
NTUC INCOME
PRODUCTION
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2007
Annual Report
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Contents

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DIRECTORS' REPORT

For the financial year ended 31 December 2007

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 2007.

The Singapore economy grew 7.7% in 2007. The insurance industry likewise experienced good growth. Life insurance grew 34% in new single premium business and 28% in regular premium, while the general insurance sector saw a 7% growth in gross premium.

We made significant progress in our life business. Annual premium grew 55% as compared to 2006 to register an all-time high of $119 million in 2007. Our annual premium grew about twice as fast as the industry's. Our single premium grew 92% to $1.05 billion, nearly three times the industry's growth of 34%. In annuities, we continue to be the market leader with a 65% market share.

Our market share for life insurance new business was 13.3% in weighted premium, a significant increase from the 10.2% market share in 2006.

Our general insurance market share in 2007 was 10.9%. Our general insurance business amounted to $251 million which reflected a growth of 11%.

Insurance premium revenue for the year was $2.5 billion, an increase of $417.9 million or 20% compared to the previous year.

DIRECTORS' REPORT

For the financial year ended 31 December 2007

Total assets under management grew by 14% to $21.3 billion.

The net surplus for the year was $48.2 million, lower than 2006's $196.2 million. The lower net surplus in 2007 was largely attributed to a lower net surplus in our general insurance business and a once-off restitution of $72.3 million expense against the general insurance fund.

We serve 1.8 million policyholders and have a total of 3.2 million policies comprising life, general and health insurance.

We have been awarded an "AA" rating by Standards and Poor's since 1999, the highest credit rating among all domestic insurers in Asia. This rating reflects our strong financial profile, flexibility and capacity to meet new challenges.

2. Life Insurance

Gross premium increased by 23% to $2,328 million comprising $1,115 million in regular premium and $1,213 million in single premium. This includes group and health insurance premium.

Revosave, an innovative and flexible saving plan was launched in August 2007. Featuring various reinvestment options for the coupons received, the product achieved an impressive result of $13.8 million in premiums since its launch.

Our life insurance termination rate of 4% is low when 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.

The Board has accepted the recommendation of the Appointed Actuary to declare $279 million of the surplus as bonus for participating policyholders. The Board has further accepted the recommendation to transfer a total of $7 million from the Life Insurance to the Shareholders' Fund, comprising $5.6 million in surplus from the Participating Fund and $1.4 million from the Non Participating Fund.

3. General Insurance

Gross premium for general insurance increased by 11% to $251 million. Our motor insurance sales showed a positive sign of recovery in 2007, arresting 2 years of decline. Gross premium for motor insurance grew by 4% to $173.2 million. Motor insurance continues to be our largest business class, contributing to 69% of our total premium. The premium of other classes grew by 28% to $78.0 million.

The general insurance business earned a net surplus of $66.2 million, before the once-off restitution of management expenses.

4. Dividend

Taking into account the net surplus achieved for the year, the Directors propose that a dividend of 6% amounting to $26.1 million be paid to members in respect of the financial year ended 31 December 2007.

DIRECTORS' REPORT

For the financial year ended 31 December 2007

Members of the Board of Directors

(front row, from left to right)

Mr Tan Suee Chieh (Chief Executive), Mr Ng Kee Choe (Chairman), Mr Matthias Yao (Deputy Chairman)

(back row, from left to right)

Mr Tan Cheng Han, Mr Tan Peng Heng, Mr Gabriel Teo, Mr Ron Foo Siang Guan, Mr Soh Kim Soon, Mr Lee Mun Hou

5. Contributions to Community

Each year, we continue to play an active social role by contributing towards national community projects and worthy causes. In 2007, we made a total contribution of $2.04 million in support of charities, programmes of the labour movement, sports and the arts.

6. Corporate Developments

The new Chief Executive, Mr Tan Suee Chieh assumed duties in February 2007. New appointments were made at the leadership level as part of the management renewal process and to broaden and deepen management benchstrength as well.

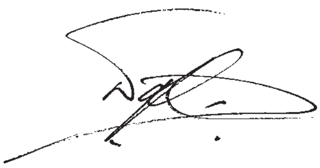
Mr Tan Soon Heng, General Manager of the Sales Division retired at the end of 2007, after 29 years of illustrious service. He continues to serve us as a Consultant. On behalf of the Board and management, I thank Soon Heng for his dedicated service and significant contributions to the success of NTUC Income.

Several strategic projects were initiated to transform NTUC Income to a more performance-oriented organisation, focusing on our core business of life, general and health insurance. A series of initiatives which include customer service, staff development and process improvements have been rolled out with the aim to transforming NTUC Income to a more dynamic enterprise. These initiatives are necessary to enable our organisation to proactively respond to the increasingly competitive environment and to meet the changing needs of our customers. The Board will continue to work closely with the management and staff to build on the momentum of the corporate renewal process. Over the course of the year, NTUC Income will be undergoing an organisational re-branding exercise.

7. Conclusion

We deeply value and appreciate the support given to us by the National Trades Union Congress and its affiliated unions and co-operatives. We are also grateful to our business partners for their continued support and commitment, and our clients for their valuable patronage. We would also like to thank all staff including our sales personnel for their dedication and contribution to NTUC Income's success.

For and on behalf of the Board of Directors



Ng Kee Choe
Chairman

Singapore, 25 March 2008

CORPORATE GOVERNANCE

For the financial year ended 31 December 2007

NTUC Income is committed to maintaining the highest standards of corporate governance.

It is guided in its corporate governance practices by the Guidelines on Corporate Governance and the Insurance (Corporate Governance) Regulations 2005 issued by the Monetary Authority of Singapore (MAS).

The Board of Directors recognises that good governance is the cornerstone of a well-managed organisation and is essential to sustain the organisation's business performance as well as safeguard the interests of its stakeholders. The promotion of corporate transparency, integrity, fairness and accountability at all levels of the organisation is led by a highly qualified independent Board and aided by an experienced senior management team.

Board Role and Responsibility

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

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

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

Board Size and Composition

The present board size of nine members is appropriate for the current size and the scope of operations. It allows for efficiency and encourages active dialogue among members.

The members of the Board as at 1 Mar 2008 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

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

CORPORATE GOVERNANCE

For the financial year ended 31 December 2007

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

In keeping with good corporate governance, all directors are subject to re-nomination once every three years. In addition, 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 and Attendance

The Board conducts five scheduled board meetings a year. At these meetings, the Board reviews the Co-operative's financial performance, corporate strategy, business plans, strategic or significant operational issues and significant matters attended to by Board committees. The Board also reviews the long term corporate strategy and business plans, including major issues and challenges that the Co-operative may face in the future.

In addition, ad-hoc meetings are held when necessary to discuss specific issues. Board approval may also be obtained through written resolutions approved by circulation.

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

The directors possess a wide spectrum of core competencies such as banking, accounting, insurance, investment, legal, and risk management. With their broad knowledge, expertise and experience, Board members provide valuable insight and advice during Board and Board Committee discussions, and are able to discharge their duties effectively.

Directors' Attendance at Board and Board Committee Meetings in 2007

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	5	4	3	4	4
Gabriel Teo	5	5	-	-	4	4
Tan Suee Chieh	5	5	-	-	4	3
Lee Mun Hou	5	4	-	-	-	-
Tan Peng Heng	5	5	4	4	4	4
Tan Cheng Han	5	5	4	2	-	-
Soh Kim Soon	5	4	-	-	4	3
Ron Foo	5	3	4	4	-	-
Tan Kin Lian*	5	1	-	-	-	-

** Resigned as director wef 20 Feb 2007*

CORPORATE GOVERNANCE

For the financial year ended 31 December 2007

Directors' Attendance at Board and Board Committee Meetings in 2007

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	-	-	8	8	0	0
Matthias Yao	-	-	8	8	-	-
Gabriel Teo	8	8	8	8	-	-
Tan Suee Chieh	8	8	-	-	-	-
Lee Mun Hou	-	-	8	8	0	0
Tan Peng Heng	-	-	-	-	-	-
Tan Cheng Han	-	-	-	-	0	0
Soh Kim Soon	-	-	-	-	-	-
Ron Foo	-	-	-	-	-	-
Tan Kin Lian*	-	-	-	-	-	-

* *Resigned as director wef 20 Feb 2007*
@ *Approvals from NC were obtained via circulation.*

Chairman and Chief Executive

In NTUC Income, the Chairman and Chief Executive (CEO) positions are held by separate individuals. The Chairman, Mr Ng Kee Choe, is a non-executive director, while the CEO, Mr Tan Suee Chieh, is an executive director. Mr Tan Suee Chieh took over as the Chief Executive of NTUC Income from 21 February 2007.

The Chairman manages and leads the Board in its oversight over management. He ensures that active and comprehensive discussions are held on matters brought up to the Board and steers the Board in making sound decisions.

At annual general meetings, the Chairman plays a pivotal role in fostering constructive dialogue between the members of the Co-operative, Board and management. The members' questions and concerns are adequately attended to and addressed at the annual general meetings.

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

Board Training

New directors are provided with relevant materials on the Co-operative and on their role and responsibilities. They are also briefed on the Co-operative's corporate profile, key performance measures and operations.

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

CORPORATE GOVERNANCE

For the financial year ended 31 December 2007

Board Performance

The Board has implemented an annual evaluation process to be carried out by the Nominating Committee to assess the performance and effectiveness of the Board as a whole. All directors participate in the evaluation which is conducted through confidential completion of a questionnaire. The feedback is provided to the Chairman of the Nominating Committee who is also the Chairman of the Board. The results of the evaluation exercise are presented 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. The composition of the Board Committees satisfies the independence requirements stipulated in the Guidelines on Corporate Governance and the Insurance (Corporate Governance) Regulations.

Each of the Committees has its own written terms of reference which describe its responsibilities. The minutes of 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:

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

In the financial year 2007, the AC met four times. Internal auditors, the Chief Executive and certain senior management executives attended these meetings. The external auditors attended two of these meetings.

