION) TO 31 DECEMBER 2009

	Note	<u>2009</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial period		8,745
Adjustments for:		
Depreciation of property, plant and equipment		107
Interest income from fixed and call deposits		(14,125)
		<hr/>
		(5,273)
Increase in other payables		1,476
Increase in other receivables		(1,051)
Interest income received		8,360
		<hr/>
Net cash inflow from operating activities	15	<u>3,512</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	3	(2,645)
		<hr/>
Net cash outflow from investing activities	15	<u>(2,645)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	6	1,000,000
		<hr/>
Net cash inflow from financing activities	15	<u>1,000,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
		1,000,867
CASH AND CASH EQUIVALENTS AT DATE OF INCORPORATION		
		<hr/> -
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD		
		<u><u>1,000,867</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances		79
Fixed and call deposits in licensed banks		1,000,788
		<hr/>
		<u><u>1,000,867</u></u>

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

Company No.

854686	K
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DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

1 PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is principally engaged in providing financial guarantee insurance. The Company commenced its operations on 13 May 2009, but no financial guarantee policies were provided during the financial period from 24 April 2009 (date of incorporation) to 31 December 2009.

The Company has changed its name from FGI-CGC Corporation Berhad to Danajamin Nasional Berhad effective from 4 May 2009.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The address of the registered office and the principal place of business of the Company are Level 25, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 17 March 2010.

2 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

(a) Basis of preparation

The financial statements are 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 relevant Guidelines and Circulars issued by Bank Negara Malaysia ("BNM") in all material respects.

The preparation of financial statements in conformity with the FRS requires the use of estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

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

FRSs / Interpretations	Effective date
FRS 4 Insurance Contracts	1 January 2010
FRS 7 Financial Instruments: Disclosure	1 January 2010
FRS 101 Presentation of Financial Statements (revised)	1 January 2010
FRS 139 Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 132 Financial Instruments: Presentation and FRS 101 Presentation of Financial Statements – Puttable Financial Instruments and Obligations arising on Liquidation	1 January 2010
Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10 Interim Financial Reporting and Impairment	1 January 2010

The Company will apply the abovementioned standards, amendments and interpretations from financial periods beginning on 1 January 2010.

The impact of applying FRS 4, FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective FRSs. The initial application of the other applicable standards, amendments and interpretations above is not expected to have any material impact on the financial statements of the Company.

Company No.

854686	K
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DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

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

(b) Property, plant and equipment

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

Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Repairs and maintenance are charged to the income statement and/or revenue account during the financial period in which they are incurred.

DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property, plant and equipment (continued)

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:

Renovation	60 months
Computers	30 months
Furniture and fittings	60 months
Office equipment	60 months

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

At each balance sheet date, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged to the income statement and/or revenue account.

(c) Impairment of assets

(i) Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial asset is impaired. A financial asset or a group of financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(ii) Impairment of non-financial assets

The Company assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. Impairment losses are charged to the income statement and/or revenue account immediately.

DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Impairment of assets (continued)

(ii) Impairment of non-financial assets (continued)

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 statement and/or revenue account immediately.

(d) Other revenue recognition

Interest income on fixed and call deposits is recognised on an accrual basis.

(e) 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.

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

(f) Income taxes

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax is provided on a temporary difference at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

(i) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income taxes (continued)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- (a) Where the deferred tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liabilities is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised as income or an expense and included in the profit and loss for the financial period, except when it arises from a transaction which is recognised directly in equity, the deferred tax is also recognised in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(g) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave and non-monetary benefits are recognised as expense in the financial period in which the associated services are rendered by employee of the Company.

(ii) Post-employment benefits

The Company contributes to the Employees' Provident Fund ("EPF"), which is the national defined contribution plan. The Company's contributions to the EPF are charged to the income statement and/or revenue account in the financial period to which they relate. Once contributions have been made, the Company has no further payment obligations.

Company No.

854686	K
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DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Cash and cash equivalents

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

(i) Financial instruments

Description

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

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

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

Recognition method

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

Fair value estimation for disclosure purpose

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.

Company No.

