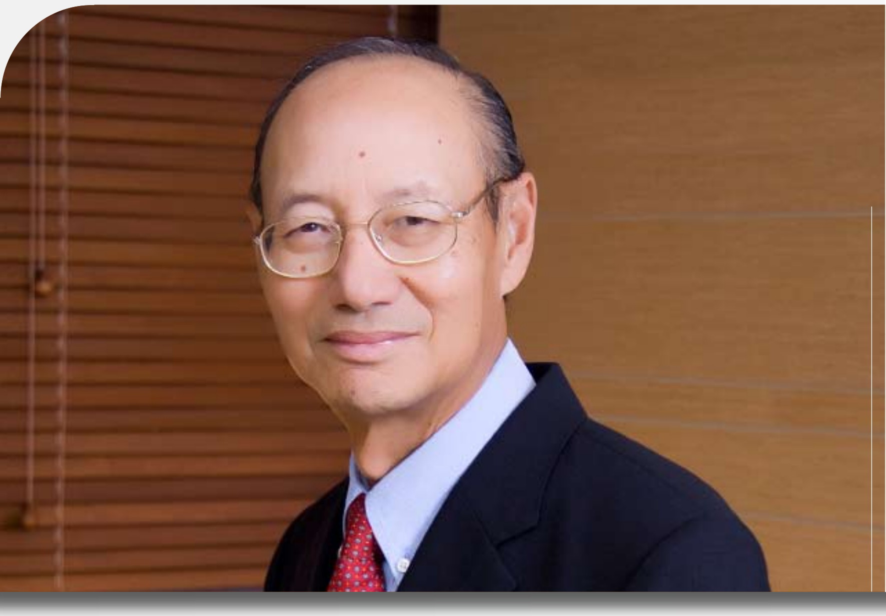
NTUC INCOME

FINANCIAL STATEMENTS 2008



"NTUC Income will continue to embrace and practice the highest standards of corporate governance, transparency and disclosure."

Ng Kee Choe
Chairman

NTUC Income was set up in 1970 to look after the insurance needs of the workers in Singapore. We are now a leading composite insurer in Singapore with two million policyholders.

2008 RESULTS

Against the unprecedented turmoil in the financial marketplace and beyond, Singapore's economy grew 1.1% against previous years' growth of 7%-8% from 2004-2007, and registered one of the sharpest quarterly contractions during the second half of 2008.

NTUC Income remained strong amidst the financial crisis, retaining its "AA" rating by Standard & Poor's, the highest credit rating among all domestic insurers in Asia.

Our underlying insurance business remained strong, with gross premiums growing 9% to $2.7 billion in 2008. We advanced from 4th to 3rd place among life insurers in Singapore in terms of weighted premiums for the life insurance business, with a market share of 14.8% for 2008 (excluding annuity). Our life insurance sales in 2008 grew by 14%, which far outstripped the 3% growth of the industry.

For general insurance business, our gross premiums grew 17% to $269.9 million in 2008, 1.6 times more than the industry.

For 2008, operating profit from insurance operations was $65.7 million, representing more than a two fold jump or an improvement of $43.6 million compared to the operating profit of $22.1 million in 2007.

However. we were not spared the effects of the financial crisis. Our overall net results for the year showed a deficit of $223.7 million compared to a net surplus of $48.2 million last year. The deficit was due primarily to the write down in value of investments arising from mark-to-market unrealised losses (an overview of the profit & loss is shown at the end of this Report).

Total assets under management amounted to $19.9 billion. This is 6.6% lower compared to the $21.3 billion as at end 2007 due likewise to mark-to-market valuation of investments.

Our performance was particularly strong in the second half of 2008, with the life insurance business growing by 30% against the industry's contraction of 18%. In the 4th quarter, we also emerged the market leader in annuities with a market share of 65.9%. The excellent results in the 4th quarter have helped to place us in the No. 2 position for the annuity market in 2008.

Our Financial Advisories channels put in a strong performance, leading the market with a 24.9% market share in 2008. This was up sharply from the sixth position we occupied in 2007, with just 6.6% market share.

In the motor insurance business, our sales grew 37% to $237.0 million, about twice of the industry's growth rate of 21% for the full year of 2008. This means that we are likely to reclaim the No. 1 position in the motor insurance business in Singapore.

LIFE INSURANCE

NTUC Income has, for the first time in its history ranked top insurer in weighted premiums for the third and fourth quarter of 2008. Pertinently, NTUC Income is the only insurer to have registered a positive growth in the fourth quarter of 2008 compared to the same period last year.

Total premium collected for 2008 was $2.5 billion, comprising $1.2 billion in regular premium and $1.3 billion in single premium. This included group and health insurance.

As a result of the global financial crisis, the total return on the Life Insurance Participating Fund in 2008 was a negative 11.1%. In spite of the challenging environment in 2008 and the uncertainty in outlook for coming year, NTUC Income will be able to maintain its bonus payouts for 2008. The Board has accepted the Appointed Actuary's recommendation to pay out total bonus amounting to $271 million, including a sum of $34 million in anticipation of surplus for terminating policies in 2008.

For the group & health business, gross premiums grew 25% from $338.2 million in 2007 to $421.5 million in 2008. We insure more than 800,000 lives under our Incomeshield plans, making us the biggest insurer for shield plans.

GENERAL INSURANCE

Gross premium for general insurance for 2008 was $269.9 million compared to $231.1 million for 2007. Our total market share for 2008 was 11.6%, including 26.2% market share for motor business.

The general insurance business registered a net operating loss of $16.5 million for the year compared to the net surplus of $66.2 million in 2007. This was largely attributed to the loss in the motor business which incurred a higher underwriting loss of $72.5 million in 2008 compared to the $41.1 million loss in 2007. Management is addressing this issue with profitability remaining a key objective and priority.

SHAREHOLDERS

Taking into account the financial results for the year, the Directors propose that a dividend of 3% (2007: 6%) amounting to $13.1 million (2007: $26.1 million) be paid to members in respect of the financial year ended 31 December 2008.

OUR STRENGTH AND CORPORATE GOVERNANCE

The global economic outlook remains uncertain, with the turmoil in the financial markets yet to be fully played out. While NTUC Income remains strong financially, we will continue to find more ways to strengthen ourselves by concentrating on our core business, and instilling a good risk management culture.

MEMBERS OF THE BOARD OF DIRECTORS
Front from left:
MATTHIAS YAO CHIH (Deputy Chairman), TAN SUEE CHIEH (Chief Executive), NG KEE CHOE (Chairman), GABRIEL TEO CHEN THYE

Back row from left:
TAN CHENG HAN, SOH KIM SOON, LEE MUN HOU, AUDREY CHIN, RON FOO SIANG GUAN, PHILIP ENG, TAN PENG HENG

We have invested considerable resources to enhance our overall operational effectiveness. We will continue to embrace and practise the highest standards of corporate governance, transparency and disclosure.

Most importantly, we will continue to expand and deepen our capabilities and resources. To compete well we must have the right mix of talent. We believe we have made significant progress here.

SOCIAL ENTERPRISE

As a social enterprise, our fundamental mission to provide essential insurance products which are accessible, affordable and sustainable, takes on an added dimension during the current economic crisis.

Because we firmly believe that workers in Singapore should have access to basic insurance protection, we offer low cost insurance plans exclusively to union members, casual, contract and foreign workers. The LUV Plan, NTUC Gift and Workmedic plans are some examples.

And within the context of rising medical costs and general inflation, NTUC Income ensures that health insurance remains accessible for all. NTUC Income's Incomeshield plans are the most competitive in the market both in terms of price and benefits. We launched a $6 million Incomeshield Assistance Scheme to help policyholders with their premiums. Most of these are those who hold plans pegged to the B and C wards in restructured hospitals.

To ensure that employees continue to have hospitalisation insurance even after they have left their employment, NTUC Income offers the only fully-portable medical benefit scheme.

NTUC Income contributes about $2 million annually towards charity and community projects. When the financial crisis hit last year, the media reported that many organizations planned to cut back on their contributions to charity. NTUC Income on the other hand, decided that it was during tough times, that we had to help those who needed assistance the most. We therefore committed $1 million to help families of retrenched and low income workers under the NTUC's Labour Movement U Care Fund in 2009.

The staff and sales force of NTUC Income also came together in December 2008 for Project Love to raise $375,000 for various charities, including $160,000 for the NTUC's U Care Fund to help youth and elderly who were in need.

CONCLUSION

The directors wish to thank and acknowledge the ongoing support and commitment of the National Trades Union Congress, its affiliated unions and Co-operatives, our business partners, customers and staff. We owe our success to each and every one of them.

For and on behalf of the Board of Directors

NG KEE CHOE
Chairman
27 March 2009

2008 PROFIT & LOSS – AN OVERVIEW

S$ in Million	**FY08 Actual**	FY07 Actual
Insurance Underwriting Profit / (Loss)	**(21.7)**	(59.3)
Interest, Dividend & Other Income	**87.4**	81.4
Operating Profit from Insurance Operations	**65.7**	22.1
Change in Fair Value Gains/(Losses) of Investments	**(282.0)**	140.9
Net Surplus for the Year Before Levy & Expense Restitution	**(216.3)**	163.0
Less:		
Restitution of Expenses	**(11.1)**	(72.3)
Transfer (to)/from Surplus for Future Distribution	**3.7**	(37.0)
Levy	**-**	(5.5)
Net Surplus for the year (per Audited Accounts)	**(223.7)**	48.2

INTRODUCTION

NTUC Income is committed to adopting a high standard of corporate governance consistent with best practices for insurance companies. It recognises the importance of having a set of well-defined corporate governance processes to enhance performance and accountability. Its framework of corporate governance policies and practices is in line with the principles set out in the Guidelines on Corporate Governance and the Insurance (Corporate Governance) Regulations 2005 issued by the Monetary Authority of Singapore (MAS).

The Co-operative believes that good corporate governance is essential to sustaining business performance and safeguarding the interests of its stakeholders. The promotion of corporate transparency, integrity, fairness and accountability at all levels of the organisation is led by an independent Board and assisted by an experienced management team.

BOARD GOVERNANCE

Board Role and Responsibility

The Board of Directors oversees the affairs of the Co-operative, including setting its strategic direction and long term goals, and reviewing its performance.

Matters that require Board approval include corporate and financial risk taking, material acquisition and disposal of business assets, share issuance, dividend and bonus declarations, investments and risks exceeding delegated limits, and all other matters as required under the Co-operative's by-laws.

The Board exercises stewardship in directing the Co-operative towards achieving its objectives. It ensures that the Co-operative adopts sound corporate governance practices, complies with applicable laws and regulations, and has the necessary measures in place to achieve its objectives. It emphasises professionalism and honesty in all dealings, and at all levels in the organisation so as to sustain the Co-operative's standing, image and reputation.

Board Size and Composition

The present Board of eleven members is appropriate for the current scope of operations. It encourages active dialogue among members and allows for effective decision making.

The members of the Board as at 1 March 2009 are as follows:

Chairman	Mr Ng Kee Choe
Deputy Chairman	Mr Matthias Yao
Members	Mr Tan Suee Chieh (Chief Executive)
	Mr Gabriel Teo
	Mr Lee Mun Hou
	Mr Tan Peng Heng
	Mr Tan Cheng Han
	Mr Soh Kim Soon
	Mr Ron Foo
	Dr Audrey Chin
	Mr Philip Eng

The Corporate Governance Guidelines and Regulations advocate a strong and independent element on the Board so that it is able to exercise objective judgment independently from management and substantial shareholders. NTUC Income has more than met this requirement. With the exception of the Chief Executive, all members of the Board are independent non-executive directors.

Members of the Board are appointed by the Founder Member, or elected to represent institutional or individual members of the Co-operative. The Nominating Committee assists the Board to evaluate the suitability of candidates for appointment to the Board. It reviews and recommends all director appointments for the Board's endorsement. It also ensures that the composition of the Board comprises a diverse range of expertise so that management can draw on the knowledge and experience of Board members.

In keeping with good corporate governance, all directors are subject to re-nomination and re-election once every three years. In addition, all new appointments to the Board require the approval of MAS. Although some directors have multiple board representations, the Nominating Committee is satisfied that these directors have been able to devote adequate time and attention to discharge their duties effectively.

Board Meetings and Attendance

The Board conducts five scheduled meetings a year. At these meetings, the Board reviews the Co-operative's financial performance, corporate strategy, business plans, strategic operational issues and significant matters attended to by the Board Committees. The Board also reviews the long term corporate strategy and business plans, including major issues and challenges that the Co-operative may face in the future. In addition, ad-hoc meetings are held when necessary.

In 2008, two other Board meetings were held in addition to the five scheduled meetings. A Directors' Retreat was held in January to discuss and agree on the Co-operative's strategy as well as to approve the 2008 budget. A special meeting was held in December for the Board to review and approve the budget and business plan for 2009. During the course of the year, Board approvals for certain matters were also obtained through written resolutions approved by circulation.

The directors attend the Annual General Meeting, Board meetings and meetings of the Board Committees on which they serve. Materials and information important for the understanding of the matters to be reviewed during the meetings are distributed to the directors in a timely manner, in advance of the meetings.

The directors possess a wide spectrum of core competencies such as banking, accounting, insurance, investment, legal, and risk management. There is a good mix of general business background and specialist skills. With their broad knowledge, expertise and experience, Board members provide valuable insight and advice during Board and Board Committee discussions.

Directors' Attendance at Board and Board Committee Meetings in 2008

Name of Director	Board		Audit Committee (AC)		Risk Management Committee (RMC)	
	No. of meetings		No. of meetings		No. of meetings	
	Held@	Attended	Held@	Attended	Held@	Attended
Ng Kee Choe [1]	7	7	-	-	-	-
Matthias Yao [2]	7	7	4	4	4	4
Gabriel Teo [3]	7	6	-	-	2	1
Tan Suee Chieh	7	7	-	-	4	4
Lee Mun Hou [4]	7	6	-	-	-	-
Tan Peng Heng	7	7	4	4	4	4
Tan Cheng Han [5]	7	3	4	3	-	-
Soh Kim Soon [6]	7	7	-	-	4	4
Ron Foo	7	6	4	4	-	-
Audrey Chin [7]	3	3	-	-	2	1
Philip Eng [8]	3	3	2	2	-	-

Name of Director	Investment Committee (IC)		Human Resource & Remuneration Committee (HRRC)		Nominating Committee (NC)#	
	No. of meetings		No. of meetings		No. of meetings	
	Held@	Attended	Held@	Attended	Held@	Attended
Ng Kee Choe [1]	-	-	2	2	1	1
Matthias Yao [2]	-	-	4	4	-	-
Gabriel Teo [3]	8	7	4	4	-	-
Tan Suee Chieh	8	8	-	-	-	-
Lee Mun Hou [4]	4	3	4	3	1	1
Tan Peng Heng	-	-	-	-	-	-
Tan Cheng Han [5]	-	-	2	2	1	1
Soh Kim Soon [6]	-	-	-	-	-	-
Ron Foo	-	-	-	-	-	-
Audrey Chin [7]	8	6	-	-	-	-
Philip Eng [8]	-	-	-	-	-	-

Key

@ *the number of meetings held during the period the director was a member of the Board and/or relevant Committee*
# *Additional approvals from NC were obtained via circulation*
1 *Stepped down as Chairman and Member of HRRC and NC on 1 June 08*
2 *Change of appointment from Member to Chairman of HRRC on 1 June 08*
Appointed as Chairman of NC on 1 June 08
Change of appointment from Chairman to Member of RMC on 1 June 08
3 *Stepped down as Member of RMC and appointed as Member of NC on 1 June 08*
4 *Appointed as Member of IC on 1 June 08*
5 *Appointed as Member of HRRC on 1 June 08*
6 *Change of appointment from Member to Chairman of RMC on 1 June 08*
7 *Appointed as Director on 30 May 08 and as Member of RMC on 1 June 08*
Change of appointment from independent Member to Board member of IC on 1 June 08
8 *Appointed as Director on 30 May 08 and as Member of AC on 1 June 08*

Chairman and Chief Executive

The roles of the Chairman and Chief Executive (CEO) are clearly separated. This is consistent with the principle of ensuring a balance of power and authority. It also provides for greater accountability and independent decision making. The Chairman, Mr Ng Kee Choe, is an independent non-executive director, while the CEO, Mr Tan Suee Chieh, is an executive director.

The Chairman leads the Board and ensures its effectiveness in all aspects. He promotes high standards of corporate governance and steers the Board towards making sound decisions. He ensures that active and comprehensive discussions are held on all matters brought up to the Board, and encourages constructive relations between the Board and senior management.

The Chairman plays a pivotal role at Annual General Meetings in fostering constructive dialogue between the members of the Co-operative, the Board and senior management. Members' questions and concerns are adequately addressed at these meetings.

The CEO is the most senior executive and assumes executive responsibility for the Co-operative's business. He oversees the execution of Income's corporate and business strategy and is ultimately responsible for managing its operations.

Board Training

New directors are provided with structured training which includes introductory information on the Co-operative, briefing by senior management on the Co-operative's corporate profile, key performance measures and operations. A half day induction program was conducted in 2008 for the newly elected directors.

Management ensures that the Board receives regular reports on the Co-operative's financial performance and operations, and is provided with relevant information to facilitate discussions on specific matters and issues. The Board is also regularly briefed on accounting and regulatory changes, as well as on major industry and market developments. Information on relevant external seminars and workshops are also circulated to the Board.

Board Performance

The Board has implemented an annual evaluation process which is carried out by the Nominating Committee to assess the performance and effectiveness of the Board as a whole. All directors participate in the evaluation which is conducted through confidential completion of a questionnaire. The evaluation results and feedback are collated and presented for discussion by the Nominating Committee. The results of the evaluation exercise are also presented to the Board for discussion.

BOARD COMMITTEES

The Board has established five Board Committees to assist it in discharging its responsibilities and to enhance the Co-operative's corporate governance framework. The five Board Committees are the Audit, Human Resource and Remuneration, Risk Management, Nominating, and Investment Committees.

The composition of the Board Committees satisfies the independence requirements stipulated in the Guidelines on Corporate Governance and the Insurance (Corporate Governance) Regulations.

Each of the Committees has its own written terms of reference which describe its responsibilities. The minutes of Board Committee meetings are circulated to the Board.

Audit Committee

The Audit Committee (AC) comprises five independent non-executive directors. The members of the AC are as follows:

Chairman	Mr Ron Foo
Members	Mr Matthias Yao Mr Tan Peng Heng Mr Tan Cheng Han Mr Philip Eng (joined in June 08)

The AC operates within the Board-approved written terms of reference which set out the AC's authority and responsibilities as prescribed in the Code of Corporate Governance issued by MAS in 2005 for all major insurers.

The functions of the AC include the following:
- Review the scope and results of audit and its cost-effectiveness, and the independence and objectivity of the external auditors
- Review significant accounting and financial reporting issues
- Review with management and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards
- Review the adequacy and effectiveness of the Co-operative's material financial controls, operational and compliance controls
- Review the effectiveness of the Co-operative's internal audit function and
- Make recommendations to the Board on the appointment, re-appointment and removal of external auditors and approving the remuneration and terms of engagement of the external auditors.

In the financial year 2008, the AC met four times. Internal auditors, the Chief Executive and certain senior management executives attended these meetings. The external auditors attended three of these meetings.

During the year, the AC reviewed with management the quarterly management reports, financial statements, significant accounting policies and estimates. The external auditors' audit plan, the management letter and management's response were presented to the AC and discussed with both the management and the external auditors. The AC also reviewed the internal audit plan, scope of internal audit functions and reports of internal audits and follow up reviews performed by internal audit. The AC ensures that there are processes in place for ensuring that recommendations made in internal audit and external audit and MAS inspection reports are effectively dealt with on a timely manner.

The AC believes that, in the absence of evidence to the contrary, the system of internal controls maintained by the Co-operative's management and which was in place throughout the financial year up to the date of this report provides reasonable, but not absolute, assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practices, and the identification and containment of financial risk. The AC notes that no system of internal controls can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Human Resource & Remuneration Committee

The Human Resource & Remuneration Committee (HRRC) comprises four independent non-executive directors. The members of the HRRC are as follows:

Chairman	Mr Matthias Yao
Members	Mr Gabriel Teo Mr Lee Mun Hou Mr Tan Cheng Han (joined in June 08)

The role of the HRRC is to:
- approve the overall remuneration policy of NTUC Income;
- recommend to the Board the remuneration package for the Chief Executive;
- approve the remuneration plans for Senior Vice Presidents and above;
- have oversight on talent management and development of Senior Vice Presidents and above;
- approve and review succession plans for Senior Vice Presidents and above;
- approve appointments and terminations to key positions; and
- recommend the remuneration of non-executive directors

The HRRC met four times during the year. Some of the matters discussed and reviewed were job titles for leadership positions, reward philosophy, overview of human resource strategy and human resource initiatives for 2009.

