Transition

NTUC Income
2006 Financial Statements

Contents

MICA (P) 130/05/2007

Director's Report

1. Overview

Your Directors are pleased to submit their report together with the audited accounts of NTUC Income for the financial year ended 31 December 2006.

The Singapore economy has done well. It grew by 7.9% in 2006. The insurance sector saw a robust growth. Life insurance grew 30% in new single premium and 8% in regular premium. The general insurance sector saw a modest 2% growth in gross premium.

Our total assets under management grew by 13% to $18.8 billion. Total premium income for the year was $2.0 billion, a decrease of 96 million or 4% compared to the previous year. This excludes the $160 million single premium from the i-Gift plan, which is a 5 year annuity certain plan classified as investment contracts in the balance sheet. Including the premium from the i-Gift plan, our insurance premium revenue grew 3%.

We serve 1.8 million policyholders and have 3.1 million policies in total on life, general and health insurance.

We also continue to receive an "AA" rating by Standard and Poor's. This is the highest credit rating among all domestic insurers in Asia. Our financial strength positions us well for future growth.

2. Life Insurance

Total premium income excluding the premium from the i-Gift plans decreased by 2% to $1,810 million, comprising of $980 million in regular premium and $830 million in single premium. This includes group and health insurance premium.

Our life insurance termination rate of 3% is low compared to the industry. This reflects the good quality of our in-force business and excellent customer satisfaction. We maintained healthy margins by continuing with our core operating strategy of keeping costs low. Operating cost was 4.5% of premium income.

The investment climate remains favourable. The overall investment returns for the year was 10%, comprising of investment income and gains in the fair values.

Most of our participating policyholders will be receiving another increase in bonus rates. This marks the fourth increase in bonus rates in four consecutive years.

The Board has accepted the recommendation of the Appointed Actuary to declare $309 million of surplus as bonus for participating policyholders, and to transfer $14.4 million in surplus to the Shareholders' Fund.

3. General Insurance

The gross premium was down 19% to $232 million. This was affected by a drop in motor insurance business, due to intense competition. Motor insurance continues to be our largest business class, contributing to 73% of total premium. The premium of other classes grew by 12% to $61 million.

We achieved an underwriting profit of $7.5 million. Including investment income and gains, the general insurance business earned a surplus of $99.8 million.

4. Shareholders

In view of the excellent results, the Directors proposed that a dividend of 6% and a special dividend of 2%, totaling 8% (2005: 6%) amounting to $34.7 million (2005: $25.1 million) be paid to members in respect of the financial year ended 31 December 2006.

5. New Chief Executive

Mr Tan Suee Chieh has taken over as the Chief Executive of the Co-operative with effect from 21 Feb 2007.

A qualified actuary, Mr Tan Suee Chieh was previously the President in charge of the Asia Pacific region for SHL Group plc, a British human resource consultancy firm (2003-2007). He was also the Managing Director (Established Markets) for Prudential Corporation Asia (1999-2001) and the Chief Executive of Prudential Assurance Company Singapore (1994 - 1999).

Mr Tan Suee Chieh succeeds Mr Tan Kin Lian, who has left NTUC Income after an illustrious 30-year career. The Board motions to place on record its appreciation to Mr Tan Kin Lian for his contribution in leading NTUC Income to become a leading life and general insurer.

The Board looks forward to working closely with Mr Tan Suee Chieh, the management team and staff to bring NTUC Income to greater heights.

6. Contributions to Community

Each year, we contribute more than $2 million towards national community projects and worthy causes. In 2006, we made a total contribution of $2.4 million in support of charities, programmes of the labour movement, sports, arts, and the environment.

7. Awards

We continue with our quest to further improve efficiency and effectiveness. The conferment of several prestigious awards such as the “Contact Center World Best of the Best”, “Leading Corporate HR”, and “Singapore Innovative Class”, recognised our efforts as well as best business practices.

8. Conclusion

Your Directors would like to record their appreciation to the National Trades Union Congress, its affiliated unions and co-operatives, our business partners for their continued support and commitment, and our clients for their valuable patronage. We would also like to thank all employees and insurance advisers for their dedication and contribution to Income’s success.

For and on behalf of the Board of Directors

Ng Kee Choe
Chairman

Singapore, 23 March 2007

Corporate Governance

The Board of Directors recognises the importance of, and is committed to uphold, the highest standards of corporate governance. It adopts corporate governance practices in conformity with the Guidelines on Corporate Governance issued by the Monetary Authority of Singapore and the provisions of the Insurance (Corporate Governance) Regulations 2005. Integrity, honesty and transparency in dealings are emphasised at all levels of the organisation in order to retain the confidence of policyholders and to ensure that the Co-operative maintains its more than positive image and reputation.

Role of the Board

The Board of Directors has the overall responsibility for managing the affairs of the Co-operative, including reviewing its financial performance, setting its strategic direction and performance objectives, and reviewing major corporate initiatives.

The Board exercises stewardship, enterprise, integrity and judgment in directing the Co-operative towards meeting its objectives. It ensures that the Co-operative adopts sound corporate governance practices and complies with applicable laws and regulations.

In addition, the following matters require the specific approval of the Board:
1. corporate and financial risk taking;
2. material acquisition and disposal of business assets;.
3. share issuance, dividends and bonus to policyholders;
4. investments and risks exceeding limits delegated; and
5. all other matters as required under the Co-operative's charter or under laws or regulations.

The Board's delegation of authority is spelt out in the Board of Directors Authorisation Charter.

Board Appointments

The members of the Board as of 1 Mar 2007 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

Except for 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 by institutional or individual members of the Co-operative. As a principle of good corporate governance, all directors are subject to re-nomination and re-election once every three years. All appointments and re-appointments require the approval of the Monetary Authority of Singapore. 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 fulfill their duties as directors of the Co-operative.

Board Meetings

The Board conducts five scheduled board meetings a year. The agenda includes review of financial performance, discussions on corporate strategy, business plans and major corporate initiatives, and review of potential strategic alliances. In addition, ad-hoc meetings are held to discuss specific issues. A two-day Board Retreat was held in August 2006 for the Board and senior management executives to discuss strategic issues.

Board members are provided with timely and complete information in advance of meetings. Board approvals for specific proposals are also obtained through resolutions by circulation.

The members of the Board provide core competencies to ensure the effectiveness of the Board. The competencies include banking, accounting, insurance, investment, legal, and risk management. With their broad knowledge, expertise and experience, Board members provide valuable insight and advice during board discussions.

Directors' Attendance at Board and Board Committee Meetings in 2006

Name of Director	Board		Audit Committee		Risk Management Committee	
	No. of meetings		No. of meetings		No. of meetings	
	Held	Attended	Held	Attended	Held	Attended
Ng Kee Choe	5	5	-	-	-	-
Matthias Yao	5	4	8	7	5	4
Tan Kin Lian	5	5	-	-	5	5
Boon Swan Foo#	5	2	8	5	-	-
Gabriel Teo	5	4	-	-	5	4
Theresa Foo@	5	1	8	4	-	-
Tan Suee Chieh	5	4	-	-	5	1
Lee Mun Hou	5	4	-	-	-	-
Tan Peng Heng	5	5	8	7	5	5
Tan Cheng Han	5	3	8	7	-	-
Soh Kim Soon*	5	2	-	-	5	1
Ron Foo+	5	1	8	3	-	-

\# *Retired as director & Chairman of Audit Committee wef 26 May 06*
@ *Retired as director wef 26 May 06*
* *Appointed as director and member of Risk Management Committee wef 8 Aug 06*
\+ *Appointed as director and Chairman of Audit Committee wef 8 Aug 06*

Name of Director	Investment Committee		Human Resource & Remuneration Committee		Nominating Committee #	
	No. of meetings		No. of meetings		No. of meetings	
	Held	Attended	Held	Attended	Held	Attended
Ng Kee Choe	-	-	4	4	1	1
Matthias Yao	-	-	4	3	-	-
Tan Kin Lian	12	12	-	-	-	-
Boon Swan Foo+	12	2	-	-	-	-
Gabriel Teo	12	11	4	4	-	-
Theresa Foo@	-	-	-	-	-	-
Tan Suee Chieh	12	8	-	-	-	-
Lee Mun Hou	-	-	4	2	1	1
Tan Peng Heng	-	-	-	-	-	-
Tan Cheng Han	-	-	-	-	1	1
Soh Kim Soon*	-	-	-	-	-	-
Ron Foo+	-	-	-	-	-	-

\+ *Retired as director wef 26 May 06*
\# *Approval of nominations were obtained via circulation*

Training

New directors are provided with relevant materials on the Co-operative and on their role and responsibilities. A directors' briefing was conducted in 2006 to familiarise new directors on the Co-operative's organisational profile, key performance measures and its business portfolio. In addition, directors are notified of relevant external courses and programmes. In 2006, some directors attended the 2006 NUS-SID Conference on Transforming the Board organised by the National University of Singapore and the Singapore Institute of Directors.

Board Performance

The Board has implemented an annual performance evaluation process to be carried out by the Nominating Committee to ensure the continued effectiveness of the Board. All directors participate in the evaluation which is conducted through confidential completion of a questionnaire, the results of which are collated and reported to the Board.

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 Board Committees comprise the Audit, Human Resource and Remuneration, Risk Management, Nominating and Investment Committees.

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

Audit Committee

The Audit Committee (AC) comprises four 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

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 Monetary Authority of Singapore in 2005 for all major insurers.

The functions of the AC include the following:

1. Review the scope and results of audit and its cost-effectiveness, and the independence and objectivity of the external auditors;
2. Review significant accounting and financial reporting issues;
3. Review with Management and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards;
4. Review the adequacy and effectiveness of the Co-operative's material financial controls, operational and compliance controls;
5. Review the effectiveness of the Co-operative's internal audit function; and
6. Make recommendations to the Board on the appointment, re-appointment and removal of external auditor and approving the remuneration and terms of engagement of the external auditor.

In the financial year 2006, the AC met eight times. Internal auditors, external auditors, the Chief Executive Officer and certain senior management executives attended these meetings. The AC reviewed the arrangements made available to staff of the Co-operative for making confidential reports or raising concerns about possible improprieties relating to financial reporting or other matters. A whistle-blowing program was established in March 2006 to enhance the existing arrangements.

The internal audit function is independent of the activities it audits. The Head of Internal Audit has a direct reporting line to the Chairman of the AC and reports administratively to the Chief Executive. The terms of reference of internal audit and the internal audit annual plan are approved by the AC. The AC ensures that there are processes in place for ensuring that recommendations raised in internal audit reports are dealt with in a timely manner. Outstanding exceptions or recommendations are closely monitored.

Human Resource & Remuneration Committee

The Human Resource & Remuneration Committee (HRRC) comprises four members as follows:

Chairman	Mr Ng Kee Choe
Members	Mr Matthias Yao
	Mr Gabriel Teo
	Mr Lee Mun Hou

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

The role of the HRRC is to:
1. approve the remuneration policy and plans for senior executives;
2. recommend to the Board a remuneration package for the Chief Executive;
3. approve and review succession plans for key positions;
4. approve appointments and terminations to key positions; and
5. have oversight of talent management and development of senior executives.

In 2006, the HRRC met four times. Some of the issues reviewed were succession planning, talent management framework and compensation framework. Other matters discussed were senior management movements and interim special bonus for fund managers.
In addition, the HRRC as well as the Nominating Committee discussed the appointment of the new Chief Executive for the Co-operative.

Risk Management Committee

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

Chairman	Mr Matthias Yao
Members	Mr Gabriel Teo
	Mr Tan Peng Heng
	Mr Soh Kim Soon
	Mr Tan Suee Chieh
	Mr Nicholas Rhodes

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:
1. Assist the Board in its oversight of the Co-operative's business activities and associated risks;
2. Ensure management has established adequate system for risk management, to identify, monitor, control and report such risks;
3. Bring to Board's attention issues of concern on key business risks;
4. Ensure that all risks are identified and addressed;
5. Comment on the adequacy of the company's internal controls and risk management processes in the annual report; and
6. Meet on a quarterly basis to review the Risk manager's report and discuss risk issues.

The Risk Manager, who heads the Risk Management Unit, reports to the Chief Executive and to the RMC.

The Risk Manager assists the Chief Executive in managing risk. Specifically, the role is to:

1. help respective operating departments to identify the key business risks and ensure that these risks are properly monitored and managed;
2. monitor the key business risks regularly, through entity wide level 1 risk indicators, and provide a quarterly variance report to the RMC and senior management;
3. bring to the attention of the senior management and the RMC any issues of major concern, after discussing with the relevant managers. This includes deviations exceeding the approved limit of the senior management;
4. keep abreast of developments in the field of Risk Management and relevant practices in other organisations, identifying the best practices that are appropriate to NTUC Income; and
5. 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 who to escalate to.

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

Nominating Committee

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

Chairman	Mr Ng Kee Choe
Members	Mr Lee Mun Hou
	Mr Tan Cheng Han

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

Regulations issued by the Monetary Authority of Singapore require the NC to identify and review all nominations to the Board and Board Committees. In 2006, the Nominating Committee recommended the appointments of Mr Ron Foo and Mr Soh Kim Soon to the Board.

In addition, the role of the NC is to:

1. determine the criteria to be applied in identifying suitable candidates for appointment to the Board and Board Committees;
2. decide how the Board's performance may be evaluated and propose performance criteria for the Board's approval;
3. determine annually the independence of each director;
4. ensure that all directors submit themselves for re-nomination and re-election at least every three years; and
5. decide whether a director who serves on multiple boards is able to and has been discharging his duties adequately.

The NC ensures that competent and qualified individuals capable of contributing to the success of the organisation are appointed to the Board. It reviews all nominations for the appointment, re-appointment, election and re-election of directors.

In 2006, the NC formalized the selection criteria and guidelines for the appointment of new directors.