The AC recommended the appointment and audit fees of new external auditors, PricewaterhouseCoopers in 2007.

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

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

Human Resource & Remuneration Committee

The Human Resource & Remuneration Committee (HRRC) comprises four 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:
- approve the remuneration policy and plans for senior executives;
- recommend to the Board a remuneration package for the Chief Executive;
- approve and review succession plans for key positions;
- approve appointments and terminations to key positions; and
- have oversight of talent management and development of senior executives.

In 2007, the HRRC met with the CEO on several occasions to discuss and decide on important issues including the interview of candidates for key senior management positions. The decisions taken were recorded and endorsed by the Chairman of the Committee.

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 Ken Ng (Chief Risk Officer)

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

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

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

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

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

Nominating Committee

The Nominating Committee (NC) comprises 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.

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

Regulations issued by the MAS require the NC to identify suitable candidates and to review all nominations for the appointment, re-appointment, election or re-election of directors to the Board and Board Committees. The NC ensures that competent and qualified individuals capable of contributing to the success of the organisation are appointed to the Board. This is based on a set of formalised selection criteria and guidelines.

The NC assesses the independence of the directors based on criteria set out in the MAS Guidelines and Regulations. The NC considers a director independent if he is not related to a substantial shareholder or to senior management, and if he does not have significant business relationships with the Co-operative and its subsidiaries.

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

Investment Committee

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

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

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

The role of the IV Committee is to:
- review the investment policy on a regular basis;
- ensure that the investment policy of the participating fund is consistent with the bonus and/or dividend policy;
- review the adequacy of internal control systems to support investment activities; and
- 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 2007, the Committee considered a number of specific and major investment proposals, including property investment proposals. In addition, the IV Committee also reviewed the investment policy and guidelines, fixed income investment strategy, private equity investment strategy and forex management. The Committee allocated additional funds for investments in private equity and infrastructure funds.

CORPORATE GOVERNANCE

For the financial year ended 31 December 2007

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 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 2007, 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 2007

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	$250	$19,000
Tan Suee Chieh*	$1,746.58	$50	$1,796.58
Lee Mun Hou	$12,500	$200	$12,700
Gabriel Teo	$18,750	$250	$19,000
Tan Peng Heng	$12,500	$250	$12,750
Tan Cheng Han	$12,500	$250	$12,750
Soh Kim Soon	$12,500	$200	$12,700
Ron Foo	$18,750	$150	$18,900

** Pro-rated for the period 1 Jan to 20 Feb 2007*

Immediate Family Member of Director

The Co-operative did not employ any immediate family members of directors in 2007.

Remuneration of Top 5 Key Executives

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

Communication with 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 or concerns 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.

CORPORATE GOVERNANCE

For the financial year ended 31 December 2007

Operational risks

The key risk register of key operational risks is maintained and actions taken to mitigate is tracked, discussed and reported regularly to the Risk Compliance Committee and Risks Management Committees. We have in place periodic review of risk management practices in key operational areas as such investment and information technology.

Our Information Technology risks encompass security, integrity, confidentiality and availability of systems that support the organisation's operations. IT Risk Management procedures are in place to identify, assess, prioritise, control, mitigate and monitor IT related risks.

Compliance Unit monitors 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 risks

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.

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.

Risk Management Framework

NTUC Income places a high emphasis on risk management.

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

- A Risk Management Committee of the Board
- A Risk and Compliance Committee
- A Risk Management Team led by the Chief Risk Officer
- Involvement of the entire senior management
- A Key Risk Register to identify the areas that need priority attention and tracking of actions taken to mitigate these risks
- Action plan for risk treatment / mitigation
- Regular monitoring and review

Two new senior management committees were formed in 2007. They are:

a) Risk and Compliance Committee (RCC)

- acts as the primary executive committee responsible for risk management and compliance. It updates the Board and Board Risk Management Committee on compliance with risk policy and significant deviations
- operationalises the risk policies set by the Board and ensure operational procedures and processes are in place with sufficient resources and expertise to carry out these duties
- discusses key issues brought up pertaining to risk management and compliance functions
- reviews policies and procedures on risk management and compliance and where appropriate make recommendations to RMC and the Board
- sets policies and procedures on compliance issues and ensure there is general awareness and adequate controls are in place to ensure compliance

b) Information Technology Steering Committee

The primary purpose of the Information Technology Steering Committee (ITSC) is to further the organisation's goals through the effective and efficient use of integrated information technologies.

- sets strategic direction and priorities for Information Management in alignment with business objectives and priorities
- approves all major IT initiatives and projects; and sets annual IT plan and budget
- prioritises competing IT initiatives and projects when there are conflicting or competing priorities
- reviews and approves recommendations for Information Management standards, policies and procedures
- monitors IT performance and delivery against plan

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 risks 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

For the financial year ended 31 December 2007

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

For the year 2007, the overall growth in our assets is $2.5 billion and in our insurance contract provisions is $2.4 billion.

Insurance Funds	* Net Assets ($mil)			Insurance Contract Provisions ($mil)		
	31-Dec-06	31-Dec-07	% change	31-Dec-06	31-Dec-07	% change
Life Insurance Funds						
Participating Fund	14,624	16,714	14.3%	14,571	** 16,635	14.2%
Non-Participating Fund	1,075	1,262	17.4%	696	*** 851	22.3%
Investment-Linked Fund	1,084	1,286	18.6%	1,084	1,286	18.6%
General Insurance Fund	980	999	1.9%	436	456	4.6%
Total Insurance Funds	17,763	20,261	14.1%	16,787	19,228	14.5%

* *Net Assets is the assets net of other liabilities.*

** *Includes Investment contract liabilities of $249 million.*

*** *Includes a reclassification of reserves, please see Notes to the Financial Statements - 19. Reserves for Future Distribution.*

The insurance contract provisions are based on statutory risk-based capital (RBC) liability valuation, taking account of all contractual liabilities. For the Life Insurance Participating Fund, total insurance contract provisions include non-guaranteed policy liabilities and an allowance for future bonuses. This year, we have reshaped our bonus structure and updated the mortality used for annuitants. The net effect of these changes has been to increase the insurance contract provisions by $55 million.

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

This year's recommendation includes a reshaping of bonus structure from reversionary bonus towards terminal bonuses (further details are set out in Appendix A). The objective of this change is to increase the flexibility of investment policy with the potential to translate to better benefits in the long term. The terminal bonuses applicable in 2008 have increased compared to 2007, and the level of policy payouts on death, maturities and surrenders will be maintained or marginally increased for some policies. Under the same expectation of future investment performance, I expect the terminal bonus scale to increase gradually each year to restore the effect of lower reversionary bonuses. The yields for policies maturing in 2008 continue to be attractive, especially when compared to bank savings rates.

Despite the market turmoil, the total return on the Life Insurance Participating Fund in 2007 was healthy at 10.7%. The return for the short to medium term is uncertain and interest rates remain very low. However, as we are long term investors, we do look to average the performance over the long term horizon and it is this which drives our bonus allocation. Short term fluctuations will be smoothed out. The average total return earned during the last 10 years has been around 7%, and the current financial conditions are such that the prospective yield over the long term is still expected to be around 5.25%.

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 $279 million ($309 million in 2006). This includes a $24 million bonus paid in anticipation of surplus for terminating policies in year 2007.

APPOINTED ACTUARY'S REPORT

For the financial year ended 31 December 2007

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 2006	52.3*	80.2	524.9
Add Investment Income from Surplus Account	1.0	NA	NA
Add Net Surplus for the year**	30.9	7.0	-6.1
Less transfer to Shareholders' Fund	5.6	1.4	0.0
Accumulated Surplus held in Insurance Funds as at 31 Dec 2007	78.6*	85.8	518.8

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

I recommended to the Board of Directors a transfer of one-ninth of the total cost of bonus, or $30.9 million, to the Life Insurance Participating Fund Surplus Account. I also recommended we continue to transfer 18% of this amount (or $5.6 million) to the Shareholders' Fund.

This year, I recommend a transfer to the Shareholders' Fund of $1.4 million from the Life Insurance Non-Participating Fund.

In 2007, a reassessment of the management expense allocation basis was conducted by an independent third party. The assessment concluded that for the allocation to be fair, $72.3 million, representing the difference between the cumulative management expenses allocated on the previous basis and the revised basis, is transferred from the General Insurance Fund to the Life Insurance Participating Fund. The General Insurance Fund has a healthy cushion of accumulated surpluses and hence neither the financial position of the Fund nor NTUC Income as a whole is significantly affected by the revised allocation. As a result of this one-off transfer, the General Insurance Funds show a deficit of $6.1 million. Therefore, I recommend no transfer from the General Insurance Fund to the Shareholders' Fund for 2007.