Risk Management Committee

The Risk Management Committee (RMC) comprises six members as follows:

Chairman	Mr Soh Kim Soon
Members	Mr Matthias Yao Mr Tan Peng Heng Dr Audrey Chin (joined in June 08) Mr Tan Suee Chieh Mr Ken Ng (Chief Risk Officer)

The Chairman of the RMC is an independent non-executive director. The Board delegates its risk review and oversight function to the RMC while retaining the ultimate authority.

The role of the RMC is to:
- assist the Board in its oversight of the risks associated with the Co-operative's business activities;
- ensure management has established adequate system for risk management, to identify, monitor, control and report such risks;
- bring to the Board's attention issues of concern on key business risks;
- comment on the adequacy of the Co-operative's risk management processes in the annual report; and
- meet on a quarterly basis to review the Chief Risk Officer's report and discuss risk issues.

The Chief Risk Officer, who heads the Risk Management Unit, reports to the Chief Executive. He assists the Chief Executive in managing risk.

Specifically, the role is to:
- establish and implement an organization-wide framework for enterprise risk management;
- monitor the key business risks regularly, through entity-wide key risk register and indicators, and provide a quarterly report to the RMC and Risk and Compliance Committee (RCC);
- work with operating departments to identify the key business risks and ensure that these risks are properly monitored and proactively managed;
- bring to the attention of the RMC and RCC any issues of major concern;
- keep abreast of developments in the field of Risk Management and relevant practices in other organisations so as to benchmark risk management practices and standards;
- identify the best practices that are appropriate to NTUC Income; and
- communicate regularly to staff and management on risk management practices to create a risk awareness culture, foster an environment where staff and management are encouraged to identify and manage risk, or know whom to escalate to.

The Risk Management Statement issued by the RMC is attached to this report.

Nominating Committee

The Nominating Committee (NC) comprises four members as follows:

Chairman	Mr Matthias Yao
Members	Mr Lee Mun Hou
	Mr Tan Cheng Han
	Mr Gabriel Teo (joined in June 08)

The Chairman and members of the NC are independent non-executive directors.

The role of the NC is to:
- determine the criteria to be applied in identifying suitable candidates for appointment to the Board and Board Committees;
- decide how the Board's performance may be evaluated and propose performance criteria for the Board's approval;
- determine annually the independence of each director based on the definition and criteria set out in the provisions of the Insurance (Corporate Governance) Regulations 2005;
- ensure that all directors submit themselves for re-nomination and re-election once every three years; and
- determine whether a director who serves on multiple boards is able to and has been discharging his duties adequately.

The NC reviews the composition and membership of the Board and Board Committees. It assists the Board in evaluating the suitability of candidates for appointment to the Board by ensuring that competent and qualified individuals capable of contributing to the success of the organisation are considered. The NC's recommendation is reviewed and endorsed by the Board before the appointment is submitted to MAS for approval. In 2008, the NC reviewed and recommended the appointments of Dr Audrey Chin and Mr Philip Eng to the Board.

A strong and independent element on the Board is vital for good corporate governance. The NC assesses the independence of the directors prior to appointment and annually, based on criteria set out in the Corporate Governance Guidelines and Regulations. The NC considers a director independent if he is not related to a substantial shareholder and if he does not have any management and business relationships with the Co-operative and its subsidiaries.

The NC has established that all directors are independent, with the exception of Mr Tan Suee Chieh who is also the Chief Executive.

Investment Committee

The Investment Committee (IV Committee) comprises seven members as follows:

Chairman	Mr Gabriel Teo
Members	Dr Audrey Chin Mr Lee Mun Hou (joined in June 08) Mr Tan Suee Chieh (Chief Executive) Mr Ken Ng (Chief Actuary) Mr Liong Tong Kap (Chief Investment Officer) Mr Lau Wing Tat (Independent Member)

The Chairman of the Committee is an independent non-executive director.

The role of the IV Committee is to:
- review the investment policy on a regular basis so that it remains appropriate taking into account changes in business in-force and the economic environment;
- ensure that the investment policy is consistent with the asset-liability management strategies required to support new products;
- ensure that the investment policy of the participating fund is consistent with the bonus and/or dividend policy of the insurer;
- ensure that the risk management functions continue to be appropriate;
- review the adequacy of internal control systems to support investment activities; and
- ensure that resources dedicated to the investment activities are sufficient to implement and manage the approved investment policy

In 2008, the Committee considered a number of specific and major investment proposals, including property investment proposals. In addition, the Committee also reviewed and revised the investment policy and guidelines, fixed income securities limits and asset liability management pools. The investment policy was also submitted to the Board for approval. The Committee met several times to discuss in detail the impact of the global financial crisis and its implications.

REMUNERATION POLICY

Employees' Remuneration

The Co-operative's policy is to remunerate its employees at competitive and appropriate levels, commensurate with their performance and contributions. It seeks to attract, motivate, reward and retain quality staff and foster a performance-oriented culture across the organisation. The total compensation package for employees comprises basic salary, fixed and variable bonuses, as well as other staff benefits. To ensure that its remuneration package is competitive, the Co-operative regularly reviews its base salary ranges and benefits package based on market data.

Remuneration of Non-Executive Directors

The remuneration of non-executive directors is based on a fee structure recommended by the National Trades Union Congress ("NTUC") as Founder Member of the NTUC Group of Co-operatives. The structure is approved by the Registrar of Co-operative Societies and final approval is by members at the Annual General Meeting.

The approved remuneration structure for non-executive directors in 2008 was as follows:

- $32,000 per annum to Chairman
- $28,000 per annum to Deputy Chairman / Chairman of Investment, Audit, or Risk Management Committee
- $24,000 per annum to Member of Investment, Audit, or Risk Management Committee/ Chairmen of other Board Committees
- $20,000 per annum to Member of other Board Committees

In addition, an attendance fee of $50 was paid per attendance at Board meetings. There were 7 Board meetings in 2008.

REMUNERATION POLICY

Non – Executive Directors' Remuneration for 2008

Name of Director	Directors' Fees	Fees for attendance at Board meetings	Total Remuneration
Ng Kee Choe	$32,000.00	$350	$32,350.00
Matthias Yao	$28,000.00	$350	$28,350.00
Gabriel Teo	$28,000.00	$300	$28,300.00
Lee Mun Hou	$22,345.20	$300	$22,645.20
Tan Peng Heng	$24,000.00	$350	$24,350.00
Tan Cheng Han	$24,000.00	$150	$24,150.00
Soh Kim Soon	$26,345.21	$350	$26,695.21
Ron Foo	$28,000.00	$300	$28,300.00
Audrey Chin	$18,241.09	$150	$18,391.09
Philip Eng	$14,158.90	$150	$14,308.90

Immediate Family Member of Director

The Co-operative did not employ any immediate family member of a director in 2008.

Remuneration of Top 5 Key Executives

The Corporate Governance Guidelines recommend that the remuneration of at least the top five key executives be disclosed within bands of $250,000. However, the Board has considered this carefully and has decided against such disclosure. It believes that disclosure of the remuneration of individual executives is disadvantageous to the Co-operative's interests for the time being.

COMMUNICATION WITH MEMBERS

Members of the Co-operative can access relevant information on the Co-operative at its website at www.income.com.sg.

Members are also given the opportunity to participate actively at the Co-operative's Annual General Meetings where they can ask questions and communicate their views. The directors, senior management and external auditors are present at these meetings to address queries and concerns raised by members.

RISK MANAGEMENT STATEMENT

Risk Management Overview

As an insurer, it is our business to accept the risks from our customers and to manage risks implicit in our business.

We charge an adequate premium rate for the risks and manage our exposures, through pooling of risk and reinsurance protection, to ensure that the business can produce a positive outcome in each year or over a period of years.

Risk Management Overview

The Board of Directors pays special attention to our efforts to deal with the following categories of risks:

- Market Risk – includes investment and asset-liability management risks and the risks associated with liquidity management and the use of derivatives. Due to the nature of an insurer's business, there is a close relationship between investment risk and asset-liability management risk.
- Credit Risk – defined as the risk of default by borrowers and transactional counterparties as well as the loss of value of assets due to deterioration in credit quality. Exposure to credit risk results from financial transactions with securities issuers, debtors, borrowers, brokers, policyholders, reinsurers and guarantors.
- Insurance Risk – defined as the risk that inadequate or inappropriate underwriting, claims management, product design, pricing and reinsurance management will expose an insurer to financial loss and the consequent inability to meet its liabilities.
- Operational Risk – defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal and reputation risks.

Principles for Managing Risks

All risk management activities are aligned to corporate objectives and organisational priorities, and aim to protect and enhance the reputation and standing of NTUC Income.

Risk management in NTUC Income should be proactive. Risks should be identified, objectively assessed, and actively managed.

NTUC Income expects risks and evaluates and finds means to mitigate them. In mitigating risk, the cost of mitigation and the impact of risks occurring will be balanced with the benefits of reducing risk. This means that we will not necessarily set up and monitor controls to counter risks where the cost and effort are disproportionate to the impact or expected benefits.

We also recognise that some risks can be managed by transferring them to a third party, for example by contracting out, or insurance. Careful consideration should be given to the extent to which risk mitigation strategies transfer the risk or even create a new risk (eg legal or counterparty risk).

Within the organisation, we should have the following:
- clearly defined management responsibilities and accountabilities including documentation for approvals, setting limits, delegations and authorisations
- activity and procedural controls for each division (eg segregation of duties). Areas of potential conflicts of interest should be identified, minimized and subject to careful independent monitoring and review. Where adequate segregation may not be achievable, the frequency of oversight from Board and senior management should be increased
- policies to document such controls
- a system for monitoring compliance with controls
- policies and procedures for treating and resolving non-compliance issues
- mechanisms to facilitate setting of appropriate performance objectives, and determine the expertise and training required with regard to managing relevant risks

Risk Management Framework

NTUC Income places a high emphasis on risk management.

We have developed an Enterprise Risk Management Framework. It involves the following levels:
- A Board Risk Management Committee
- A Management Risk and Compliance Committee
- A Risk Management Team led by the Chief Risk Officer
- Involvement of the entire senior management
- A Key Risk Register to identify the areas that need priority attention
- Action plan for risk treatment / mitigation
- Regular monitoring and review

The role of the Risk and Compliance Committee (RCC) is to:
- act as the primary executive committee responsible for risk management and compliance. It updates the Board and Board Risk Management Committee on compliance with risk policy and significant deviations.
- operationalise the risk policies set by the Board and ensure operational procedures and processes are in place with sufficient resources and expertise to carry out these duties.
- discuss key issues brought up pertaining to risk management and compliance functions
- review policies and procedures on risk management and compliance and where appropriate, make recommendations to the RMC and Board
- set policies and procedures on compliance issues and ensure that there is general awareness and adequate controls are in place to ensure compliance.

Risks are handled within the approved authority limits of the managers and escalated to the next higher level, if they exceed the authority limits.

The framework is reviewed annually to ensure its relevance to the organisation.

Assessment by the Board

The Board of Directors and the Risk Management Committee are satisfied with the framework and that the relevant issues have been escalated to the Risk Management Committee and the Board during the past year.

My report this year is made against an exceptionally challenging year in 2008 with the financial crisis accelerating in the 2nd half of 2008 and a global economic recession unfolding. Nevertheless, the Co-operative remains sound and insurance contract provisions are sufficient to meet future obligations.

Insurance Funds	* Net Assets ($mil)			Insurance Contract Provisions ($mil)		
	31-Dec-07	31-Dec-08	% change	31-Dec-07	31-Dec-08	% change
Life Insurance Funds						
Participating Fund	16,714	15,723	-5.9%	16,635^	15,620^	-6.1%
Non-Participating Fund	1,262	1,326	5.1%	851^^	870^^	2.2%
Investment-Linked Fund	1,286	945	-26.5%	1,286	945	-26.5%
General Insurance Fund	999	1,037	3.8%	456	540	18.4%
Total Insurance Funds	20,261	19,031	-6.1%	19,228	17,975	-6.5%

* *Net Assets is the assets net of other liabilities.*
^ *Includes Investment contract liabilities of $246 million. (2007: $249 million)*
^^ *Includes a reclassification of reserves, please see Notes to the Financial Statements – 18. Reserves for Future Distribution.*

The insurance contract provisions are based on statutory risk-based capital (RBC) liability valuation, taking account of all contractual liabilities. For Life Insurance Participating Fund, total insurance contract provisions include non-guaranteed policy liabilities and an allowance for future bonuses. This year, we have updated our bonus rates, discount rates and the mortality assumptions used for annuitants. The net effect of these changes has been to reduce the insurance contract provisions by $773 million.

One of my duties as the Appointed Actuary is to recommend to the Board, the bonus rates to be allocated to the Co-operative's participating policyholders. In making these recommendations, I follow a set of principles based on fairness and sustainability of bonus rates. These principles are unchanged from previous years.

Last year, I recommended the restructuring of bonuses for certain policies from annual bonus towards special bonuses. The objective of this change is to enhance financial strength, increase the flexibility of investment policy with the potential to translate into better benefits for policyholders in the long term. The increased financial strength will increase the ability of the fund to navigate market volatility such as the financial crisis we saw in 2008, although the severity of this crisis and the speed at which it unfolded was not widely anticipated.

As a result of the financial crisis, the total return on the Life Insurance Participating Fund in 2008 was -11.1%. The outlook for the short to medium term is uncertain and interest rates remain low. As long term investors, we do look to average the performance over the long term horizon and it is this which drives our bonus allocation. Short term fluctuations will be smoothed out.

With this in mind, the level of policy payouts on death, maturities and surrenders is maintained and special bonuses for policies where bonuses were restructured in 2008 have been increased to compensate for reduced annual bonuses. I am able make this recommendation because the new bonus structure is more flexible and bonus allocations can be made in a more targeted way.

The bonus rates I have recommended are set out in Appendix A, and the total cost of the bonus I recommended this year amounted to $271 million ($279 million in 2007). This includes $34 million bonus paid in anticipation of surplus for terminating policies in year 2008.

A summary of the financials after taking account of the cost of bonus:

(in $ million)	Life Insurance Participating Fund	Life Insurance Non-Par Fund	General Insurance Fund
Accumulated Surplus held in Insurance Funds as at 31 December 2007	78.6 *	85.8	518.8
Add Investment Income from Surplus Account	0.5	NA	NA
Add Net Surplus for the year ^	30.0	-22.1	-21.3
Less transfer to Shareholders' Fund	5.5	0.0	0.0
Accumulated Surplus held in Insurance Funds as at 31 December 2008	103.6 *	63.7	497.5

* *Balance in the participating fund Surplus Account belongs to the participating fund policyholders.*
^ *Net of Allocation of management expenses and Surplus for future distribution.*

I recommended to the Board of Directors a transfer of one-ninth of the total cost of bonus, or $30 million, to the Life Insurance Participating Fund Surplus Account. I also recommended we continue to transfer 18% of this amount (or $5.5 million) to the Shareholders' Fund.

This year, due to the sharp decline in asset values, I do not recommend any transfer to the Shareholders' Fund from the Life Insurance Non-Participating Fund and General Insurance Fund in order to maintain the strength of these insurance funds.

KEN NG
FIA, FSAS
Appointed Actuary

Singapore, 27 March 2009

APPENDIX A

Bonus Rates

(a) Annual bonus and Compounding rates

Bonus Series	2008 Annual Bonus Rates	2008 Compounding Rates
EV – Ltd Pay Living/Protection (LPLP)	$13	1.30%
EV – PayMyUni	$13	1.30%
EV – Revosave	$13	1.30%
EV – Vivolife	$7	0.70%
LP – Whole Life Policy	$13	1.30%
LP – Harvest Policy (Ver 1)	$11	1.10%
LP – Growth Policy	$10	1.00%
LP – Endowment & Harvest Policy (Ver 2)	$13	1.30%
CB – Whole Life Policy	$15	1.50%
CB – Others	$15	1.50%
DP – Whole Life Policy	$16	2.10%
SB – Whole Life Policy	$26	2.10%
SB – Others	$23	1.80%
AD	$40	4.75%
Annuity – Y	0.00%	0.00%
Annuity – H	1.00%	1.00%
Annuity – K	2.50%	2.50%
Annuity – K1	2.00%	2.00%
Paid-up policies	$0	0.00%

Note:
- *Annual bonus rates are quoted per $1000 sum assured. For participating annuities, they are quoted as percentage addition to monthly annuity payment.*
- *There are special features for some plans and bonus series.*

These bonuses will be declared on policies in force as at 31 December 2008. They will vest on 1 April 2009 or the second policy anniversary of the policy, whichever is later. For regular premium policies, it is subject to payment of the full year's premium to the policy anniversary in 2008. For annuities, bonus is added on their policy anniversaries from 1 April 2009 to 31 March 2010.

(b) Terminal Bonus

LP Series, CB Series and EV Series on Death/ Maturity

Policy Year	2009 terminal bonus scale								
	LP Series			CB Series		EV Series			
	Whole Life	Endowment, Harvest (Ver 2)	Harvest (Ver 1), Growth	Whole Life	Others	Ltd Pay Living/ Protection	PayMyUni	Revosave	Vivolife
5	75%	60%	64%	45%	42%	146%	156%	80%	0%
10	49%	42%	43%	35%	33%	155%	165%	125%	50%
15	41%	36%	37%	31%	30%	165%	166%	150%	100%
20	38%	34%	34%	30%	29%	176%	187%	170%	150%
25	36%	33%	33%	29%	28%	187%	197%	188%	185%
30	35%	32%	32%	29%	28%	200%	NA	NA	185%
35	34%	31%	31%	29%	28%	213%	NA	NA	188%
40	33%	30%	30%	29%	28%	227%	NA	NA	195%

LP Series, CB Series and EV Series on Surrender

Policy Year	2009 terminal bonus scale								
	LP Series			CB Series		EV Series			
	Whole Life	Endowment, Harvest (Ver 2)	Harvest (Ver 1), Growth	Whole Life	Others	Ltd Pay Living/ Protection	PayMyUni	Revosave	Vivolife
5	40%	28%	31%	16%	14%	90%	95%	30%	0%
10	37%	30%	32%	8%	7%	99%	102%	70%	0%
15	30%	26%	26%	21%	20%	110%	109%	105%	50%
20	38%	34%	34%	20%	19%	155%	120%	145%	100%
25	36%	33%	33%	29%	28%	176%	185%	175%	150%
30	35%	32%	32%	29%	28%	188%	NA	NA	185%
35	34%	31%	31%	29%	28%	200%	NA	NA	188%
40	33%	30%	30%	29%	28%	214%	NA	NA	195%

Other Series

	2009 terminal bonus scale	
Bonus Series	Death/ Maturity	Surrender
DP, SB & AD Series	25%	Policy year 10-19: 15% Policy year 20 & after: 25%

Special bonus above is calculated as percentage of accumulated bonus, and applicable to the policies reaching the specified events above during year 2009.

In the opinion of the directors,

(a) the financial statements of the Co-operative as set out on pages 22 to 92 are drawn up so as to give a true and fair view of the state of affairs of the Co-operative as at 31 December 2008 and of the results of the business, changes in equity and cash flows of the Co-operative for the financial year ended 31 December 2008; and

(b) at the date of this statement, there are reasonable grounds to believe that the Co-operative will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Ng Kee Choe Chairman	Ron Foo Siang Guan Director	Tan Suee Chieh Principal Officer

27 March 2009

We have audited the financial statements of NTUC Income Insurance Co-operative Limited ("Co-operative") set out on pages 22 to 92, which comprise the balance sheet as at 31 December 2008, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting control sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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

As stated in Note 17 of the financial statements, the share capital and treasury shares of the Co-operative do not qualify as equity in accordance with the provisions of Financial Reporting Standard 32, Financial Instruments : Presentation, and should instead be classified as financial liabilities. Had it been done, the share capital of $437,961,000 (2007 : $438,800,000) and the corresponding treasury shares of $14,088,000 (2007: $13,699,000) would be reflected as liabilities, and dividends paid of $26,149,000 (2007 : $34,721,000) would be reflected as a finance cost instead of a distribution to participating members.

In our opinion,

(a) except for the presentation of the share capital and treasury shares as equity, and dividends as a distribution to participating members, the financial statements of the Co-operative are properly drawn up in accordance with Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Co-operative as at 31 December 2008, and the results, changes in equity and cash flows of the Co-operative for the financial year ended on that date;

(b) proper accounting and other records have been kept; and

(c) the receipts, expenditure and investment of monies and the acquisition of assets by the Co-operative during the financial year have been in accordance with the By-laws of the Co-operative and the provisions of the Co-operative Societies Act, Chapter 62.