854686	K
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DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (CONTINUED)

3 PROPERTY, PLANT AND EQUIPMENT

	<u>Renovation</u> RM'000	<u>Computers</u> RM'000	<u>Furniture and fittings</u> RM'000	<u>Office equipment</u> RM'000	<u>Total</u> RM'000
<u>Shareholders' fund</u>					
<u>Cost</u>					
At date of incorporation	-	-	-	-	-
Additions	2,000	525	29	91	2,645
At 31 December 2009	<u>2,000</u>	<u>525</u>	<u>29</u>	<u>91</u>	<u>2,645</u>
<u>Accumulated depreciation</u>					
At date of incorporation	-	-	-	-	-
Charge for the financial period	58	44	1	4	107
At 31 December 2009	<u>58</u>	<u>44</u>	<u>1</u>	<u>4</u>	<u>107</u>
<u>Net book value</u>					
At 31 December 2009	<u>1,942</u>	<u>481</u>	<u>28</u>	<u>87</u>	<u>2,538</u>

4 OTHER RECEIVABLES

	<u>2009</u> RM'000
<u>Shareholders' fund</u>	
Interest income receivable	5,765
Deposits	421
Prepayments	629
Other receivable	1
	<u>6,816</u>

Company No.

854686	K
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DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (CONTINUED)

5 OTHER PAYABLES

	<u>2009</u> RM'000
<u>Shareholders' fund</u>	
Provision for unutilised leave	73
Provision for audit fees	80
Amount due to a shareholder	99
Accrued expenses	538
Accrued capital expenditure	500
Other payables	186
	<u>1,476</u>

The amount due to a shareholder is unsecured, interest-free and has no fixed terms of repayment.

6 SHARE CAPITAL

	<u>2009</u> RM'000
<u>Shareholders' fund</u>	
Authorised ordinary shares of RM1 each: At date of incorporation and at 31 December 2009	<u>1,000,000</u>
Issued and fully paid ordinary shares of RM1 each: At date of incorporation	*
Issued during the financial period	<u>1,000,000</u>
At 31 December 2009	<u>1,000,000</u>

* Denotes 2 subscribers' ordinary shares of RM1.00 each.

7 RETAINED EARNINGS

Under the single-tier tax system which comes into effect from the year of assessment 2009, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

The Company can distribute all of its retained earnings as at 31 December 2009 as single-tier dividends.

Company No.

854686	K
--------	---

DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (CONTINUED)

8	OPERATING REVENUE	
		<u>2009</u>
		RM'000
	<u>Shareholders' fund</u>	
	Investment income (Note 9)	14,125
		<u>14,125</u>
9	INVESTMENT INCOME	
	<u>Shareholders' fund</u>	
	Interest income from fixed and call deposits	14,125
		<u>14,125</u>
10	MANAGEMENT EXPENSES	
	<u>Shareholders' fund</u>	
	Staff costs:	
	- salaries and benefits	2,350
	- employer's EPF contributions	373
		<u>2,723</u>
	Non-Executive Directors:	
	- allowances	929
	Auditors' remuneration:	
	- statutory audit	80
	Rental of office	524
	Depreciation of property, plant and equipment	107
	Repairs and maintenance	26
	Postage, telephone and telefax	27
	Printing and stationery	66
	Professional consultant fees	288
	Other expenses	610
		<u>1,728</u>
		<u>5,380</u>

Included in staff costs are the remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the financial period which amounted to RM389,000.

Company No.

854686	K
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DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (CONTINUED)

11 TAXATION

The Company is exempted from income tax at the statutory level, except for dividend income pursuant to Section 127(3A) of the Income Tax Act, 1967. The exemption is for a period of five years effective from the years of assessment 2009 to 2013.

12 EARNINGS PER SHARE

The earnings per ordinary share has been calculated based on the net profit for the financial period of RM8,745,000 and the weighted average number of ordinary shares in issue during the financial period of RM916,335,000.

13 SIGNIFICANT RELATED PARTY DISCLOSURES

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

<u>Related parties</u>	<u>Relationship</u>
Credit Guarantee Corporation Malaysia Berhad	Shareholder
Minister of Finance (Incorporated)	Shareholder
Key management personnel	The key management personnel of the Company consists of the Chief Executive Officer and senior management

Key management personnel are those people defined as having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly.