Ken Ng
FIA, FSAS
Appointed Actuary

Singapore, 25 March 2008

Appendix A

Bonus Rates

a) Annual bonus rates

Bonus Series	2006 Bonus Rates	2007 Bonus Rates	Change over 2006
EV - Ltd Pay Living/Protection (LPLP)	NA	$ 25	NA
EV - PayMyUni	NA	$ 26	NA
EV - Revosave	NA	$ 13	NA
LP - Whole Life Policy	$ 23	$ 13	- $ 10
LP - Harvest Policy (Ver 1)	$ 17	$ 11	- $ 6
LP - Growth Policy	$ 16	$ 10	- $ 6
LP - Endowment & Harvest Policy (Ver 2)	$ 20	$ 13	- $ 7
CB - Whole Life Policy	$ 30	$ 30	No Change
CB - Others	$ 27	$ 27	No Change
DP - Whole Life Policy	$ 16	$ 16	No Change
DP - Others	$ 13	$ 13	No Change
SB - Whole Life Policy	$ 26	$ 26	No Change
SB - Others	$ 23	$ 23	No Change
AD	$ 40	$ 40	No Change
Annuity - Y	0.50%	0.50%	No Change
Annuity - H	1.50%	1.50%	No Change
Annuity - K	3.00%	3.00%	No Change
Paid-up policies	$ 0	$ 0	No Change

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 2007. They will vest on 1 April 2008 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 2007. For annuities, bonus is added on their policy anniversaries from 1 April 2008 to 31 March 2009.

b) Compounding rates

Bonus Series	2006 Rates	2007 Rates	Change over 2006
EV - Ltd Pay Living/Protection (LPLP)	NA	2.75%	NA
EV - PayMyUni	NA	2.70%	NA
EV - Revosave	NA	1.30%	NA
LP - Whole Life Policy	2.30%	1.30%	- 1.00%
LP - Harvest Policy (Ver 1)	1.60%	1.10%	- 0.50%
LP - Growth Policy	1.50%	1.00%	- 0.50%
LP - Endowment & Harvest Policy (Ver 2)	2.00%	1.30%	- 0.70%
CB, DP and SB - Whole Life	2.10%	2.10%	No Change
CB, DP and SB - Others	1.80%	1.80%	No Change
Paid-up policies	0.00%	0.00%	No Change

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

c) Terminal Bonus

LP Series on Death/Maturity

Policy Year	2007 terminal bonus scale	2008 terminal bonus scale					
		Whole Life		Endowment, Harvest (Ver 2)		Harvest (Ver 1), Growth	
	Death/ Maturity	Death/ Maturity	Change	Death/ Maturity	Change	Death/ Maturity	Change
1	25%	122%	+97%	93%	+68%	100%	+75%
5	25%	50%	+25%	43%	+18%	45%	+20%
10	25%	37%	+12%	34%	+9%	34%	+9%
15	25%	32%	+7%	31%	+6%	31%	+6%
20	25%	32%	+7%	30%	+5%	30%	+5%
25	25%	31%	+6%	29%	+4%	29%	+4%
30	25%	30%	+5%	29%	+4%	29%	+4%
35	25%	30%	+5%	28%	+3%	28%	+3%
40	25%	29%	+4%	28%	+3%	28%	+3%

LP Series on Surrender

Policy Year	2007 terminal bonus scale	2008 terminal bonus scale					
		Whole Life		Endowment, Harvest (Ver 2)		Harvest (Ver 1), Growth	
	Surrender	Surrender	Change	Surrender	Change	Surrender	Change
1	0%	77%	+77%	54%	+54%	60%	+60%
5	0%	20%	+20%	14%	+14%	16%	+16%
10	15%	26%	+11%	23%	+8%	24%	+9%
15	15%	23%	+8%	21%	+6%	21%	+6%
20	25%	32%	+7%	30%	+5%	30%	+5%
25	25%	31%	+6%	29%	+4%	29%	+4%
30	25%	30%	+5%	29%	+4%	29%	+4%
35	25%	30%	+5%	28%	+3%	28%	+3%
40	25%	29%	+4%	28%	+3%	28%	+3%

EV Series

Policy Year	2007 terminal bonus scale		2008 terminal bonus scale	
	Death/Maturity	Surrender	Death/Maturity	Surrender
1	25%	0%	0%	0%
5	25%	0%	80%	30%
10	25%	0%	150%	105%
15	25%	0%	165%	125%
20	25%	20%	175%	145%
25	25%	20%	185%	165%

Other Series

Bonus Series	2007 terminal bonus scale		2008 terminal bonus scale	
	Death/Maturity	Surrender	Death/Maturity	Surrender
EV Series - Ltd Pay Living / Protection (LPLP) & PayMyUni	NA	NA	25%	Policy year 20 & after: 20%
CB, DP, SB & AD Series	25%	Policy year 10-19: 15% Policy year 20 & after: 25%	25%	Policy year 10-19: 15% Policy year 20 & after: 25%

Special bonus above is calculated as a percentage of accumulated bonus, and applicable to the policies reaching the specified events above during year 2008.

STATEMENT BY DIRECTORS

For the financial year ended 31 December 2007

In the opinion of the directors,

(a) the financial statements of the Co-operative as set out on pages 24 to 91 are drawn up so as to give a true and fair view of the state of affairs of the Co-operative as at 31 December 2007 and of the results of the business, changes in equity and cash flows of the Co-operative for the financial year ended 31 December 2007.

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

On behalf of the Board of Directors

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

25 March 2008

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NTUC INCOME INSURANCE CO-OPERATIVE LIMITED

We have audited the financial statements of NTUC Income Insurance Co-operative Limited ("Co-operative") set out on pages 24 to 91, which comprise the balance sheet as at 31 December 2007, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

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

Auditor's Responsibility

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

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

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

Opinion

As stated in Note 18 of the financial statements, the paid-up share capital of the Co-operative do not qualify as equity in accordance with the provisions of Financial Reporting Standards 32, Financial Instruments : Presentation, and should instead be classified as financial liabilities. Had it been done, the total share capital and reserves of $1,493,965,000 (2006 : $1,453,810,000) would be reflected as liabilities, and dividends paid of $34,721,000 (2006 : $25,071,000) would be reflected as a finance cost instead of a distribution to participating members.

In our opinion,
(a) except for the presentation of the paid-up share capital as equity, the financial statements of the Co-operative are properly drawn up in accordance with Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Co-operative as at 31 December 2007, and the results, changes in equity and cash flows of the Co-operative for the financial year ended on that date;
(b) proper accounting and other records have been kept; and
(c) the receipts, expenditure and investment of monies and the acquisition of assets by the Co-operative during the financial year have been in accordance with the By-laws of the Co-operative and the provisions of the Co-operative Societies Act, Chapter 62.

The financial statements for the preceding financial year were reported on by auditors other than PricewaterhouseCoopers. The auditor's report dated 23 March 2007 issued by the predecessor auditors on the financial statements for the financial year ended 31 December 2006 was unqualified, except for the presentation of the paid-up share capital as equity.

PricewaterhouseCoopers
Public Accountants and
Certified Public Accountants

Singapore, 25 March 2008

BALANCE SHEET

As at 31 December 2007

	Note	2007 Life Insurance Par Fund $000	Life Insurance Non-Par Fund $000	Investment Linked Fund $000	General Insurance Fund $000	Share holders' Fund $000	Total $000
ASSETS							
Property, plant and equipment	5	17,764	-	-	-	-	17,764
Intangible assets	6	5,893	-	-	-	-	5,893
Investment properties	7	1,124,464	-	-	-	-	1,124,464
Investment in subsidiaries	8	518	-	-	-	1,200	1,718
Investment in associates	9	84,127	-	-	20,000	-	104,127
Other financial assets	10	13,971,331	1,180,157	1,249,598	885,341	462,971	17,749,398
Loans	11	828,618	-	-	2,088	41	830,747
Derivative financial instruments	12	169,338	1,253	4,183	838	1,650	177,262
Reinsurers' share of insurance contract provisions	13	-	-	-	24,982	-	24,982
Insurance and other receivables	15	186,489	36,797	13,944	30,293	10,831	278,354
Cash and cash equivalents	16	760,774	94,979	56,405	72,200	34,767	1,019,125
		17,149,316	**1,313,186**	**1,324,130**	**1,035,742**	**511,460**	**21,333,834**
LIABILITIES							
Insurance contract provisions	13	16,386,303	851,174	1,285,752	480,558	-	19,003,787
Investment contract liabilities	14	248,686	-	-	-	-	248,686
Derivative financial instruments	12	65,847	32	2,494	-	759	69,132
Insurance and other payables	17	369,896	50,848	35,884	36,404	25,232	518,264
		17,070,732	**902,054**	**1,324,130**	**516,962**	**25,991**	**19,839,869**
NET ASSETS		**78,584**	**411,132**	**-**	**518,780**	**485,469**	**1,493,965**
SHARE CAPITAL AND RESERVES							
Share capital	18	-	-	-	-	438,800	438,800
Treasury shares	18	-	-	-	-	(13,699)	(13,699)
Reserves for future distribution	19	-	325,302	-	-	-	325,302
Accumulated surplus - shareholders' fund		-	-	-	-	60,368	60,368
Accumulated surplus - insurance funds		78,584	85,830	-	518,780	-	683,194
		78,584	**411,132**	**-**	**518,780**	**485,469**	**1,493,965**

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

BALANCE SHEET

As at 31 December 2007 (continued)

		2006					
	Note	Life Insurance Par Fund $000	Life Insurance Non-Par Fund $000	Investment Linked Fund $000	General Insurance Fund $000	Share holders' Fund $000	Total $000
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
Other financial assets	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	696,097	1,083,893	454,989	-	16,646,254
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	35,951	470,677
		14,972,833	**733,005**	**1,102,341**	**495,131**	**35,951**	**17,339,261**
NET ASSETS		**52,293**	**379,069**	**-**	**524,873**	**497,575**	**1,453,810**
SHARE CAPITAL AND RESERVES							
Share capital	18	-	-	-	-	435,795	435,795
Treasury shares	18	-	-	-	-	(10,931)	(10,931)
Reserves for future distribution	19	-	298,850	-	-	-	298,850
Accumulated surplus - shareholders' fund		-	-	-	-	72,711	72,711
Accumulated surplus - insurance funds		52,293	80,219	-	524,873	-	657,385
		52,293	**379,069**	**-**	**524,873**	**497,575**	**1,453,810**