PricewaterhouseCoopers LLP
Public Accountants and
Certified Public Accountants

Singapore, 27 March 2009

BALANCE SHEET

As at 31 December 2008

	Note	2008 Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
ASSETS							
Property, plant and equipment	5	17,660	-	-	-	-	17,660
Intangible assets	6	12,078	-	-	-	-	12,078
Investment properties	7	1,091,922	-	-	-	-	1,091,922
Investment in subsidiaries	8	3,776	-	-	-	2,279	6,055
Investment in associates	9	84,127	-	-	20,000	128	104,255
Other financial assets	10	12,722,398	1,270,434	910,313	950,066	240,514	16,093,725
Loans	11	792,613	-	-	1,551	119	794,283
Derivative financial instruments	12	234,661	1,098	11,074	891	7,354	255,078
Reinsurers' share of insurance contract provisions	13	-	-	-	30,720	-	30,720
Insurance and other receivables	14	127,671	40,096	9,206	25,828	7,879	210,680
Cash and cash equivalents	15	1,085,023	66,981	49,100	73,149	14,432	1,288,685
		16,171,929	1,378,609	979,693	1,102,205	272,705	19,905,141
LIABILITIES							
Insurance contract provisions	13	15,373,609	870,487	945,320	570,553	-	17,759,969
Investment contract liabilities		246,049	-	-	-	-	246,049
Derivative financial instruments	12	174,578	-	9,552	-	5,052	189,182
Insurance and other payables	16	274,046	52,937	24,821	34,182	14,919	400,905
		16,068,282	923,424	979,693	604,735	19,971	18,596,105
NET ASSETS		103,647	455,185	-	497,470	252,734	1,309,036
SHARE CAPITAL AND RESERVES							
Share capital	17	-	-	-	-	437,961	437,961
Treasury shares		-	-	-	-	(14,088)	(14,088)
Reserves for future distribution	18	-	391,480	-	-	-	391,480
Accumulated loss of shareholders' fund	26	-	-	-	-	(171,139)	(171,139)
Accumulated surplus of insurance funds							
- Life insurance par fund	25	103,647	-	-	-	-	103,647
- Other insurance funds	26	-	63,705	-	497,470	-	561,175
		103,647	455,185	-	497,470	252,734	1,309,036

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

	Note	2007 Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
ASSETS							
Property, plant and equipment	5	17,764	-	-	-	-	17,764
Intangible assets	6	5,893	-	-	-	-	5,893
Investment properties	7	1,124,464	-	-	-	-	1,124,464
Investment in subsidiaries	8	518	-	-	-	1,200	1,718
Investment in associates	9	84,127	-	-	20,000	-	104,127
Other financial assets	10	13,971,331	1,180,157	1,249,598	885,341	462,971	17,749,398
Loans	11	828,618	-	-	2,088	41	830,747
Derivative financial instruments	12	169,338	1,253	4,183	838	1,650	177,262
Reinsurers' share of insurance contract provisions	13	-	-	-	24,982	-	24,982
Insurance and other receivables	14	186,489	36,797	13,944	30,293	10,831	278,354
Cash and cash equivalents	15	760,774	94,979	56,405	72,200	34,767	1,019,125
		17,149,316	1,313,186	1,324,130	1,035,742	511,460	21,333,834
LIABILITIES							
Insurance contract provisions	13	16,386,303	781,335	1,285,752	480,558	-	18,933,948
Investment contract liabilities		248,686	-	-	-	-	248,686
Derivative financial instruments	12	65,847	32	2,494	-	759	69,132
Insurance and other payables	16	369,896	50,848	35,884	36,404	25,232	518,264
		17,070,732	832,215	1,324,130	516,962	25,991	19,770,030
NET ASSETS		78,584	480,971	-	518,780	485,469	1,563,804
SHARE CAPITAL AND RESERVES							
Share capital	17	-	-	-	-	438,800	438,800
Treasury shares		-	-	-	-	(13,699)	(13,699)
Reserves for future distribution	18	-	395,141	-	-	-	395,141
Accumulated surplus of shareholders' fund	26	-	-	-	-	60,368	60,368
Accumulated surplus of insurance funds							
- Life insurance par fund	25	78,584	-	-	-	-	78,584
- Other insurance funds	26	-	85,830	-	518,780	-	604,610
		78,584	480,971	-	518,780	485,469	1,563,804

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

		2008					
	Note	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Gross premiums		1,857,563	421,460	196,335	269,915	-	2,745,273
Reinsurance premiums		(8,200)	(86,796)	-	(28,082)	-	(123,078)
Net premiums		1,849,363	334,664	196,335	241,833	-	2,622,195
Fee and other income	19	22,349	492	-	4,094	-	26,935
Net investment (losses)/ income and fair value (losses)/gains	20	(1,920,100)	(35,294)	(386,144)	44,696	(208,570)	(2,505,412)
Total		(48,388)	299,862	(189,809)	290,623	(208,570)	143,718
Gross claims, surrenders and annuities		817,185	223,064	150,623	203,552	-	1,394,424
Bonus to policyholders	13	236,516	-	-	-	-	236,516
(Decrease)/increase in insurance contract provisions	13	(1,260,306)	74,160	(340,432)	38,135	-	(1,488,443)
Less: Reinsurers' share of insurance benefits and claims		(1,504)	(37,194)	-	(9,514)	-	(48,212)
Net insurance benefits and claims		(208,109)	260,030	(189,809)	232,173	-	94,285
Less: Expenses							
Selling expenses		76,025	17,090	-	34,815	-	127,930
Management expenses	21	53,133	42,213	-	40,164	2,288	137,798
Total claims and expenses		(78,951)	319,333	(189,809)	307,152	2,288	360,013
Net operating surplus / (loss)		30,563	(19,471)	-	(16,529)	(210,858)	(216,295)
Allocation of management and selling expenses	22	11,096	(6,315)	-	(4,781)	-	-
Transfer to insurance contract provisions	13	(11,096)	-	-	-	-	(11,096)
Transfer from reserves for future distribution	18	-	3,661	-	-	-	3,661
Transfer to Shareholders' Fund		(5,500)	-	-	-	5,500	-
Contribution to Central Co-operative Fund		-	-	-	-	-	-
Contribution to Singapore Labour Foundation		-	-	-	-	-	-
Net surplus / (loss) for the year		25,063	(22,125)	-	(21,310)	(205,358)	(223,730)

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

	Note	2007 Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Gross premiums		1,509,863	338,216	444,941	231,060	-	2,524,080
Reinsurance premiums		(9,028)	(64,657)	-	(21,461)	-	(95,146)
Net premiums		1,500,835	273,559	444,941	209,599	-	2,428,934
Fee and other income	19	30,333	8,472	-	5,790	-	44,595
Net investment income and fair value gains	20	1,580,360	88,542	73,843	94,324	25,091	1,862,160
Total		3,111,528	370,573	518,784	309,713	25,091	4,335,689
Gross claims, surrenders and annuities		1,057,782	190,578	316,925	181,650	-	1,746,935
Bonus to policyholders	13	254,590	-	-	-	-	254,590
Increase in insurance contract provisions	13	1,648,138	122,030	201,859	5,003	-	1,977,030
Less: Reinsurers' share of insurance benefits and claims		(1,930)	(32,527)	-	(5,255)	-	(39,712)
Net insurance benefits and claims		2,958,580	280,081	518,784	181,398	-	3,938,843
Less: Expenses							
Selling expenses		70,357	14,290	-	27,215	-	111,862
Management expenses	21	50,700	32,185	-	34,893	4,250	122,028
Total claims and expenses		3,079,637	326,556	518,784	243,506	4,250	4,172,733
Net operating surplus		31,891	44,017	-	66,207	20,841	162,956
Allocation of management and selling expenses	22	72,300	-	-	(72,300)	-	-
Transfer to insurance contract provisions	13	(72,300)	-	-	-	-	(72,300)
Transfer to reserves for future distribution	18	-	(37,004)	-	-	-	(37,004)
Transfer to Shareholders' Fund		(5,600)	(1,402)	-	-	7,002	-
Contribution to Central Co-operative Fund		-	-	-	-	(25)	(25)
Contribution to Singapore Labour Foundation		-	-	-	-	(5,440)	(5,440)
Net surplus / (loss) for the year		26,291	5,611	-	(6,093)	22,378	48,187

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

For the financial year ended 31 December 2008

	Note	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Share capital						
At 1 January 2008		-	-	-	438,800	438,800
Issuance of participating shares	17	-	-	-	1,467	1,467
Redemption of participating shares	17	-	-	-	(2,306)	(2,306)
At 31 December 2008		**-**	**-**	**-**	**437,961**	**437,961**
At 1 January 2007		-	-	-	435,795	435,795
Issuance of participating shares	17	-	-	-	4,679	4,679
Redemption of participating shares	17	-	-	-	(1,674)	(1,674)
At 31 December 2007		-	-	-	438,800	438,800
Accumulated surplus						
At 1 January 2008		78,584	85,830	518,780	60,368	743,562
Surplus / (loss) for the year		25,063	(22,125)	(21,310)	(205,358)	(223,730)
Dividends for 2007 paid	24	-	-	-	(26,149)	(26,149)
At 31 December 2008		**103,647**	**63,705**	**497,470**	**(171,139)**	**493,683**
At 1 January 2007		52,293	80,219	524,873	72,711	730,096
Surplus / (loss) for the year		26,291	5,611	(6,093)	22,378	48,187
Dividends for 2006 paid	24				(34,721)	(34,721)
At 31 December 2007		78,584	85,830	518,780	60,368	743,562
Reserves for future distribution						
At 1 January 2008 as previously reported		-	325,302	-	-	325,302
Transfer from insurance contract provisions		-	69,839	-	-	69,839
At 1 January 2008 as restated		-	395,141	-	-	395,141
Transfer to surplus for the year	18	-	(3,661)	-	-	(3,661)
At 31 December 2008		**-**	**391,480**	**-**	**-**	**391,480**
At 1 January 2007 as previously reported		-	298,850	-	-	298,850
Transfer from insurance contract provisions		-	59,287	-	-	59,287
At 1 January 2007 as restated		-	358,137	-	-	358,137
Transfer from surplus for the year		-	37,004	-	-	37,004
At 31 December 2007		-	395,141	-	-	395,141
Treasury shares						
At 1 January 2008		-	-	-	(13,699)	(13,699)
Issuance of treasury shares		-	-	-	(389)	(389)
At 31 December 2008		**-**	**-**	**-**	**(14,088)**	**(14,088)**
At 1 January 2007		-	-	-	(10,931)	(10,931)
Issuance of treasury shares		-	-	-	(2,768)	(2,768)
At 31 December 2007		-	-	-	(13,699)	(13,699)
At 31 December 2008		**103,647**	**455,185**	**497,470**	**252,734**	**1,309,036**
At 31 December 2007		78,584	480,971	518,780	485,469	1,563,804

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

	Note	2008 $'000	2007 $'000
Operating activities			
Net (loss) / surplus after levy		(223,730)	48,187
Adjustments for:			
Contribution to Central Co-operative Fund and Singapore Labour Foundation		-	5,465
Depreciation of property, plant and equipment		5,555	2,945
Amortisation of intangible assets		2,358	3,490
(Gain)/loss on disposal of property, plant and equipment and intangible asset		(19)	2
Interest income		(43,049)	(62,267)
Dividend income		(194,654)	(302,580)
Loss/(gains) on changes in fair value of other financial assets		2,588,546	(1,128,803)
Loss/(gains) on changes in fair value of derivatives		28,375	(102,479)
Loss/(gains) in fair value of investment properties		15,987	(292,676)
Loss on disposal of subsidiaries		-	2,136
Gain on disposal of an associate		-	(29,338)
Allowance for impairment made during the year		113,747	-
Allowance for doubtful loans written back		(644)	(2,775)
Loans written off		1,557	6,589
Allowance for doubtful receivables		3,257	1,929
Bonus to policyholders		236,516	254,590
Transfer (to)/from surplus for the year		(3,661)	37,004
Increase in reinsurers' share of insurance contract provision		(5,738)	(6,123)
(Decrease)/increase in insurance contract provisions		(1,410,495)	2,092,391
Operating cash flows before changes in working capital		1,113,908	527,687
Changes in working capital:			
Insurance and other receivables		63,132	(110,788)
Insurance and other payables		(111,894)	47,587
Investment contract liabilities		(2,637)	88,502
Cash generated from operations		1,062,509	552,988
Contributions to Singapore Labour Foundation		(5,440)	(13,670)
Contributions to Central Co-operative Fund		(25)	(25)
Cash flows provided by operating activities		1,057,044	539,293
Investing activities			
Purchase of property, plant and equipment		(5,479)	(13,321)
Purchase of intangible assets		(8,568)	(3,554)
Increase in properties		(5,786)	-
Proceeds from disposal of property, plant and equipment and intangible assets		72	159
Proceeds from disposal of subsidiaries		-	519
Proceeds from disposal of an associate		-	38,838
Proceeds from disposal of investment properties		22,341	-
Interest received		43,141	62,283
Dividends received		195,847	301,689
Increase in investments (net)		(1,037,226)	(820,373)
Decrease in loans (net)		35,551	51,826
Cash flows used in investing activities		(760,107)	(381,934)
Financing activities			
Proceeds from issuance of participating shares		1,078	4,679
Redemption of participating shares		(2,306)	(1,674)
Dividends paid to participating members		(26,149)	(34,721)
Cash flows used in financing activities		(27,377)	(31,716)
Net increase in cash and cash equivalents		269,560	125,643
Cash and cash equivalents at beginning of the year		1,019,125	893,482
Cash and cash equivalents at end of the year	15	1,288,685	1,019,125

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

These notes form an integral part of and should be read in conjunction with the financial statements.

1. GENERAL

NTUC Income Insurance Co-operative Limited (the "Co-operative") is domiciled in Singapore and constituted under the Co-operative Societies Act (Chapter 62). The address of the Co-operative's registered office is 75 Bras Basah Road, NTUC Income Centre, Singapore 189557.

The principal activities of the Co-operative consist of the underwriting of life and general insurance business, and carrying out investment activities incidental to its business.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"), under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with Singapore FRS requires management to exercise its judgement in the process of applying the Co-operative's accounting policies. It also requires the use of certain critical accounting estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

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.

Interpretations and amendments to published standards effective in 2008

On 1 January 2008, the Co-operative adopted the new or amended FRS that are mandatory for application from that date. Changes to the Co-operative's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS.

The following are the new or amended FRS that are relevant to the Co-operative:

FRS 107	Financial Instruments: Disclosures
Amendments to FRS 1	Presentation of Financial Statements – Capital Disclosures

In addition, amendments to FRS 39 - Financial Instruments: Recognition and Measurement and FRS 107 - Financial Instruments: Disclosures– Reclassifications of Financial Assets, were adopted by the Co-operative with effect from 1 July 2008.

The adoption of the above new or amended FRS did not result in any substantial changes to the Co-operative's accounting policies.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

The assets and liabilities of the Co-operative which relate to the insurance business carried out in Singapore are subject to the requirements of the Insurance Act. Such assets and liabilities are accounted for in the books of the respective insurance funds established under Section 17 of the Insurance Act. All other assets and liabilities are accounted for in the books of the "Shareholders' Fund". The net assets of the Co-operative held in the insurance funds and in the Co-operative as a whole must be sufficient to meet the solvency requirements stipulated in Section 18 of the Insurance Act at all times.

The assets and liabilities are presented in the balance sheet in order of liquidity.

(b) Fund accounting

Life Insurance Par Fund
The Life Insurance Par Fund contains all the individual participating life insurance contracts and certain non-participating life insurance contracts.

Participating life insurance contracts are contracts that contain a discretionary participating feature ("DPF"). This feature entitles the policyholders to receive additional benefits in the form of annual and terminal bonuses. The amount or timing of the bonus declaration is not guaranteed, and is at the sole discretion of the Co-operative.

Life Insurance Non-Par Fund
The Life Insurance Non-Par Fund contains the health insurance and group term insurance businesses. It also includes the IncomeShield plans, ElderShield Scheme and the Dependants' Protection Scheme.

Investment Linked Fund
The Investment Linked Fund contains the business of all investment-linked insurance contracts.

General Insurance Fund
The General Insurance Fund contains the business of all the general insurance contracts.

Shareholders' Fund
The Shareholders' Fund contains the capital contributions made by shareholders, net of transfers to and from the insurance funds and net assets relating to other non-insurance businesses.

(c) Classification of insurance and investment contracts

The Co-operative issues contracts that transfer insurance risk or financial risk, or both.

Financial risk is the risk of a possible change in one or more of the following: a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of non-financial variable, that the variable is not specific to a party to the contract.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Such contracts may also transfer financial risks. As a general guideline, the Co-operative defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 5% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk without significant insurance risk.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Insurance contracts

(i) *Recognition and measurement*

Life Insurance Contracts

Premium revenue
Premiums from life insurance in-force insurance contracts, including annuities, are recognised as revenue on the due date. Premiums not received on due date are included as revenue. The outstanding premiums are included in "Insurance and other receivables" in the balance sheet.

Premiums received in advance before the due dates are not recognised as revenue. They are recorded as advance premiums and included in "Insurance and other payables" in the balance sheet until they are recognised as revenue when they fall due.

Claims
Claims include maturities, annuities, surrenders and death claims. Maturity and annuity claims are recognised as an expense when due for payment. Surrender claims are recognised when paid. Death claims are recognised when notified.

All expense charges deducted from the investment linked life insurance contracts are paid into the Life Insurance Par Fund as income. Administrative expenses of the investment linked policies are charged to the Life Insurance Par Fund. If the insurance benefit arising from a death claim exceeds the surrender value of an investment linked policy, the additional benefit exceeding the surrender value is paid out of the Life Insurance Par Fund.

Bonuses to policyholders
All participating life insurance contracts have discretionary participating feature. This feature entitles the policyholders to receive, as a supplement to guaranteed benefits, additional benefits or bonuses. Reversionary bonuses and cash dividends declared are based on the results of annual actuarial valuations in accordance with Insurance Regulations as advised by the Appointed Actuary. The amount or timing of the bonus declaration is not guaranteed, and is at the sole discretion of the Co-operative. The Board of Directors approves the amount of bonus declared to policyholders of participating plans every year.

Insurance contract provisions - Life Insurance Par Fund
Provision for future participating and certain non-participating benefits in the Life Insurance Par Fund are established using a discounted prospective cash-flow method. It includes the current best estimate of future contractual premiums, expected claims, provisions for adverse deviation and the costs of maintaining the contracts and future renewal expenses.

Insurance contract provisions - Life Insurance Non-Par Fund
Insurance contract provisions in the Life Insurance Non-Par Fund include provisions for future non-participating benefits, claims and loss adjustment expenses, provisions for adverse deviation and unexpired risks. Provision for future non-participating benefits is established based on the same approach used in the Life Insurance Par Fund. Provisions for claims and loss adjustment expenses and unexpired risks are established based on the same approach used in the General Insurance Fund.

Insurance contract provisions - Investment Linked Fund
Provision for investment linked insurance contracts is based on the carrying amount of the net assets of the Investment Linked Fund at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Insurance contracts (continued)

(i) Recognition and measurement (continued)

General Insurance Contracts

Premium revenue
Premiums are recognised as revenue from the commencement date of insurance cover.

Written premiums are reported in the financial statements on a gross basis, inclusive of commission payable to intermediaries. Premiums attributable to financial periods outside the financial reporting period are adjusted to provision for unexpired risks.

Claims
Claims incurred comprise claims paid during the financial year, net of salvage and subrogation recoveries, and changes in provision for insurance claims.

Salvage and subrogation reimbursements
Some insurance contracts permit the Co-operative to sell salvaged property (salvage) or sue liable third parties (subrogation) in recovering the cost of losses.

Reasonable estimates of the salvage recoveries or subrogation reimbursements are included as an allowance in the measurement of the insurance liability for claims, and recognised in other assets when the liability is settled.

Insurance contract provisions – General Insurance Fund

Provision for unexpired risks
Provision for unexpired risks includes provision for unearned premiums and a provision for premium deficiency.

Provision for unearned premiums is determined by taking the written premiums for the financial period that falls outside the financial reporting period.

Additional provision for premium deficiency is made where the expected future claim costs and expenses and a provision for adverse deviation exceed the provision for unearned premiums.

Provision for insurance claims
Provision is made for all outstanding claims as at the balance sheet date. This provision includes all unpaid claims, claims incurred but not reported, the anticipated direct and indirect costs of settling these claims and a provision for adverse deviation.

Investment Contracts

Amounts collected on investment contracts, which primarily involve the transfer of financial risk are accounted for using deposit accounting. The liability is initially measured at its fair value less transaction costs that are incremental and directly attributable to the acquisition or issue of the contract. Subsequent measurement of investment contracts at amortised cost uses the effective interest method. Claim and/or benefit settlement is adjusted directly against the value of investment contract liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Insurance contracts (continued)

(ii) *Embedded derivatives in insurance contracts*

The Co-operative does not need to separately measure at fair value the policyholder's option to surrender an insurance contract for a fixed amount (or for an amount based on a fixed amount and an interest rate), even if the exercise price differs from the carrying amount of the host insurance liability. This is in accordance with FRS 104 – Insurance Contracts.