Investment Committee

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

Chairman	Mr Gabriel Teo
Members	Mr Tan Suee Chieh (Chief Executive)
	Mr Nicholas Rhodes (Appointed Actuary)
	Mr Liong Tong Kap (Chief Investment Officer)

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

The role of the IV Committee is to:

1. review the investment policy on a regular basis;
2. ensure that the investment policy of the participating fund is consistent with the bonus and/or dividend policy;
3. review the adequacy of internal control systems to support investment activities; and
4. ensure resources dedicated to the investment activities are sufficient to implement and manage the approved investment policy and any other activities requested by the Board.

In 2006, in addition to specific investment proposals, the IV Committee also reviewed the broad investment policy and property investment strategy. The Committee implemented a revision of private equity investment strategy. The external consulting firm of Mercer was engaged to conduct a review of middle office and risk management functions.

Chairman and Chief Executive

The Chairman and Chief Executive functions in NTUC Income are assumed by different individuals. The Chairman, Mr Ng Kee Choe, is a non-executive director, while the Chief Executive, Mr Tan Suee Chieh, is an executive director. The Chief Executive is the most senior executive and assumes executive responsibility for the Co-operative's business while the Chairman assumes responsibility for the management of the Board.

Remuneration Policy

Employees' Remuneration

The objective of the Co-operative's remuneration policy is to attract, motivate, reward and retain quality staff. The total compensation package for employees comprises basic salary, fixed and variable bonuses, deferred incentive payment 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 (" the NTUC") as the 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.

In 2006, the approved remuneration structure for non-executive directors was as follows:
$25,000 per annum to Chairman
$18,750 per annum to Deputy Chairman / Chairmen of Board Committees
$12,500 per annum to other directors.

In addition, a sum of $50 was paid per attendance at Board meetings.

Directors' Remuneration in 2006

Name of Director	Directors' Fees	Fees for attendance at Board meetings	Total Remuneration
Ng Kee Choe	$25,000	$250	$25,250
Matthias Yao	$18,750	$200	$18,950
Lee Mun Hou	$12,500	$200	$12,700
Boon Swan Foo>	$7,448.63	$100	$7,548.63
Theresa Foo @	$4,965.75	$50	$5,015.75
Gabriel Teo	$18,750	$200	$18,950
Tan Suee Chieh	$12,500	$200	$12,700
Tan Peng Heng	$12,500	$250	$12,750
Tan Cheng Han	$12,500	$150	$12,650
Soh Kim Soon #	$5,239.73	$100	$5,339.73
Ron Foo *	$7,328.77	$50	$7,378.77

> Retired as director and Chairman of Audit Committee wef 26 May 2006
@ Retired as director wef 26 May 2006
 # Appointed as director wef 8 Aug 2006
** Appointed as director & Chairman of Audit Committee wef 8 Aug 2006*

Immediate Family Member of Director
The Co-operative did not employ any immediate family members of directors in 2006.

Remuneration of Top 5 Key Executives
The remuneration of the Co-operative's key executives for 2006 is as follows:

	Fees	Salary	Bonus		Benefits	Total
			Fixed	Variable		
	%	%	%	%	%	%
Between $750,001 to $1,000,000						
Tan Kin Lian	0%	72%	28%	0%	0%	100%
Between $250,001 to $500,000						
James Kang	0%	69%	5%	23%	3%	100%
Liong Tong Kap	0%	68%	6%	21%	5%	100%
Tan Soon Heng	0%	73%	6%	16%	5%	100%
Chan Tee Seng	0%	66%	5%	27%	2%	100%

Communication with Shareholders
Shareholders can access relevant information on the Co-operative at its website. Shareholders 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 as well as the external auditors are present at these meetings to address any queries raised by shareholders.

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.

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

a. Pricing risk
b. Investment risks
c. Catastrophic risk
d. Operational risks
e. Integrity and ethics risk
f. Reputation risk

We also ensure that the Co-operative is able to meet the risk based capital that is required by the regulators.

Pricing risk

We use actuarial techniques to get the right premium for the risks that are insured by us. The pricing assumptions such as claim rates, mortality rates etc are in line with our actual experience.

We study the trends in the claim rate and the severity of claims. This allows us to make a fairly accurate estimate of the cost of claims

We also study our expenses in distributing the products and in managing the business. We operate efficiently and keep our expense at a low level, to give us a competitive edge.

We review our experience annually and make adjustment to our premium rates, where required, to ensure that the premiums are adequate.

We monitor risk-free investment yields, and make necessary adjustments to ensure the adequacy and competitiveness of premiums charged for long term contracts.

Where possible, we avoid giving a long term guarantee on the premium rates. This allows us to adjust the premium rate according to the claim experience and expenses.

Investment Risks

The investment risks are managed by managers in the Investment department, supported by the Middle Office.

Our investment risks include market risks, currency risks, credit risks and liquidity risks.

The investment policy is decided by the Board of Directors, and reviewed at yearly intervals.

The policy, as approved by the Board, is to achieve an attractive rate of return over the long term, after taking into consideration the risk and reward.

Within the framework of the investment policy and asset/liability management policy, the Investment Committee of the Board reviews and decides on the asset allocation and investment limits regularly.

The Investment Committee also provides oversight of the asset/liability management process, to ensure that the investment policy is consistent with its business liabilities. It reviews the appropriateness of the asset structure for respective insurance funds and decides on suitable changes to be made to the asset allocation. Where the assets cannot be fully matched against liability, we adopt a cautious approach to ensure that the volatility can be kept within our solvency margin.

The investment managers handle the transactions within the guidelines and limits approved by the Investment Committee. The Middle Office reviews and ensures compliance with the investment limits for the various categories of assets.

Catastrophic risk

We have adequate reinsurance protection to protect our portfolio against large losses due to catastrophic events. Senior management regularly monitors the major risks to ensure that they are adequately reinsured.

The retentions and reinsurance protections are approved by the Board of Directors.

Operational risks

We have in place strategic planning process which provides a platform for discussion of business strategies - this includes Directors retreat, annual managers' conference, budgeting etc.

The Balance Scorecard gives an overview of our key objectives and outcome in the areas of People, Financial, Customer and Process.

These objectives are translated to departmental level in the form of key performance indicators (KPI), with respect to business results and quality of operations.

The Board and senior management meet regularly to review business strategies, results and our performance relative to our competitors.

The platforms for identification of opportunities and threats, monitoring and review of business strategies include product development committee meetings, statistics discussion sessions, business result monitoring meetings, management meetings, and bi-weekly meetings of senior managers.

We have a robust computer system to ensure that our records are kept up to date.

We have daily control totals on the key aspects of our business activities. These control totals are reconciled against the transactions that are completed in each business day.

We survey our customers regularly about our service levels.

Compliance Unit conducts annual audit on the duties and responsibilities of the board and senior management in fulfilling their regulatory obligations. We also monitor our compliance with various aspects of insurance regulations and guidelines set by the insurance associations. Proposed changes to regulations are communicated to managers and discussions held to study the potential impact. Appropriate steps will be put in place to ensure compliance, after managers have agreed on the most cost effective measures.

Integrity and ethics risk

We observe high standard of integrity and ethics.

We expect our employees to act with integrity. They are reminded about it regularly. We also carry out regular audit to ensure that any unusual decision is explained. We believe in trust with accountability.

We monitor the transactions handled by our employees regularly and identify unusual trends that need to be investigated.

We have system generated weekly and daily reports which will pick up any aberration and raise red flags. For example, we have reports to track frequent claimants and claims by workshops and the officers approving the claims. For the former report, it will alert us to possible fraud if the same claimant makes multiple claims within the policy year. For the later report, if the same officer makes many approvals of big claim amounts by a particular workshop within a short period, this would also raise suspicion of possible collusion.

We have in place control measures such as segregation of duties and approval limits for various levels of staff to minimise incidence of fraud.

We have a corporate wide confidante and whistle blowing program. All new staff are briefed on joining. Existing staff are reminded yearly.

Reputation risk

Reputation is one of the most valuable assets and is safeguarded with increased scrutiny. It is the responsibility of every employee and representative to conduct their business activities in a manner that protects and enhances the Co-operative's reputation.

The trust of our customers is paramount. We build this trust by acting in their best interest at all times, and by communicating this actively. We are open, transparent and honest.

We survey the public on their perception of NTUC Income, through their personal encounter and from the way we manage incidences reported in the press.

Framework

We have developed an integrated Enterprise Risk Management Framework. It involves the following levels:

- A risk management committee of the board
- A risk management team
- Involvement of the entire senior management
- A monthly system of tracking entity wide Level 1 risk indicators, to identify the areas that need priority attention
- Action plan for risk treatment / mitigation
- Regular monitoring and review

Risks are handled within the approved authority limits of the managers and escalated to the next higher level, if they exceed the authority limits. A large majority of risks are handled at the operating level.

The adoption of the framework allows us to be more pro-active and entrepreneurial in managing our risk and to expand our business.

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.

Appointed Actuary's Report

As at 31 December 2006

I am pleased to submit my report on the financial health of the Co-operative.

For the year 2006, the overall growth in our assets is $2.0 billion and in our insurance contract provisions is $1.9 billion.

Insurance Funds	* Net Assets ($mil)			Insurance Contract Provisions ($mil)		
	31 Dec 05	31 Dec 06	% change	31 Dec 05	31 Dec 06	% change
Life Insurance Funds						
Participating Fund	12,984	14,624	12.6%	12,960	14,571 ^	12.4%
Non-Participating Fund	788	1,075	36.4%	741	995	34.3%
Investment-Linked Fund	1,075	1,084	0.8%	1,075	1,084	0.8%
General Insurance Fund	924	980	6.1%	460	436	-5.2%
Total Insurance Funds	15,771	17,763	12.6%	15,236	17,087	12.1%

** Net Assets is the assets net of other liabilities.*
^ Includes Investment contract liabilities of $160 million.

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. Some minor changes in mortality and morbidity assumptions have been made, when calculating the contract provisions, in order to reflect the observed improvements in mortality in the portfolio. The net effect of these changes has been to reduce the insurance contract provisions by $11k.

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

I aim to treat all policyholders fairly, between different products, between generations and between those policyholders who are leaving (surrendering or claiming) and those remaining in the fund. I also ensure that the Co-operative's solvency position continues to be strong after the bonus declaration without unnecessarily building up accumulated surplus.

The total return on the Life Insurance Participating Fund in 2006 was around 10.4%, which exceeded 5.25% required to maintain the bonus rates declared for year 2005. The average total return earned during the last 10 years has been around 5.5%, and the current financial conditions are such that the prospective yield over the long term is still estimated to be around 5.25%. Mortality profits from certain contracts continue to be excellent, and I have recommended that bonus rates on whole life contracts can be increased, in order to take account of this feature.

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 $309 million ($265 million in 2005). This includes $15 million bonus paid in anticipation of surplus for terminating policies in year 2006.

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 Dec 2005	24.0*	47.3	445.0
Add Investment Income from Surplus Account	0.4	NA	NA
Add Net Surplus for the year	34.1	41.1	99.8
Less transfer to Shareholders' Fund	6.2	8.2	19.9
Accumulated Surplus held in Insurance Funds as at 31 Dec 2006	52.3	80.2	524.9

* *Balance in the participating fund Surplus Account belongs to the participating fund policyholders.*

The main driver behind the increased surplus for the year for the life non-par and general insurance funds is the increased in fair value of the investments, amounting to about $70 million. In addition, claims experience has been favourable. Given the unsustainable nature of the increases in asset values, the net surplus emerging in future years from these two funds may reduce significantly.

I recommended to the Board of Directors a transfer of one-ninth of the total cost of bonus, or $34.1 million, to the Par Fund Surplus Account. I also recommended we continue to transfer 18% of this amount (or $6.2 million) to the Shareholder's Fund.

This year, I recommend a transfer to the Shareholders' Fund of $8.2 million from the Non-Participating Fund. We did not transfer any surplus from the Non-Participating Fund to the Shareholders' Fund last year.

The General Insurance Fund continues to be very healthy. The surplus amounts to $99.8 million for year 2006. I have agreed to a transfer of 20% of this amount (or $19.9 million) to the Shareholder's fund.

Nicholas Rhodes
FIA, FSAS
Appointed Actuary

Singapore, 23 March 2007

Appendix A

Bonus Rates

a) Annual bonus rates

Bonus Series	2005 Bonus Rates	2006 Bonus Rates	Change over 2005
LP – Whole Life Policy	$20	$ 23	+15%
LP – Harvest Policy	$16	$ 17	+6%
LP – Growth Policy	$16	$ 16	No Change
LP – Others	$20	$ 20	No Change
CB – Whole Life Policy	$27	$ 30	+ 11%
CB – Others	$27	$ 27	No Change
DP – Whole Life Policy	$13	$ 16	+ 23%
DP – Others	$13	$ 13	No Change
SB – Whole Life Policy	$23	$ 26	+ 13%
SB – Others	$23	$ 23	No Change
AD	$40	$ 40	No Change
Annuity – Y	0.25%	0.50%	+100%
Annuity – H	1.25%	1.50%	+20%
Annuity – K	2.75%	3.00%	+9%

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 2006. They will vest on 1 April 2007 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 2006. For annuities, bonus is added on their policy anniversaries from 1 April 2007 to 31 March 2008.

b) Compounding rates

	2005 Rates	2006 Rates	Change over 2005
LP – Whole Life Policy	2.0%	2.3%	+15%
LP – Harvest Policy	1.5%	1.6%	+7%
LP – Growth Policy	1.5%	1.5%	No Change
LP – Others	2.0%	2.0%	No Change
CB, DP and SB – Whole Life	1.8%	2.1%	+17%
CB, DP and SB – Others	1.8%	1.8%	No Change

Bonus compounding rates above are quoted as percentage of current accumulated bonus.

c) Other bonus elements

	2005 Rates	2006 Rates	Change over 2005
Bonus for paid-up policies	0%	0%	No Change
Special bonus – Maturity, Death and Permanent Disability claim	25%	25%	No Change
Special bonus – Surrender in 10-19 years	0%	15%	Nil in 2005
Special bonus – Surrender after 20 years	20%	25%	+25%

Special bonus above is calculated as percentage of accumulated bonus, and applicable to the policies reaching the specified events above during year 2007.