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

PROFIT AND LOSS ACCOUNT

For the financial year ended 31 December 2007

	Note	2007 Life Insurance Par Fund $000	Life Insurance Non-Par Fund $000	Investment Linked Fund $000	General Insurance Fund $000	Shareholders' Fund $000	Total $000
Insurance premium revenue	20	1,509,863	338,216	457,476	231,060	-	2,536,615
Insurance premium ceded to reinsurers	20	(9,028)	(64,657)	-	(21,461)	-	(95,146)
Insurance premium revenue after reinsurance		1,500,835	273,559	457,476	209,599	-	2,441,469
Fee and commission income	21	30,333	8,472	-	5,790	-	44,595
Net investment income and fair value gains	22	1,580,360	88,542	86,090	94,324	25,091	1,874,407
Net income before insurance benefits, claims and expenses		**3,111,528**	**370,573**	**543,566**	**309,713**	**25,091**	**4,360,471**
Gross claims, surrenders and annuities	23	1,057,782	190,578	316,925	181,650	-	1,746,935
Bonus to policyholders	13	254,590	-	-	-	-	254,590
Increase in insurance contract provisions	13	1,648,138	132,582	201,859	5,003	-	1,987,582
Gross insurance benefits and claims		2,960,510	323,160	518,784	186,653	-	3,989,107
Reinsurers' share of insurance benefits and claims		(1,930)	(32,527)	-	(5,255)	-	(39,712)
Net insurance benefits and claims		2,958,580	290,633	518,784	181,398	-	3,949,395
Selling expenses		60,285	10,737	12,535	21,843	-	105,400
Management expenses	24	60,772	35,738	12,247	40,265	4,250	153,272
Insurance benefits, claims and expenses		**3,079,637**	**337,108**	**543,566**	**243,506**	**4,250**	**4,208,067**
Net surplus before levy and allocation of management expenses		**31,891**	**33,465**	**-**	**66,207**	**20,841**	**152,404**
Allocation of management expenses	25	72,300	-	-	(72,300)	-	-
Transfer to insurance contract provisions	13	(72,300)	-	-	-	-	(72,300)
Surplus for future distribution	19	-	(26,452)	-	-	-	(26,452)
Transfer to Shareholders' Fund		(5,600)	(1,402)	-	-	7,002	-
Contribution to Central Co-operative Fund		-	-	-	-	(25)	(25)
Contribution to Singapore Labour Foundation		-	-	-	-	(5,440)	(5,440)
Net surplus for the year		**26,291**	**5,611**	**-**	**(6,093)**	**22,378**	**48,187**

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

PROFIT AND LOSS ACCOUNT

For the financial year ended 31 December 2007 (continued)

		2006					
	Note	Life Insurance Par Fund $000	Life Insurance Non-Par Fund $000	Investment Linked Fund $000	General Insurance Fund $000	Share holders' Fund $000	Total $000
Insurance premium revenue	20	1,110,993	492,297	282,937	232,449	-	2,118,676
Insurance premium ceded to reinsurers	20	(7,106)	(85,038)	-	(18,848)	-	(110,992)
Insurance premium revenue after reinsurance		1,103,887	407,259	282,937	213,601	-	2,007,684
Fee and commission income	21	20,899	(5,320)	-	3,349	-	18,928
Net investment income and fair value gains	22	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	23	949,588	182,008	375,786	160,653	-	1,668,035
Bonus to policyholders	13	293,553	-	-	-	-	293,553
Increase in insurance contract provisions	13	1,157,674	195,756	8,423	(18,415)	-	1,343,438
Gross insurance benefits and claims		2,400,815	377,764	384,209	142,238	-	3,305,026
Reinsurers' share of insurance benefits and claims		(1,128)	(30,690)	-	(4,045)	-	(35,863)
Net insurance benefits and claims		2,399,687	347,074	384,209	138,193	-	3,269,163
Selling expenses		42,280	6,606	8,727	19,577	-	77,190
Management expenses	24	51,763	27,906	9,916	51,662	1,947	143,194
Insurance benefits, claims and expenses		**2,493,730**	**381,586**	**402,852**	**209,432**	**1,947**	**3,489,547**
Net surplus before levy		**34,493**	**89,112**	**-**	**99,808**	**34,460**	**257,873**
Surplus for future distribution		-	(47,975)	-	-	-	(47,975)
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.

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2007

	Note	Life Insurance Par Fund $000	Life Insurance Non-Par Fund $000	General Insurance Fund $000	Share holders' Fund $000	Total $000
Share capital						
At 1 January 2006		-	-	-	432,518	432,518
Issuance of participating shares	18	-	-	-	4,816	4,816
Redemption of participating shares	18	-	-	-	(1,539)	(1,539)
At 31 December 2006		**-**	**-**	**-**	**435,795**	**435,795**
At 1 January 2007		-	-	-	435,795	435,795
Issuance of participating shares	18	-	-	-	4,679	4,679
Redemption of participating shares	18	-	-	-	(1,674)	(1,674)
At 31 December 2007		**-**	**-**	**-**	**438,800**	**438,800**
Accumulated surplus						
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)
At 31 December 2006		**52,293**	**80,219**	**524,873**	**72,711**	**730,096**
At 1 January 2007		52,293	80,219	524,873	72,711	730,096
Surplus for the year		26,291	5,611	(6,093)	22,378	48,187
Dividends for 2006 paid	27	-	-	-	(34,721)	(34,721)
At 31 December 2007		**78,584**	**85,830**	**518,780**	**60,368**	**743,562**
Surplus for future distribution						
At 1 January 2006 as previously reported		-	-	-	-	-
Transfer from insurance contract provisions	13	-	250,875	-	-	250,875
At 1 January 2006 as restated		-	250,875	-	-	250,875
Surplus for the year		-	47,975	-	-	47,975
At 31 December 2006		**-**	**298,850**	**-**	**-**	**298,850**
At 1 January 2007		-	298,850	-	-	298,850
Surplus for the year		-	26,452	-	-	26,452
At 31 December 2007		**-**	**325,302**	**-**	**-**	**325,302**
Treasury shares						
At 1 January 2006 as previously reported		-	-	-	-	-
Issuance of treasury shares		-	-	-	(8,311)	(8,311)
At 1 January 2006 as restated		-	-	-	(8,311)	(8,311)
Issuance of treasury shares	18	-	-	-	(2,620)	(2,620)
At 31 December 2006		**-**	**-**	**-**	**(10,931)**	**(10,931)**
At 1 January 2007		-	-	-	(10,931)	(10,931)
Issuance of treasury shares	18	-	-	-	(2,768)	(2,768)
At 31 December 2007		**-**	**-**	**-**	**(13,699)**	**(13,699)**
At 31 December 2006		52,293	379,069	524,873	497,575	1,453,810
At 31 December 2007		**78,584**	**411,132**	**518,780**	**485,469**	**1,493,965**

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

CASH FLOW STATEMENT

For the financial year ended 31 December 2007

	Note	2007 $000	2006 $000
Operating activities			
Net surplus after levy		**48,187**	196,203
Adjustments for:			
Contribution to Central Co-operative Fund and Singapore Labour Foundation		**5,465**	13,695
Depreciation of property, plant and equipment		**2,945**	5,353
Amortisation of intangible assets		**3,490**	149
Loss/(gain) on disposal of property, plant and equipment		**2**	(56)
Interest income		**(62,267)**	(408,377)
Dividend income		**(302,580)**	(247,124)
Gains on changes in fair value of other financial assets		**(1,231,282)**	(986,360)
Gains in fair value of investment properties		**(292,676)**	(60,194)
Loss on disposal of subsidiaries		**2,136**	-
Gain on disposal of an associate		**(29,338)**	-
Allowance for doubtful loans		**-**	21
Allowance for doubtful loans written back		**(2,775)**	(790)
Loans written off		**6,589**	-
Allowance for doubtful receivables		**1,929**	1,297
Bonus to policyholders		**254,590**	293,553
Increase in provision for unexpired risks		**36,938**	5,418
Increase in insurance contract provisions		**2,086,334**	1,391,036
Operating cash flows before changes in working capital		**527,687**	203,824
Changes in working capital:			
Insurance and other receivables		**(110,788)**	(43,192)
Insurance and other payables		**47,587**	87,290
Investment contract liabilities		**88,502**	160,185
Cash generated from operations		**552,988**	408,107
Contributions to Singapore Labour Foundation		**(13,670)**	(9,676)
Contributions to Central Co-operative Fund		**(25)**	(25)
Cash flows from operating activities		**539,293**	398,406
Investing activities			
Purchase of property, plant and equipment		**(13,321)**	(34,618)
Purchase of intangible assets		**(3,554)**	(1,439)
Proceeds from disposal of property, plant and equipment and intangible assets		**159**	966
Proceeds from disposal of subsidiaries		**519**	-
Proceeds from disposal of an associate		**38,838**	-
Interest received		**62,283**	410,327
Dividends received		**301,689**	247,124
Increase in investments (net)		**(820,373)**	(879,653)
Decrease in loans (net)		**51,826**	92,117
Cash flows from investing activities		**(381,934)**	(165,176)
Financing activities			
Proceeds from issuance of participating shares		**3,005**	3,277
Dividends paid to participating members		**(34,721)**	(25,071)
Cash flows from financing activities		**(31,716)**	(21,794)
Net increase in cash and cash equivalents		**125,643**	211,436
Cash and cash equivalents at beginning of the year		**893,482**	682,046
Cash and cash equivalents at end of the year	16	**1,019,125**	893,482

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

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").

The financial statements have been presented in Singapore dollars and rounded to the nearest thousand, unless otherwise stated. They are prepared under the historical cost basis except as disclosed in the accounting policies below.

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

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

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

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 asse ts 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, other financial assets and insurance contract provisions.

2. Significant accounting policies (continued)

(b) Fund accounting

Life Insurance Par Fund

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

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

Life Insurance Non-Par Fund

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

Investment Linked Fund

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

General Insurance Fund

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

Shareholders' Fund

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

(c) Classification of insurance and investment contracts

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

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

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Such contracts may also transfer financial risks. 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.

2. Significant accounting policies (continued)

(d) Insurance contracts

(i) Recognition and measurement

Life Insurance Contracts

Premium revenue

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

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

Claims

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

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

Insurance contract provisions - Life Insurance Non-Par Fund

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

2. Significant accounting policies (continued)

(d) Insurance contracts (continued)

(i) Recognition and measurement (continued)

Life Insurance Contracts (continued)

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

Claims

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

Salvage and subrogation reimbursements

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

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

Insurance contract provisions - General Insurance Fund

Provision for unexpired risks

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

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

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

Provision for insurance claims

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

2. Significant accounting policies (continued)

(d) Insurance contracts (continued)

(i) Recognition and measurement (continued)

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 is 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. This is in accordance with FRS 14 - Insurance Contracts.