Options and guarantees inherent in some insurance contracts which are closely related to the host contract issued by the Co-operative are not required to be separated and measured at fair value.

All revenue, benefit payments, expenses and valuation of future benefits payments including investment components are recognised through the profit and loss account.

(iii) *Accumulated surplus – Life Insurance Par Fund*

The accumulated surplus within the Life Insurance Par Fund represents the maximum amount of the surplus arising from the Life Insurance Par Fund that could be transferred to the Shareholders' Fund each year. It has been the Co-operative's practice that only a portion of the surplus will be transferred to the Shareholders' Fund.

(iv) *Reinsurance*

The Co-operative enters into reinsurance contracts in the normal course of business to diversify its risks and limit its net loss potential. Assets, liabilities, income and expense arising from the reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts.

Amounts recoverable under reinsurance contracts are assessed for impairment at each balance sheet date. Such assets are deemed impaired if there is objective evidence that the Co-operative may not recover all amounts due from the reinsurer.

(v) *Liability adequacy tests*

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the insurance liabilities estimates. Current best estimates of future contractual cash flow, expected future claims handling, acquisition and administration costs, if any, are projected at best estimate assumptions, and discounted at rates that are close to the Co-operative's prospective investment return. Any deficiency is charged to the profit and loss account.

(e) Revenue

Gross premium

The accounting policy for the recognition of gross premium is disclosed in note 2(d)(i).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue (continued)

Fee and other income

Fee and other income comprises reinsurance commission income (including reinsurance profit commission income) and management and other fees.

Reinsurance commission income is recognised as revenue on a basis that is consistent with the recognition of the costs incurred on the acquisition of underlying insurance contracts (see note 2(d)).

Reinsurance profit commission income is recognised based on the terms of the underlying reinsurance contract, and when the amount of revenue and related cost of the reinsurance transaction can be reliably measured.

Management and other fees comprise fund management fees, mortality fees, policy fees and fund switch fees relating to Investment Linked Funds.

Management and other fees are recognised as revenue on a straight-line basis over the period the service is provided.

Investment income

Investment income comprises of rental income from investment properties, dividend and interest income from financial assets and interest income on loans and bank deposits.

Rental income from investment properties is recognised as revenue on a straight-line basis over the term of the operating lease.

Interest income is recognised using the effective interest method. When a receivable is impaired, the Co-operative reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

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

(f) Employee benefits

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Co-operative pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Co-operative has no further payment obligations once the contributions have been paid. The Co-operative's contributions are recognised as employee compensation expense when they are due, unless they can be capitalised as an asset.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by the employees up to the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Contributions to Central Co-operative Fund and Singapore Labour Foundation

Under the Co-operative Societies Act, the surplus of a Co-operative society is subject to a levy payable to the Central Co-operative Fund (the "CCF") or the Singapore Labour Foundation (the "SLF"). A levy of 5% of the first $500,000 of surplus is payable to the CCF. A levy of 20% of the surplus for amounts above $500,000 is payable to either the SLF or CCF.

In the case of an insurance Co-operative, the surplus excludes the portion that is used for declaration of bonus to policyholders or retained in the insurance fund and, accordingly, no provision for levy has been made for any surplus retained in any insurance fund. Such surpluses are designated as surpluses retained within insurance funds on the balance sheet.

(h) Foreign currency translation

The financial statements are presented in Singapore Dollar, which is the functional currency of the Co-operative, and are rounded to the nearest thousand, unless otherwise stated.

Foreign currency transactions are translated into Singapore dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from 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 profit and loss account.

Changes in fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in the income statement and the other changes are recognised in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

(i) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation on property, plant and equipment is calculated on a straight-line basis to allocate their depreciable amounts over their estimated useful lives as follows:

Office equipment	5 years
Furniture and fittings	5 years
Motor vehicles	5 years
Computer equipment	5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in the profit and loss account when the changes arise.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment (continued)

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Co-operative and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in the income statement when incurred.

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the profit and loss account.

(j) Intangible assets

Intangible assets include cost of computer software acquired. Acquired computer software licenses are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense when incurred.

Computer software licenses are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to the profit and loss account using the straight-line method over their estimated useful lives of five years.

The amortisation period and amortisation method of intangible assets are reviewed at least at each balance sheet date. The effects of any revision are recognised in the profit and loss account when the changes arise.

(k) Investment properties

Investment properties are initially recognised at cost and subsequently carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Co-operative uses alternative methods such as discounted cash flow projections or recent prices in less active markets. These valuations are reviewed annually by an independent professional valuer. Changes in fair values are recorded in the profit and loss account.

All properties are held as investment properties within the Life Insurance Par Fund for investment purposes (rental yields and capital appreciation). Any change in value of the properties would accrue mainly to the participating policyholders. A portion of certain properties is used by the Life Insurance Par Fund, the Life Insurance Non-Par Fund, the General Insurance Fund and the Shareholders' Fund. An interfund rent (at market rates) is charged to the Life Insurance Non-Par Fund, the General Insurance Fund and the Shareholders' Fund based on their use of each investment property. This ensures that the Life Insurance Par Fund receives the full benefit of its investments within the Par Fund.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised. The cost of maintenance, repairs and minor improvements is charged to the income statement when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Investment in subsidiaries

Subsidiaries are entities over which the Co-operative has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights.

Interests in subsidiaries are included in the Co-operative's balance sheet at cost less accumulated impairment losses. On disposal of investment in subsidiaries, the difference between the disposal proceeds and the carrying amounts of the investments are recognised in the profit and loss account.

(m) Investment in associates

These are entities (not being subsidiaries) in which the Co-operative has a substantial interest of not less than 20% of the equity and/or where the Co-operative has the ability to exercise significant influence in their financial and operating policy decisions.

Interests in associates are included in the Co-operative's balance sheet at cost less accumulated impairment losses. On disposal of investment in associates, the difference between the disposal proceeds and the carrying amounts of the investments are recognised in the profit and loss account.

(n) Investments and other financial assets

Non-derivative investments and other financial assets are classified into the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The designation of financial assets at fair value through profit or loss is irrevocable.

Investments at fair value through profit or loss

Investments that are held by the Co-operative to back life insurance and investment contract liabilities are designated by the Co-operative on initial recognition at fair value through profit or loss. This designation eliminates or significantly reduces measurement inconsistency that would otherwise arise. The measurement bases for investment contracts, investment linked life insurance contracts and contracts with discretionary participation features issued by the Co-operative all reflect changes in the fair value of the investments backing the contracts. For annuities and other life insurance contracts issued by the Co-operative, the valuation discount rate is adjusted for changes in the fair value of the investments backing the contracts. Changes in the value of all insurance contract and investment contract liabilities are included in the profit and loss account.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Co-operative intends to sell in the short term or that it has designated at fair value through profit or loss. Loans and receivables include "cash and cash equivalents", "insurance and other receivables" and "loans".

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Investments and other financial assets (continued)

Recognition, measurement, derecognition and disclosure

Purchases and sales of 'regular way' financial assets are recognised on trade date, which is when the Co-operative commits to purchase or sell the assets. Other financial assets are derecognised when the contractual rights to receive cash flows from the financial assets expire, or when the financial assets have been transferred, together with substantially all the risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in the income statement.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit and loss are recognised immediately in the profit and loss account.

After initial recognition, the Co-operative measures financial assets, designated at fair value through profit or loss, and as available-for-sale, at fair values without any deduction for transaction costs it may incur on their disposal. Loans are measured at amortised cost using the effective interest method less accumulated impairment losses.

Changes in the fair value of financial assets at fair value through profit or loss are included in the profit and loss account in the period in which they arise, including interest income from such assets.

Available for sale investments are stated at fair value unless this fair value cannot be reliably measured, in which case they are stated at cost less accumulated impairment losses.

Derivative financial instruments

Derivative financial instruments are categorised as held for trading measured at initial recognition, and subsequently, at fair value and changes in fair value are recognised in the profit and loss account. Transaction costs incurred in buying and selling derivative instruments are recognised in the profit and loss account when incurred.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Fair value estimation

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Co-operative are the current bid prices. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Co-operative uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. These techniques include the use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or option pricing models. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Equity instruments whose value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

The fair value of a derivative financial instrument is determined by reference to its quoted price if quoted prices are regularly available from an exchange, dealer, or broker and there are regularly recurring market transactions in the instrument. The fair value of options is determined using option pricing techniques.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Investments and other financial assets (continued)

Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(o) Impairment of assets

Financial assets carried at amortised costs

The Co-operative assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the assets (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Co-operative about the following events: significant financial difficulty of the issuer or debtor; a breach of contract, such as a default of delinquency in payments; it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: adverse changes in the payment status of issuers or debtors in the group; or national or local economic conditions that correlate with defaults on the assets in the group.

The Co-operative first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Co-operative determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables or the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate, the loss is measured on that basis. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for a group of such assets being indicative of the issuer's ability to pay all amounts under the contractual terms of the loans being evaluated.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Impairment of assets (continued)

Financial assets, available-for-sale

In the case of a financial asset classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the security is impaired. The Co-operative assesses at each balance sheet date whether there is an objective evidence of impairment that available-for-sale financial asset is impaired.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that has been recognised directly in the fair value reserve is removed from the fair value reserve and recognised in the profit and loss account. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss account.

Impairment losses on debt instruments classified as available-for-sale financial assets are reversed through the profit and loss account. However, impairment losses recognised in the profit and loss account on equity instruments classified as available-for-sale financial assets are not reversed through the profit and loss account.

Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the income statement.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in the income statement.

(p) Insurance and other receivables

Insurance and other receivables include outstanding premiums, trade receivables, accrued interest receivable from fixed deposits with banks and other receivables. These are recognised initially at fair value and subsequently measured at amortised cost less accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and fixed deposits held with banks which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(r) Insurance and other payables

Insurance and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(s) Share capital and treasury shares

All paid-up shares are participating shares and are classified as equity, although they do not all qualify as equity based on the presentation requirements of Financial Reporting Standard 32, Financial Instruments: Presentation. All shareholders are entitled to redeem their shares at the par value of $10 each or the net asset value of the Co-operative based on the last balance sheet date, whichever is lower. The maximum number of shares which may be redeemed at the end of any year shall not exceed 10% of the shares outstanding at the prior year's balance sheet date. In practice, the number of shares redeemed each year is less than 1% of the total number of shares.

Dividends on participating shares are recognised in the Statement of Changes in Equity in the year in which they are declared.

The consideration payable for the purchase by the Co-operative of its own shares is treated as treasury shares at balance sheet date, and shown as a deduction from shareholders' funds in the Statement of Changes in Equity.

(t) Other provisions

Provisions other than insurance contract provisions are recognised when the Co-operative has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation. When the Co-operative expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(u) Operating leases

Leases of investment properties which the Co-operative retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in the income statement on a straight-line basis over the lease term.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Insurance Contract Provisions for Life Insurance

The insurance contract provisions for Life insurance are computed in accordance with the applicable regulatory principles using a prospective approach.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Insurance Contract Provisions for Life Insurance (continued)

The provisions comprise of the following liabilities:

- expected future net payments from guaranteed benefits
- expected future net payments from non-guaranteed benefits (if any)
- provision for adverse deviation from the expected experience

Valuation Methodology

Assumptions
Liabilities are computed using the prospective cash flow method. The areas where assumptions have been applied are:
- Mortality and morbidity (if applicable)
- Persistency
- Discount rate
- Management expenses
- Bonuses (for Life Insurance Par Fund only)

Mortality and Morbidity
A detailed review of the Co-operative's mortality and morbidity experience by plan types and by underwriting types is conducted annually. Based on the results of the review, the Co-operative's Appointed Actuary has formed an opinion with regards to the expected future mortality and/or morbidity experience. The Co-operative also uses published mortality and/or morbidity tables for plans that have no historical experience. A provision for adverse deviation is also made based on the types of product. In general, half of the regulatory provision for adverse deviation (PAD) for C1 (Insurance) risk charge is used.

Persistency
A detailed review of the Co-operative's persistency experience by plan types and channels is conducted annually. The Co-operative tries to balance past experience and future conditions by making prudent assumptions about the future long term average persistency levels. For new plans with no historical experience, the Co-operative uses industry experience as a basis or assumes full persistency, whichever is deemed more prudent.

Discount Rates
The discount rates used in the Life Insurance Non-Par Fund are derived from the yields of Singapore Government Securities. The discount rates used in the Life Insurance Par Fund are derived based on the expected prospective long-term investment outlook. This is based on the expected investment returns of assets backing the liabilities of the Par Fund and it is determined in conjunction with the investment managers and the Investment Committee.

Expenses
The Co-operative reviews and determines the management expense assumptions regularly based on past experience and future business direction of the Co-operative. The expense inflation assumption is the expected long term inflation rate and is based on published inflation rate by the Department of Statistics of Singapore.

Future Bonuses
The Co-operative conducts bonus review of the Life Insurance Par Fund annually. Bonuses are declared based on the results of the review which takes into consideration the past investment, mortality and/or morbidity, persistency, and management expense experiences. The goal of the review is to ensure bonuses paid are equitable and sustainable based on the Appointed Actuary's expected prospective outlook of the Life Insurance Par Fund. The reasonable expectations of policyholders are also taken into consideration when determining the amount of bonus to be declared.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Insurance Contract Provisions for Life Insurance (continued)

Assumption table

The table below shows the assumptions used in the valuation of provision for future participating and non-participating benefits in the Life Insurance Par Fund and Life Insurance Non-Par Fund.

At 31 December 2008	
Assumptions	Life Insurance Fund
Interest Rate	MCL*: Risk Free Rates from Year 1 to Year 15, Long Term Rates thereafter PL*: Flat yield of 5.25%
Provision for adverse deviation (PAD)	Half of C1 (Insurance Risk charge) PAD
Lapse / Surrender Rate	0.0% to 12.0% depending on type of product
Selling Expense	Based on current commission structure
Management Expense	Renewal expense of $35 per policy
Inflation Rate	1.75%
Non-guaranteed future bonus	2008 Bonus Rates
Mortality (Death & TPD)	90.00% to 116.5% of S9702M/F or a(90) or MS08893 or Singapore Population Rate whichever is the appropriate mortality table
Mortality/ Morbidity Rate (Death, TPD & Dread Disease)	Adjusted Mortality / Morbidity Table compiled by the Monetary Authority of Singapore
Mortality Rate (Annuities)	Adjusted a(90) mortality table with age reduction and mortality improvement

** Note:*
C1 – Component 1 Requirement, per Statutory Returns Form 21
MCL - Minimum Condition Liability; PL - Policy Liability valuation bases

Effect of Changing Assumptions Used for Life Liability Valuation

For the valuation as at 31 December 2008, the Co-operative has updated the liability valuation assumptions as compared to 1 January 2008 valuation assumptions. The impact of the changes in the valuation assumptions is in the table shown below:

Life Insurance Par Fund

Changes in sequence	$ Change in Insurance Contract Provision for guaranteed benefits (m)	% Change in Insurance Contract Provision for guaranteed benefits*
Inclusion of Mortality Improvement in Annuity Mortality	58	0.6%
Change in interest rate from risk free rate + risk premium to flat 5.25%	(812)	(8.2%)
Change in Bonus Rates	(18)	(0.2%)

* *The insurance contract provision for guaranteed benefits is used to illustrate the effect of changing assumptions used for life liability valuation instead of using the entire insurance contract provision because the entire contract provision is currently the policy assets of the fund.*

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Insurance Contract Provisions for Life Insurance (continued)

Effect of Changing Assumptions Used for Life Liability Valuation (continued)

Life Insurance Non-Par Fund

The Risk Free Rates were updated to 31 December 2008. No other changes were made to the Non-Par Fund valuation assumptions. The impact of the changes in the risk free rates is in the table shown below:

Changes	$ Change in Insurance Contract Provision for guaranteed benefits (m)	% Change in Insurance Contract Provision for guaranteed benefits*
Update of Risk Free Rates to 31 Dec 2008	0.5	0.1%

Insurance Contract Provisions for General Insurance

The insurance contract provisions for General Insurance comprise claims and premium liabilities and are computed in accordance with sound actuarial principles and regulatory guidelines.

These liabilities comprise:

- best estimate of the premium liabilities
- best estimate of the claims liabilities; and
- margins for adverse deviation to ensure a 75% probability of adequacy

Valuation methodology

Standard actuarial techniques are used to project the provision for claims and loss adjustment expenses ("claim liabilities and premium liabilities"). These methods include the Chain-ladder and Bornhuetter-Ferguson model.

The valuation process involves using the Co-operative's claims and policy data to estimate future claims experience. These insurance liabilities have been derived on a gross basis and are subsequently adjusted for reinsurance and other recoveries for a net basis.

Assumptions

The key assumptions of the actuarial valuation models include:

- chain-ladder claim development factors
- loss ratios
- expense ratios
- reinsurance recovery ratio

These assumptions are derived based on the Co-operative's historical and emerging underwriting experience.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Insurance Contract Provisions for General Insurance (continued)

Effect of Changing Assumptions used for General Insurance

Policy liabilities as at 31 December 2008 are $540 million compared to $456 million in 2007, an increase of $84 million. Without any change in valuation assumptions, policy liabilities would have increased by $71 million, thus the change in assumptions contributed $13 million to the increase. Updating the risk free rates contributed $6 million to the increase as risk free rates have decreased over the past 12 months due to current financial market conditions. The remaining $7 million increase is due to the updating of Claim Development ratios, the latest claims handling expenses and subrogation recoveries.

Margins for adverse deviation

In accordance with the insurance regulations, the insurance liabilities include a risk margin to ensure a 75% probability of adequacy.

The risk margin is determined to allow for the uncertainty and volatility of the claims experience. Effects of diversification are also allowed for at the fund level.

Discounting

The insurance liabilities have been discounted using risk free rates derived from the yields of the Singapore government bonds of appropriate term.

Gross liabilities

The gross claims liability as at 31 December 2008 is $373 million as compared to net claims liability of $352 million.

The premium liability on gross basis is $197 million as compared to net premium liability of $188 million.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Insurance Contract Provisions for General Insurance (continued)

Development and movement of general insurance claim liabilities

Below is the summary of the development of past years' gross claims liabilities.

Claims development table 2008 Accident year	2001	2002	2003	2004	2005	2006	2007	2008	($'000) Total
End of accident year	130,921	180,583	214,700	221,260	211,430	166,473	175,745	246,049	
1 year later	140,852	189,434	197,057	201,873	198,300	175,776	196,521		
2 years later	142,216	185,858	189,914	196,892	197,168	172,310			
3 years later	140,546	185,424	191,627	195,433	195,546				
4 years later	140,205	182,769	191,504	190,751					
5 years and beyond	139,275	181,477	188,664						
Estimate of gross cumulative claims	139,275	181,477	188,664	190,751	195,546	172,310	196,521	246,049	1,510,592
Cumulative claim payments	138,604	179,546	185,242	180,874	168,993	135,023	121,782	81,116	1,191,180
Estimate of gross claim liabilities	670	1,930	3,421	9,877	26,553	37,287	74,739	164,934	319,412
Effect of discounting	(5)	(14)	(30)	(108)	(352)	(603)	(1,453)	(3,281)	(5,847)
Claims handling expenses	56	160	284	818	2,193	3,071	6,135	13,533	26,251
Best estimate of gross claim liability before recoveries	721	2,077	3,675	10,587	28,394	39,755	79,421	175,185	339,815
Estimated gross claim liabilities for prior accident years									1,838
Recoveries and other adjustments									(2,726)
Provisions for adverse deviation									34,127
Gross claim liabilities									373,054

Claims development table 2007 Accident year	2001	2002	2003	2004	2005	2006	2007	($'000) Total
End of accident year	130,921	180,583	214,700	221,260	211,430	166,473	175,745	
1 year later	140,852	189,434	197,057	201,873	198,300	175,776		
2 years later	142,216	185,858	189,914	196,892	197,168			
3 years later	140,546	185,424	191,627	195,433				
4 years later	140,205	182,769	191,504					
5 years and beyond	139,648	182,769						
Estimate of gross cumulative claims	139,648	182,769	191,504	195,433	197,168	175,776	175,745	1,258,043
Cumulative claim payments	138,167	177,707	178,943	167,821	150,347	109,891	60,810	983,686
Estimate of gross claim liabilities	1,481	5,062	12,561	27,612	46,821	65,885	114,935	274,357
Effect of discounting	(25)	(91)	(286)	(721)	(1,423)	(2,301)	(3,940)	(8,787)
Claims handling expenses	164	561	1,385	3,035	5,123	7,175	12,525	29,968
Best estimate of gross claim liability before recoveries	1,620	5,532	13,660	29,926	50,521	70,759	123,520	295,538
Estimated gross claim liabilities for prior accident years								1,303
Recoveries and other adjustments								(611)
Provisions for adverse deviation								29,613
Gross claim liabilities								325,843

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Fair value of financial instruments

The majority of the Co-operative's financial instruments reported at fair value are based on quoted and observable market prices or on service providers' internally developed models that are based on independently sourced market parameters, including interest rate yield curves, option volatilities and currency rates.