Based on proposed rates above, about 54% of all participating policies will enjoy bonus increase, and no policy will suffer any reduction in bonus.

Balance Sheet

As at 31 December 2006

	Note	Life Insurance Par Fund $000	Life Insurance Non-Par Fund $000	2006 Investment Linked Fund $000	General Insurance Fund $000	Share holders' Fund $000	Total $000
ASSETS							
Property, plant and equipment	5	110,458	-	-	-	-	110,458
Intangible assets	6	5,829	-	-	-	-	5,829
Investment properties	7	728,879	-	-	-	-	728,879
Investment in subsidiaries	8	518	-	-	-	3,275	3,793
Investment in associates	9	93,627	-	-	20,000	-	113,627
Investments	10	12,468,051	955,674	1,065,890	860,029	449,064	15,798,708
Loans	11	842,639	-	-	12,871	10,788	866,298
Derivative financial instruments	12	78,642	768	3,440	485	307	83,642
Reinsurers' share of insurance contract provisions	13	-	-	-	18,859	-	18,859
Insurance and other receivables	15	74,988	24,693	1	24,024	45,790	169,496
Cash and cash equivalents	16	621,495	130,939	33,010	83,736	24,302	893,482
		15,025,126	**1,112,074**	**1,102,341**	**1,020,004**	**533,526**	**18,793,071**
LIABILITIES							
Insurance contract provisions	13	14,411,275	994,947	1,083,893	454,989	-	16,945,104
Investment contract liabilities	14	160,185	-	-	-	-	160,185
Derivative financial instruments	12	59,337	101	2,707	-	-	62,145
Insurance and other payables	17	342,036	36,807	15,741	40,142	25,020	459,746
		14,972,833	**1,031,855**	**1,102,341**	**495,131**	**25,020**	**17,627,180**
NET ASSETS		**52,293**	**80,219**	**-**	**524,873**	**508,506**	**1,165,891**
SHARE CAPITAL AND RESERVES							
Share capital	18	-	-	-	-	435,795	435,795
Accumulated surplus - shareholders' fund		-	-	-	-	72,711	72,711
Accumulated surplus - insurance funds		52,293	80,219	-	524,873	-	657,385
		52,293	80,219	-	524,873	508,506	1,165,891

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

On Behalf of the Board of Directors

NG KEE CHOE	RON FOO SIANG GUAN	TAN SUEE CHIEH
Chairman	Director	Principal Officer

Singapore, 23 March 2007

Life Insurance Par Fund $000	Life Insurance Non-Par Fund $000	2005 Investment Linked Fund $000	General Insurance Fund $000	Share holders' Fund $000	Total $000
82,103	-	-	-	-	82,103
4,539	-	-	-	-	4,539
668,685	-	-	-	-	668,685
518	-	-	-	3,275	3,793
34,555	-	-	20,000	-	54,555
11,067,211	656,717	1,035,279	842,833	416,652	14,018,692
928,026	-	80	13,486	16,054	957,646
37,658	373	7,020	217	105	45,373
-	-	-	19,295	-	19,295
51,434	32,754	1	8,571	19,782	112,542
447,679	117,078	44,378	43,078	29,833	682,046
13,322,408	**806,922**	**1,086,758**	**947,480**	**485,701**	**16,649,269**
12,960,048	740,831	1,075,470	479,184	-	15,255,533
-	-	-	-	-	-
49,622	262	878	39	-	50,801
288,738	18,520	10,410	23,230	10,555	351,453
13,298,408	**759,613**	**1,086,758**	**502,453**	**10,555**	**15,657,787**
24,000	**47,309**	**-**	**445,027**	**475,146**	**991,482**
-	-	-	-	432,518	432,518
-	-	-	-	42,628	42,628
24,000	47,309	-	445,027	-	516,336
24,000	47,309	-	445,027	475,146	991,482

Profit And Loss Account

For the year ended 31 December 2006

	Note	Life Insurance Par Fund $000	Life Insurance Non-Par Fund $000	2006 Investment Linked Fund $000	General Insurance Fund $000	Share holders' Fund $000	Total $000
Insurance premium revenue	19	1,110,993	416,532	282,937	232,449	-	2,042,911
Insurance premium ceded to reinsurers	19	(7,106)	(9,273)	-	(18,848)	-	(35,227)
Insurance premium revenue after reinsurance		1,103,887	407,259	282,937	213,601	-	2,007,684
Fee and commission income	20	20,899	(5,320)	-	3,349	-	18,928
Net investment income and fair value gains	21	1,403,437	68,759	119,915	92,290	36,407	1,720,808
Net income before insurance benefits, claims and expenses		**2,528,223**	**470,698**	**402,852**	**309,240**	**36,407**	**3,747,420**
Gross claims, surrenders and annuities	22	949,588	155,896	375,786	160,653	-	1,641,923
Bonus to policyholders	13	293,553	-	-	-	-	293,553
Increase in insurance contract provisions	13	1,157,674	243,731	8,423	(18,415)	-	1,391,413
Gross insurance benefits and claims		2,400,815	399,627	384,209	142,238	-	3,326,889
Reinsurers' share of insurance benefits and claims		(1,128)	(4,578)	-	(4,045)	-	(9,751)
Net insurance benefits and claims		2,399,687	395,049	384,209	138,193	-	3,317,138
Selling expenses		42,280	6,606	8,727	19,577	-	77,190
Management expenses	23	51,763	27,906	9,916	51,662	1,947	143,194
Insurance benefits, claims and expenses		**2,493,730**	**429,561**	**402,852**	**209,432**	**1,947**	**3,537,522**
Net surplus before levy		**34,493**	**41,137**	**-**	**99,808**	**34,460**	**209,898**
Transfer to Shareholders' Fund		(6,200)	(8,227)	-	(19,962)	34,389	-
Contribution to Central Co-operative Fund		-	-	-	-	(25)	(25)
Contribution to Singapore Labour Foundation		-	-	-	-	(13,670)	(13,670)
Net surplus for the year		**28,293**	**32,910**	**-**	**79,846**	**55,154**	**196,203**

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

	Life Insurance Par Fund $000	Life Insurance Non-Par Fund $000	2005 Investment Linked Fund $000	General Insurance Fund $000	Share holders' Fund $000	Total $000
	1,161,874	391,493	297,893	287,694	-	2,138,954
	(4,957)	(7,674)	-	(11,652)	-	(24,283)
	1,156,917	383,819	297,893	276,042	-	2,114,671
	25,547	27,516	-	5,925	-	58,988
	787,231	22,010	59,096	46,740	12,678	927,755
	1,969,695	**433,345**	**356,989**	**328,707**	**12,678**	**3,101,414**
	570,405	74,632	189,894	151,612	-	986,543
	252,658	-	-	-	-	252,658
	1,024,818	333,841	145,427	53,144	-	1,557,230
	1,847,881	408,473	335,321	204,756	-	2,796,431
	(2,938)	(4,069)	-	(5,941)	-	(12,948)
	1,844,943	404,404	335,321	198,815	-	2,783,483
	46,115	7,218	13,136	24,698	-	91,167
	49,237	17,048	8,532	45,295	845	120,957
	1,940,295	**428,670**	**356,989**	**268,808**	**845**	**2,995,607**
	29,400	**4,675**	**-**	**59,899**	**11,833**	**105,807**
	(5,400)	-	-	(31,650)	37,050	-
	-	-	-	-	(25)	(25)
	-	-	-	-	(9,676)	(9,676)
	24,000	**4,675**	**-**	**28,249**	**39,182**	**96,106**

Statement Of Changes In Equity

For the year ended 31 December 2006

	Notes	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 2005		-	-	-	399,242	399,242
Issue of participating shares	18	-	-	-	33,276	33,276
At 31 December 2005		-	-	-	**432,518**	**432,518**
At 1 January 2006		-	-	-	432,518	432,518
Issue of participating shares	18	-	-	-	3,277	3,277
At 31 December 2006		-	-	-	**435,795**	**435,795**
Accumulated surplus						
At 1 January 2005		-	42,634	416,778	52,643	512,055
Surplus for the year		24,000	4,675	28,249	39,182	96,106
Dividends for 2004 paid	26	-	-	-	(19,587)	(19,587)
Issue of participating shares	18	-	-	-	(29,610)	(29,610)
At 31 December 2005		**24,000**	**47,309**	**445,027**	**42,628**	**558,964**
At 1 January 2006		24,000	47,309	445,027	42,628	558,964
Surplus for the year		28,293	32,910	79,846	55,154	196,203
Dividends for 2005 paid		-	-	-	(25,071)	(25,071)
Issue of participating shares		-	-	-	-	-
At 31 December 2006		**52,293**	**80,219**	**524,873**	**72,711**	**730,096**
At 31 December 2005		**24,000**	**47,309**	**445,027**	**475,146**	**991,482**
At 31 December 2006		**52,293**	**80,219**	**524,873**	**508,506**	**1,165,891**

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

Statement Of Cash Flows

For the year ended 31 December 2006

	Note	2006 $000	2005 $000
OPERATING ACTIVITIES			
Net surplus before levy		209,898	105,807
Adjustments for:			
Depreciation of property, plant and equipment		5,353	3,724
Amortisation of intangible assets		149	949
Loss/(gain) on disposal of property, plant and equipment		(56)	22
Interest income		(408,377)	(253,559)
Dividend income		(247,124)	(173,844)
Realised gains on investments		(416,673)	(364,048)
Unrealised gains on investments		(569,687)	(92,774)
Gains in fair value of investment properties		(60,194)	(7,808)
Allowance for doubtful loans		21	-
Allowance for doubtful loans written back		(790)	(15,847)
Allowance for doubtful receivables		1,297	327
Bonus to policyholders		293,553	252,658
Increase in provision for unexpired risks		5,418	2,092
Increase in insurance contract provisions		1,391,036	1,557,230
Operating cash flows before changes in working capital		203,824	1,014,929
Changes in working capital:			
Insurance and other receivables		(43,192)	4,754
Insurance and other payables		87,290	(25,819)
Investment contract liabilities		160,185	-
Cash generated from operations		408,107	993,864
Contributions to Singapore Labour Foundation		(9,676)	(4,761)
Contributions to Central Co-operative Fund		(25)	(25)
CASH FLOWS FROM OPERATING ACTIVITIES		**398,406**	**989,078**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(34,618)	(12,234)
Purchase of intangible assets		(1,439)	(2,057)
Proceeds from disposal of property, plant and equipment and intangible assets		966	2
Interest received		410,327	299,242
Dividend received		247,124	173,844
Increase in investments (net)		(879,653)	(1,462,814)
Purchase of investment properties (net)		-	-
Decrease in loans (net)		92,117	100,381
CASH FLOWS FROM INVESTING ACTIVITIES		**(165,176)**	**(903,636)**
FINANCING ACTIVITIES			
Proceeds from issuance of shares		3,277	3,666
Dividend paid to participating members		(25,071)	(19,587)
CASH FLOWS FROM FINANCING ACTIVITIES		**(21,794)**	**(15,921)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**211,436**	**69,521**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**682,046**	**612,525**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	16	**893,482**	**682,046**

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

Notes To The Financial Statements

For the year ended 31 December 2006

These notes form an integral part of 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

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (FRS).

In 2006, the Co-operative adopted the following revised FRS which are relevant to its operations:

- Amendments to FRS 32 Financial Instruments: Disclosure and Presentation.
- Amendments to FRS 39 Financial Instruments: Recognition and Measurement – The fair value option.
- Amendments to FRS104 Insurance Contracts

Adoption of the above amendments to FRS did not result in any substantial changes to the Co-operative's accounting policies.

The financial statements are presented in Singapore dollars and rounded to the nearest thousand, unless otherwise stated. They are prepared under the historical cost basis except for the following assets and liabilities which are stated at fair value: investment properties, investments at fair value through profit or loss, available-for-sale investments, and derivative financial instruments.

The preparation of financial statements in conformity with Singapore FRS requires management to make judgements, estimates and assumptions to arrive at the reported amount of assets, liabilities, income and expenses. The estimates are based on historical experience and other factors. Actual results may differ from these estimates.

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.

Judgements made by management in the application of FRS that have a significant effect on the financial statements, or have a significant risk of material adjustment in the estimates in the following year, are discussed in Note 3.

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. Assets are classified as current when expected to be realised within one year and all other assets are classified as non-current. Liabilities are classified as current when expected to be settled within one year and all other liabilities are classified as non-current.

The following balances are generally classified as current: cash and cash equivalents, insurance and other receivables and payables, and derivative financial instruments. The following balances are generally classified as non-current: property, plant and equipment, intangible assets, investment properties, investments in subsidiaries and associates, financial assets and insurance contract provisions.

(b) Fund accounting

Life Insurance Par Fund
The Life Insurance Par Fund contains all the individual participating life insurance contracts and 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. Insurance risk is significant if, and only if, an insured event could cause the Co-operative to pay significant additional benefits.

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

(d) Insurance contracts

(i) Recognition and measurement

Life Insurance Contracts

Premium revenue
Premiums from in-force life insurance contracts, including annuities, are recognised as revenue on the due date.

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 as other debtors 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 as other creditors 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 (including policy fee, bid-offer spread and annual management charge) 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 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, 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, 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. For the individual health products which contain a guaranteed renewal feature, an additional provision has been set aside to provide for deteriorating experience in the future.

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.

General Insurance Contracts

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

Written premiums are reported in the accounts on a gross basis, inclusive of commission payable to intermediaries. Premiums attributable to financial period outside the financial reporting period are adjusted to provision for unexpired risks. Only premiums earned during the financial reporting period are recognised as revenue.