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

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

(iii) Accumulated surplus - Life Insurance Par Fund

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

(iv) Reinsurance

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

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

(v) 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.

2. Significant accounting policies (continued)

(d) Insurance contracts (continued)

(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's 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)).

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

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

Investment income

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

Rental income from investment properties is recognised as revenue on 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 nor available-for-sale 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.

2. Significant accounting policies (continued)

(f) Employee benefits

Defined contribution plans

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

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. This scheme was terminated in 2007.

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

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 SLF or CCF.

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

(h) Foreign currency translation

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.

2. Significant accounting policies (continued)

(i) Property, plant and equipment

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

Depreciation on other property, plant and equipment is calculated on a straight-line basis to allocate their depreciable 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
Renovation	5 years
Computer equipment	5 years

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

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.

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

(j) Intangible assets

Intangible assets include cost of computer software acquired.

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

Computer software licenses are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to the profit and loss account using the straight-line method over their estimated useful lives of 5 years.

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

2. Significant accounting policies (continued)

(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 by the Life Insurance Par Fund, the Life Insurance Non-Par Fund, the General Insurance Fund and the Shareholders' Fund. An interfund rent (at market rates) is charged to the Life Insurance Non-Par Fund, the General Insurance Fund and the Shareholders' Fund based on their use of each investment property. This ensures that the Life Insurance Par Fund receives the full benefit of its investments within the Par Fund.

(l) Investment in subsidiaries

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

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

(m) Investment in associates

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

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

2. Significant accounting policies (continued)

(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.

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

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

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

Changes in the fair value of monetary assets denominated in a foreign currency and classified as available-for-sale are analysed into translation differences resulting from changes in amortised cost of the asset and other changes. The translation differences are recognised in the profit and loss account, and other changes are recognised in the fair value reserve. Changes in fair values of other monetary and non-monetary assets that are classified as available-for-sale are recognised in the fair value reserve.

Unquoted equities, including investments in private equity funds, are stated at fair value unless this fair value cannot be reliably measured, in which case they are stated at cost less accumulated impairment losses.

2. Significant accounting policies (continued)

(n) Investments and other financial assets (continued)

Derivative financial instruments

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.

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

Fair value estimation

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

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

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.

2. Significant accounting policies (continued)

(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 the contract. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account.

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

2. Significant accounting policies (continued)

(o) Impairment of assets (continued)

Financial assets, available-for-sale

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

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

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

Impairment of non-financial assets

Assets that 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 accumulated 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.

2. Significant accounting policies (continued)

(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 of $10 each or the net asset value of the Co-operative based on the last balance sheet date, whichever is lower. The maximum number of shares which may be redeemed at the end of any year shall not exceed 10% of the shares outstanding at the prior year's balance sheet date. In practice, the number of shares redeemed each year is less than 1% of the total number of shares.

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

(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

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

Mortality and Morbidity

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

Persistency

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

Discount Rates

The discount rates used in the Life Insurance Non-Par Fund are derived from the yields of Singapore Government Securities. The discount rates used in the Life Insurance Par Fund are derived 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 the expected long term inflation rate and is based on published inflation rate by the Department of Statistics of Singapore.

3. Critical accounting estimates and judgements (continued)

Insurance Contract Provisions for Life Insurance (continued)

Valuation Methodology (continued)

Future Bonuses

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

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 Year 1 to Year 15, Long Term Rates thereafter PL*: Risk Free Rates + Risk Premium
Provision for adverse deviation (PAD)	Half of C1 (Insurance Risk charge) PAD
Lapse / Surrender Rate	0.0% to 12.0% depending on type of product
Selling Expense	Based on current commission structure
Management Expense	Renewal expense of $35 per policy
Inflation Rate	1.75%
Non-guaranteed future bonus	2007 Bonus Rates
Mortality (Death & TPD)	90.00% to 116.5% of S9702M/F or a(90) or MSO8893 or Singapore Population Rate whichever is the appropriate mortality table
Mortality/ Morbidity Rate (Death, TPD & Dread Disease)	Adjusted Mortality / Morbidity Table compiled by the Monetary Authority of Singapore
Mortality Rate (Annuities)	Adjusted a(90) mortality table with age reduction

** Note: MCL - Minimum Condition Liability; PL - Policy Liability valuation bases*

3. Critical accounting estimates and judgements (continued)

Insurance Contract Provisions for Life Insurance (continued)

Effect of Changing Assumptions Used for Life Liability Valuation

For the valuation as at 31 December 2007, the Co-operative has updated the liability valuation assumptions as compared to 1 January 2007 valuation assumptions. The impact of the changes in the valuation assumptions is in the table shown below:

Life Insurance Par Fund

Changes in sequence	$ Change in Insurance Contract Provision for guaranteed benefits (m)	% Change in Insurance Contract Provision for guaranteed benefits*
Reshaping of Bonus Structure	-60	-0.7%
Decrease in Annuity Mortality	100	1.1%
Reshaping of Management Expenses	17	0.2%
Reshaping of Sales Expenses & Commission	-2	0.0%

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

Life Insurance Non-Par Fund

The Risk Free Rates were updated to 31 December 2007. No other changes were made to the Non-Par Fund valuation assumptions.

Insurance Contract Provisions for General Insurance

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

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

Valuation methodology

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

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

3. Critical accounting estimates and judgements (continued)

Insurance Contract Provisions for General Insurance (continued)

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 2007 is $326 million as compared to net claims liability of $314 million.

The premium liability on gross basis is $155 million as compared to net premium liability of $141 million.

3. Critical accounting estimates and judgements (continued)

Insurance Contract Provisions for General Insurance (continued)

Development and movement of general insurance claim liabilities

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

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

Claims development table 2006 Accident year	2001	2002	2003	2004	2005	2006	($000) 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	13,224	32,519
Best estimate of gross claim liability before recoveries	3,850	9,772	25,400	50,503	84,011	118,943	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

4. Management of insurance and financial risks

(a) Life Insurance Contracts Risk Management

Insurance Risk in Life Funds

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

Terms and Conditions of Life Insurance Contracts

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

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

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

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

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

Mortality risks are selected through underwriting and appropriate premiums are charged based on the level of risks that applicants bring in. The mortality tables used for pricing are based on the Co-operative's best estimates from its annual experience studies. The levels of mortality risks are determined by age, gender, and underwriting experience. Applicants that have mortality risks higher than the Co-operative's tolerance level will be referred to the reinsurance companies. For new business written in 2007, 5.8% of the contracts written had exceeded the Cooperative's retention limit.

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

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

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

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

4. Management of insurance and financial risks (continued)

(a) Life Insurance Contracts Risk Management (continued)

Sensitivity Analysis

Life Insurance Par Fund

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

Assumption	Change	Impact On Non-Guaranteed Benefit Liabilities ($mil)	Impact On Non-Guaranteed Benefit Liabilities (%)
Interest rates	+1% -1%	+938 -1,223	+10.4% -13.5%
Mortality/morbidity/longevity			
• life insurance contracts, excluding annuities	+20%	-249	-2.8%
• annuities contracts	Mortality Improvement of 1 Year	-27	-0.3%
Lapses	+20%	-402	-4.4%

The non-guaranteed benefit liabilities in the sensitivity analysis represent the value of future bonus and transfers. Assuming policy assets remain the same, a dollar reduction in the guaranteed benefit liabilities results in an additional dollar available for future bonus and transfer. If interest rates are increased by 1%, the non-guaranteed benefit liabilities are increased by 10.4%. This would mean that future bonus and transfers may be increased by 10.4%.

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

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

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

4. Management of insurance and financial risks (continued)

(a) Life Insurance Contracts Risk Management (continued)

Sensitivity Analysis (continued)

Life Insurance Non-Par Fund

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

Assumption	Change	Impact On Liabilities ($mil)	Impact On Liabilities (%)
Interest rates	+1% -1%	-143 227	-17% 27%
Mortality/morbidity	ELS : +11.1% DPS : +5%	131	15%

For the Life Insurance Non-Par Fund, the analysis is done with respect to the liabilities of the fund. If interest rates increase by 1% across the board, the value of liabilities decreases by $143 million, and a corresponding amount will be recognised as surplus.

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

(b) General Insurance Contracts Risk Management

General Insurance Risks

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

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

Terms and Conditions of General Insurance Contracts

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

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

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

4. Management of insurance and financial risks (continued)

(b) General Insurance Contracts Risk Management (continued)

Terms and Conditions of General Insurance Contracts (continued)

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

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

Objectives of managing risks and policies for mitigating risks

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

Underwriting insurance contracts involves the pooling of a large number of uncorrelated risks to reduce relative variability. The Co-operative adopts the following measures to manage the general insurance risks:
- underwriting standards - to select risks and control exposure in accordance to established guidelines.
- claims control - to pay claims fairly and control claim wastage or fraud.
- pricing and reserving standards - to ensure adequate pricing for risks and valuation of insurance liabilities.
- reinsurance protection - to limit exposure to large insurance contracts and large claims.

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

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

Geographically our risks are concentrated in Singapore. Concentration risk arising from natural catastrophes is negligible as the exposure to natural disasters in Singapore is minimal from historical experience. 70% of the Co-operative's general insurance portfolio is motor insurance with risks well diversified across private cars, commercial vehicles, motorcycles, buses and taxis.

Sensitivity analysis

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

Net claim liabilities ($ mil)	2007 $000	2006 $000
Assumed loss ratio for Bornhuetter-Ferguson method increase by 20%	**19,809**	20,594
Assumed loss ratio for Bornhuetter-Ferguson method decrease by 20%	**(19,809)**	(20,594)

4. Management of insurance and financial risks (continued)

(c) Financial risk

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

The management of these risks lies with the Risk Management and Investment Committees 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 Par 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%

4. Management of insurance and financial risks (continued)

(c) Financial risk (continued)

(i) Interest rate risk and market risk (continued)

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	484,152	0	1,113,972	0.0
1-5 years	2,749,544	2.1	3,555,993	2.8
6-10 years	2,375,975	2.7	2,844,510	3.1
11-15 years	1,344,018	3.4	561,599	3.3

The remaining liabilities 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.