The determination of fair value is subject to the approval of the Board and oversight of the investment management committee. Management exercise judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors used in the valuation process. Judgement may also be applied in estimating prices for less readily observable external parameters.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

(a) Life Insurance Contracts Risk Management

Insurance Risk in Life Funds

The Co-operative is exposed to life insurance risk when it signs a contract with the insured party for a premium amount and in return promises to pay a sum of money if a specified event occurs within the time frame stipulated in the contract. The terms of acceptance of the risks by the Co-operative are generally long term in nature (except when they are group or health insurance plans, which is usually on an annual basis). These risks accepted by the Co-operative are mortality risk, morbidity risk, longevity risk and investment risk.

Terms and Conditions of Life Insurance Contracts

The majority of the individual life insurance contracts plans written in the Par Fund are long term participating policies consisting of Whole Life Plans, Endowments and Annuities. In writing these plans, the Co-operative takes on mortality, morbidity, longevity, and investment risks. The eventual payment to the policyholders consists of a guaranteed amount (the sum assured) and a non-guaranteed component distributed via annual reversionary (if any) and final terminal bonuses (if any). Once declared, bonuses become a fully guaranteed liability, although the Co-operative has the discretion to reduce future reversionary and terminal bonuses if experience is unfavourable. Payment occurs upon death, survival, occurrence of specific morbidity, or survival of the policyholder, depending on the type of policy.

The Non-Par Fund consists of pure insurance protection plans, such as Eldershield, Dependent Protection Scheme (DPS) and Group & Health Contracts. Both ElderShield and DPS provide long term contracts. The Group and Health contracts are usually on a negotiable and yearly renewable basis. Protection values are payable upon death, disability, and hospitalisation of the policyholders.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (continued)

(a) Life Insurance Contracts Risk Management (continued)

Objectives of managing life insurance risks and the policies for mitigating risks

Life insurance risks arise through exposure to mortality, morbidity, persistency and any unforeseen expenses.

The Co-operative has implemented underwriting and claims management guidelines and procedures to manage its life insurance risks. It also considers its reinsurance coverage and risk appetite to manage its overall risk exposure.

Mortality risks are selected through underwriting and appropriate premiums are charged based on the level of risks that applicants bring in. The mortality tables used for pricing are based on the Co-operative's best estimates from its annual experience studies. The levels of mortality risks are determined by age, gender, and underwriting experience. Applicants that have mortality risks higher than the Co-operative's tolerance level will be referred to the reinsurance companies. For new business written in 2008, 8.3% of the contracts written had exceeded the Co-operative's retention limit.

The Life Insurance Non-Par Fund is made up of both group and individual contracts. For death and morbidity covers, the Co-operative transfers insurance risk in excess of its retention limit to its appointed reinsurers on a per contract basis. To manage concentration of insurance risks as a result of a single event such as an epidemic outbreak or terrorist activity, the Co-operative obtains catastrophic reinsurance that limits its maximum overall exposure.

As most of the life insurance contracts are written locally, there is a concentration of geographical risk in Singapore. Within this context, the Co-operative is exposed to protection and investment risks in its life insurance portfolio.

Lapse rate is evaluated in a prudent manner through the pricing of new products, product design, and regular monitoring of persistency reports and procedures for recovery.

Mortality risk is also managed through appropriate claim management systems that help to identify fraudulent claims. The results of yearly experience reviews of mortality, longevity and persistency are used to decide on the bases for reserving and pricing of products. Inevitably, there remains uncertainty about future longevity and persistency that cannot be removed.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (continued)

(a) Life Insurance Contracts Risk Management (continued)

Sensitivity Analysis

Life Insurance Par Fund

To understand the risks undertaken by the Co-operative in the Life Insurance Par Fund, the following sensitivity analysis is done to measure the impact on the Co-operative's non-guaranteed benefit liabilities.

Assumption	Change	Impact On Non-Guaranteed Benefit Liabilities ($mil)	Impact On Non-Guaranteed Benefit Liabilities (%)
Interest rates	+100 bps	803	8.9%
	-100 bps	(1,080)	-11.9%
Mortality/morbidity/longevity			
- life insurance contracts, excluding annuities	+20%	(233)	-2.6%
	-20%	230	2.5%
- annuities contracts	Mortality Improvement of 1 Year	(21)	-0.2%
	Mortality Deterioration of 1 Year	21	0.2%
Lapses	+20%	(363)	-4.0%
	-20%	416	4.6%

The non-guaranteed benefit liabilities in the sensitivity analysis represent the value of future bonus and transfers. Assuming policy assets remain the same, a dollar reduction in the guaranteed benefit liabilities results in an additional dollar available for future bonus and transfer. If interest rates are increased by 1%, the non-guaranteed benefit liabilities are increased by 8.9%. This would mean that future bonus and transfers may be increased by 8.9%.

The changes in the assumptions are applied to all future cash flows.

Profits are defined as the present value of future cash flows before transfer to the Surplus Account and assuming no bonus is declared in the future.

The impact on profits gives an indication of how changes in experience in the future will affect the profits, and thereby, affect the ability of the Co-operative to declare bonus and transfer.

Life Insurance Non-Par Fund

To understand the risks undertaken by the Co-operative in the Life Insurance Non-Par Fund, the following sensitivity analysis is done to measure the impact on the Co-operative's benefit liabilities.

Assumption	Change	Impact On Liabilities ($mil)	Impact On Liabilities (%)
Interest rates	+100 bps	-154	-18%
	-100 bps	247	28%
Mortality/ morbidity	Eldershield: +11.1% Morbidity Dependants' Protection Scheme: +5% Mortality	124	14%
	Eldershield: -11.1% Morbidity Dependants' Protection Scheme: -5% Mortality	-107	-12%

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (continued)

(a) Life Insurance Contracts Risk Management (continued)

***Sensitivity Analysis** (continued)*

For the Life Insurance Non-Par Fund, the analysis is done with respect to the liabilities of the fund. If interest rates increase by 1% across the board, the value of liabilities decreases by $154 million, and a corresponding amount will be recognized as surplus.

Considerations of non-guaranteed benefits do not arise in the Non-Par Fund, as all the product benefits written in this fund do not contain discretionary features.

(b) General Insurance Contracts Risk Management

General Insurance Risks

Insurance contracts transfer risk to the Co-operative by indemnifying the policyholders against adverse affects arising from the occurrence of specified uncertain future events. The insurance risks arise from the fluctuations in the timing, frequency and severity of claims, as well as the adequacy of premiums and reserves.

The majority of the general insurance business is motor insurance. Other insurance business includes personal accident, workmen compensation, fire, marine and other miscellaneous classes.

Terms and Conditions of General Insurance Contracts

The General Insurance contracts written by the Co-operative are mostly on an annual coverage and annual premium basis, with the exception of short term policies such as Travel Insurance which cover only the travel period and Marine Cargo which covers the duration in which the cargo is being transported. Some of the more common policies which make up a large part of the general insurance portfolio are briefly described as follows:

Motor Insurance policies cover private cars, commercial vehicles, motorcycles, buses and taxis. Private Cars, the largest portion of the motor portfolio, covers losses or damages to the insured vehicle, death or injuries to third parties, damages to third party property and personal accident.

Personal Accident policies cover death, disablement, medical expenses and emergency evacuation expenses due to accident, hijacking, murder, assault, strike, riot, civil commotion, act of terrorism and natural disasters such as earthquake and flood.

Workmen Compensation policies cover 2 legal liabilities. Firstly, the "Act" provides compensation to workers or their dependants for specified occupational diseases, personal injuries or deaths caused by accidents arising out of and in the course of employment. Secondly, "Common Law" covers an employer liability under common law by his workers, due to negligence leading to an accident resulting in death or injury.

Fire Insurance policies insure properties against physical losses or damages by fire and lightning and extraneous perils such as riot & strike, malicious damage, explosion, aircraft damage, impact damage, bursting & overflowing of water pipes, flood, earthquake, volcanic eruption, hurricane, cyclone, typhoon or windstorm.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (continued)

(b) General Insurance Contracts Risk Management (continued)

Objectives of managing risks and policies for mitigating risks

The objectives of managing insurance risks are to enhance the long-term financial performance of the business and limit any excessive variability of the insurance results.

Underwriting insurance contracts involves the pooling of a large number of uncorrelated risks to reduce relative variability. The Co-operative adopts the following measures to manage the general insurance risks:

- underwriting standards - to select risks and control exposure in accordance to established guidelines.
- claims control - to pay claims fairly and control claim wastage or fraud.
- pricing and reserving standards - to ensure adequate pricing for risks and valuation of insurance liabilities.
- reinsurance protection - to limit exposure to large insurance contracts and large claims.

Concentration risk is particularly relevant in the case of natural disasters and other catastrophes. The Co-operative's insurance contracts mostly cover perils and risks in Singapore. As such, the Co-operative's concentration risk is negligible as Singapore is hardly exposed to natural disasters.

Perils like floods, epidemics and terrorism do present a level of variability and correlation in the future claim experience but these concentration of risks are protected by event excess of loss reinsurance. In addition, these risks are not material given the likelihood of such events.

Geographically our risks are concentrated in Singapore. Concentration risk arising from natural catastrophes is negligible as the exposure to natural disasters in Singapore is minimal from historical experience. 75% of the Co-operative's general insurance portfolio is motor insurance with risks well diversified across private cars, commercial vehicles, motorcycles, buses and taxis.

Sensitivity analysis

Given the uncertainty in establishing the claim liabilities, it is likely that the final outcome will be different from the estimation. The table below gives an indication of the sensitivity of the claim liabilities and the impact on net surplus before levy for the year:

Net claim liabilities ($ mil)	2008 $'000	2007 $'000
Assumed loss ratio for Bornhuetter-Ferguson method increase by 20%	25,811	19,809
Assumed loss ratio for Bornhuetter-Ferguson method decrease by 20%	(25,811)	(19,809)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (continued)

(c) Financial risk

The Co-operative has to meet substantial long term liabilities to policyholders for claims and maturity payments and to ensure that adequate liquidity is available to meet short term claims, solvency margin and capital adequacy for business expansion. The Co-operative invests in a variety of market instruments such as bonds and quoted and unquoted equities to match the maturity of its liabilities. This exposes the Co-operative to a number of risks such as interest rate, liquidity, currency and credit risks.

The management of these risks lies with the Risk Management and Investment Committees. The Risk Management Committee sets the policy and framework for the risk management function and reviews its appropriateness regularly. The administration of the financial risk management process is delegated to the senior management of the Co-operative. Primarily, the risk management process focuses on mitigating the risks due to uncertainties of the financial market to minimise the adverse impact of these risks on the financial performance of the Co-operative. A key aspect of risk management is matching the timing of cash flows from assets and liabilities. The Investment Committee provides oversight of the asset/liability management process and approves investment guidelines and limits.

(i) Market risk

Market risk is the risk of loss arising from uncertainty concerning movements in market prices and rates, including observable variables such as interest rates, exchange rates, and others that may be only indirectly observable such as volatilities and correlations. Market risk includes such factors as changes in economic environment, consumption pattern and investor's expectation etc. which may have significant impact on the value of the investments.

The Co-operative's investments are substantially dependent on changes in interest rates and equity prices.

The Co-operative regularly monitors its exposure to different asset classes to satisfy itself that its exposure to equities, debt securities, and other risk assets are within the Co-operative's self-imposed risk tolerance limits.

The Co-operative distinguishes market risk as follows:

(a) Equity price risk
(b) Interest rate risk
(c) Foreign exchange risk

(a) Equity price risk

The Co-operative is exposed to equity price risk arising from investments held which are classified as fair value through profit or loss. These securities are listed in recognised exchanges under the MSCI purview.

The Co-operative monitors equity exposure against a benchmark set and agreed by the Investment Committee, and has a process in place to manage the exposure. This process includes monitoring the country, sector, single security exposure of the portfolio against the limits set. The Co-operative also formulates equity risk management strategy taking into account the full range of the Co-operative's equity holdings. The Co-operative's investments in equities are substantially in Asia.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (continued)

(c) Financial risk (continued)

(i) Market risk (continued)

(a) Equity price risk (continued)

The statistical risk analytic tools used by the Co-operative to monitor price risk exposures are the volatility of the benchmark and beta of the portfolio. In this analysis, equity and index exposures are grouped by appropriate market indices, as determined by the Co-operative, and the net beta adjusted exposures to each market index are calculated.

The Co-operative has chosen the MSCI Singapore, MSCI Asia Ex-Japan and MSCI Global indices as representative market indices for all the equities held at balance sheet date. In addition, the Co-operative makes adjustments or assumptions where it determines this to be necessary or appropriate. Historical statistics used in the model may not accurately estimate future changes particularly in periods of market turmoil. Actual results may differ substantially from these estimates.

Sensitivity analysis for changes in risk variable that was reasonably possible at year end.

	Impact on surplus before levy and allocation of management expenses	
	2008 $'000	2007 $'000
MSCI Singapore		
+22% (2007: +12%)	**298,033**	307,769
-22% (2007: -12%)	**(298,033)**	(307,769)
MSCI Asia ex Japan		
+23% (2007: +14%)	**160,150**	192,377
-23% (2007: -14%)	**(160,150)**	(192,377)
MSCI Global Equities		
+15% (2007: +7%)	**79,940**	89,048
-15% (2007: -7%)	**(79,940)**	(89,048)

(b) Interest rate risk

The Co-operative is exposed to interest rate risk primarily through investments in fixed income securities by the Insurance Funds and policy liabilities in those Funds which are guaranteed.

The presence of interest rate risk is the result of not holding assets that match policy liabilities fully. The interest rate risk arising from asset-liability tenure mismatch is actively managed and monitored by various departments within the Co-operative, including the Investment Committee and Chief Actuary.

Interest rate risks are managed by the Co-operative on an ongoing basis with the primary objective of limiting the extent to which solvency can be affected by an adverse movement in interest rates.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (continued)

(c) Financial risk (continued)

(i) Market risk (continued)

(b) Interest rate risk (continued)

The Co-operative reduces interest rate risk through the close matching of assets and guaranteed liabilities of Insurance Funds. In this aspect, the Co-operative uses derivative instruments, including interest rate and cross currency swaps, to reduce interest rate risk with the aim of facilitating efficient portfolio management.

The long duration of policy liabilities in the Insurance Funds and the uncertainty of the cash flows of the said Fund means interest rate risk cannot be completely eliminated, except to match guarantees as much as possible.

The Co-operative's aim is to match the Life Insurance Par Fund's guaranteed liabilities falling due within the next 10 years from balance sheet date. The Co-operative also matches the Life Insurance Par Fund's contractual liabilities falling due within the 11-15 years according to the following percentages.

Year	% of liabilities
11	80%
12	60%
13	40%
14	20%
15	0%

The remaining liabilities are backed by equities, fixed income securities, loans and investment properties with a view to maximize long term returns subject to acceptable volatility in market value.

Investment Linked Fund's liabilities are fully matched by the assets held in the respective ILP sub-funds. The interest rate risk is wholly borne by the policyholders.

Shareholders' Fund has exposure to fixed income investments, which will be subject to mark-to-market valuation loss when interest rates rise.

A study of fixed income securities' yield movement during the previous periods has been undertaken and a 100bps change in yield across the different curves is considered to be a reasonable basis for interest rate sensitivity analysis. The table below summarises the impact on surplus before levy and allocation of management expenses, and on share capital and reserves based on a 100bps parallel shift in the yield curves:

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (continued)

(c) Financial risk (continued)

(i) *Market risk (continued)*

(b) Interest rate risk (continued)

Sensitivity analysis for changes in risk variable that was reasonably possible as at year end:

	Impact on surplus before levy and allocation of management expenses	
	2008 $'000	2007 $'000
Parallel shift in yield curves		
+100 bps	**(743,687)**	(528,299)
-100 bps	**696,619**	592,063

(c) Foreign currency risk

Policy on foreign currency risk management

The Co-operative operates mainly in Singapore, with over 99% of its insurance liabilities denominated in Singapore Dollars.

The Co-operative mitigates potential foreign currency risks arising from its exposures to financial assets by using the Singapore dollar trade weighted basket as the benchmark. The foreign exchange position is periodically rebalanced. The Co-operative limits its exposures to foreign exchange risk arising from foreign currency denominated bonds using foreign exchange forward contracts and currency swaps. This mitigates the risk that the fair value of these investments fluctuates as a result of changes in foreign exchange rates.

The Co-operative monitors deviations to the benchmark model and foreign currency trades are then proposed to correct any deviations from approved tolerance limits.

Foreign currency risks arise from both internally and externally managed funds. Foreign currency risks from internal funds are managed internally. External funds which have their own mandates to hedge their foreign currency risk exposure to SGD are excluded from the Co-operative's foreign currency risk hedging.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (continued)

(c) Financial risk (continued)

(i) Market risk (continued)

(c) Foreign currency risk (continued)

Policy on foreign currency risk management (continued)

The following table presents the Co-operative's exposures to Singapore Dollars and major foreign currencies, presented in Singapore Dollar equivalent amounts as at:

At 31 December 2008	USD $'000	Euro $'000	GBP $'000	Others $'000
2008				
Assets				
Investments				
- Equities	325,276	111,745	51,537	734,205
- Debt securities	1,007,541	281,615	64,509	325,011
- Funds	223,934	13,713	-	99,311
Cash and cash equivalents	83,915	7,328	744	101,023
Total	1,640,666	414,401	116,790	1,259,550
Less: Derivative contracts (notional)	(1,355,707)	(183,506)	(113,223)	(234,299)
Net foreign currency risk exposure	**284,959**	**230,895**	**3,567**	**1,025,251**

At 31 December 2007	USD $'000	Euro $'000	GBP $'000	Others $'000
2007				
Assets				
Investments				
- Equities	558,590	250,939	119,627	1,530,654
- Debt securities	1,076,888	396,308	80,413	431,864
- Funds	296,783	8,826	-	112,212
Cash and cash equivalents	99,194	3,860	5,037	116,356
Total	2,031,455	659,933	205,077	2,191,086
Less: Derivative contracts (notional)	(1,692,448)	(452,057)	(213,656)	(1,109,691)
Net foreign currency risk exposure	339,007	207,876	(8,579)	1,081,395

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (continued)

(c) Financial risk (continued)

(i) Market risk (continued)

(c) Foreign currency risk (continued)

Policy on foreign currency risk management (continued)

The Co-operative's liabilities are predominantly denominated in Singapore dollars.

The Co-operative's foreign currency risk exposure is closely tracked with its benchmark model.

Consequently, the sensitivity of the Co-operative's foreign currency risk exposure is low. Based on the annualised monthly volatilities, management estimates a +/- 3% change in the relevant currency risk that were reasonably possible at the balance sheet date.

The following table shows Co-operative's sensitivity to foreign currency exposure should those currencies increase or decrease by 3% with all other variables held constant.

Currency	Risen / lowered by 3 %	Decrease / increase in net surplus before levy and allocation of management expenses	
		31 December 2008	31 December 2007
		$'000	$'000
GBP	3%	**107**	257
Euro	3%	**6,927**	6,236
USD	3%	**8,549**	10,170

(ii) Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Co-operative as and when they fall due.

The Co-operative's primary exposure to credit risk is through its investments in fixed income securities, lending activities such as corporate loans and consumer loans and potential obligations of reinsurers arising out of reinsurance arrangements.

The Investment Committee manages credit risk associated with investments in fixed income securities through setting of investment policy and credit exposure limits, as well as approving credit risk management methodologies.

Evaluation of an issuer's or counterparty's credit risk is undertaken by credit analysts. Monitoring of credit and concentration risk is carried out by Middle Office which reports directly to the Chief Operating Officer (investment) and Investment Committee.

The credit risk of the Insurance Funds' fixed income securities investments is actively managed by Investment Department to ensure adherence to credit limits by issuer or counterparty and by credit rating bucket limits.

Overall investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Co-operative's risk management principles and philosophies.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (continued)

(c) Financial risk (continued)

(ii) Credit risk (continued)

The corporate loans in the portfolio are generally secured by commercial real estate and motor vehicles, thus mitigating credit risk. Evaluating and monitoring of credit risk arising from such lending activities is undertaken by credit analysts. Valuation of the corporate loans' collateral is carried out periodically. The carrying amount of past due or impaired corporate loans on 31 December 2008 is nil (2007: nil).