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 amounts collected less directly attributable transaction costs are credited directly to the balance sheet as investment contract liabilities to the policyholders. Claim and/or benefit settlement are adjusted directly against the fair value of investment contract liabilities.

(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.

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) **Investment contract liabilities**

Investment contract liabilities are measured at fair value. For these contracts, transaction costs that are directly attributable to the issue of the investment contract liability are deducted from the fair value of the consideration received when determining its initial measurement.

(vi) **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 prospective investment return. Any deficiency is charged to the profit and loss account.

(e) Revenue

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

Fee and commission income
Fee and commission income comprises reinsurance commission income (including reinsurance profit commission income) and fund management fees relating to the provision of investment management services to the Investment Linked Fund.

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)).

Fund management fees are recognised as revenue on an accrual basis over the period the service is provided.

Investment income
Investment income comprises rental income from investment properties, dividend and interest income from available-for-sale financial assets and interest income on loans and bank deposits.

Rental income from investment properties is recognised as revenue on an accrual basis over the term of the operating lease.

Interest income on financial assets that are not classified at fair value through profit or loss 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
Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account when incurred.

Deferred incentive scheme
The Co-operative grants its employees with shares which will vest after a certain number of years of service. At each balance sheet date, the Co-operative revises its estimates of the number of shares that are expected to be exercisable.

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.

(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 CCF or the SLF.

In the case of an insurance co-operative, the surplus excludes the portion that is used for declaration of bonus to policy-holders 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 functional currency of the Co-operative is the Singapore dollar. 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.

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 under development is an investment property being constructed or developed for future rental. They are stated at cost less accumulated impairment losses until construction or development is completed, at which time they are reclassified to be accounted for as investment properties. Cost capitalised includes cost of land and other directly related development expenditure.

All other property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on other property, plant and equipment is calculated on a straight-line basis to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss account.

(j) Intangible assets

Intangible assets include cost of computer software acquired.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Direct expenditure, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is recognised as a capital improvement and 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 stated at cost less accumulated amortisation and impairment losses. These costs are amortised using the straight-line method over their estimated useful lives of 5 years.

The amortisation expense and impairment losses are recognised in the profit and loss accounts.

(k) Investment properties

Investment properties are stated 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.

Investment properties under construction or development are accounted for as property, plant and equipment. Upon completion of construction or development, they are reclassified to be accounted for as investment properties.

All properties are held as investment properties within the Life Insurance Par Fund for investment purposes (rental and capital appreciation). Any change in value of the properties would accrue mainly to the participating policyholders. A portion of certain properties is used in the Life Insurance Par Fund business and a notional rental (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.

For accounting purposes, all such properties are regarded as investment properties. The effect of treating the full amount of all such properties as investment properties instead of treating the portions used for the Co-operative's business (whether used by the Life Insurance Par Fund, Non-Par Fund, General Insurance Fund or Shareholders' Fund) as property, plant and equipment, is to increase the carrying amount of investment properties by $6 million at 31 December 2005, and the insurance contract provisions by the same amount. There is no difference in the profit for the year.

(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 impairment losses.

(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 impairment losses. Interests in Collateralised Debt Obligations, where the interest of the Co-operative in the equity tranche exceeds 20% is included as part of Investments on the balance sheet.

(n) Investments and other financial assets

Investments and other financial assets are classified into the following categories, depending on the purpose for which the assets were acquired. The categories are as follows:

Investments at fair value through profit or loss
All investments at fair value through profit or loss are designated at inception.

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
Loans 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.

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.

Recognition, measurement 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.

All financial assets are initially measured at fair value. In the case of financial assets not carried at fair value through profit or loss, the transaction costs that are directly attributable to their acquisition are deducted from the fair value measurement.

After initial recognition, the Co-operative measures financial assets designated at fair value through profit or loss, or as available-for-sale, at fair values without any deduction for transaction costs it may incur on their disposal.

The fair value of quoted financial assets is the bid price at balance sheet date. If the market for a financial asset is not active, the Co-operative establishes fair values by using a valuation technique. 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. If the value of the equity instruments cannot be reliably measured, they are measured at cost less accumulated impairment losses, if any. Loans are measured at amortised cost less impairment losses.

Both realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the profit and loss account in the period in which they arise. Net changes in the fair value of financial assets classified at fair value through profit or loss also include interest income and dividend income from such assets.

Derivative financial instruments

Derivative financial instruments are held for trading and are classified as financial assets and liabilities at fair value through profit or loss. Derivative financial instruments are 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.

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.

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 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.

Impairment of non-financial assets

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

(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 impairment losses.

(q) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and fixed deposits held with banks which are readily convertible into cash.

(r) Insurance and other payables

Insurance and other payables are recognised initially at fair value and subsequently measured at amortised cost.

(s) Share capital

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 Singapore FRS 32. All shareholders are entitled to redeem their shares at the par value 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. The Co-operative intends to make appropriate changes to the contractual rights and obligations attaching to its shares or issue new shares to allow those shares to qualify as equity capital for FRS and insurance solvency calculation purposes.

Dividends on participating shares are recognised in the statement of changes in equity in the year in which they are declared.

(t) Provisions

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.

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.

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
Prospective cashflow method is used to compute liabilities. The assumptions used are:
- Mortality and Morbidity (if applicable)
- Persistency
- Discount rate
- Management Expenses
- Bonuses (for participating 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 each year. 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, we use half of the regulatory provision for adverse deviation for C1 risk.

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 non-participating fund are derived from the yields of Singapore Government Securities. The discount rates used in the participating fund are derived by adding risk margins to the yields of the Singapore Government Securities based on the expected prospective investment outlook.

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 based on published inflation rate by the Department of Statistics of Singapore.

Future Bonuses
The Co-operative conducts bonus review of the Life Insurance Participating Fund annually. Bonuses are declared based on the results of the review, which considers the past investment, mortality and/or morbidity, persistency, and management expense experiences. The goal of the review is to ensure bonuses paid are equitable, sustainable

based on the Appointed Actuary's expected prospective outlook of the Participating Fund. Policyholders' reasonable expectations are also taken into consideration when determining the bonus to be declared.

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.

Assumptions	Life Insurance Fund
Interest Rate	MCL: Risk Free Rates from yr 1 to yr 15, Long Term Rates thereafter PL: Risk Free Rates + Risk Premium
Provision for adverse deviation (PAD)	Half of C1 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 ranging from $15 to $35 per policy depending on type of product
Inflation Rate	1.75%
Non-guaranteed future bonus	2006 Bonus Rates
Mortality (Death & TPD)	90.00% to 116.5% of S9702M/F or a(90) or MSO8893 or Singapore Population Rate whichever is appropriate
Mortality/Morbidity Rate (Death, TPD & Dread Disease)	Adjusted Mortality / Morbidity Table compiled by MAS
Mortality Rate (Annuities)	Adjusted a(90) with age reduction

Effect of Changing Assumptions Used for Life Liability Valuation

For the valuation as at 31 December 2006, the Co-operative has updated the liability valuation assumptions as compared to 1 January 2006 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
Change in Bonus	+ 0.33%
Change in Lapse	- 0.06%
Change in Management Expense	- 0.01%
Change in Mortality	- 0.29%
Change in Dread Disease Rate	- 1.24%
Change in Annuity Mortality	+ 1.37%
Change in PAD	- 0.50%
Change in Discount Rates	+ 0.60%

Life Insurance Non-Par Fund

Assumptions	Change in Insurance Contract Provision for guaranteed benefits
Discount Rates	+ 0.3%
Provision for Adverse Deviation	+ 0.3%

The above only shows the impact on liabilities due to changes to the assumptions and does not allow for offsetting movements in the value of matching assets.

The Co-operative has also reduced the provision for adverse deviation margin in the participating fund in view of its ability to reduce future bonus if experience turns out unfavourable. This will be reviewed every year since the benefits in the participating fund are mainly non-guaranteed in nature.

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 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.

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 2006 is $321 million as compared to net claims liability of $309 million.

The premium liability on gross basis is $135 million as compared to net premium liability of $127 million.

Development and movement of general insurance claim liabilities

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

Claims development table 2006							($'000)
Accident year	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**Total**
End of accident year	130,921	180,583	214,700	221,260	211,430	166,473	
1 year later	140,852	189,434	197,057	201,873	198,300		
2 years later	142,216	185,858	189,914	196,892			
3 years later	140,546	185,424	191,627				
4 years later	140,205	182,769					
5 years later	139,794						
Estimate of gross cumulative claims	139,794	182,769	191,627	196,892	198,300	166,473	1,075,855
Cumulative claim payments	136,256	173,771	168,089	149,843	119,533	55,151	802,643
Estimate of gross claim liabilities	3,538	8,998	23,538	47,049	78,767	111,322	273,212
Effect of discounting	(116)	(313)	(962)	(2,161)	(4,097)	(5,603)	(13,252)
Claims handling expenses	428	1,086	2,824	5,615	9,341	13,225	32,519
Best estimate of gross claim liability before recoveries	3,850	9,771	25,400	50,503	84,011	118,944	292,479
Estimated gross claim liabilities for prior accident years							1,766
Recoveries and other adjustments							(2,459)
Provisions for adverse deviation							28,673
Gross claim liabilities							320,459

Claims development table 2005						($'000)
Accident year	**2001**	**2002**	**2003**	**2004**	**2005**	**Total**
End of accident year	130,921	180,583	214,700	221,260	211,430	
1 year later	140,852	189,434	197,057	201,873		
2 years later	142,216	185,858	189,914			
3 years later	140,546	185,424				
4 years later	140,205					
5 years later						
Estimate of gross cumulative claims	140,205	185,424	189,914	201,873	211,430	928,846
Cumulative claim payments	133,206	167,388	152,630	124,042	60,730	637,996
Estimate of gross claim liabilities	6,999	18,036	37,284	77,831	150,700	290,850
Effect of discounting	(247)	(661)	(1,554)	(3,847)	(7,238)	(13,547)
Claims handling expenses	779	2,006	4,124	8,540	16,559	32,008
Best estimate of gross claim liabilities before recoveries	7,531	19,381	39,854	82,524	160,021	309,311
Estimated gross claim liabilities for prior accident years						3,006
Recoveries and other adjustments						(489)
Provisions for adverse deviation						27,046
Gross claim liabilities						338,874

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

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 in general, long term in nature (except when they are group insurance plans, which is usually on an annual basis). They are mortality risk, morbidity risk, longevity risk and investment risk.

Terms and Conditions of Life Insurance Contracts

The majority of our individual life insurance contracts are long term participating policies and hence, the Co-operative has the discretion to reduce bonuses if experience is unfavourable. On the other hand, group contracts are usually on a negotiable and yearly renewable basis.

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.

To manage concentration of insurance risks as a result of a single event like epidemic, terrorist activity, the Co-operative obtains catastrophic reinsurance that limit its maximum overall exposure.

Lapse rate is evaluated in a prudent manner through the pricing of new products, considering the product design and monitoring regular 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.

Most of the Co-operative's life insurance contracts are written in Singapore.

Sensitivity Analysis

To understand the risks undertaken by the Co-operative in the Life Insurance Participating 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 and Investment Returns	+1% -1%	+493 -644	+7.3% -9.5%
Mortality/morbidity/longevity - life insurance contracts, excluding annuities - annuities contracts	+20% Live 1 year longer	-54 -10	-0.8% -0.2%
Persistency	-10%	-91	-1.3%

The non-guaranteed benefit liabilities in the sensitivity analysis represent the value of future bonus and transfers. If interest rates are increased by 1%, the non-guaranteed benefit liabilities are increased by 7.3%. This would mean that future bonus and transfers may be increased by 7.3%.

The changes in the assumptions are applied to all future cashflows.

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

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

General Insurance Contracts Risk Management

General Insurance Risks

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

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

Terms and Conditions of General Insurance Contracts

The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted. General insurance contracts are generally accepted on an annual basis where terms and conditions are negotiable.

Objectives of managing risks and policies for mitigating risks

The objectives of risk management of 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.

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)	2006	2005
Assumed loss ratio for Bornhuetter-Ferguson method increase by 20%	21	27
Assumed loss ratio for Bornhuetter-Ferguson method decrease by 20%	(20)	(27)

(a) 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 of the Board of Directors. The Risk Management Committee sets the policy and direction 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 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 establishes investment guidelines and limits.

(i) Interest rate risk and market risk

The Co-operative's exposure to changes in interest rates relates primarily to interest-earning financial assets. 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.

The Co-operative regularly monitors its exposure to different asset classes to satisfy itself that its exposure to equities, debt securities, properties, and other risk assets are within the Co-operative's self-imposed risk tolerance limits. The Co-operative also conducts regular stress tests to ensure that volatility in the market value of its risk assets will not threaten its statutory solvency position.

The Co-operative's aim is to match the Life Insurance Participating Fund's contractual 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 table below summarises the expected contractual liabilities falling due and the corresponding effective interest rates used to discount these liabilities at the balance sheet date. Correspondingly, it also summarises the value of interest-bearing assets falling due over the next 15 years, together with effective yield to maturity of these interest bearing assets.

Life Participating Fund

	Expected Contractual Insurance liabilities falling due ($000)	Effective interest rate used for discounting liabilities (%)	Interest bearing assets falling due ($000)	Effective yield to maturity (%)
0-1 years	546,863	0	613,695	2.0
1-5 years	2,024,445	3.0	2,999,641	3.4
6-10 years	2,200,841	3.1	2,648,300	3.1
11-15 years	1,219,740	3.6	1,087,758	3.1

The remaining liabilities ($8.8 billion) are backed by equities, fixed income securities, loans and investment properties with a view to maximise long term returns, subject to acceptable volatility in market value.

Eldershield liabilities are currently not matched because the Co-operative expects the fund to be cash-flow positive for at least 10 years.

Investment Linked Fund's liabilities are fully matched by the assets held in the respective ILP sub-funds.

(ii) Liquidity risk

The Co-operative monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance its operations and to mitigate the effects of fluctuations in cash flows. 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 liquidity risk is minimised by a 60% allocation of total assets in local and foreign fixed income securities and cash.