Life Insurance Non-Par Fund

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

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 limits its exposures to foreign exchange risk arising from foreign currency denominated bonds using foreign exchange forward contracts and currency swaps. This mitigates the risk that the fair value of these investments fluctuates as a result of changes in foreign exchange rates.

4. Management of insurance and financial risks (continued)

(c) Financial risk (continued)

(iii) Currency risk (continued)

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

At 31 December 2007	SGD $000	USD $000	Euro $000	GBP $000	Others $000	Total $000
2007						
Assets						
Property, plant and equipment	17,764	-	-	-	-	17,764
Intangible assets	5,893	-	-	-	-	5,893
Investment properties	1,124,464	-	-	-	-	1,124,464
Investment in subsidiaries	1,200	-	-	-	518	1,718
Investment in associates	104,127	-	-	-	-	104,127
Investments						
- Equities	3,012,171	1,094,037	324,796	150,529	1,829,450	6,410,983
- Debt securities	9,193,633	1,155,215	437,417	92,091	460,059	11,338,415
- Collective Investment Schemes	-	-	-	-	-	-
Loans	830,747	-	-	-	-	830,747
Derivative financial instruments*	3,652,606	(1,752,499)	(481,390)	(221,265)	(1,089,322)	108,130
Reinsurers' share of insurance contract provisions	24,982	-	-	-	-	24,982
Insurance and other receivables	278,354	-	-	-	-	278,354
Cash and cash equivalents	774,408	111,315	4,082	5,159	124,161	1,019,125
Total Assets	19,020,349	608,068	284,905	26,514	1,324,866	21,264,702
Liabilities						
Insurance contract provisions	19,003,787	-	-	-	-	19,003,787
Investment contract provisions	248,686	-	-	-	-	248,686
Insurance and other payables	518,264	-	-	-	-	518,264
Total Liabilities	19,770,737	-	-	-	-	19,770,737

* Presented as net position in foreign currency

4. Management of insurance and financial risks (continued)

(c) Financial risk (continued)

(iii) Currency risk (continued)

At 31 December 2006	SGD $000	USD $000	Euro $000	GBP $000	Others $000	Total $000
2006						
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	4,959,529
- 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	16,633,666	-	-	-	12,588	16,646,254
Investment contract provisions	160,185	-	-	-	-	160,185
Insurance and other payables	470,493	-	-	-	-	470,493
Total Liabilities	17,264,344	-	-	-	12,588	17,276,932

* Presented as net position in foreign currency

4. Management of insurance and financial risks (continued)

(c) Financial risk (continued)

(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
2007						
Debt securities:						
- Government securities	5,629,837	151,468	32,041	9,000	790,560	6,612,906
- Corporate bonds and public authority	639,099	820,010	1,026,860	129,300	2,110,239	4,725,508
Loans	-	-	-	-	830,747	830,747
Total	6,268,936	971,478	1,058,901	138,300	3,731,546	12,169,161
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

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

Other financial assets and other financial liabilities

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

4. Management of insurance and financial risks (continued)

(c) Financial risk (continued)

(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 Collateralised debt obligations ("CDOs")

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

The fair values 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

5. Property, plant and equipment

Life Insurance Par Fund

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

	Property under development $000	Office equipment $000	Furniture and fittings $000	Computer equipment $000	Motor vehicles $000	Renovation $000	Total $000
2006							
Cost							
At 1 January 2006	71,031	4,346	5,059	17,674	505	7,704	106,319
Additions	30,127	587	631	3,720	185	-	35,250
Disposals	-	(4)	-	(233)	(245)	(1,530)	(2,012)
At 31 December 2006	101,158	4,929	5,690	21,161	445	6,174	139,557
Accumulated depreciation							
At 1 January 2006	-	2,835	4,020	12,063	490	4,808	24,216
Charge for the year	-	620	402	3,871	48	412	5,353
Disposals	-	(2)	-	(223)	(245)	-	(470)
At 31 December 2006	-	3,453	4,422	15,711	293	5,220	29,099
Carrying amount At 31 December 2006	**101,158**	**1,476**	**1,268**	**5,450**	**152**	**954**	**110,458**

6. Intangible assets

Life Insurance Par Fund

	2007 $000	2006 $000
Cost		
At 1 January	**8,402**	6,963
Additions	**3,554**	1,439
At 31 December	**11,956**	8,402
Accumulated amortisation		
At 1 January	**2,573**	2,424
Charge for the year	**3,490**	149
At 31 December	**6,063**	2,573
Carrying amount at 31 December	**5,893**	5,829

7. Investment properties

Life Insurance Par Fund

	2007 $000	2006 $000
At 1 January	**728,879**	668,685
Transfer from plant, property and equipment (Note 5)	**102,909**	-
Net fair value recognised in the profit and loss account	**292,676**	60,194
At 31 December	**1,124,464**	728,879

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

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

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

	2007 $000	2006 $000
Rental income	**50,783**	43,448
Direct operating expenses arising from investment properties that generated rental income	**(14,339)**	(15,512)

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 2007 are as follows:

Name	Principal activities	Interest held by Co-operative		Cost of investments	
		2007 %	2006 %	**2007 $000**	2006 $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 and fitness centres and advertising agency	**100**	100	**1,079**	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	**-**	2,100
Allowance for impairment				**(1,079)**	(7,025)
				1,200	3,275
				1,718	3,793

As at 31 December 2007, investments in subsidiaries held through NTUC Income Enterprises Pte Ltd (NIE), a 100% owned subsidiary of the Co-operative, are as follows:

Name	Principal activities	Interest held by NIE		Cost of investments	
		2007 %	2006 %	**2007 $000**	2006 $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)

Movements in allowance for impairment losses are as follows:

	2007 $000	2006 $000
Life Insurance Par Fund		
At 1 January and 31 December	**13,258**	13,258
Shareholders' Fund		
At 1 January	**7,025**	7,025
Accumulated losses written off	**(5,946)**	-
At 31 December	**1,079**	7,025

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

	2007		2006	
	Share of profit/(loss) for the year $000	Share of attributable net tangible assets/ (liabilities) $000	Share of profit/(loss) for the year $000	Share of attributable net tangible assets/ (liabilities) $000
Life Insurance Par Fund				
NTUC Income International Pte Ltd	**2,479**	**(15,108)**	3,426	(17,586)
NTUC Co-operatives Suzhou Investments Pte Ltd	**233**	**3,871**	1,839	4,917
Shareholders' Fund				
NTUC Income Enterprises Pte Ltd	**1,865**	**3,929**	827	1,906
NTUC Income Car Co-operative Ltd	**(106)**	**2,085**	(200)	2,203
NTUC Income Asset Management Ltd	**-**	**(20)**	-	(20)
Snow Venture Pte Ltd	**-**	**-**	(228)	98
Held through NTUC Income Enterprises Pte Ltd				
NTUC Income e-Remit Pte Ltd (formerly known as NTUC Income e-Finance Pte Ltd & Singapore Dress Pte Ltd)	**-**	**15**	-	15
NTUC Income Travel Pte Ltd	**-**	**30**	-	30
I-Map Pte Ltd	**-**	**(129)**	-	(15)
e-Lifestyle (S) Ltd	**-**	**(189)**	-	(15)
Income Dotcom Ltd	**-**	**(4)**	-	(11)
Big Trumpet Ltd	**69**	**(2,106)**	(186)	(1,996)
	4,540	**(7,626)**	5,478	(10,474)

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

8. Investment in subsidiaries (continued)

Disposals

Snow Venture Pte Ltd

During the year, the Co-operative sold its entire shareholdings in Snow Venture Pte Ltd to Science Centre Holdings Pte Ltd for a consideration of S$1. On disposal, the difference between the disposal proceeds and the carrying amount of the investment is recognised as a loss of $2.1million in the profit and loss account.

Call Centre One Pte Ltd

Call Centre One Pte Ltd became a directly owned subsidiary of the Co-operative on 1 September 2007 as part of the Co-operative's re-structuring and divestment plans. Previously, it operated as a business division of NTUC Income Enterprises Pte Ltd, a wholly owned subsidiary of the Cooperative. In September 2007, NTUC Income Enterprises Pte Ltd agreed to transfer the Call Centre One business, as a going concern to the Co-operative for a sale consideration of $0.8million. In October 2007, the Cooperative divested 70% of its shareholdings in Call Centre One Pte Ltd to RE Holdings Private Limited for a consideration of $0.5million. The difference between the disposal proceeds and the carrying amounts of the investments is recognised as a loss of $0.03million in the profit and loss account.

After the disposal of 70% shareholdings, Call Centre One Pte Ltd is accounted for as an associate (Note 9).