The significant related party balance at the end of the financial period is as follows:

Significant related party balance

Amount due to a related party as at the balance sheet date are included in the following note to the financial statements:

	<u>2009</u> RM'000
<u>Other payables (Note 5)</u>	
Amount due to a shareholder	99
	<u>99</u>

Key management personnel's remuneration

Salaries and benefits	1,468
Employer's EPF contributions	242
	<u>1,710</u>

Company No.

854686	K
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DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (CONTINUED)

14 OTHER COMMITMENTS AND CONTINGENCIES

There are no other material commitments and contingencies as at the end of the financial period.

15 CASH FLOW SEGMENT INFORMATION

	<u>2009</u> RM'000
<u>Shareholders' fund</u>	
Cash flows from:	
Operating activities	3,512
Investing activities	(2,645)
Financing activities	1,000,000
	<hr/>
Net increase in cash and cash equivalents	1,000,867
Cash and cash equivalents at date of incorporation	-
	<hr/>
Cash and cash equivalents at end of financial period	<u>1,000,867</u>

16 FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The risks which the Company is exposed to are credit risk, market risk and liquidity risk. The Company carried out its financial risk management through internal control procedures, standard operating procedures, investment strategy and adherence to all rules and regulations as stipulated by the guidelines for investments issued by BNM.

a) Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates.

Investment decisions shall always take into consideration the appropriate and prevailing risk adjusted returns available in the marketplace. The focus on maximising returns shall always be bounded by a tempered approach to risk that is acceptable for the Company's funds. There shall be no over concentration of investments in single counterparties and appropriate diversification across industries.

Company No.

854686	K
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DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (CONTINUED)

16 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

a) Interest rate risk (continued)

The following tables provide information about financial assets and financial liabilities, showing the weighted average effective interest rate and the earlier of the contractual re-pricing or maturity date for interest-bearing financial instruments in the balance sheet.

	<u>Interest bearing</u> contractual repricing or maturity date (whichever is earlier)			Weighted average effective interest rate %
	<u>Non-interest bearing</u> RM'000	<u>1 year or less</u> RM'000	<u>Total carrying amount</u> RM'000	
<u>2009</u>				
Financial assets:				
Fixed and call deposits with licensed banks	-	1,000,788	1,000,788	2.12
Other receivables	6,187	-	6,187	-
Cash and bank balances	79	-	79	-
	<u>6,266</u>	<u>1,000,788</u>	<u>1,007,054</u>	
Other assets:				
Property, plant and equipment			2,538	
Prepayments			629	
Total assets per balance sheet			<u>1,010,221</u>	
Financial liabilities:				
Other payables	1,476	-	1,476	-
Total liabilities per balance sheet			<u>1,476</u>	

b) Liquidity risk

Liquidity risk arises when the Company does not have the availability of funds to honour all cash outflow commitments as they fall due.

The Company's funds shall be managed and invested with prudence. The tenor of investments chosen shall always take into consideration the timing and size of any potential claim liabilities and adjusted for the liquidity requirements of the Company at all times.

Company No.

854686	K
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DANAJAMIN NASIONAL BERHAD

(Formerly known as FGI-CGC Corporation Berhad)

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (CONTINUED)

16 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

c) Credit risk

Credit risk is the potential loss arising from claims on the financial guarantee insurance covers provided by the Company resulting from the defaults by obligors or counterparties in meeting their contractual obligations on a timely basis. In mitigating this credit risk, the Company has instituted a set of comprehensive credit policies governing the underwriting criteria and a robust credit evaluation and approval process.

The Company has also implemented a proactive risk management system in monitoring the credit quality of its portfolio closely and analysing the risks emanating from any adverse market changes that may impact on its obligors or counterparties in order that pre-emptive and where necessary prompt remedial measures are taken to mitigate the risks.

d) Foreign currency risk

The Company is currently not exposed to any currency risk as all transactions were transacted in Ringgit Malaysia denominated currency.

e) Underwriting risk

Underwriting risk arises when the Company is exposed to claims higher than expected from the Company's underwriting of financial guarantee insurance covers and also more than the premiums earned.

In minimising the underwriting risk, the Company's portfolio is spread over a diversified mix of businesses and the Company observes specific guidelines governing the prudential limits on exposure to a single company/group and to an industry or business sector.

Fair values

The carrying values of financial assets and liabilities of the Company at the balance sheet date approximated their fair values.

17 COMPARATIVES

There are no comparative figures as this is the Company's first financial period for which statutory financial statements are prepared.