(iii) Currency risk

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 superimposing over these foreign exchange exposures a foreign exchange overlay position, with the Singapore dollar trade weighted basket as the benchmark. The foreign exchange overlay is periodically rebalanced. The Co-operative hedges its exposures to foreign exchange risk arising from foreign currency denominated bonds back into Singapore dollars 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 following table presents the Co-operative's exposures to Singapore dollar and major foreign currencies, presented in Singapore dollar equivalent amounts as at:

At 31 December 2006

	SGD	USD	Euro	GBP	Others	Total
2006	$000	$000	$000	$000	$000	$000
Assets						
Property, plant and equipment	110,458	-	-	-	-	110,458
Intangible assets	5,829	-	-	-	-	5,829
Investment properties	727,805	-	-	-	1,074	728,879
Investment in subsidiaries	3,275	-	-	-	518	3,793
Investment in associates	113,627	-	-	-	-	113,627
Investments						
- Equities	2,217,001	1,014,140	289,773	157,689	1,280,925	4,959,528
- Debt securities	7,566,524	1,520,156	451,651	66,539	432,433	10,037,303
- Collective Investment Schemes	639,273	59,960	-	-	102,644	801,877
Loans	866,298	-	-	-	-	866,298
Derivative financial instruments*	1,827,852	(813,246)	(257,774)	(185,555)	(549,780)	21,497
Reinsurers' share of insurance contract provisions	18,859	-	-	-	-	18,859
Insurance and other receivables	169,496	-	-	-	-	169,496
Cash and cash equivalents	796,722	62,450	3,093	4,632	26,585	893,482
Total Assets	**15,063,019**	**1,843,460**	**486,743**	**43,305**	**1,294,399**	**18,730,926**
Liabilities						
Insurance contract provisions	16,932,516	-	-	-	12,588	16,945,104
Investment contracts provisions	160,185	-	-	-	-	160,185
Insurance and other payables	459,746	-	-	-	-	459,746
Total Liabilities	**17,552,447**	**-**	**-**	**-**	**12,588**	**17,565,035**

* Presented as net position in foreign currency

Included in the other foreign currencies in the Life Insurance Par Fund are the following investments and derivative instruments greater than $100 million:

2006	CNY $000	HKD $000	JPY $000	KRW $000	MYR $000	Total $000
Investments						
- Equities	-	299,398	101,636	177,243	-	578,277
- Debt securities	-	-	107,455	-	262,048	369,503
- Collective Investment Schemes	-	-	102,643	-	-	102,643
Derivative financial instruments	-	-	-	-	-	-
	-	**299,398**	**311,734**	**177,243**	**262,048**	**1,050,423**

At 31 December 2005

2005	SGD $000	USD $000	Euro $000	GBP $000	Others $000	Total $000
Assets						
Property, plant and equipment	82,103	-	-	-	-	82,103
Intangible assets	4,539	-	-	-	-	4,539
Investment properties	667,600		-	-	1,085	668,685
Investment in subsidiaries	3,275		-	-	518	3,793
Investment in associates	52,555	-	-	-	2,000	54,555
Investments						
- Equities	1,744,398	931,593	229,688	149,102	1,141,598	4,196,379
- Debt securities	6,404,735	1,612,282	500,630	164,987	416,123	9,098,757
- Collective Investment Schemes	509,927	108,227	-	-	105,402	723,556
Loans	957,552	94	-	-	-	957,646
Derivative financial instruments*	2,238,345	(1,588,316)	(640,559)	(160,519)	145,621	(5,428)
Reinsurers' share of insurance contract provisions	19,295	-	-	-	-	19,295
Insurance and other receivables	112,542	-	-	-	-	112,542
Cash and cash equivalents	265,913	69,057	47,347	6,350	293,379	682,046
Total Assets	**13,062,779**	**1,132,937**	**137,106**	**159,920**	**2,105,726**	**16,598,468**
Liabilities						
Insurance contract provisions	15,242,513	13,020	-	-	-	15,255,533
Insurance and other payables	351,453	-	-	-	-	351,453
Total Liabilities	**15,593,966**	**13,020**	**-**	**-**	**-**	**15,606,986**

* Presented as net position in foreign currency

Included in the other foreign currencies in the Life Insurance Par Fund are the following investments and derivative instruments greater than $100 million:

	CNY $000	HKD $000	JPY $000	KRW $000	MYR $000	Total $000
Investments						
- Equities	-	236,751	107,766	174,965	-	519,482
- Debt securities	-	-	-	-	254,296	254,296
- Collective Investment Schemes	-	-	105,402	-	-	105,402
Derivative financial instruments	159,565	-	-	-	-	159,565
	159,565	236,751	213,168	174,965	254,296	1,038,745

(iv) 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 is exposed to substantial credit risks through its fixed income investments. The Co-operative conducts regular stress tests to satisfy itself that its credit exposures are within the Co-operative's risk tolerance limits.

The Co-operative has established credit limits for its customers and intermediaries and monitors their balances; such parties are generally not rated.

Cash and deposits are placed with banks and financial institutions which are regulated and rated by rating agencies. Investments and transactions involving derivative financial instruments are allowed only with counterparties that are of high credit quality.

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.

At the balance sheet date, there is no significant concentration of credit risk and exposures are well spread. The maximum exposure to credit risk is represented by the carrying amount of each type of financial asset on the balance sheet and the settlement risks relating to the financial derivatives explained in these financial statements.

The Co-operative's exposure to credit risk relating to its financial assets is summarised below:

	Financial Strength Ratings*					
	Aaa to Aaa1 $000	Aa3 to Aa1 $000	A3 to Aa $000	Baa3 to A $000	Below Baa3 or not rated $000	Total $000
2006						
Debt securities:						
- Government securities	4,756,803	-	-	-	-	4,756,803
- Corporate bonds and public authority	1,169,280	484,525	1,329,757	329,593	1,967,345	5,280,500
Loans	-	-	-	-	866,298	866,298
Total	**5,926,083**	**484,525**	**1,329,757**	**329,593**	**2,833,643**	**10,903,601**
2005						
Debt securities:						
- Government securities	3,951,204	10,068	119,613	5,595	-	4,086,480
- Corporate bonds and public authority	752,377	434,614	1,291,300	300,936	2,233,050	5,012,277
Loans	-	-	-	-	957,646	957,646
Total	**4,703,581**	**444,682**	**1,410,913**	**306,531**	**3,190,696**	**10,056,403**

* Based on financial strength ratings from Moody's or equivalents.

(v) Estimation of fair values

Quoted equities and debt securities

Valuation of quoted equity and debt securities are obtained from sources such as Bloomberg, Reuters and FT Interactive Data.

Unquoted equities and funds

Unquoted equities, including investments in private equity funds, are stated at cost less impairment losses as their fair values cannot be reliably measured.

Unquoted debt securities and CDOs

Unquoted debt securities are valued at the lowest bid prices obtained from several banks, such as Citibank, OCBC and HSBC.

The fair value of collateralised debt/loan obligations (CDOs/CLOs) are based on those provided by the issuer; the valuation techniques use discounted cash flows, information on credit ratings, default rates, recovery rates, interest rate curves, and other factors.

Financial derivative instruments

Type of derivatives	Valuation source	Valuation Methodology
Forward foreign exchange	Bloomberg	Forward analysis with reference to spot rates
Interest rate swaps	Fund manager	Pricing model in Bloomberg that uses yield curves and discounts cash flows to present value- Swap Manager
Swaptions		
• underlying swaps	Fund manager	Pricing model in Bloomberg that uses yield curves and discounts cash flows to present value – Swap Manager
• options	Fund manager	Black Scholes model
Bond forwards	Fund manager	Pricing model in Bloomberg that uses valuation of bond and forward pricing analysis
Currency options	Fund manager	Valuation based on implied volatility delta and spot price reference
Cross currency swaps	Counterparties	Discounted cash flow model

Other financial assets and other financial liabilities

The notional amounts of other financial assets and other financial liabilities with a maturity of less than one year, less any allowance for impairment losses, are assumed to approximate their fair values.

5. PROPERTY, PLANT AND EQUIPMENT

Life Insurance Par Fund

	Property under development $000	Office Equipment $000	Furniture and Fittings $000	Motor Vehicles $000	Total $000
			2006		
Cost					
At 1 January 2006	71,031	22,020	12,763	505	106,319
Additions	30,127	4,306	-	185	34,618
Disposals	-	(237)	(898)	(245)	(1,380)
At 31 December 2006	**101,158**	**26,089**	**11,865**	**445**	**139,557**
Accumulated depreciation					
At 1 January 2006	-	14,898	8,828	490	24,216
Charge for the year	-	4,490	815	48	5,353
Disposals	-	(225)	-	(245)	(470)
At 31 December 2006	**-**	**19,163**	**9,643**	**293**	**29,099**
Carrying amount at 31 December 2006	**101,158**	**6,926**	**2,222**	**152**	**110,458**
			2005		
Cost					
At 1 January 2005	63,410	19,263	12,729	505	95,907
Additions	7,621	2,941	1,672	-	12,234
Disposals	-	(184)	(1,638)	-	(1,822)
At 31 December 2005	**71,031**	**22,020**	**12,763**	**505**	**106,319**
Accumulated depreciation					
At 1 January 2005	-	12,291	9,525	474	22,290
Charge for the year	-	2,767	941	16	3,724
Disposals	-	(160)	(1,638)	-	(1,798)
At 31 December 2005	**-**	**14,898**	**8,828**	**490**	**24,216**
Carrying amount at 31 December 2005	**71,031**	**7,122**	**3,935**	**15**	**82,103**

6. INTANGIBLE ASSETS

Life Insurance Par Fund

	Software 2006 $000	Software 2005 $000
Cost		
At 1 January	6,963	4,906
Additions	1,439	2,057
Disposals	-	-
At 31 December	**8,402**	**6,963**
Accumulated amortisation		
At 1 January	2,424	1,475
Charge for the year	149	949
Disposals	-	-
At 31 December	**2,573**	**2,424**
Carrying amount at 31 December	5,829	4,539

This relates to software costs and licence fees.

7. INVESTMENT PROPERTIES

Life Insurance Par Fund

Name and location of property	Tenure	2006 Percentage owner-occupied %	2005 Percentage owner-occupied %	2006 Fair Value $000	2005 Fair Value $000
Amtech Building 159 Sin Ming Road	Freehold	10.47	10.43	23,500	24,500
Ang Mo Kio New Town 730 Ang Mo Kio Ave 6	Leasehold	-	-	19,500	19,500
Banyan Biru Nirwana Garden Resort, Bintan Indonesia	Leasehold	-	-	740	740
Beach Corner 67 Beach Road	Leasehold	23.35	17.17	8,800	8,800
Bedok North Street 1 215 Bedok North Street 1 #02-87	Leasehold	-	-	9,500	9,000
Changi Holiday Flats 5 Changi Village Road	Leasehold	-	-	1,600	1,500
Costa Rhu Various units in 1, 5, 7 & 9 Rhu Cross	Leasehold	-	-	19,755	18,650
Eastpoint Mall 3 Simei Street 6	Leasehold	-	-	244,000	217,000
Henderson Industrial Park 201 Henderson Road	Freehold	-	-	25,000	26,000
Income Centre 75 Bras Basah Road	Freehold	100.00	100.00	68,000	57,000
Investment Plaza Tower Investment Plaza Tower B27, #10-08 Financial Street, Xicheng District Beijing China	Leasehold	-	-	334	345
Prinsep House 30 Prinsep Street	Leasehold	40.36	39.47	46,000	37,000
Sing Industrial Complex 32 Ang Mo Kio Industrial Park 2	Leasehold	-	-	1,650	1,650
SLF Complex 510 Thomson Road	Leasehold	-	-	16,000	16,000
Tampines Junction 300 Tampines Avenue 5	Leasehold	1.73	1.73	150,000	142,500
Tampines Point 2 Tampines Central 6	Leasehold	39.90	37.48	75,000	68,500
Ubi 55 55 Ubi Avenue 1	Leasehold	-	-	19,500	20,000
				728,879	668,685

Type of valuation : Full

Name of independent valuer: Chesterton International Property Consultants Pte Ltd

Date of valuation: 31 December 2006

Valuation basis: The valuations are conducted on the basis that the subject property is in its continued existing use without taking into account any redevelopment potential it may have. The valuer has adopted the direct sale comparison and income approach to value the subject property.

All investment properties belong to the Life Insurance Par Fund. The Co-operative may from time to time utilise some of the properties for underwriting of life and general insurance business. This does not change the intention of the Co-operative for Life Insurance Par Fund, which is to invest in properties for the purpose of capital appreciation and rental income. Life Insurance Par Fund receives market rental fee from the Life Insurance Non-Par Fund, General Insurance Fund and the Shareholders' Fund (Note 23).

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 2006 are as follows:-

Name	Principal activities	2006 Interest held by Co-operative %	2005 Interest held by Co-operative %	2006 Cost of investments $000	2005 Cost of investments $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	74	74	3,776	3,776
Allowance for impairment				(13,258)	(13,258)
				518	518
Shareholders' Fund					
NTUC Income Enterprises Pte Ltd (NIE)	Operator of retail & fitness centres & advertising agency	100	100	7,000	7,000
NTUC Income Car Co-operative Ltd	Car sharing	100	100	1,200	1,200
NTUC Income Asset Management Ltd	Investment Management	100	100	#	#
Snow Venture Pte Ltd	Operator of entertainment centre	70	70	2,100	2,100
Allowance for impairment				(7,025)	(7,025)
				3,275	3,275
TOTAL				3,793	3,793

As at 31 December 2006, 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	2006 Interest held by NIE %	2005 Interest held by NIE %	2006 Cost of investments $000	2005 Cost of investments $000
NTUC Income e-Remit Pte Ltd (formerly known as NTUC Income e-Finance Pte Ltd & Singapore Dress 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	#	#
				3,658	3,658

Cost of investment is less than $1,000.