The consumer loan portfolio as at 31 December 2008 amounts to S$ 177m (2007: $223m). This is made up of secured and unsecured loans of which about 92% (2007: 92%) are secured loans while the balance makes up the unsecured loans.

For the management of credit risk of secured consumer loans, the Co-operative regularly performs a valuation exercise to derive the fair value of the collaterals. The purpose of this exercise is to monitor the Loan to Valuation Ratio. For some loans, the Co-operative may repossess the collateral when the loan defaults.

Our credit policy to monitor the default risk on our unsecured loans is to engage an external agent to regularly inform us if any of our borrowers are currently facing legal actions by other creditors.

The following table provides information regarding the carrying value of financial assets that have been impaired and the ageing of financial assets that are past due but not impaired.

	At 31 December 2008					
		Financial assets that are past due but not impaired				
	Neither past due nor impaired $'000	Up to 3 months $'000	3 months to 1 year $'000	Greater than 1 year $'000	Total $'000	Financial assets that have been impaired $'000
Debt securities	12,621,089	-	-	-	12,621,089	-
Loans	770,348	18,581	5,354	-	794,283	4,113
Derivatives with positive fair values	255,078	-	-	-	255,078	-
Reinsurers' share of insurance contract provisions	30,720	-	-	-	30,720	-
Insurance and other receivables	115,025	76,560	17,401	1,694	210,680	8,243
Cash and cash equivalents	1,288,685	-	-	-	1,288,685	-

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (continued)

(c) Financial risk (continued)

(ii) *Credit risk (continued)*

	At 31 December 2007					
		Financial assets that are past due but not impaired				
	Neither past due nor impaired $'000	Up to 3 months $'000	3 months to 1 year $'000	Greater than 1 year $'000	Total $'000	Financial assets that have been impaired $'000
Debt securities	11,338,415	-	-	-	11,338,415	-
Loans	745,000	77,311	8,436	-	830,747	4,757
Derivatives with positive fair values	177,262	-	-	-	177,262	-
Reinsurers' share of insurance contract provisions	24,982	-	-	-	24,982	-
Insurance and other receivables	172,943	76,065	28,650	696	278,354	4,986
Cash and cash equivalents	1,019,125	-	-	-	1,019,125	-

The table below provide information regarding the credit risk exposure of the Co-operative by classifying assets according to the credit ratings of counterparties.

As at 31 December 2008	**Investment Grade (AAA to BBB-) $'000**	**Speculative Grade (Below BBB-) $'000**	**Non rated $'000**	**Total $'000**
Debt securities	**10,367,678**	**24,056**	**2,229,355**	**12,621,089**
Loans	**-**	**-**	**794,283**	**794,283**
Cash & cash equivalents	**1,288,685**	**-**	**-**	**1,288,685**
Derivatives with positive fair value	**-**	**-**	**255,078**	**255,078**

As at 31 December 2007	Investment Grade (AAA to BBB-) $'000	Speculative Grade (Below BBB-) $'000	Non rated $'000	Total $'000
Debt securities	8,437,615	-	2,900,799	11,338,414
Loans	-	-	830,747	830,747
Cash & cash equivalents	1,019,125	-	-	1,019,125
Derivatives with positive fair value	-	-	177,262	177,262

The carrying amount of assets included on the balance sheet represents the maximum credit exposure.

Cash and cash equivalents are placed with banks and financial institutions: (i) which are regulated by the Monetary Authority of Singapore in Singapore and others like regulators overseas; and (ii) whose credit ratings are rated by credit rating agencies.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (continued)

(c) Financial risk (continued)

(ii) Credit risk (continued)

Ceded reinsurance contains credit risk, and such reinsurance assets are reported after deductions for known insolvencies and uncollectible items. The Co-operative monitors the financial condition of its reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. When selecting its reinsurers, the Co-operative considers their relative financial security. The security of the reinsurer is assessed based on public rating information.

(iii) Liquidity risk

Liquidity risk arises when Co-operative is unable to meet its obligations at a reasonable cost. This could arise through bad publicity or adverse market conditions leading to unexpected cash demands and huge amount of surrenders. As a result, Co-operative may have to sell off assets at a loss to provide the cash lump sum payment.

The Co-operative monitors its liquidity risk and maintains a level of cash and cash flow deemed adequate by management to finance its operations and to mitigate the effects of fluctuations in cash requirements. Liquidity management requires the Co-operative to maintain a liquid position at all times to meet unexpected claims payments when they fall due and simultaneously holding an asset mix which meets the Co-operative's target return.

The Co-operative manages liquidity risk by maintaining an adequate level of cash and cash equivalents as well as putting in place an asset liability matching (ALM) strategy for Life Participating Fund. The liquidity risk is minimised by holding cash and also close monitoring of surrenders and redemptions.

For Non-Par Fund, the business is managed on an annual cash flow basis with ensuring sufficient cash flow of premium as the liability matching strategy and monitoring of the experience to ensure claims can be paid. Eldershield liabilities are currently not matched because the Co-operative expects the fund to be cash-flow positive for at least 10 years.

For General Insurance Fund, a significant portion of the assets are liquid assets which can be easily liquidated to pay claims.

For Investment Linked Funds, the liabilities and unit prices for transactions fully reflect the market value of assets held in the respective Investment Linked Product sub-funds.

The table below shows the gross liability including both guaranteed and non-guaranteed benefits (before reinsurance) as at 31 December 2008 based on estimated timing of net cash outflows. Almost all investment contracts may be surrendered. In this case, the earliest contractual maturity date is the balance sheet date. The liability will be the surrender value required if all investment contract policyholders surrender at the balance sheet date.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (continued)

(c) Financial risk (continued)

(iii) Liquidity risk (continued)

As 31 December 2008	**Total $'000**	**Within 1 year $'000**	**1 - 5 years $'000**	**5 – 15 years $'000**	**Over 15 years $'000**
Long Term business					
- Insurance contracts	**(17,759,969)**	**(2,827,852)**	**(3,410,743)**	**(4,829,979)**	**(6,691,395)**
- Investment contracts	**(246,049)**	**(90,508)**	**(119,250)**	**(36,291)**	**-**
Total	**(18,006,018)**	**(2,918,360)**	**(3,529,993)**	**(4,866,270)**	**(6,691,395)**

As 31 December 2007	Total $'000	Within 1 year $'000	1 - 5 years $'000	5 – 15 years $'000	Over 15 years $'000
Long Term business					
- Insurance contracts	(18,933,948)	(2,438,672)	(3,157,223)	(5,553,927)	(7,784,126)
- Investment contracts	(248,686)	(75,182)	(140,649)	(32,855)	-
Total	(19,182,634)	(2,513,854)	(3,297,872)	(5,586,782)	(7,784,126)

The table below shows the undiscounted contractual cash flows in relation to derivative instruments and other payables.

As 31 December 2008	**Total $'000**	**Within 1 year $'000**	**1 - 5 years $'000**	**5 – 15 years $'000**	**Over 15 years $'000**
Derivative financial instruments	**(213,991)**	**(131,942)**	**(34,275)**	**(32,134)**	**(15,640)**
Insurance and other payables	**(400,905)**	**(382,999)**	**(15,033)**	**(2,558)**	**(315)**

As 31 December 2007	Total $'000	Within 1 year $'000	1 - 5 years $'000	5 – 15 years $'000	Over 15 years $'000
Derivative financial instruments	(31,638)	(37,317)	6,398	(1,519)	800
Insurance and other payables	(518,264)	(502,428)	(13,273)	(2,418)	(145)

(d) Capital Management

The Co-operative's capital policy is to ensure capital efficiency and the ability to self-generate sufficient level of surpluses within each fund to support the on-going development of the Co-operative. This is especially important given a co-operative status and limited avenues for raising capital.

The Co-operative's capital management framework is to ensure the use of capital and generation of surplus through steering of bonus distribution strategy, investment strategy, product pricing and development and risk management. Critical amongst these is to ensure that products are soundly and sustainably priced. To ensure this minimum pricing standards have been set.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (continued)

(d) Capital Management (continued)

The Co-operative is required to comply with the regulatory capital requirement prescribed in the Valuation and Capital Regulations 2004 under MAS Insurance Act. Under the Risk-based Capital Framework regulation set by Monetary Authority of Singapore, Insurance companies are required to satisfy a minimum capital adequacy ratio of 120%. The Co-operative has a capital adequacy ratio in excess of the minimum requirement.

Regulated capital of the Co-operative as at 31 December 2008 comprised Available Capital of $4.24 billion, Risk Capital of $2.22 billion and Capital Adequacy Ratio of 191%. The amounts as at 31 December 2007 are: Available Capital $4.92 billion, Risk Capital $2.60 billion and Capital Adequacy Ratio of 189%.

5. PROPERTY, PLANT AND EQUIPMENT

Life Insurance Par Fund

	Property under development $'000	Office equipment $'000	Furniture and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Renovation $'000	Total $'000
2008							
Cost							
At 1 January 2008	-	5,509	6,789	23,740	461	12,735	49,234
Additions	-	998	1,136	3,251	94	-	5,479
Disposals	-	(163)	(1,802)	(1,663)	(79)	-	(3,707)
Transfer of assets	-	-	12,735	-	-	(12,735)	-
At 31 December 2008	-	6,344	18,858	25,328	476	-	51,006
Accumulated depreciation							
At 1 January 2008	-	4,026	4,959	16,390	211	5,884	31,470
Charge for the year	-	651	2,074	2,759	71	-	5,555
Disposals	-	(154)	(1,788)	(1,658)	(79)	-	(3,679)
Transfer of assets	-	-	5,884	-	-	(5,884)	-
At 31 December 2008	-	4,523	11,129	17,491	203	-	33,346
Carrying amount							
At 31 December 2008	-	1,821	7,729	7,837	273	-	17,660

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Life Insurance Par Fund (continued)

	Property under development $'000	Office equipment $'000	Furniture and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Renovation $'000	Total $'000
2007							
Cost							
At 1 January 2007	101,158	4,929	5,690	21,161	445	6,174	139,557
Additions	1,751	602	1,099	3,014	293	6,562	13,321
Disposals	-	(22)	-	(435)	(277)	(1)	(735)
Transfer to investment properties (Note 7)	(102,909)	-	-	-	-	-	(102,909)
At 31 December 2007	-	5,509	6,789	23,740	461	12,735	49,234
Accumulated depreciation							
At 1 January 2007	-	3,453	4,422	15,711	293	5,220	29,099
Charge for the year	-	591	537	1,089	63	665	2,945
Disposals	-	(18)	-	(410)	(145)	(1)	(574)
At 31 December 2007	-	4,026	4,959	16,390	211	5,884	31,470
Carrying amount							
At 31 December 2007	-	1,483	1,830	7,350	250	6,851	17,764

6. INTANGIBLE ASSETS

Life Insurance Par Fund

	2008 $'000	2007 $'000
Cost		
At 1 January	**11,956**	8,402
Additions	**8,568**	3,554
Disposals	**(49)**	-
At 31 December	**20,475**	11,956
Accumulated amortisation		
At 1 January	**6,063**	2,573
Charge for the year	**2,358**	3,490
Disposals	**(24)**	-
At 31 December	**8,397**	6,063
Carrying amount at 31 December	**12,078**	5,893

Amortisation expense is included in "Management expenses" in the profit and loss account.

7. INVESTMENT PROPERTIES

Life Insurance Par Fund

	2008 $'000	2007 $'000
At 1 January	**1,124,464**	728,879
Transfer from plant, property and equipment (Note 5)	**-**	102,909
Additions	**5,786**	-
Disposals	**(22,341)**	-
Change in net fair value recognised in the profit and loss account	**(15,987)**	292,676
At 31 December	**1,091,922**	1,124,464

Investment properties are carried at fair values at the balance sheet date as determined by independent professional valuers. Valuations are made annually based on the properties' fair market values using the direct sale comparison and income approach.

All investment properties belong to the Life Insurance Par Fund. These properties are held for the purpose of capital appreciation and rental income.

The following amounts are recognised in the profit and loss account.

	2008 $'000	2007 $'000
Rental income	**66,420**	50,783
Direct operating expenses arising from investment properties that generated rental income	**(17,165)**	(14,339)

8. INVESTMENT IN SUBSIDIARIES

The subsidiaries of the Co-operative, all incorporated in Singapore and having their place of business in Singapore, at 31 December 2008 are as follows:

Name	Principal activities	Interest held by Co-operative 2008 %	Interest held by Co-operative 2007 %	Cost of investments 2008 $'000	Cost of investments 2007 $'000
Life Insurance Par Fund					
NTUC Income International Pte Ltd	Investment holding	**100**	100	**10,000**	10,000
NTUC Co-operatives Suzhou Investments Pte Ltd	Investment holding	**73**	73	**3,776**	3,776
Less: Allowance for impairment				**(10,000)**	(13,258)
				3,776	518

8. INVESTMENT IN SUBSIDIARIES (continued)

Name	Principal activities	Interest held by Co-operative 2008 %	Interest held by Co-operative 2007 %	Cost of investments 2008 $'000	Cost of investments 2007 $'000
Shareholders' Fund					
NTUC Income Enterprises Pte Ltd (NIE)	Operator of retail and fitness centres and advertising agency	**100**	100	**1,079**	1,079
NTUC Income Car Co-operative Ltd	Car sharing	**100**	100	**1,200**	1,200
NTUC Income Asset Management Ltd	Investment management	**100**	100	**#**	#
Less: Allowance for impairment				**-**	(1,079)
				2,279	1,200
Total				**6,055**	1,718

As at 31 December 2008, investments in subsidiaries held through NTUC Income Enterprises Pte Ltd (NIE), a 100% owned subsidiary of the Co-operative are as follows:

Name	Principal activities	Interest held by NIE 2008 %	Interest held by NIE 2007 %	Cost of investments 2008 $'000	Cost of investments 2007 $'000
NTUC Income e-Remit Pte Ltd	Operator of retail business	**100**	100	**2,658**	2,658
NTUC Income Travel Pte Ltd	Travel agency and tour operator	**100**	100	**1,000**	1,000
I-Map Pte Ltd	Electronic directories	**100**	100	**#**	#
e-Lifestyle (S) Ltd	Development of Web applications	**100**	100	**#**	#
Income Dotcom Ltd	General electronic-Commerce business	**100**	100	**#**	#
Big Trumpet Ltd	Create, establish and maintain electronic commerce club	**100**	100	**#**	#
Total				**3,658**	3,658

Cost of investment is less than $1,000.

8. INVESTMENT IN SUBSIDIARIES (continued)

Movements in allowance for impairment losses are as follows:

	2008 $'000	2007 $'000
Life Insurance Par Fund		
At 1 January	13,258	13,258
Allowance written back during the year	(3,258)	-
At 31 December	10,000	13,258
Shareholders' Fund		
At 1 January	1,079	7,025
Allowance written back during the year	(1,079)	(5,946)
At 31 December	-	1,079

Allowance is made in recognition of impairment in the value of investments which is other than temporary, determined on an individual investment basis.

Allowances for impairment losses of $4,337,000 (2007 : NIL) are written back during the year as the recoverable amount of these assets are greater than their carrying amount.

No consolidated accounts have been presented as the amounts involved are immaterial relative to the core insurance business of the Co-operative. The share of the results and attributable net tangible assets or liabilities of the subsidiaries are as follows:

	2008		2007	
	Share of profit/(loss) for the year $'000	Share of attributable net tangible assets/(liabilities) $'000	Share of profit/(loss) for the year $'000	Share of attributable net tangible assets/(liabilities) $'000
Life Insurance Par Fund				
NTUC Income International Pte Ltd	(1)	83	2,479	(15,108)
NTUC Co-operatives Suzhou Investments Pte Ltd	254	4,078	233	3,871
Shareholders' Fund				
NTUC Income Enterprises Pte Ltd	(412)	3,375	1,865	3,929
NTUC Income Car Co-operative Ltd	636	2,686	(106)	2,085
NTUC Income Asset Management Ltd	(1)	(21)	-	(20)
Held through NTUC Income Enterprises Pte Ltd				
NTUC Income e-Remit Pte Ltd	(22)	(7)	-	15
NTUC Income Travel Pte Ltd	-	30	-	30
I-Map Pte Ltd	(10)	(139)	-	(129)
e-Lifestyle (S) Ltd	(10)	(199)	-	(189)
Income Dotcom Ltd	3	(2)	-	(4)
Big Trumpet Ltd	100	(2,015)	69	(2,106)
	537	7,869	4,540	(7,626)

9. INVESTMENT IN ASSOCIATES

The investment in associates is as follows:

Name of company	Country of incorporation	Principal activities	Interest held by Co-operative		Cost of investments	
			2008	2007	**2008**	2007
			%	%	**$'000**	$'000
Life Insurance Par Fund						
Falcon-Air Holdings Pte Ltd	Singapore	Investment holding	**23**	23	**2,150**	2,150
MegaTalk Pte Ltd	Singapore	Provision of internet phone solutions	**40**	40	**200**	200
NTUC Choice Homes Co-operative Ltd	Singapore	Property development	**25**	25	**20,000**	20,000
One Marina Property Services Pte Ltd (formerly known as SLF Management Services Pte Ltd)	Singapore	Provision of facility management, project management, marketing and leasing services	**20**	20	**580**	580
Vicom Assessment Centre Pte Ltd	Singapore	Provision of motor assessment services	**25**	25	**125**	125
Asia Pacific Investment Company No. 2 Ltd	Singapore	Properties investment	**22**	22	**61,172**	61,172
					84,227	84,227
Less: Allowance for impairment					**(100)**	(100)
					84,127	84,127
Shareholders' Fund						
Call Centre One Pte Ltd	Singapore	Provision of Call Centre services	**30**	30	**238**	238
Less: Allowance for impairment					**(110)**	(238)
					128	-
General Insurance Fund						
ACAL Holdings Pte Ltd	Singapore	Investment holding	**26**	26	**20,000**	20,000
Total					**104,255**	104,127

9. INVESTMENT IN ASSOCIATES (continued)

Movements in allowance for impairment losses are as follows:

	2008 $'000	2007 $'000
Life Insurance Par Fund		
At 1 January	100	100
Allowance made during the year	-	-
At 31 December	100	100
Shareholders' Fund		
At 1 January	238	-
Allowance made during the year	-	238
Allowance written back during the year	(128)	-
At 31 December	110	238

Allowance is made in recognition of impairment in the value of investments which is other than temporary, determined on an individual investment basis.

Allowance for impairment of $128,000 (2007 : NIL) is written back during the year as the recoverable amount of the asset is greater than its carrying amount.

The investment in associates has not been equity accounted for as the amounts involved are immaterial relative to the core insurance business of the Co-operative. The share of the results and attributable net tangible assets or liabilities of the associates are as follows:

	2008		2007	
	Share of profit/(loss) for the year $'000	Share of attributable net tangible assets/ (liabilities) $'000	Share of profit/(loss) for the year $'000	Share of attributable net tangible assets/ (liabilities) $'000
Life Insurance Par Fund				
Falcon-Air Holdings Pte Ltd	(2)	3,176	17	3,188
MegaTalk Pte Ltd	(1)	95	(10)	94
NTUC Choice Homes Co-operative Ltd	11,231	80,604	7,880	69,883
One Marina Property Services Pte Ltd(formerly known as SLF Management Services Pte Ltd)	(65)	1,564	334	1,624
Vicom Assessment Centre Pte Ltd	16	382	4	361
Asia Pacific Investment Company No. 2 Ltd	12,193	141,647	21,018	129,955
Shareholders' Fund				
Call Centre One Pte Ltd	(109)	128	31	(51)
General Insurance Fund				
ACAL Holdings Pte Ltd	156	20,490	314	20,337
	23,419	248,086	29,588	225,391

10. OTHER FINANCIAL ASSETS

	2008					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Investments designated at fair value through profit or loss						
Quoted						
Equities	1,712,876	117,026	440,446	-	180,071	2,450,419
Funds	567,310	2,476	79,812	-	41,582	691,180
Debt securities	10,112,305	1,150,932	390,055	949,309	18,488	12,621,089
Total investments designated at fair value through profit or loss	12,392,491	1,270,434	910,313	949,309	240,141	15,762,688
Available-for-sale investments						
Unquoted						
Equities	54,020	-	-	-	373	54,393
Funds	275,887	-	-	757	-	276,644
Total available-for-sale investments	329,907	-	-	757	373	331,037
Total investments	12,722,398	1,270,434	910,313	950,066	240,514	16,093,725
To be settled within 12 months	930,603	178,136	64,975	63,019	-	1,236,733
To be settled after 12 months	11,791,795	1,092,298	845,338	887,047	240,514	14,856,992
	12,722,398	1,270,434	910,313	950,066	240,514	16,093,725

Of the total debt securities, 98% (2007: 96%) represents investments in fixed rate instruments.