9. Investment in associates

The investment in associates is as follows:

Name of company	Country of incorporation	Principal activities	Interest held by Co-operative 2007 %	Interest held by Co-operative 2006 %	Cost of investments 2007 $000	Cost of investments 2006 $000
Life Insurance Par Fund						
Falcon-Air Holdings Pte Ltd	Singapore	Investment holding	**23**	23	**2,150**	2,150
MegaTalk Pte Ltd	Singapore	Provision of internet phone solutions	**40**	40	**200**	200
NTUC Choice Homes Co-operative Ltd	Singapore	Property development	**25**	25	**20,000**	20,000
Savu Properties Ltd	Singapore	Property development	**-**	25	**-**	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**	21	**61,172**	61,172
					84,227	93,727
Less allowance for impairment					**(100)**	(100)
					84,127	93,627
Shareholders' Fund						
Call Centre One Pte Ltd	Singapore	Provision of Call Centre services	**30**	-	**238**	-
Less allowance for impairment					**(238)**	-
					-	-
General Insurance Fund						
ACAL Holdings Pte Ltd	Singapore	Investment holding	**26**	26	**20,000**	20,000
Total					**104,127**	113,627

Movements in allowance for impairment losses are as follows:

	2007 $000	2006 $000
Life Insurance Par Fund		
At 1 January	**100**	-
Allowance made during the year	**-**	100
At 31 December	**100**	100
Shareholders' Fund		
At 1 January	**-**	-
Allowance made during the year	**238**	-
At 31 December	**238**	-

9. Investment in associates (continued)

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

	2007		2006	
	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	**17**	**3,188**	(42)	3,177
MegaTalk Pte Ltd	**(10)**	**94**	(10)	96
NTUC Choice Homes Co-operative Ltd	**7,880**	**69,883**	1,549	61,214
Savu Properties Ltd	**-**	**-**	11,649	16,688
One Marina Property Services Pte Ltd (formerly known as SLF Management Services Pte Ltd)	**334**	**1,624**	203	1,237
Vicom Assessment Centre Pte Ltd	**4**	**361**	(107)	357
Asia Pacific Investment Company No 2 Ltd	**21,018**	**129,955**	7,459	101,000
Shareholders' Fund				
Call Centre One Pte Ltd	**31**	**(51)**	-	-
General Insurance Fund				
ACAL Holdings Pte Ltd	**314**	**20,337**	426	20,543
	29,588	**225,391**	21,127	204,312

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

Disposals

During the year, the Co-operative divested its 25% holdings in Savu Properties Ltd for a consideration of $38.8million. On disposal, the difference between the disposal proceeds and the carrying amount of the investment is recognised as a gain of $29.3million in the profit and loss account.

10. Other financial assets

	2007					
	Life Insurance Par Fund $000	Life Insurance Non Par Fund $000	Investment Linked Fund $000	General Insurance Fund $000	Share holders' Fund $000	Total $000
Investments designated at fair value through profit or loss						
Quoted equities and funds	4,654,051	174,254	826,656	-	439,794	6,094,755
Debt securities	9,004,513	1,005,903	422,942	882,334	22,723	11,338,415
Total investments designated at fair value through profit or loss	13,658,564	1,180,157	1,249,598	882,334	462,517	17,433,170
Available-for-sale investments						
Unquoted equities and funds	312,767	-	-	3,007	454	316,228
Total investments	13,971,331	1,180,157	1,249,598	885,341	462,971	17,749,398
To be settled within 12 months	1,166,300	128,052	76,168	122,791	-	1,493,311
To be settled after 12 months	12,805,031	1,052,105	1,173,430	762,550	462,971	16,256,087
	13,971,331	1,180,157	1,249,598	885,341	462,971	17,749,398

Fair value of Collateralised Debt Obligations ("CDOs")

Included in the debt securities held by Life Insurance Par Fund as at 31 December 2007 are the following Collateralised Debt Obligations ("CDOs"):

	Asset Backed Securities ("ABS") $ million	Others $ million	Total $ million
Cost	245	240	485
Fair value change	(245)	(97)	(342)
Fair value as at 31 December 2007	-	143	143

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

The Co-operative accounts for its CDO exposures on a fair-value basis with all changes in fair value recorded in the profit and loss account. The Co-operative's CDO exposures are subject to valuation based on management's best estimates of facts and circumstances as of the date of these financial statements. The best estimates incorporate a variety of inputs, including indicative pricing quotes received from vendor banks using their respective valuation methodology, the performance of related credit derivatives based on sub-prime mortgages and other corporate loan exposures, cash flow data on interest servicing, interest and collateralization covers on specific CDO tranches and credit rating developments of the CDO tranches.

10. Other financial assets (continued)

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

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

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

	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						
Quoted equities and funds	4,368,173	138,820	718,365	258,541	61,328	5,545,227
Debt securities	7,888,922	816,854	347,525	596,366	387,636	10,037,303
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
To be settled within 12 months	536,657	154,559	37,798	39,982	61,724	830,720
To be settled after 12 months	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

Debt securities held by Life Insurance Par Fund in 2006 included $24.4million of Singapore Government Securities which were segregated assets of the surplus account maintained in accordance with Insurance (Valuation and Capital) Regulations 2004. In 2007, cash and cash equivalents are the segregated assets of the surplus account maintained in accordance with the Regulations (refer to Note 16).

10. Other financial assets (continued)

Life Insurance Par Fund

Loans of quoted equities 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 2007 was $59.1million (2006: $44.7 million). These collateral were in respect of equity investments designated as fair value through profit or loss, which were lent to financial institutions. The fair values of these equity investments were $56.2million (2006: $42.2 million) at 31 December 2007.

Shareholders' Fund

Singapore government securities

Included in debt securities of Shareholders' Fund is $1.3 million (2006: $1.3 million) with nominal value of $1.2 million (2006: $1.2 million) in Singapore government securities deposited with the Monetary Authority of Singapore as statutory deposits under the Insurance Act for the life and general insurance businesses.

11. Loans

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

	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
Consumer loans	265,711	-	-	2,924	67	268,702
Loans on policies	490,217	-	-	-	-	490,217
Impairment loss	(20,978)	-	-	(53)	(1)	(21,032)
	842,639	-	-	12,871	10,788	866,298
To be settled within 12 months	38,536	-	-	2,871	66	41,473
To be settled after 12 months	804,103	-	-	10,000	10,722	824,825
	842,639	-	-	12,871	10,788	866,298

11. Loans (continued)

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

	2007 $000	2006 $000
Term loans to subsidiaries		
- secured	**6,817**	8,761
Term loans to companies in which the Co-operative has an equity interest		
- secured	**-**	200
- unsecured	**-**	19,774
Loans to key personnel of the Co-operative		
- secured	**-**	437
	6,817	29,172

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

	Life Insurance Par Fund $000	Life Insurance Non Par Fund $000	Investment Linked Fund $000	General Insurance Fund $000	Share holders' Fund $000	Total $000
2007						
At 1 January	20,978	-	-	53	1	21,032
Allowance made during the year	-	-	-	-	-	-
Allowance written back during the year	(2,760)	-	-	(15)	-	(2,775)
Allowance written off	(13,499)	-	-	-	(1)	(13,500)
At 31 December	4,719	-	-	38	-	4,757
2006						
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

12. Derivative financial instruments

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

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For the financial year ended 31 December 2007

12. Derivative financial instruments (continued)

	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
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	-	-	-
Interest rate swaps	3,533	485	-	485
	3,624	485	-	485
Shareholders' Fund				
Cross currency swaps	2,239	307	-	307
Total	6,075,862	83,642	62,145	21,497

13. Insurance contract provisions

	2007				
	Life Insurance Par Fund $000	Life Insurance Non Par Fund $000	Investment Linked Fund $000	General Insurance Fund $000	Total $000
Gross					
Provision for claims and loss adjustment expenses	-	148,498	-	325,843	474,341
Provision for unexpired risks	-	98,843	-	154,715	253,558
Provision for future non-participating benefits	1,059,006	603,833	-	-	1,662,839
Provision for future participating benefits					
- Guaranteed benefits	7,750,445	-	-	-	7,750,445
- Non-Guaranteed benefits	7,576,852	-	-	-	7,576,852
Provision for investment linked contracts	-	-	1,285,752	-	1,285,752
Total insurance contract provisions, gross	16,386,303	851,174	1,285,752	480,558	19,003,787
Reinsurance					
Provision for claims and loss adjustment expenses	-	-	-	11,695	11,695
Provision for unexpired risks	-	-	-	13,287	13,287
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	-	-	-	24,982	24,982
Net					
Provision for claims and loss adjustment expenses	-	148,498	-	314,148	462,646
Provision for unexpired risks	-	98,843	-	141,428	240,271
Provision for future non-participating benefits	1,059,006	603,833	-	-	1,662,839
Provision for future participating benefits					
- Guaranteed benefits	7,750,445	-	-	-	7,750,445
- Non-Guaranteed benefits	7,576,852	-	-	-	7,576,852
Provision for investment linked contracts	-	-	1,285,752	-	1,285,752
Total insurance contract provisions, net	16,386,303	851,174	1,285,752	455,576	18,978,805

13. Insurance contract provisions (continued)

	2006				
	Life Insurance Par Fund $000	Life Insurance Non Par Fund $000	Investment Linked Fund $000	General Insurance Fund $000	Total $000
Gross					
Provision for claims and loss adjustment expenses	-	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	506,336	-	-	1,681,087
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	696,097	1,083,893	454,989	16,646,254
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	506,336	-	-	1,681,087
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	696,097	1,083,893	436,130	16,627,395

13. Insurance contract provisions (continued)

Movements in insurance contract provisions

Life Insurance Par Fund

Provision for future participating/non-participating benefits

	2007			2006		
	Gross $000	Reinsurance $000	Net $000	Gross $000	Reinsurance $000	Net $000
At 1 January	14,411,275	-	14,411,275	12,960,048	-	12,960,048
Increase in insurance contract provisions	1,648,138	-	1,648,138	1,157,674	-	1,157,674
Transfer of recovery of allocated expenses	72,300	-	72,300	-	-	-
Bonus to policyholders	254,590	-	254,590	293,553	-	293,553
At 31 December	16,386,303	-	16,386,303	14,411,275	-	14,411,275

Life Insurance Non-Par Fund

(a) Provision for unexpired risks

	2007			2006		
	Gross $000	Reinsurance $000	Net $000	Gross $000	Reinsurance $000	Net $000
At 1 January	76,348	-	76,348	65,963	-	65,963
Movements for the year	22,495	-	22,495	10,385	-	10,385
At 31 December	98,843	-	98,843	76,348	-	76,348

(b) Provisions for future non-participating benefits, claims and loss adjustment expenses