8. *INVESTMENT IN SUBSIDIARIES (continued)*

	2006 $000	2005 $000
Movements in allowance for impairment losses are as follows:-		
Life Insurance Par Fund		
At 1 January	13,258	13,258
At 31 December	13,258	13,258
Shareholders' Fund		
At 1 January	7,025	7,025
At 31 December	7,025	7,025

No consolidated accounts have been presented as the amounts involved are immaterial and it is more beneficial for the following information on the subsidiaries to be presented to members. The share of the results and attributable net tangible assets or liabilities of the subsidiaries are as follows:-

	2006		2005	
	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
NTUC Income International Pte Ltd	3,426	(17,586)	4,066	(22,654)
NTUC Co-operatives Suzhou Investments Pte Ltd	1,839	4,917	1,000	2,264
NTUC Income Enterprises Pte Ltd	827	1,906	416	1,079
NTUC Income Car Co-operative Ltd	(200)	2,203	165	2,402
NTUC Income Asset Management Ltd	-	(20)	3	(20)
Snow Venture Pte Ltd	(228)	98	(165)	971
NTUC Income e-Remit Pte Ltd (formerly known as NTUC Income e-Finance Pte Ltd & Singapore Dress Pte Ltd)	-	15	2	21
NTUC Income Travel Pte Ltd	-	30	54	31
I-Map Pte Ltd	-	(15)	-	(135)
e-Lifestyle (S) Ltd	-	(15)	1	(194)
Income Dotcom Ltd	-	(11)	2	(6)
Big Trumpet Ltd	(186)	(1,996)	(380)	(1,810)
	5,478	(10,474)	5,164	(18,051)

Allowance is made for impairment losses determined on an individual investment basis. Allowance is made for impaired loans made to subsidiaries that are incurring losses.

9. INVESTMENT IN ASSOCIATES

The investments in associates and joint ventures are as follows:-

Name of company	Country of Incorporation	Principal Activities	Interest held by Co-operative 2006 %	Interest held by Co-operative 2005 %	Cost of Investments 2006 $000	Cost of Investments 2005 $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
Nanjing Underwater World Pte Ltd	Singapore	Property development	-	40	-	2,000
NTUC Choice Homes Co-operative Ltd	Singapore	Property development	25	25	20,000	20,000
Savu Properties Ltd	Singapore	Properties investment	25	25	9,500	9,500
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	21	-	61,172	-
					93,727	34,555
Less allowance for impairment					(100)	-
					93,627	34,555
General Insurance Fund						
ACAL Holdings Pte Ltd	Singapore	Investment holding	26	26	20,000	20,000
Total					**113,627**	**54,555**

Movements in allowance for impairment losses are as follows:-

	2006 $000	2005 $000
Life Insurance Par Fund		
At 1 January	-	-
Allowance made during the year	100	-
At 31 December	100	-

9. *INVESTMENT IN ASSOCIATES (continued)*

The investment in associates has not been equity accounted for as the amounts involved are immaterial and it is more beneficial for the following information on the associates to be presented to members. The share of the results and attributable net tangible assets or liabilities of the associates are as follows:-

	2006		2005	
	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	(42)	3,177	2	3,237
MegaTalk Pte Ltd	(10)	96	(24)	106
Nanjing Underwater World Pte Ltd	-	-	30	2,405
NTUC Choice Homes Co-operative Ltd	1,549	61,214	1,727	61,221
Savu Properties Ltd	11,649	16,688	(6,595)	5,049
One Marina Property Services Pte Ltd (formerly known as SLF Management Services Pte Ltd)	203	1,237	198	1,037
Vicom Assessment Centre Pte Ltd	(107)	357	73	464
Asia Pacific Investment Company No. 2 Ltd	7,459	101,000	-	-
General Insurance Fund				
ACAL Holdings Pte Ltd	426	20,543	270	20,270
	21,127	**204,312**	**(4,319)**	**93,789**

Allowance is made in recognition of impairment in the value of investments which is other than temporary, determined on an individual investment basis. Allowance is made for impaired loans made to associates that are incurring losses.

10. INVESTMENTS

	2006					
	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						
Equities						
Quoted shares	3,649,929	138,820	650,344	197,077	61,328	4,697,498
Other equity securities	45,852	-	-	-	-	45,852
	3,695,781	138,820	650,344	197,077	61,328	4,743,350
Debt securities						
Government securities	3,620,047	515,612	93,243	333,598	194,303	4,756,803
Corporate bonds	4,268,875	301,242	254,282	262,768	193,333	5,280,500
	7,888,922	816,854	347,525	596,366	387,636	10,037,303
Collective Investment Schemes	672,392	-	68,021	61,464	-	801,877
Total investments designated at fair value through profit or loss	12,257,095	955,674	1,065,890	854,907	448,964	15,582,530
Available-for-sale investments						
Unquoted equities and funds	210,956	-	-	5,122	100	216,178
Total investments	**12,468,051**	**955,674**	**1,065,890**	**860,029**	**449,064**	**15,798,708**
Current	536,657	154,559	37,798	39,982	61,724	830,720
Non-current	11,931,394	801,115	1,028,092	820,047	387,340	14,967,988
	12,468,051	**955,674**	**1,065,890**	**860,029**	**449,064**	**15,798,708**

Included in Government Securities are $24.4million (2005: Nil) of Singapore Government Securities which are segregated assets of the surplus account maintained in accordance with Insurance (Valuation and Capital) Regulations 2004.

10. INVESTMENTS (continued)

	2005					
	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						
Equities						
Quoted shares	2,980,835	110,454	585,435	198,231	48,590	3,923,545
Other equity securities	94,617	-	767	-	-	95,384
	3,075,452	110,454	586,202	198,231	48,590	4,018,929
Debt securities						
Government securities	3,191,315	343,079	76,353	298,573	177,160	4,086,480
Corporate bonds	4,007,348	203,184	329,839	281,104	190,802	5,012,277
	7,198,663	546,263	406,192	579,677	367,962	9,098,757
Collective Investment Schemes	627,381	-	42,885	53,290	-	723,556
Total investments designated at fair value through profit or loss	**10,901,496**	**656,717**	**1,035,279**	**831,198**	**416,552**	**13,841,242**
Available-for-sale investments						
Unquoted equities and funds	165,715	-	-	11,635	100	177,450
Total investments	**11,067,211**	**656,717**	**1,035,279**	**842,833**	**416,652**	**14,018,692**
Current	631,279	43,046	39,279	73,867	60,081	847,552
Non-current	10,435,932	613,671	996,000	768,966	356,571	13,171,140
	11,067,211	656,717	1,035,279	842,833	416,652	14,018,692

10. INVESTMENTS (continued)

Life Insurance Par Fund

Loans of listed shares to financial institutions

During the year, 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 2006 was $44.7million (2005: $20.5 million). These were in respect of equity investments lent to financial institutions which amount to $42.2 million (2005: $9.9 million).

Investment Linked Fund

Net premiums received for Dynamic Guaranteed Fund, a capital guaranteed product externally managed by SGY Asset Management (Singapore) Ltd, are invested for a period of five years. Upon maturity, Societe Generale, the holding company, will guarantee the initial capital invested and 50% of the locked-in profits, determined by the difference between the initial Net Asset Value ("NAV") of the fund and the highest NAV during the five year period.

Shareholders' Fund

Singapore government securities

Included in Shareholders' Fund is $1.2 million (2005: $1.2 million) with fair value of $1.3 million (2005: $1.3 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.

The fair value of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Co-operative establishes fair value by using valuation techniques.

11. LOANS

	2006					
	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	71,961	-	-	10,000	10,000	91,961
- unsecured	35,728	-	-	-	722	36,450
Mortgage loans (secured)	225,652	-	-	-	-	225,652
Car loans (secured)	25,232	-	-	-	-	25,232
Loans on policies	490,217	-	-	-	-	490,217
Short term loans to policyholders	14,827	-	-	2,924	67	17,818
Impairment loss	(20,978)	-	-	(53)	(1)	(21,032)
	842,639	-	-	12,871	10,788	866,298
Current	38,536	-	-	2,871	66	41,473
Non-current	804,103	-	-	10,000	10,722	824,825
	842,639	-	-	12,871	10,788	866,298

	2005					
	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	104,193	-	80	10,000	15,000	129,273
-unsecured	39,511	-	-	-	922	40,433
Mortgage loans (secured)	262,828	-	-	-	-	262,828
Car loans (secured)	31,019	-	-	-	-	31,019
Loans on policies	497,341	-	-	-	-	497,341
Short term loans to policyholders	14,902	-	-	3,519	132	18,553
Impairment loss	(21,768)	-	-	(33)	-	(21,801)
	928,026	-	80	13,486	16,054	957,646
Current	135,674	-	80	3,486	5,132	144,372
Non-current	792,352	-	-	10,000	10,922	813,274
	928,026	-	80	13,486	16,054	957,646

11. LOANS (continued)

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

	2006 $'000	2005 $'000
Term loans to subsidiaries, net of impairment loss		
- secured	8,761	9,075
Term loans to companies in which the Co-operative has an equity interest, net of impairment loss		
- secured	200	94
- unsecured	19,774	16,526
Loans to key personnel of the Co-operative		
- secured	437	415
	29,172	26,110

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

2006	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	21,768	-	-	33	-	21,801
Allowance made during the year	-	-	-	20	1	21
Allowance written back during the year	(790)	-	-	-	-	(790)
At 31 December	**20,978**	**-**	**-**	**53**	**1**	**21,032**

2005	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	37,595	-	-	55	-	37,650
Allowance written back during the year	(15,827)	-	-	(22)	-	(15,849)
At 31 December	**21,768**	**-**	**-**	**33**	**-**	**21,801**

12. DERIVATIVE FINANCIAL INSTRUMENTS

	2006			
	Contract or Underlying Principal $000	Positive Revaluation $000	Negative Revaluation $000	Net $000
Life Insurance Par Fund				
Forward foreign exchange	4,183,499	33,911	(28,197)	5,714
Interest rate swaps	480,249	2,005	(1,682)	323
Swaptions	225,717	407	(409)	(2)
Bond forwards	290,000	1,711	(2,228)	(517)
Currency options	-	-	-	-
Cross currency swaps	442,195	40,608	(26,821)	13,787
	5,621,660	78,642	(59,337)	19,305
Life Insurance Non-Par Fund				
Cross currency swaps	14,770	768	(101)	667
	14,770	768	(101)	667
Investment Linked Fund				
Forward foreign exchange	326,449	2,837	(2,248)	589
Interest rate swaps	51,071	213	(179)	34
Swaptions	24,003	43	(43)	-
Bond forwards	30,840	182	(237)	(55)
Currency options	-	-	-	-
Cross currency swaps	1,206	165	-	165
	433,569	3,440	(2,707)	733
General Insurance Fund				
Forward foreign exchange	91	-	-	-
Cross currency swaps	3,533	485	-	485
	3,624	485	-	485
Shareholders' Fund				
Cross currency swaps	2,239	307	-	307
	2,239	307	-	307
Total	**6,075,862**	**83,642**	**(62,145)**	**21,497**

12. *DERIVATIVE FINANCIAL INSTRUMENTS (continued)*

	2005			
	Contract or Underlying Principal $000	Positive Revaluation $000	Negative Revaluation $000	Net Position $000
Life Insurance Par Fund				
Forward foreign exchange	3,927,697	27,432	(13,802)	13,630
Interest rate swaps	357,194	1,605	(2,144)	(539)
Swaptions	47,446	194	(130)	64
Bond forwards	178,684	693	(1,591)	(898)
Currency options	6,966	-	(63)	(63)
Cross currency swaps	441,501	7,734	(31,892)	(24,158)
	4,959,488	37,658	(49,622)	(11,964)
Life Insurance Non-Par Fund				
Cross currency swaps	15,829	373	(262)	111
	15,829	373	(262)	111
Investment Linked Fund				
Forward foreign exchange	382,495	6,761	(609)	6,152
Interest rate swaps	188,343	158	(147)	11
Swaptions	3,248	13	(9)	4
Bond forwards	12,233	47	(109)	(62)
Currency options	477	-	(4)	(4)
Cross currency swaps	913	41	-	41
	587,709	7,020	(878)	6,142
General Insurance Fund				
Forward foreign exchange	16,142	67	(39)	28
Cross currency swaps	3,376	150	-	150
	19,518	217	(39)	178
Shareholders' Fund				
Cross currency swaps	2,367	105	-	105
	2,367	105	-	105
Total	**5,584,911**	**45,373**	**(50,801)**	**(5,428)**

13. INSURANCE CONTRACT PROVISIONS

	Life Insurance Par Fund $000	Life Insurance Non-Par Fund $000	2006 Investment Linked Fund $000	General Insurance Fund $000	Total $000
Gross					
Provision for claims and loss adjustment expenses	-	113,413	-	320,459	433,872
Provision for unexpired risks	-	76,348	-	134,530	210,878
Provision for future non-participating benefits	1,174,751	805,186	-	-	1,979,937
Provision for future participating benefits					
- Guaranteed benefits	6,474,044	-	-	-	6,474,044
- Non-Guaranteed benefits	6,762,480	-	-	-	6,762,480
Provision for investment linked contracts	-	-	1,083,893	-	1,083,893
Total insurance contract provisions, gross	14,411,275	994,947	1,083,893	454,989	16,945,104
Reinsurance					
Provision for claims and loss adjustment expenses	-	-	-	11,314	11,314
Provision for unexpired risks	-	-	-	7,545	7,545
Provision for future non-participating benefits	-	-	-	-	-
Provision for future participating benefits					
- Guaranteed benefits	-	-	-	-	-
- Non-Guaranteed benefits	-	-	-	-	-
Provision for investment linked contracts	-	-	-	-	-
Total reinsurers' share of insurance contract provisions	-	-	-	18,859	18,859
Net					
Provision for claims and loss adjustment expenses	-	113,413	-	309,145	422,558
Provision for unexpired risks	-	76,348	-	126,985	203,333
Provision for future non-participating benefits	1,174,751	805,186	-	-	1,979,937
Provision for future participating benefits					
- Guaranteed benefits	6,474,044	-	-	-	6,474,044
- Non-Guaranteed benefits	6,762,480	-	-	-	6,762,480
Provision for investment linked contracts	-	-	1,083,893	-	1,083,893
Total insurance contract provisions, net	14,411,275	994,947	1,083,893	436,130	16,926,245