10. OTHER FINANCIAL ASSETS (continued)

	2007					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Investments designated at fair value through profit or loss						
Quoted						
Equities	3,514,746	168,770	702,097	-	352,645	4,738,258
Funds	1,139,305	5,484	124,559	-	87,149	1,356,497
Debt securities	9,004,513	1,005,903	422,942	882,334	22,723	11,338,415
Total investments designated at fair value through profit or loss	13,658,564	1,180,157	1,249,598	882,334	462,517	17,433,170
Available-for-sale investments						
Unquoted						
Equities	19,086	-	-	-	454	19,540
Funds	293,681	-	-	3,007	-	296,688
Total available-for-sale investments	312,767	-	-	3,007	454	316,228
Total investments	13,971,331	1,180,157	1,249,598	885,341	462,971	17,749,398
To be settled within 12 months	1,166,300	128,052	76,168	122,791	-	1,493,311
To be settled after 12 months	12,805,031	1,052,105	1,173,430	762,550	462,971	16,256,087
	13,971,331	1,180,157	1,249,598	885,341	462,971	17,749,398

10. OTHER FINANCIAL ASSETS (continued)

Fair value of Collateralised Debt Obligations ("CDOs")

Included in the debt securities held by Life Insurance Par Fund as at 31 December are the following Collateralised Debt Obligations ("CDOs"):

	Asset Backed Securities ("ABS") $ million	Others $ million	Total $ million
2008			
Carrying value as at 1 January	**-**	**143**	**143**
Maturity of assets	**(11)**	**(16)**	**(27)**
Change in fair value	**11**	**(105)**	**(94)**
Carrying value as at 31 December	**-**	**22**	**22**

	Asset Backed Securities ("ABS") $ million	Others $ million	Total $ million
2007			
Carrying value as at 1 January	245	240	485
Maturity of assets	-	-	-
Change in fair value	(245)	(97)	(342)
Carrying value as at 31 December	-	143	143

The underlying assets of ABS CDOs are mainly 2004 and 2005 vintage US residential mortgage-backed securities ("RMBS"), including sub-prime RMBS. The remaining CDOs comprise mainly collateralised loans obligations ("CLOs") where the underlying assets are primarily commercial loans.

The Co-operative accounts for its CDO exposures on a fair-value basis with all changes in fair value recorded in the profit and loss account. The Co-operative's CDO exposures are subject to valuation based on management's best estimates of facts and circumstances as of the date of these financial statements. Pricing quotes received from vendor banks are indicative bids and not arising from transactions in an active market. In this regard, the Co-operative may make adjustments to price quotes received based on the above factors to determine the estimated fair value of the CDO exposures as at the balance sheet date. Management's best estimates incorporate a variety of inputs, including the performance of related credit derivatives based on sub-prime mortgages and other corporate loan exposures, cash flow data on interest servicing, interest and collateralization covers on specific CDO tranches and credit rating developments of the CDO tranches.

10. OTHER FINANCIAL ASSETS (continued)

Fair value of Collateralised Debt Obligations ("CDOs") (continued)

In this regard, the Co-operative may make adjustments to price quotes received based on the above factors to determine the estimated fair value of the CDO exposures as at the balance sheet date. While the Co-operative believes that the methodology used to value these exposures is reasonable, the methodology is subject to continuing refinement and modification, including as a result of market developments.

Based on the valuation methodology applied by the Co-operative, management has adjusted the fair value of each of the ABS CDO tranche to a nominal amount of US$1. The Co-operative has also considered the contagion effect from the US sub-prime RMBS market on the CLOs and has made further impairment provisions through a mark-down to the indicative quotes provided by the vendor banks to arrive at its considered fair values.

Life Insurance Par Fund

Loans of quoted equities to financial institutions

The Co-operative was a participating lender of a Securities Lending Program administered by a financial institution acting as an agent. The agent collected cash and other securities from borrowers as collateral, and this collateral will be at an agreed percentage above the market value of the securities lent out. Marking to market of collateral was performed every business day by the agent and the borrower was required to deliver additional collateral when necessary. Income earned from the investment of cash collateral and loan fees for loans collateralised by non-cash collateral were distributed to the participating lenders by the agent.

The fair value of the Co-operative's share of the collateral in cash and other securities received by the agent as at 31 December 2008 was $77.8million (2007: $59.1 million). These collaterals were in respect of equity investments designated as fair value through profit or loss, which were lent to financial institutions. The fair values of these equity investments were $69.8million (2007: $56.2 million) at 31 December 2008.

Shareholders' Fund

Singapore government securities

Included in debt securities of Shareholders' Fund is $1.3 million (2007: $1.3 million) with nominal value of $1.2 million (2007: $1.2 million) in Singapore government securities deposited with the Monetary Authority of Singapore as statutory deposits under the Insurance Act for the life and general insurance businesses.

11. LOANS

	2008					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Term loans to corporations						
- secured	77,966	-	-	-	-	77,966
- unsecured	95	-	-	-	-	95
Consumer loans	175,513	-	-	1,576	119	177,208
Loans on policies	543,127	-	-	-	-	543,127
Impairment loss	(4,088)	-	-	(25)	-	(4,113)
	792,613	-	-	1,551	119	794,283
To be settled within 12 months	25,705	-	-	653	34	26,392
To be settled after 12 months	766,908	-	-	898	85	767,891
	792,613	-	-	1,551	119	794,283

	2007					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Term loans to corporations						
- secured	74,837	-	-	-	-	74,837
- unsecured	105	-	-	-	-	105
Consumer loans	220,645	-	-	2,126	41	222,812
Loans on policies	537,750	-	-	-	-	537,750
Impairment loss	(4,719)	-	-	(38)	-	(4,757)
	828,618	-	-	2,088	41	830,747
To be settled within 12 months	44,810	-	-	1,170	11	45,991
To be settled after 12 months	783,808	-	-	918	30	784,756
	828,618	-	-	2,088	41	830,747

At balance sheet date, the carrying amounts of loans approximate their fair value.

11. LOANS (continued)

The loans advanced include the following amounts made in the ordinary course of business:

	2008 $'000	2007 $'000
Term loans to subsidiaries		
-secured	**4,296**	6,817

The loans to subsidiaries by the Co-operative are interest-bearing at the average local bank prime rate plus 0.5% and are repayable in monthly instalments up to April 2011.

Movements in allowance for impairment loss during the financial year are as follows:

	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
2008						
At 1 January	**4,719**	**-**	**-**	**38**	**-**	**4,757**
Allowance made during the year	**119**	**-**	**-**	**-**	**-**	**119**
Allowance written back during the year	**(750)**	**-**	**-**	**(13)**	**-**	**(763)**
At 31 December	**4,088**	**-**	**-**	**25**	**-**	**4,113**
2007						
At 1 January	20,978	-	-	53	1	21,032
Allowance made during the year	-	-	-	-	-	-
Allowance written back during the year	(2,760)	-	-	(15)	-	(2,775)
Allowance written off	(13,499)	-	-	-	(1)	(13,500)
At 31 December	4,719	-	-	38	-	4,757

12. DERIVATIVE FINANCIAL INSTRUMENTS

	2008			
	Contract or Underlying Principal $'000	Positive Revaluation $'000	Negative Revaluation $'000	Net $'000
Life Insurance Par Fund				
Forward foreign exchange	6,007,853	147,063	114,015	33,048
Interest rate swaps	877,107	31,631	31,012	619
Currency options	44,214	1,129	198	931
Cross currency swaps	620,250	54,838	29,353	25,485
	7,549,424	234,661	174,578	60,083
Life Insurance Non-Par Fund				
Forward foreign exchange	9,576	252	-	252
Cross currency swaps	6,850	846	-	846
	16,426	1,098	-	1,098
Investment Linked Fund				
Forward foreign exchange	202,369	5,297	4,269	1,028
Interest rate swaps	148,496	5,355	5,250	105
Currency options	7,486	191	33	158
Cross currency swaps	1,455	231	-	231
	359,806	11,074	9,552	1,522
General Insurance Fund				
Cross currency swaps	4,477	891	-	891
Shareholders' Fund				
Forward foreign exchange	314,084	7,354	5,052	2,302
Total	8,244,218	255,078	189,182	65,896

At balance sheet date, all derivative financial instruments balances are current, as they are classified as 'held for trading' in accordance with Financial Reporting Standard 39, Financial Instruments: Recognition and Measurement.

12. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	2007			
	Contract or Underlying Principal $'000	Positive Revaluation $'000	Negative Revaluation $'000	Net $'000
Life Insurance Par Fund				
Forward foreign exchange	7,343,493	103,767	30,561	73,206
Interest rate swaps	1,095,655	6,212	6,677	(465)
Cross currency swaps	465,932	59,359	28,609	30,750
	8,905,080	169,338	65,847	103,491
Life Insurance Non-Par Fund				
Cross currency swaps	16,807	1,253	32	1,221
Investment Linked Fund				
Forward foreign exchange	331,151	3,027	1,524	1,503
Interest rate swaps	159,106	902	970	(68)
Cross currency swaps	1,357	254	-	254
	491,614	4,183	2,494	1,689
General Insurance Fund				
Interest rate swaps	4,480	838	-	838
Shareholders' Fund				
Forward foreign exchange	233,078	1,650	759	891
Total	9,651,059	177,262	69,132	108,130

13. INSURANCE CONTRACT PROVISIONS

	2008				
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Total $'000
Gross					
Provision for claims and loss adjustment expenses	-	69,012	-	373,054	442,066
Provision for unexpired risks	-	113,835	-	197,499	311,334
Provision for future non-participating benefits	1,358,466	687,640	-	-	2,046,106
Provision for future participating benefits					
- Guaranteed benefits	7,448,850	-	-	-	7,448,850
- Non-Guaranteed benefits	6,566,293	-	-	-	6,566,293
Provision for investment linked contracts	-	-	945,320	-	945,320
Total insurance contract provisions, gross	15,373,609	870,487	945,320	570,553	17,759,969
Reinsurance					
Provision for claims and loss adjustment expenses	-	-	-	20,771	20,771
Provision for unexpired risks	-	-	-	9,949	9,949
Total reinsurers' share of insurance contract provisions	-	-	-	30,720	30,720
Net					
Provision for claims and loss adjustment expenses	-	69,012	-	352,283	421,295
Provision for unexpired risks	-	113,835	-	187,550	301,385
Provision for future non-participating benefits	1,358,466	687,640	-	-	2,046,106
Provision for future participating benefits					
- Guaranteed benefits	7,448,850	-	-	-	7,448,850
- Non-Guaranteed benefits	6,566,293	-	-	-	6,566,293
Provision for investment linked contracts	-	-	945,320	-	945,320
Total insurance contract provisions, net	15,373,609	870,487	945,320	539,833	17,729,249

13. INSURANCE CONTRACT PROVISIONS (continued)

	2007				
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Total $'000
Gross					
Provision for claims and loss adjustment expenses	-	78,659	-	325,843	404,502
Provision for unexpired risks	-	98,843	-	154,715	253,558
Provision for future non-participating benefits	1,059,006	603,833	-	-	1,662,839
Provision for future participating benefits					
- Guaranteed benefits	7,750,445	-	-	-	7,750,445
- Non-Guaranteed benefits	7,576,852	-	-	-	7,576,852
Provision for investment linked contracts	-	-	1,285,752	-	1,285,752
Total insurance contract provisions, gross	16,386,303	781,335	1,285,752	480,558	18,933,948
Reinsurance					
Provision for claims and loss adjustment expenses	-	-	-	11,695	11,695
Provision for unexpired risks	-	-	-	13,287	13,287
Total reinsurers' share of insurance contract provisions	-	-	-	24,982	24,982
Net					
Provision for claims and loss adjustment expenses	-	78,659	-	314,148	392,807
Provision for unexpired risks	-	98,843	-	141,428	240,271
Provision for future non-participating benefits	1,059,006	603,833	-	-	1,662,839
Provision for future participating benefits					
- Guaranteed benefits	7,750,445	-	-	-	7,750,445
- Non-Guaranteed benefits	7,576,852	-	-	-	7,576,852
Provision for investment linked contracts	-	-	1,285,752	-	1,285,752
Total insurance contract provisions, net	16,386,303	781,335	1,285,752	455,576	18,908,966

13. INSURANCE CONTRACT PROVISIONS (continued)

Movements in insurance contract provisions

Life Insurance Par Fund

Provision for future participating / non-participating benefits

	2008			2007		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	16,386,303	-	16,386,303	14,411,275	-	14,411,275
(Decrease) / Increase in insurance contract provisions	(1,260,306)	-	(1,260,306)	1,648,138	-	1,648,138
Transfer of recovery of allocated expenses	11,096	-	11,096	72,300	-	72,300
Bonus to policyholders	236,516	-	236,516	254,590	-	254,590
At 31 December	15,373,609	-	15,373,609	16,386,303	-	16,386,303

Life Insurance Non-Par Fund

(a) Provision for unexpired risks

	2008			2007		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	98,843	-	98,843	76,348	-	76,348
Movements for the year taken to profit and loss account	14,992	-	14,992	22,495	-	22,495
At 31 December	113,835	-	113,835	98,843	-	98,843

13. INSURANCE CONTRACT PROVISIONS (continued)

Movements in insurance contract provisions (continued)

Life Insurance Non-Par Fund (continued)

(b) Provisions for future non-participating benefits and claims

	2008			2007		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January as previously reported	752,331	-	752,331	619,749	-	619,749
Transfer to reserves for future distribution	(69,839)	-	(69,839)	(59,287)	-	(59,287)
At 1 January as restated	682,492	-	682,492	560,462	-	560,462
Increase in insurance contract provisions	74,160	-	74,160	122,030	-	122,030
At 31 December	756,652	-	756,652	682,492	-	682,492
At 31 December (a) + (b)	870,487	-	870,487	781,335	-	781,335

Investment Linked Fund

Provision for investment linked contracts

	2008			2007		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	1,285,752	-	1,285,752	1,083,893	-	1,083,893
(Decrease) / Increase in insurance contract provisions	(340,432)	-	(340,432)	201,859	-	201,859
At 31 December	945,320	-	945,320	1,285,752	-	1,285,752

13. INSURANCE CONTRACT PROVISIONS (continued)

Movements in insurance contract provisions (continued)

General Insurance Fund

(a) Provision for claims and loss adjustment expenses

	2008			2007		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	325,843	(11,695)	314,148	320,459	(11,314)	309,145
Increase in insurance contract provisions	47,211	(9,076)	38,135	5,384	(381)	5,003
At 31 December	373,054	(20,771)	352,283	325,843	(11,695)	314,148

(b) Provision for unexpired risks

	2008			2007		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	154,715	(13,287)	141,428	134,530	(7,545)	126,985
Movements for the year taken to the profit and loss account	42,784	3,338	46,122	20,185	(5,742)	14,443
At 31 December	197,499	(9,949)	187,550	154,715	(13,287)	141,428
At 31 December	570,553	(30,720)	539,833	480,558	(24,982)	455,576

14. INSURANCE AND OTHER RECEIVABLES

	2008					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Outstanding premiums	28,536	34,964	-	30,147	-	93,647
Accrued interest receivable	71	1	-	-	-	72
Investment receivables	67,167	308	7,755	157	643	76,030
Trade receivables	20	4,591	-	1,559	867	7,037
Other receivables	11,754	491	1,451	639	2,524	16,859
Interfund balances	20,629	187	-	617	3,845	25,278
	128,177	40,542	9,206	33,119	7,879	218,923
Less: Allowance for impairment losses	(506)	(446)	-	(7,291)	-	(8,243)
	127,671	40,096	9,206	25,828	7,879	210,680

14. INSURANCE AND OTHER RECEIVABLES (continued)

	2007					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Outstanding premiums	34,863	15,817	-	32,909	-	83,589
Accrued interest receivable	164	-	-	-	-	164
Investment receivables	112,843	259	11,737	184	542	125,565
Trade receivables	1,540	20,654	-	131	1,204	23,529
Other receivables	18,489	533	2,207	614	4,041	25,884
Interfund balances	18,620	-	-	945	5,044	24,609
	186,519	37,263	13,944	34,783	10,831	283,340
Less: Allowance for impairment losses	(30)	(466)	-	(4,490)	-	(4,986)
	186,489	36,797	13,944	30,293	10,831	278,354

At balance sheet date, all insurance and other receivables balances are current, and the carrying amounts approximate their fair value.

Included in other receivables are amounts due from subsidiaries of $2,150,878 (2007: $4,627,000), which are unsecured, interest-free, and have no fixed terms of repayment.

Movements in allowance for impairment losses for the financial year are as follows:

	2008					
	Life Insurance Par Fund $'000	**Life Insurance Non-Par Fund $'000**	**Investment Linked Fund $'000**	**General Insurance Fund $'000**	**Share holders' Fund $'000**	**Total $'000**
At 1 January	**30**	**466**	**-**	**4,490**	**-**	**4,986**
Impairment loss during the year	**476**	**-**	**-**	**2,801**	**-**	**3,277**
Amount written back	**-**	**(20)**	**-**	**-**	**-**	**(20)**
At 31 December	**506**	**446**	**-**	**7,291**	**-**	**8,243**

	2007					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
At 1 January	74	797	-	2,186	-	3,057
Impairment loss during the year	-	-	-	2,304	-	2,304
Amount written back	(44)	(331)	-	-	-	(375)
At 31 December	30	466	-	4,490	-	4,986

15. CASH AND CASH EQUIVALENTS

	2008					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Fixed deposits with banks	**559,164**	**30,000**	**4,528**	**34,098**	**-**	**627,790**
Cash and bank balances	**525,859**	**36,981**	**44,572**	**39,051**	**14,432**	**660,895**
	1,085,023	**66,981**	**49,100**	**73,149**	**14,432**	**1,288,685**

	2007					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Fixed deposits with banks	305,130	32,510	21,194	21,498	10,000	390,332
Cash and bank balances	455,644	62,469	35,211	50,702	24,767	628,793
	760,774	94,979	56,405	72,200	34,767	1,019,125

Included in Fixed deposits with banks in Life Insurance Par Fund is $78.6 million (2007: $52.3 million) of Singapore currency deposits which are segregated assets of the surplus account maintained in accordance with Insurance (Valuation and Capital) Regulations 2004.

16. INSURANCE AND OTHER PAYABLES

	2008					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Outstanding claims	**17,847**	**25,530**	**-**	**1,786**	**-**	**45,163**
Insurance and reinsurance payables	**30,875**	**8,379**	**-**	**7,133**	**-**	**46,387**
Investments and other payables	**221,472**	**9,323**	**24,821**	**14,159**	**14,302**	**284,077**
Contribution to Singapore Labour Foundation	**-**	**-**	**-**	**-**	**-**	**-**
Contribution to Central Co-operative Fund	**-**	**-**	**-**	**-**	**-**	**-**
Interfund balances	**3,852**	**9,705**	**-**	**11,104**	**617**	**25,278**
	274,046	**52,937**	**24,821**	**34,182**	**14,919**	**400,905**
To be settled within 12 months	**263,662**	**45,415**	**24,821**	**34,182**	**14,919**	**382,999**
To be settled after 12 months	**10,384**	**7,522**	**-**	**-**	**-**	**17,906**
	274,046	**52,937**	**24,821**	**34,182**	**14,919**	**400,905**

16. INSURANCE AND OTHER PAYABLES (continued)

	2007					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Outstanding claims	53,703	23,004	-	868	-	77,575
Insurance and reinsurance payables	27,340	4,616	-	16,949	-	48,905
Investments and other payables	285,874	8,846	35,884	12,650	18,456	361,710
Contribution to Singapore Labour Foundation	-	-	-	-	5,440	5,440
Contribution to Central Co-operative Fund	-	-	-	-	25	25
Interfund balances	2,979	14,382	-	5,937	1,311	24,609
	369,896	50,848	35,884	36,404	25,232	518,264
To be settled within 12 months	360,442	44,466	35,884	36,404	25,232	502,428
To be settled after 12 months	9,454	6,382	-	-	-	15,836
	369,896	50,848	35,884	36,404	25,232	518,264

At balance sheet date, the carrying amounts of insurance and other payables approximate their fair value.

Included in other payables are amounts due to subsidiaries of $7,940,672 (2007: $8,539,000), which are unsecured, interest-free, and have no fixed terms of repayment.

17. SHARE CAPITAL AND TREASURY SHARES

	2008 $'000	2007 $'000
Shareholders' Fund		
Authorised:		
100,000,000 participating shares of $10 each	**1,000,000**	1,000,000
Issued and fully paid participating shares:		
At 1 January	**438,800**	435,795
Issue of shares	**1,467**	4,679
Redemption of shares	**(2,306)**	(1,674)
At 31 December	**437,961**	438,800

17. SHARE CAPITAL AND TREASURY SHARES (continued)

Issue of shares	2008 Number of shares	2007 Number of shares	2008 $'000	2007 $'000
Shares issued in respect of the deferred incentive scheme ("DIS") for employees	-	236,389	-	2,364
Shares issued from reinvestment of dividends declared on unvested DIS shares	38,928	40,403	389	404
Shares issued to employees for long service award	23,600	15,560	236	155
Shares issued for cash in respect of new subscriptions	84,232	175,581	842	1,756
	146,760	467,933	1,467	4,679

The newly issued shares rank pari passu in respect of distribution of dividends and bonus shares with the existing shares.