13. INSURANCE CONTRACT PROVISIONS (continued)

	Life Insurance Par Fund $000	Life Insurance Non-Par Fund $000	2005 Investment Linked Fund $000	General Insurance Fund $000	Total $000
Gross					
Provision for claims and loss adjustment expenses	-	97,789	-	338,874	436,663
Provision for unexpired risks	-	65,963	-	140,310	206,273
Provision for future non-participating benefits	1,465,417	577,079	-	-	2,042,496
Provision for future participating benefits					
- Guaranteed benefits	5,742,358	-	-	-	5,742,358
- Non-Guaranteed benefits	5,752,273	-	-	-	5,752,273
Provision for investment linked contracts	-	-	1,075,470	-	1,075,470
Total insurance contract provisions, gross	12,960,048	740,831	1,075,470	479,184	15,255,533
Reinsurance					
Provision for claims and loss adjustment expenses	-	-	-	10,937	10,937
Provision for unexpired risks	-	-	-	8,358	8,358
Provision for future non-participating benefits	-	-	-	-	-
Provision for future participating benefits					
- Guaranteed benefits	-	-	-	-	-
- Non-Guaranteed benefits	-	-	-	-	-
Provision for investment linked contracts	-	-	-	-	-
Total reinsurers' share of insurance contract provisions	-	-	-	19,295	19,295
Net					
Provision for claims and loss adjustment expenses	-	97,789	-	327,937	425,726
Provision for unexpired risks	-	65,963	-	131,952	197,915
Provision for future non-participating benefits	1,465,417	577,079	-	-	2,042,496
Provision for future participating benefits					
- Guaranteed benefits	5,742,358	-	-	-	5,742,358
- Non-Guaranteed benefits	5,752,273	-	-	-	5,752,273
Provision for investment linked contracts	-	-	1,075,470	-	1,075,470
Total insurance contract provisions, net	12,960,048	740,831	1,075,470	459,889	15,236,238

The valuation of the provisions of the Life Insurance Par Fund and Non-Par Fund, and the General Insurance Fund, is based on actuarial valuations carried out by the in-house Actuary appointed under the Insurance Act and Regulations.

13. INSURANCE CONTRACT PROVISIONS (continued)

Movements in insurance contract provisions

Life Insurance Par Fund

Provision for future participating/ non-participating benefits

	2006 Gross $000	2006 Reinsurance $000	2006 Net $000	2005 Gross $000	2005 Reinsurance $000	2005 Net $000
At 1 January	12,960,048	-	12,960,048	11,682,572	-	11,682,572
Increase in insurance contract provisions	1,157,674	-	1,157,674	1,024,818	-	1,024,818
Bonus to policyholders	293,553	-	293,553	252,658	-	252,658
At 31 December	14,411,275	-	14,411,275	12,960,048	-	12,960,048

Life Insurance Non-Par Fund

(a) Provision for unexpired risks

	2006 Gross $000	2006 Reinsurance $000	2006 Net $000	2005 Gross $000	2005 Reinsurance $000	2005 Net $000
At 1 January	65,963	-	65,963	35,077	-	35,077
Movements for the year	10,385	-	10,385	30,886	-	30,886
At 31 December	76,348	-	76,348	65,963	-	65,963

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

	2006 Gross $000	2006 Reinsurance $000	2006 Net $000	2005 Gross $000	2005 Reinsurance $000	2005 Net $000
At 1 January	674,868	-	674,868	328,522	-	328,522
Reclassification off-shore business to Life Insurance Non-Par Fund	-	-	-	12,505	-	12,505
Increase in insurance contract provisions	243,731	-	243,731	333,841	-	333,841
At 31 December	918,599	-	918,599	674,868	-	674,868
At 31 December	**994,947**	**-**	**994,947**	**740,831**	**-**	**740,831**

Investment Linked Fund

Provision for investment linked contracts

	2006 Gross $000	2006 Reinsurance $000	2006 Net $000	2005 Gross $000	2005 Reinsurance $000	2005 Net $000
At 1 January	1,075,470	-	1,075,470	930,043	-	930,043
Increase in insurance contract provision	8,423	-	8,423	145,427	-	145,427
At 31 December	1,083,893	-	1,083,893	1,075,470	-	1,075,470

13. INSURANCE CONTRACT PROVISIONS (continued)

Movements in insurance contract provisions

General Insurance Fund

(a) Provision for claims and loss adjustment expenses

	2006 Gross $000	2006 Reinsurance $000	2006 Net $000	2005 Gross $000	2005 Reinsurance $000	2005 Net $000
At 1 January	338,874	(10,937)	327,937	283,167	(8,374)	274,793
Cash paid for claims settled in the year	(160,653)	3,668	(156,985)	(151,612)	5,941	(145,671)
Movements for the year	142,238	(4,045)	138,193	207,319	(8,504)	198,815
At 31 December	320,459	(11,314)	309,145	338,874	(10,937)	327,937

(b) Provision for unexpired risks

	2006 Gross $000	2006 Reinsurance $000	2006 Net $000	2005 Gross $000	2005 Reinsurance $000	2005 Net $000
At 1 January	140,310	(8,358)	131,952	166,251	(5,505)	160,746
Movements for the year	(5,780)	813	(4,967)	(25,941)	(2,853)	(28,794)
At 31 December	134,530	(7,545)	126,985	140,310	(8,358)	131,952
At 31 December	**454,989**	**(18,859)**	**436,130**	**479,184**	**(19,295)**	**459,889**

14. INVESTMENT CONTRACT LIABILITIES

Life Insurance Par Fund

	2006 $000	2005 $000
Investment Contract liabilites	160,185	-

The investment contract liabilities relates to insurance plans which do not involve transfer of significant insurance risk to the Co-operative. They are accounted as investment contracts in accordance with FRS 104.

15. INSURANCE AND OTHER RECEIVABLES

2006

	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	25,773	6,896	-	-	-	32,669
Accrued interest receivable	308	23	1	436	34	802
Investment receivables	44,539	6,273	-	3,439	1,317	55,568
Trade receivables	-	5,920	-	22,284	-	28,204
Other receivables	4,442	6,378	-	51	10,050	20,921
Interfund balances	-	-	-	-	34,389	34,389
	75,062	25,490	1	26,210	45,790	172,553
Less allowance for impairment losses	(74)	(797)	-	(2,186)	-	(3,057)
	74,988	24,693	1	24,024	45,790	169,496

2005

	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	26,474	10,499	-	-	-	36,973
Accrued interest receivable	2,634	6	1	33	78	2,752
Investment receivables	19,441	1,368	-	1,499	495	22,803
Trade receivables	-	20,861	-	8,782	-	29,643
Other receivables	5,029	20	-	17	1,829	6,895
Interfund balances	-	-	-	-	17,380	17,380
	53,578	32,754	1	10,331	19,782	116,446
Less allowance for impairment losses	(2,144)	-	-	(1,760)	-	(3,904)
	51,434	32,754	1	8,571	19,782	112,542

15. INSURANCE AND OTHER RECEIVABLES (continued)

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

	2006					
	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	2,144	-	-	1,760	-	3,904
Impairment loss during the year	74	797	-	426	-	1,297
Amount utilised	(2,144)	-	-	-	-	(2,144)
At 31 December	74	797	-	2,186	-	3,057

	2005					
	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	2,144	-	-	1,497	-	3,641
Impairment loss during the year	-	-	-	327	-	327
Amount utilised	-	-	-	(64)	-	(64)
At 31 December	2,144	-	-	1,760	-	3,904

16. CASH AND CASH EQUIVALENTS

	2006					
	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	255,658	109,793	2,632	55,382	10,860	434,325
Cash and bank balances	365,837	21,146	30,378	28,354	13,442	459,157
	621,495	130,939	33,010	83,736	24,302	893,482

	2005					
	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	187,021	73,421	14,128	18,148	10,669	303,387
Cash and bank balances	260,658	43,657	30,250	24,930	19,164	378,659
	447,679	117,078	44,378	43,078	29,833	682,046

The Singapore currency deposits in the General Insurance Fund include $4.3 million (2005: $3.7 million) due to intermediaries as collateral for credit facilities granted.

17. INSURANCE AND OTHER PAYABLES

	2006					
	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	50,593	18,739	-	-	-	69,332
Insurance and reinsurance payables	55,639	1,932	-	9,914	-	67,485
Investments and other payables	229,604	7,909	15,741	10,266	11,325	274,845
Contribution to Singapore Labour Foundation	-	-	-	-	13,670	13,670
Contribution to Central Co-operative Fund	-	-	-	-	25	25
Interfund balances	6,200	8,227	-	19,962	-	34,389
	342,036	36,807	15,741	40,142	25,020	459,746

	2005					
	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	53,459	9,130	-	-	-	62,589
Insurance and reinsurance payables	16,106	1,118	-	3,543	-	20,767
Investments and other payables	213,773	8,272	10,410	7,707	854	241,016
Contribution to Singapore Labour Foundation	-	-	-	-	9,676	9,676
Contribution to Central Co-operative Fund	-	-	-	-	25	25
Interfund balances	5,400	-	-	11,980	-	17,380
	288,738	18,520	10,410	23,230	10,555	351,453

18. SHARE CAPITAL

	2006	2005
Shareholders' Fund	$000	$000
Authorised:		
100,000,000 participating shares of $10 each	1,000,000	1,000,000
Issued and fully paid participating shares:		
At 1 January	432,518	399,242
Issue of shares	3,277	3,666
Issue of bonus shares	-	29,610
At 31 December	435,795	432,518

In 2006, 277,053 (2005: 211,894) shares were issued at par to staff, in respect of the staff deferred incentive scheme and long service award. 50,685 (2005:154,787) shares were issued at par for cash in respect of new subscriptions. In addition, nil (2005: 2,960,963) bonus shares were issued at the rate of 15 bonus shares for every 100 shares held for at least 5 years and at proportionately lower ratio for shares that were held less than 5 years.

The newly issued shares and bonus 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:-

(a) The Singapore National Trades Union Congress which is designated the Founder Member;
(b) Trade Unions and Registered Societies as may be accepted by the Board of Directors, and the Singapore Labour Foundation, which are designated Institutional Members;
(c) 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;
(d) 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.

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.

18. SHARE CAPITAL (continued)

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 FRS32, are described in note 2(s).

19. INSURANCE PREMIUM REVENUE AFTER REINSURANCE

	2006				
	Life Insurance Par Par Fund $000	Life Insurance Non-Par Fund $000	Investment Linked Fund $000	General Insurance Fund $000	Total $000
Gross premiums	1,110,993	426,917	282,937	226,669	2,047,516
Change in gross provision for unexpired risks	-	(10,385)	-	5,780	(4,605)
Gross insurance premium revenue	1,110,993	416,532	282,937	232,449	2,042,911
Less: premiums ceded to reinsurers	7,106	9,273	-	18,035	34,414
Reinsurers' share of change in provision for unexpired risks	-	-	-	813	813
Reinsurance premium expense	7,106	9,273	-	18,848	35,227
Insurance premium revenue after reinsurance	1,103,887	407,259	282,937	213,601	2,007,684

	2005				
	Life Insurance Par Par Fund $000	Life Insurance Non-Par Fund $000	Investment Linked Fund $000	General Insurance Fund $000	Total $000
Gross premiums	1,161,874	422,379	297,893	261,753	2,143,899
Change in gross provision for unexpired risks	-	(30,886)	-	25,941	(4,945)
Gross insurance premium revenue	1,161,874	391,493	297,893	287,694	2,138,954
Less: premiums ceded to reinsurers	4,957	7,674	-	14,505	27,136
Reinsurers' share of change in provision for unexpired risks	-	-	-	(2,853)	(2,853)
Reinsurance premium expense	4,957	7,674	-	11,652	24,283
Insurance premium revenue after reinsurance	**1,156,917**	**383,819**	**297,893**	**276,042**	**2,114,671**

20. FEE AND COMMISSION INCOME

	Life Insurance Par Fund $000	Life Insurance Non-Par Fund $000	2006 Investment Linked Fund $000	General Insurance Fund $000	Total $000
Reinsurance commission	2,255	(5,320)	-	3,349	284
Management and other fees	18,644	-	-	-	18,644
	20,899	(5,320)	-	3,349	18,928

	Life Insurance Par Fund $000	Life Insurance Non-Par Fund $000	2005 Investment Linked Fund $000	General Insurance Fund $000	Total $000
Reinsurance commission	3,879	27,516	-	5,925	37,320
Management and other fees	21,668	-	-	-	21,668
	25,547	27,516	-	5,925	58,988

The reinsurance commission in the Life Insurance Non-Par Fund relates to write-back of profit commission from the Eldershield business.