NTUC Income Insurance Co-operative Limited Members and their rights

Members of the Co-operative consist of:

(i) The Singapore National Trades Union Congress which is designated the Founder Member;

(ii) Trade Unions and Registered Societies as may be accepted by the Board of Directors, and the Singapore Labour Foundation, which are designated Institutional Members;

(iii) Any person over the age of 18 years who has an assurance or insurance on his/her life with the Co-operative, and who at the time of proposal was a resident in Singapore, is designated an Ordinary Member;

(iv) Any person over the age of 18 years, who holds a minimum of ten participating shares in the Co-operative and who at the time of purchase was a resident in Singapore, is designated a Participating Member.

Any Member of the Co-operative may vote at any General Meeting of the Co-operative. Ordinary and Participating members having one vote each, and Institutional Members and the Founder Member, having one vote for each share they hold.

Any Institutional, Ordinary or Participating Member may withdraw his/her shares, subject to a notice period of one year, or such other limitations as the Board of Directors may decide in accordance with the Rules and By-Laws. The member withdrawing shall be entitled on the expiry of his notice to receive as the value of his shares, not more than what he/she paid for them, nor more than their value, as disclosed by the last Balance Sheet prepared by the Co-operative or the last actuarial valuation of the Co-operative, whichever is later.

In the event of the winding up of the Co-operative, the assets, including the reserve fund, shall be applied first to the cost of liquidation, then to the discharge of the liabilities of the Co-operative, then to the payment of the share capital or subscription capital, and then, provided that the by-laws of the Co-operative permit, to the payment of a dividend or patronage refund at a rate not exceeding that laid down in the Rules or in the By-Laws.

17. SHARE CAPITAL AND TREASURY SHARES (continued)

NTUC Income Insurance Co-operative Limited Members and their rights (continued)

Any monies remaining after the application of the funds to the purposes specified in the above paragraph (section 88 of Co-operative Societies Act) and any sums unclaimed after two years under Section 89 (2) (which relates to claims of creditors), shall not be divided among the Members but shall be carried to the Co-operative Societies Liquidation Account kept by the Registrar.

A sum carried to the Co-operative Societies Liquidation Account shall be kept in this Account for at least two years. Out of the Co-operative Societies Liquidation Account such sums may be transferred to the Central Co-operative Fund, or applied generally for the furtherance of co-operative principles in such manner, as the Minister may determine from time to time.

The participating shares are presented as equity on the balance sheet. The redemption rights of the participating shareholders and the requirements of Financial Reporting Standard 32, Financial Instruments: Presentation are described in note 2(s) of significant accounting policies.

18. RESERVES FOR FUTURE DISTRIBUTION

The Co-operative has designated an amount of $391,480,000 (2007: $395,141,000) as reserves for future distribution to satisfy capital requirements. These capital requirements are stipulated by the Monetary Authority of Singapore. This amount relates to the Eldershield and Incomeshield business. The Incomeshield business was previously included as part of insurance contract provisions. The reserves are set aside because the current experience of the portfolio is favourable hence leading to surpluses emerging.

However, because the underlying risk for IncomeShield and Eldershield is uncertain and of a long term nature, it is prudent to earmark this amount as being available only for distribution when the trend of the experience can be clearly established. Henceforth, the reclassification to reserves for future distribution is made to be consistent with the classification in the MAS Returns and more faithfully presents the nature of the account balance. Accordingly, the comparatives for Incomeshield of $69.8m have been reclassified.

19. FEE AND OTHER INCOME

	2008				
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Total $'000
Reinsurance commission	-	492	-	4,094	4,586
Management and other fees	22,349	-	-	-	22,349
	22,349	492	-	4,094	26,935

	2007				
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Total $'000
Reinsurance commission	7,906	8,472	-	5,790	22,168
Management and other fees	22,427	-	-	-	22,427
	30,333	8,472	-	5,790	44,595

20. NET INVESTMENT (LOSSES)/INCOME AND FAIR VALUE (LOSSES)/GAINS

	2008					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Interest income						
- cash and cash equivalents	7,543	525	572	451	241	9,332
- loans	33,553	-	-	164	-	33,717
	41,096	525	572	615	241	43,049
Dividend income	150,029	7,564	22,228	1,196	13,637	194,654
Net rental income:						
- rental income	66,420	-	-	-	-	66,420
Less: Investment properties maintenance	(17,165)	-	-	-	-	(17,165)
	49,255	-	-	-	-	49,255
Realised gain on sale of AFS investments	13,285	-	-	1,417	-	14,702
(Loss)/gain on changes in fair value of:						
- investments designated as fair value through profit/loss	(1,988,692)	(40,718)	(398,049)	48,513	(224,302)	(2,603,248)
- derivatives	(31,954)	246	1,409	(5)	1,929	(28,375)
- investment properties	(15,987)	-	-	-	-	(15,987)
	(2,036,633)	(40,472)	(396,640)	48,508	(222,373)	(2,647,610)
Less: Investment expenses	(24,569)	(2,921)	(12,335)	(2,835)	(1,206)	(43,866)
Allowance for impairment written back/ (made) on:						
- loans	631	-	-	13	-	644
- available-for-sale investments	(116,720)	-	-	(1,410)	(82)	(118,212)
- subsidiaries and associates	3,258	-	-	-	1,207	4,465
	(112,831)	-	-	(1,397)	1,125	(113,103)
Loans written off	(1,368)	-	-	(189)	-	(1,557)
Others	1,636	10	31	(2,619)	6	(936)
Net investment (losses)/ income and fair value (losses)/ gains	(1,920,100)	(35,294)	(386,144)	44,696	(208,570)	(2,505,412)

20. NET INVESTMENT (LOSSES)/INCOME AND FAIR VALUE (LOSSES)/GAINS (continued)

	2007					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Interest income:						
- cash and cash equivalents	10,640	1,913	1,260	1,008	580	15,401
- loans	46,656	-	-	210	-	46,866
	57,296	1,913	1,260	1,218	580	62,267
Dividend income	257,911	7,689	16,954	9,527	10,499	302,580
Net Rental Income:						
- rental income	50,783	-	-	-	-	50,783
Less: Investment properties maintenance	(14,339)	-	-	-	-	(14,339)
	36,444	-	-	-	-	36,444
Realised gain on sale of AFS investments	916	-	-	137	-	1,053
Gain on changes in fair value of:						
- investments designated as fair value through profit/loss	882,943	83,223	63,863	85,650	12,071	1,127,750
- derivatives	95,247	353	3,423	209	3,247	102,479
- investment properties	292,676	-	-	-	-	292,676
	1,270,866	83,576	67,286	85,859	15,318	1,522,905
Less: Investment expenses	(37,954)	(3,146)	(13,822)	(3,579)	(1,068)	(59,569)
Allowance for impairment written back/ (made) on:						
- loans	2,760	-	-	15	-	2,775
- available-for-sale investments	(2,134)	-	-	3,795	-	1,661
- subsidiaries and associates	-	-	-	-	(238)	(238)
	626	-	-	3,810	(238)	4,198
Loans written off	(6,194)	-	-	(395)	-	(6,589)
Others	449	(1,490)	2,165	(2,253)	-	(1,129)
Net Investment income and fair value gains	1,580,360	88,542	73,843	94,324	25,091	1,862,160

20. NET INVESTMENT (LOSSES)/INCOME AND FAIR VALUE (LOSSES)/GAINS (continued)

Fund management fee expenses incurred by Investment Linked fund have been reported as investment expenses instead of management expenses.

Accordingly the comparatives have been reclassified. There is no impact on the profit and loss account for the current year. The effect of the reclassification is as follows:

	2008 $'000	2007 $'000
Increase investment expenses	9,947	12,247
Decrease management expenses	(9,947)	(12,247)

21. MANAGEMENT EXPENSES

The following items are included in management expenses:

	2008 $'000	2007 $'000
Staff costs		
- Salaries, commission, bonuses and staff benefits	77,810	69,527
- Employer's contribution to defined contribution	8,060	7,218
Advertising and promotion	6,757	6,780
Depreciation & amortisation	7,815	5,170
Printing, postage and stationary	7,674	5,918
Rental	6,276	5,114

Expenses incurred by our sales distribution departments have been reported as selling expenses instead of management expenses. Reporting as selling expenses is more appropriate as these are expenses incurred for managing our distribution channels.

Accordingly the comparatives have been reclassified. There is no impact on the profit and loss account for the current year. The effect of the reclassification is as follows:

	2008 $'000	2007 $'000
Increase selling expenses	22,372	18,996
Decrease management expenses	(22,372)	(18,996)

22. ALLOCATION OF MANAGEMENT AND SELLING EXPENSES

The Co-operative conducted an assessment of past years' selling expenses which were not allocated from Life Insurance Participating Fund to Non-Participating Fund and General Insurance Fund. As a result of the assessment, $6,315,000 (2007: $nil) is transferred from Non-Participating Fund and $4,781,000 (2007: $72,300,000) from General Insurance Fund to the Life Insurance Participating Fund. The basis of allocation to Life Participating Fund has been certified by our Appointed Actuary as being reasonable and appropriate.

The amount transferred included accrued interest based on the actual investment return of the Participating Fund during the respective years.

23. RELATED PARTY TRANSACTIONS

For the purpose of these financial statements, parties are considered to be related to the Co-operative if the Co-operative has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa.

In addition to the related party information shown elsewhere in the financial statements, the following significant related party transactions took place between the Co-operative and related parties during the financial year on terms agreed by the parties concerned:

(a) Sales and purchases of goods & services

	2008 $'000	2007 $'000
Charges by subsidiaries for sales of merchandise, marketing, promotion, travel and rental car services rendered	**1,329**	8,044
Interest received from subsidiaries for loans granted	**302**	416
Fee paid to an associate		
- in relation to management of investment properties	**1,502**	1,395
Fees receivable from subsidiaries	**141**	191

Outstanding balances at 31 December 2008, arising from sale/purchase of goods and services, are set out in Note 14 and 16 respectively.

(b) Key management personnel compensation

	2008 $'000	2007 $'000
Salaries and other benefits	**6,757**	5,009
Employer's contribution to defined contribution	**129**	104
Directors fees	**248**	135
	7,134	5,248

24. DIVIDENDS

	2008 $'000	2007 $'000
Ordinary dividends paid		
Final exempt dividend paid in respect of the previous financial year of 60 cents (2007: 60 cents) per share	**26,149**	26,041
Special dividends paid		
Special dividend paid in respect of the previous financial year of nil cents (2007: 20 cents) per share	**-**	8,680

The Directors have proposed a dividend of 30 cents per share (2007: 60 cents per share) amounting to $13,138,800 (2007: $26,149,000) to be paid in respect of the financial year ended 31 December 2008. The financial statements will reflect this dividend payable in the Shareholders' Fund as an appropriation of surplus in the year ending 31 December 2009 after declaration of the dividend by the Directors.

25. ACCUMULATED SURPLUS OF LIFE INSURANCE PAR FUND

In accordance with regulations, a surplus account is maintained whereby surpluses not transferred to the shareholders' fund are retained in the surplus account to strengthen the Life Insurance Par Fund. The quantum retained in the surplus account is approved by the Board on the recommendation of the Appointed Actuary.

26. ACCUMULATED SURPLUS OF SHAREHOLDERS' FUND AND OTHER INSURANCE FUNDS

The net accumulated surplus of the shareholders' fund and other insurance funds of the Co-operative of $390,036,000 (2007: $664,978,000) [comprising accumulated surplus of $561,175,000 (2007: $604,610,000) in other insurance funds less the accumulated (loss)/surplus of ($171,139,000) (2007: $60,368,000) in the shareholders' fund] represents the amount available for distribution to the members of the Co-operative except for accumulated surplus of $297,035,000 (2007: $281,722,000), which is not distributable and must be maintained to meet regulatory capital requirement prescribed in the Valuation and Capital Regulations 2004 under MAS Insurance Act as determined by the Appointed Actuary, and to meet other statutory requirements.

27. COMMITMENTS

(a) Capital commitments

	2008 $'000	2007 $'000
Life Insurance Par Fund		
Capital expenditure contracted but not provided for	**-**	527
Outstanding investment commitments	**411,404**	320,838
	411,404	321,365

27. COMMITMENTS (continued)

(b) Operating lease commitments (where the Co-operative is a lessor)

The Co-operative leases out retail and residential space from their investment properties to non-related parties under non-cancellable operating leases. The lessees are required to pay fixed rental payments during the lease period. The future rent receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	2008 $'000	2007 $'000
Not later than one year	**57,432**	44,339
Between one and five years	**57,432**	44,339

28. CONTINGENT LIABILITY

Life Insurance Par Fund

There is a proportionate share of guarantee for repayment of interest and bank fee given to a bank in respect of credit facility granted to a company in which the Co-operative has an equity interest.

The proportionate share of the credit facilities are:

	2008 $'000	2007 $'000
Transferable Term Loan	**1**	386

29. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2009. The Co-operative's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Co-operative is set out below:

FRS 1(R) *Presentation of Financial Statements* (effective for annual periods beginning on or after 1 January 2009)

The revised standard requires:

- All changes in equity arising from transactions with owners in their capacity as owners to be presented separately from components of comprehensive income;
- Components of comprehensive income not to be included in statement of changes in equity;
- Items of income and expenses and components of other comprehensive income can be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate statement of profit and loss followed by a statement of comprehensive income);
- Presentation of restated balance sheet as at the beginning of the comparative period when entities make restatements or reclassifications of comparative information.

29. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

The revisions also include changes in the titles of some of the financial statements primary statements.

The Co-operative will apply the revised standard from 1 January 2009 and provide comparative information that conforms to the requirements of the revised standard. The key impact of the application of the revised standard is the presentation of an additional primary statement, the statement of comprehensive income.

30. AUTHORISATION FOR ISSUE

These financial statements were approved by the Board of Directors at a meeting held on 27 March 2009 and authorised for release on 27 March 2009. .

FOUNDER & INSTITUTIONAL MEMBERS

As at 31 December 2008

FOUNDER MEMBER	No of Shares
National Trades Union Congress	7011344

INSTITUTIONAL MEMBERS	No of Shares
NTUC Income Insurance Co-operative Ltd	915875
Singapore Labour Foundation	798560
Singapore Manual & Mercantile Workers' Union	535467
NTUC Income Insurance Co-operative Ltd (DIS) *	492949
Singapore Maritime Officers' Union	470386
National Transport Workers' Union	406984
United Workers of Electronic & Electrical Industries	385719
Amalgamated Union of Public Employees	321601
Singapore Bank Employees' Union	273301
Shipbuilding & Marine Engineering Employees' Union	204808
Singapore Mercantile Co-operative Society Ltd	198350
Singapore Airlines Staff Union	195470
NTUC Fairprice Co-operative Ltd	183267
Healthcare Services Employees' Union	161805
Metal Industries Workers' Union	149010
Singapore Industrial & Services Employees' Union	129397
Union of Telecoms Employees of Singapore	129237
Singapore Credit Co-operative League Ltd	127830
NTUC First Campus Co-operative Ltd (formerly NTUC Childcare Co-operative Ltd)	120019
Singapore Teachers' Co-operative Society Ltd	118058
United Workers of Petroleum Industry	113558
Singapore Insurance Employees' Union	112865
Exxonmobil Employees Co-operative Ltd	103250
Singapore Shell Employees' Union	101962
HDB Staff Union	100000
Singapore Organisation of Seamen	90341
Singapore Shell Employees Union Co-operative Ltd	83463
Food, Drinks & Allied Workers Union	80269
Union of Power & Gas Employees	78029
Exxonmobil Singapore Employees' Union	76711
Amalgamated Union of Statutory Board Employees	67386
Singapore Port Workers Union	66517
Natsteel Employees' Union	63104
Chemical Industries Employees' Union	60133
Singapore Teachers' Union	57115
Singapore National Co-operative Federation	57075
Singapore Airport Terminal Services Workers' Union	55857
Singapore Government Staff Credit Co-operative Soc Ltd	55392
Inland Revenue Authority of S'pore Staff Union	48580
Singapore Bank Officers Association	46640
Straits Times Press Co-operative T & L Society	45790
Customs Credit Co-operative Society Ltd	45599
PUB Employees Union	41588
Keppel FELS Employees' Union	39095
Building Construction & Timber Industry Employees' Union	35906
Temasek Polytechnic Co-operative Society Ltd	35880
Singapore Public Works Employees Credit Co-op Soc Ltd	35625

INSTITUTIONAL MEMBERS	No of Shares
Citiport Credit Co-operative Ltd	35580
Union of ITE Training Staff	34959
Singapore Urban Redevelopment Authority Workers' Union	33748
Singapore Press Holdings Employees' Union	33450
DBS Staff Union	30222
Singapore Union of Broadcasting Employees	29629
Singapore Police Co-operative Society Ltd	29613
Staff Union of NTUC ARU	26711
Air-Transport Executive Staff Union	25761
NTUC Media Co-operative Ltd	25412
Changi International Airport Services Employees' Union	23968
AUPE Multi-Purpose Co-operative Society Ltd	21292
NTUC Healthcare Co-operative Ltd	20288
Singapore Prison Service Multi-Purpose Co-operative Society Ltd	20100
Telecoms Credit Co-operative Ltd	17195
Singapore Statutory Boards Employees' T & L Soc Ltd	16769
Ceylon Tamils Multi-Purpose Co-operative Ltd	16719
Sembawang Shipyard Employees' Union	16407
Ngee Ann Polytechnic Academic Staff Union	15325
Premier Security Co-operative Society Ltd	14200
UTES Multi-Purpose Co-operative Society Ltd	13304
TRC Multi-Purpose Co-operative Society	12919
Ngee Ann Poly Consumer Co-operative Society	12810
Singapore Stevedores Union	9073
Singapore Refining Companies Employees' Union	8255
Keppel Employees' Union	6154
Industrial & Services Co-operative Society Ltd	6095
Singapore Polytechnic Co-operative Ltd	5818
Union of Security Employees	4763
NUS Multi-Purpose Co-operative Society Ltd	4420
Singapore Interpreters & Translators Union	4218
Education Services Union	3729
Times Publishing Group Employees Union	3427
Port Officers Union	3312
Jurong Shipyard Multi-Purpose Co-operative Society Ltd	3306
Singapore Technologies Electronics Employees Union	2973
DEW Credit Co-operative Ltd	2875
Singapore Tamil Teachers' Union	2756
NTUC Club Staff Union	2382
Energy & Utilities Employees' Co-operative Ltd	2369
SIA Engineering Company Engineers & Executives Union	2300
Singapore Bank Employees Co-operative Thrift & Loan Society Ltd	2130
Amalgamated Union of Public Daily-Rated Workers	2077
Singapore National Union of Journalists	1856
Spring Singapore Staff Union	417
Singapore Government Shorthand Writers Association	309
Singapore Malay Teachers' Union	141
Singapore Chinese Teachers' Union	21
Reuters Local Employees Union	10

* Held on behalf of staff

NOTICE IS HEREBY given that the Thirty-Ninth Annual General Meeting of NTUC INCOME INSURANCE CO-OPERATIVE LIMITED will be held on Friday, 29 May 2009, at 6.00 pm at the Auditorium, 7th Floor, NTUC Income Centre, 75 Bras Basah Road, Singapore 189557.

AGENDA

1 To confirm the minutes of the 38th Annual General Meeting held on 30 May 2008.

2 To receive, and if approved, to adopt the Directors' Report and the Audited Accounts for the year ended 31 December 2008.

3 To consider the Actuary's Report and to endorse the proposals of the Board of Directors for the allocation of the surplus.

4 To consider, and if approved, to adopt the proposed amendments to the By-laws as set out in Appendix A of the Annual Report.

5 Election of Directors

6 To declare a dividend to shareholders.

7 To approve the payment of honoraria to directors.

8 To approve the maximum borrowing limit of the Co-operative at $50 million under By-law 30.

9 To re-appoint Messrs PricewaterhouseCoopers as external auditors of the Co-operative for the financial year ending 31 December 2009.

10 To consider such other business not included in this notice of which at least ten days' notice in writing shall have been given to the Secretary.

BY ORDER OF THE BOARD OF DIRECTORS

Thanalakshmi d/o M R Balakrishnan
Secretary

Singapore
29 April 2009

NTUC INCOME

75 Bras Basah Road
NTUC Income Centre
Singapore 189557
Tel : +65 6346 2663
Fax : +65 6338 1500
www.income.com.sg