21. NET INVESTMENT INCOME AND FAIR VALUE GAINS

	2006					
	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	12,149	4,621	983	2,631	925	21,309
Loans	42,870	1	1	1,146	630	44,648
Debt securities	282,224	20,449	9,682	18,962	11,103	342,420
Dividend income						
Available-for-sale investments	77,381	-	-	-	1,352	78,733
Quoted equities	132,022	5,528	15,912	12,287	2,642	168,391
Rental income (including notional rent - refer to note 23)	43,448	-	-	-	-	43,448
Impairment loss on loans	790	-	-	(20)	(1)	769
Net realised gains/(losses)	215,084	2,505	158,430	34,086	6,568	416,673
Net unrealised gains/(losses)	560,017	36,521	(63,678)	24,396	12,431	569,687
Gains on changes in fair value of investment properties	60,194	-	-	-	-	60,194
Others	674	(792)	5	(799)	830	(82)
Investment properties maintenance	(15,512)	-	-	-	-	(15,512)
Investment expenses	(7,904)	(74)	(1,420)	(399)	(73)	(9,870)
	1,403,437	68,759	119,915	92,290	36,407	1,720,808

	2005					
	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	8,937	1,360	353	655	413	11,718
Loans	49,235	-	4	599	900	50,738
Debt securities	162,047	6,539	5,285	10,810	6,422	191,103
Dividend income						
Available-for-sale investments	13,739	-	-	702	-	14,441
Quoted equities	127,897	5,519	13,615	9,368	3,004	159,403
Rental income (including notional rent - refer to note 23)	40,818	-	-	-	-	40,818
Impairment loss on loans	15,827	-	-	22	-	15,849
Net realised gains/(losses)	268,126	7,470	53,993	27,416	7,043	364,048
Net unrealised gains/(losses)	112,460	1,358	(13,103)	(2,908)	(5,033)	92,774
Gains on changes in fair value of investment properties	7,808	-	-	-	-	7,808
Others	123	-	6	464	-	593
Investment properties maintenance	(12,844)	-	-	-	-	(12,844)
Investment expenses	(6,942)	(236)	(1,057)	(388)	(71)	(8,694)
	787,231	22,010	59,096	46,740	12,678	927,755

22. CLAIMS, SURRENDERS AND ANNUITIES

	2006				
	Life Insurance Par Fund $000	Life Insurance Non-Par Fund $000	Investment Linked Fund $000	General Insurance Fund $000	Total $000
Death benefits and other claims	84,007	106,659	-	160,653	351,319
Health and accident benefits	3,731	49,060	-	-	52,791
Maturity benefits	544,946	-	-	-	544,946
Surrender benefits	249,104	177	375,786	-	625,067
Annuity benefits	67,800	-	-	-	67,800
	949,588	155,896	375,786	160,653	1,641,923

	2005				
	Life Insurance Par Fund $000	Life Insurance Non-Par Fund $000	Investment Linked Fund $000	General Insurance Fund $000	Total $000
Death benefits and other claims	83,690	33,422	-	151,612	268,724
Health and accident benefits	3,492	41,117	-	-	44,609
Maturity benefits	198,392	-	-	-	198,392
Surrender benefits	225,868	93	189,894	-	415,855
Annuity benefits	58,963	-	-	-	58,963
	570,405	74,632	189,894	151,612	986,543

Gross claims, surrenders and annuities of the Life Insurance Par Fund includes bonus paid in anticipation of surplus of $15.2 million (2005: $12.5 million).

23. MANAGEMENT EXPENSES

The following items are included in management expenses:

	2006 $000	2005 $000
Depreciation of property, plant and equipment		
Office equipment	4,490	2,767
Furniture and fittings	815	941
Motor vehicles	48	16
Amortisation of intangible assets	149	949
Loss on disposal of property, plant and equipment	-	22
Rental expense	1,045	702
Notional rental in respect of owned office premises	5,455	4,557

24. 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, or where the Co-operative and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Co-operative. This includes directors and officers of the Co-operative and close members of the families of such individuals. Key management personnel includes non-executive directors.

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:-

	2006 $000	2005 $000
Loan granted to key management personnel during the year	15	57
Interest received from subsidiaries for loans granted	555	554
Fee paid to an associated company		
- in relation to management of investment properties	1,614	1,853
- in relation to management of property under development	151	136
Fees receivable from subsidiaries	192	93

25. STAFF COSTS

	2006 $000	2005 $000
Salaries, commission and bonuses	96,940	91,618
Employer's contribution to defined contribution plan	9,380	10,289
	106,320	101,907

Key management personnel compensation

	2006 $000	2005 $000
Salaries and other short term benefits	3,982	2,476

26. DIVIDENDS

The Directors have proposed a dividend of 6% (2005: 6%) and a special dividend of 2% (2005: nil) amounting to $34.7 million (2005: $25.1 million) to be paid in respect of the financial year ended 31 December 2006. The financial statements will reflect this dividend payable in the Shareholders' Fund as an appropriation of surplus in the year ending 31 December 2007 after declaration of the dividend by shareholders.

27. COMMITMENTS

	2006 $000	2005 $000
Life Insurance Par Fund		
Capital expenditure contracted but not provided for	9,814	45,000
Outstanding investment commitments	189,735	64,896
	199,549	109,896

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 and the respective interest rates are:

	2006 $000	2005 $000
Transferable Term Loan (at bank's swap cost + 1.375% p.a.)	2,710	2,710
Overdraft Facility (at bank prime rate)	50	50
	2,760	2,760

29. SUBSEQUENT EVENT

In January 2007, property under development for Ang Mo Kio development project was completed and issued with Temporary Occupation Permit. The property under development will be reclassified as Investment Property in accordance with FRS 40 Investment Property.

30. FRS YET TO BE ADOPTED

The Co-operative has yet to adopt the following new/revised FRS stated below which are effective for accounting periods beginning on or after 1 January 2007. The initial application of the other standards and interpretations are not expected to have any material impact on the Co-operative's financial statements.

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

31. AUTHORISATION FOR ISSUE

These financial statements were approved by the Board of Directors at a meeting held on 23 March 2007 and authorised for release on 23 March 2007.

Independent Auditors' Report

Members of NTUC Income Insurance Co-operative Limited

We have audited the financial statements of NTUC Income Insurance Co-operative Limited (the "Co-operative"), which comprise the balance sheet as at 31 December 2006, the profit and loss account, statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 18 to 73.

Directors' responsibility for the financial statements

The Co-operative's directors are responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 about whether the financial statements are free of 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 judgment, 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 the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

We draw attention to note 18 of the financial statements which explains the rights and obligations of the holders of the participating shares and the method of presentation of the paid-up share capital of the Co-operative.

In our opinion:

a) except for the presentation of the paid up share capital as equity, the financial statements of the Co-operative are properly drawn up in accordance with Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Co-operative as at 31 December 2006 and the results, changes in equity and cash flows of the Co-operative for the year ended on that date; and
b) proper accounting and other records have been kept; and
c) the receipts, expenditure and investment of monies and the acquisition and disposal of assets by the Co-operative during the year have been in accordance with the By-laws of the Co-operative and the provisions of the Co-operative Societies Act, Chapter 62.

KPMG
Certified Public Accountants

Singapore, 23 March 2007

Founder & Institutional Members

As at 31 December 2006

FOUNDER MEMBER	No of Shares
National Trades Union Congress	7,011,344

INSTITUTIONAL MEMBERS	No of Shares
NTUC Income Insurance Co-operative Ltd*	1,093,104
Singapore Labour Foundation	798,560
Singapore Manual & Mercantile Workers' Union	530,533
Singapore Maritime Officers' Union	470,386
National Transport Workers' Union	406,984
United Workers of Electronic & Electrical Industries	385,719
Amalgamated Union of Public Employees	321,601
Singapore Bank Employees' Union	273,301
Shipbuilding & Marine Engineering Employees' Union	204,808
Singapore Mercantile Co-op T & L Soc Ltd	198,350
Singapore Airlines Staff Union	195,470
NTUC Fairprice Co-op Ltd	183,267
Healthcare Services Employees' Union	161,805
Metal Industries Workers' Union	149,010
Union of Telecoms Employees of Singapore	129,237
Singapore Credit Co-op League Ltd	127,830
NTUC Childcare Co-op Ltd	120,019
Singapore Teachers' Co-op Soc Ltd	118,058
Singapore Industrial & Services Employees' Union	113,987
United Workers of Petroleum Industry	113,320
Singapore Insurance Employees' Union	112,865
Exxonmobil Employees Co-op Ltd	103,250
Singapore Shell Employees' Union	101,962
HDB Staff Union	100,000
Singapore Organisation of Seamen	90,341
Singapore Shell Employees Union Co-op Ltd	83,463
Food, Drinks & Allied Workers Union	80,269
Union of Power & Gas Employees	78,029
Exxonmobil Singapore Employees' Union	76,711
Amalgamated Union of Statutory Board Employees	67,386
Singapore Port Workers Union	66,517
Natsteel Employees' Union	63,104
Chemical Industries Employees' Union	60,133
Singapore Teachers' Union	57,115
Singapore National Cooperative Federation	57,075
Singapore Airport Terminal Services Workers' Union	55,857
Singapore Government Staff Credit Co-op Soc Ltd	55,392
Inland Revenue Authority of S'pore Staff Union	48,580
Singapore Bank Officers Association	46,640
Straits Times Press Co-op T & L Society	45,790
Customs Credit Co-op Society Ltd	45,599
PUB Employees Union	41,588
Keppel FELS Employees' Union	39,095
Building Construction & Timber Industry Employees' Union	35,906
Temasek Polytechnic Co-op Society	35,880
Singapore Public Works Employees'Credit Co-op Soc Ltd	35,625
Citiport Credit Co-op Ltd	35,580
Union of ITE Training Staff	34,959

INSTITUTIONAL MEMBERS	No of Shares
Singapore Urban Redevelopment Authority Workers' Union	33,748
Singapore Press Holdings Employees' Union	33,450
Singapore Statutory Boards Employees' T & L Soc Ltd	31,739
DBS Staff Union	30,222
Singapore Union of Broadcasting Employees	29,629
Singapore Police Co-op Society Ltd	29,613
Staff Union of NTUC ARU	26,711
Air-Transport Executive Staff Union	25,761
NTUC Media Co-op Ltd	25,412
Changi International Airport Services Employees' Union	23,968
AUPE Multi-Purpose Co-op Soc Ltd	21,292
NTUC Healthcare Co-op Ltd	20,288
Singapore Prison Service Multi-Purpose Co-op Ltd	20,100
Telecoms Credit Co-op Soc Ltd	17,195
Ceylon Tamils Multi-Purpose Co-op Ltd	16,719
Sembawang Shipyard Employees' Union	16,407
Keppel Services Staff Union	15,410
Ngee Ann Polytechnic Academic Staff Union	15,325
Premier Security Co-op Society Ltd	14,200
UTES Multi-Purpose Co-op Soc Ltd	13,304
Ngee Ann Poly Consumer Co-op Society	12,810
TRC Multi-Purpose Co-op Society	10,000
Singapore Stevedores Union	9,073
Singapore Refining Companies Employees' Union	8,255
Keppel Employees' Union	6,154
Industrial & Services Co-op Society Ltd	6,095
Singapore Polytechnic Co-op Ltd	5,818
Singapore Air Transport-Workers' Union	4,934
Union of Security Employees	4,763
NUS Multi-Purpose Co-op Society	4,420
Singapore Interpreters & Translators Union	4,218
Kindergarten & Childcare Centres Staff Union	3,729
Times Publishing Group Employees Union	3,427
Port Officers Union	3,312
Jurong Shipyard Multi-Purpose Co-op Soc Ltd	3,306
Singapore Technologies Electronics Employees Union	2,973
DEW Credit Cooperative Ltd	2,875
Singapore Tamil Teachers' Union	2,756
NTUC Club Staff Union	2,382
Energy & Utilities Employees' Cooperative Ltd	2,369
SIA Engineering Company Engineers & Executives Union	2,300
Singapore Bank Employees Co-operative	2,130
Amalgamated Union of Public Daily-Rated Workers	2,077
Singapore National Union of Journalists	1,856
Race Course General Employees' Union	1,301
Spring Singapore Staff Union	417
Singapore Government Shorthand Writers Assn	309
Singapore Malay Teachers' Union	141
Singapore Chinese Teachers' Union	21
Reuters Local Employees Union	10

* Held on behalf of staff

Notice of Annual General Meeting

NTUC Income Insurance Co-operative Limited

NOTICE IS HEREBY given that the Thirty-Seventh Annual General Meeting of NTUC INCOME INSURANCE CO-OPERATIVE LIMITED will be held on Wednesday, 30 May 2007, at 6.00 pm at the Conference Room, 7th Floor, NTUC Income Centre, 75 Bras Basah Road, Singapore 189557.

AGENDA

1 To confirm the minutes of the 36th Annual General Meeting held on 26 May 2006.

2 To receive, and if approved, to adopt the Report of the Board of Directors and the Audited Accounts for the year ended 31 December 2006.

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

4 To declare a dividend to shareholders.

5 To approve the payment of honoraria to directors for the year 2007.

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

7 To appoint M/s PricewaterhouseCoopers as auditors of the Co-operative for 2007.

8 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
30 April 2007

1 By-Law 20 (iii) - Representation at General Meeting and Voting :-

(a) The Founder Member and the Institutional Members shall notify the Secretary in writing of the names of their delegates who are authorised to attend meetings on their behalf. These nominations shall be entered in the books of the Society and shall hold good until revoked;

(b) A credential card shall be sent with the Annual Report to each of the nominated delegates representing the Founder Member and the Institutional Members;

(c) A credential card and the Annual Report shall be sent to only such participating and ordinary members who are entitled to vote at the General Meeting and who apply in writing to the Secretary for the credential card and the Annual Report;

(d) A credential card issued by the Society shall be produced for admission to the Meeting provided that duplicate cards may be obtained at the meeting by bona fide delegates and members.

2. Members who do not qualify under By-Law 5(v) are not entitled to receive credential cards.

3. Ordinary members who have paid at least one full year's premium on their policies and who wish to attend the General Meeting are requested to apply for the credential cards and Annual Reports as early as possible.

4. To avoid inconvenience, members and delegates are requested to bring their credential cards to the Meeting.

5. Members desiring any clarification on the Annual Report and Statement of Accounts are requested to forward their questions in writing to the Secretary at least ten days before the meeting.

NTUC INCOME Your Partner for A Better Life

75 Bras Basah Road NTUC Income Centre Singapore 189557 • www.income.com.sg