	2007			2006		
	Gross $000	Reinsurance $000	Net $000	Gross $000	Reinsurance $000	Net $000
At 1 January as previously reported	918,599	-	918,599	674,868	-	674,868
Transfer to reserves for future distribution	(298,850)	-	(298,850)	(250,875)	-	(250,875)
At 1 January as restated	619,749	-	619,749	423,993	-	423,993
Increase in insurance contract provisions	132,582	-	132,582	195,756	-	195,756
At 31 December	752,331	-	752,331	619,749	-	619,749
At 31 December (a) + (b)	851,174	-	851,174	696,097	-	696,097

13. Insurance contract provisions (continued)

Movements in insurance contract provisions (continued)

Investment Linked Fund

Provision for investment linked contracts

	2007 Gross $000	2007 Reinsurance $000	2007 Net $000	2006 Gross $000	2006 Reinsurance $000	2006 Net $000
At 1 January	1,083,893	-	1,083,893	1,075,470	-	1,075,470
Increase in insurance contract provisions	201,859	-	201,859	8,423	-	8,423
At 31 December	1,285,752	-	1,285,752	1,083,893	-	1,083,893

General Insurance Fund

(a) Provision for claims and loss adjustment expenses

	2007 Gross $000	2007 Reinsurance $000	2007 Net $000	2006 Gross $000	2006 Reinsurance $000	2006 Net $000
At 1 January	320,459	(11,314)	309,145	338,874	(10,937)	327,937
Cash paid for claims settled in the year	(182,285)	5,891	(176,394)	(160,653)	3,668	(156,985)
Movements for the year	187,669	(6,272)	181,397	142,238	(4,045)	138,193
At 31 December	325,843	(11,695)	314,148	320,459	(11,314)	309,145

(b) Provision for unexpired risks

	2007 Gross $000	2007 Reinsurance $000	2007 Net $000	2006 Gross $000	2006 Reinsurance $000	2006 Net $000
At 1 January	134,530	(7,545)	126,985	140,310	(8,358)	131,952
Movements for the year	20,185	(5,742)	14,443	(5,780)	813	(4,967)
At 31 December	154,715	(13,287)	141,428	134,530	(7,545)	126,985
At 31 December (a) + (b)	480,558	(24,982)	455,576	454,989	(18,859)	436,130

14. Investment contract liabilities

Life Insurance Par Fund

	2007 $000	2006 $000
Investment contract liabilities	**248,686**	160,185
To be settled within 12 months	**75,182**	20,261
To be settled after 12 months	**173,504**	139,924

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

15. Insurance and other receivables

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

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	-	22,284	-	54,953
Accrued interest receivable	308	23	1	436	34	802
Investment receivables	44,539	6,273	-	3,439	1,317	55,568
Trade receivables	-	12,256	-	-	-	12,256
Other receivables	4,442	42	-	51	10,050	14,585
Interfund balances	-	-	-	-	34,389	34,389
	75,062	25,490	1	26,210	45,790	172,553
Less allowance for impairment loss	(74)	(797)	-	(2,186)	-	(3,057)
	74,988	24,693	1	24,024	45,790	169,496

Included in other receivables are amounts due from subsidiaries of $4,627,000 (2006 : $8,345,000)

15. Insurance and other receivables (continued)

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

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

	2006					
	Life Ins urance 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

16. Cash and cash equivalents

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

	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

16. Cash and cash equivalents (continued)

Included in Singapore currency deposits in Life Insurance Par Fund is $52.3 million (2006 : nil) of Singapore currency deposits which are segregated assets of the surplus account maintained in accordance with Insurance (Valuation and Capital) Regulations 2004. In 2006, debt securities were the segregated assets of the surplus account maintained in accordance with the Regulations (refer to Note 10).

17. Insurance and other payables

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

	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	-	1,261	-	70,593
Insurance and reinsurance payables	55,639	1,932	-	9,914	-	67,485
Investments and other payables	229,604	7,909	15,741	9,005	22,256	284,515
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	35,951	470,677

Included in other payables are amounts due to subsidiaries of $8,539,000 (2006 : $8,566,000)

18. Share capital and treasury shares

	2007 $000	2006 $000
Shareholders' Fund		
Authorised:		
100,000,000 participating shares of $10 each	**1,000,000**	1,000,000
Issued and fully paid participating shares:		
At 1 January	**435,795**	432,518
Issue of shares	**4,679**	4,816
Redemption of shares	**(1,674)**	(1,539)
At 31 December	**438,800**	435,795

(a) During the year, 276,792 (2006: 262,013) shares were issued at par in respect of the deferred incentive scheme for its employees. These shares were issued by the Co-operative and held in trust for the employees. These shares are reflected as treasury shares on the face of the balance sheet of the Co-operative with a corresponding amount included in other payables. Previously, treasury shares held in trust were not reflected in the financial statements. The effects of accounting for such shares are reflected in the Statement of Changes in Equity. Accordingly, other payables have been increased by $13,698,960 (2006: $10,931,040).

(b) In addition, 15,560 (2006: 15,040) shares were issued at par to employees in respect of long service award. In 2007, 175,581 (2006:204,593) shares were issued at par for cash in respect of new subscriptions.

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

NTUC Income Insurance Co-operative Limited Members and their rights

Members of the Co-operative consist of:

(i) The Singapore National Trades Union Congress which is designated the Founder Member;
(ii) Trade Unions and Registered Societies as may be accepted by the Board of Directors, and the Singapore Labour Foundation, which are designated Institutional Members;
(iii) Any person over the age of 18 years who has an assurance or insurance on his/her life with the Co-operative, and who at the time of proposal was a resident in Singapore, is designated an Ordinary Member; and
(iv) Any person over the age of 18 years, who holds a minimum of ten participating shares in the Co-operative and who at the time of purchase was a resident in Singapore, is designated a Participating Member.

18. Share capital and treasury shares (continued)

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

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.

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) of significant accounting policies.

19. Reserves for future distribution

The Co-operative has designated an amount of $325,302,000 (2006: $298,850,000) as reserves for future distribution to satisfy capital requirements. These capital requirements are stipulated by the Monetary Authority of Singapore. This amount relates to the Eldershield business and was previously included as part of insurance contract provisions. The reserves are set aside because the current experience of the portfolio is favourable hence leading to surpluses emerging. However, because the underlying risk is of a very long term nature, it is prudent to earmark this amount as being available only for distribution when the trend of the experience is clearly established. Henceforth, the reclassification to reserves for future distribution is made to be consistent with the classification in the MAS Returns and more faithfully presents the nature of the account balance. Accordingly, the comparatives have been reclassified. There is no impact on the profit and loss account for the current financial year. The effect of the reclassification on the balance sheet is as follows:

	2007 $000	2006 $000
Reduce insurance contract provision	**(325,302)**	(298,850)
Increase reserve for future distribution	**325,302**	298,850

20. Insurance premium revenue after reinsurance

2007	Life Insurance Par Fund $000	Life Insurance Non Par Fund $000	Investment Linked Fund $000	General Insurance Fund $000	Total $000
Gross premiums	1,509,863	360,711	457,476	251,245	2,579,295
Change in gross provision for unexpired risks	-	(22,495)	-	(20,185)	(42,680)
Gross insurance premium revenue	1,509,863	338,216	457,476	231,060	2,536,615
Less: premiums ceded to reinsurers	9,028	64,657	-	27,203	100,888
Reinsurers' share of change in provision for unexpired risks	-	-	-	(5,742)	(5,742)
Reinsurance premium expense	9,028	64,657	-	21,461	95,146
Insurance premium revenue after reinsurance	1,500,835	273,559	457,476	209,599	2,441,469

2006	Life Insurance Par Fund $000	Life Insurance Non Par Fund $000	Investment Linked Fund $000	General Insurance Fund $000	Total $000
Gross premiums	1,110,993	502,682	282,937	226,669	2,123,281
Change in gross provision for unexpired risks	-	(10,385)	-	5,780	(4,605)
Gross insurance premium revenue	1,110,993	492,297	282,937	232,449	2,118,676
Less: premiums ceded to reinsurers	7,106	85,038	-	18,035	110,179
Reinsurers' share of change in provision for unexpired risks	-	-	-	813	813
Reinsurance premium expense	7,106	85,038	-	18,848	110,992
Insurance premium revenue after reinsurance	1,103,887	407,259	282,937	213,601	2,007,684

Premium revenue of the Life Insurance Non-Par Fund has been regrossed to include certain reinsurance amounts. Accordingly, the comparatives have been reclassified. There is no impact on the profit and loss account for the current financial year. The effect of the reclassification is as follows:

	2007 $000	2006 $000
Increase gross premiums	**64,032**	75,765
Increase premiums ceded to reinsurers	**64,032**	75,765

21. Fee and commission income

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

	2006				
	Life Insurance Par Fund $000	Life Insurance Non Par Fund $000	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

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

22. Net investment income and fair value gains

	2007					
	Life Insurance Par Fund $000	Life Insurance Non Par Fund $000	Investment Linked Fund $000	General Insurance Fund $000	Share holders' Fund $000	Total $000
Interest income on cash and cash equivalents	10,640	1,913	1,260	1,008	580	15,401
Interest on loans	46,656	-	-	210	-	46,866
Dividend income	257,911	7,689	16,954	9,527	10,499	302,580
Rental income (including interfund rent of $5,139k - refer to note 24)	50,783	-	-	-	-	50,783
Impairment loss on loans	2,760	-	-	15	-	2,775
Loans written off	(6,194)	-	-	(395)	-	(6,589)
Gains/(loss) on changes in fair value of investments	979,106	83,576	67,286	85,996	15,318	1,231,282
Impairment (loss)/written back on available-for-sale investments	(2,134)	-	-	3,795	-	1,661
Impairment loss on subsidiaries & associates	-	-	-	-	(238)	(238)
Gains on changes in fair value of investment properties	292,676	-	-	-	-	292,676
Others	449	(1,490)	2,165	(2,253)	-	(1,129)
Investment properties maintenance	(14,339)	-	-	-	-	(14,339)
Investment expenses	(37,954)	(3,146)	(1,575)	(3,579)	(1,068)	(47,322)
Total	**1,580,360**	**88,542**	**86,090**	**94,324**	**25,091**	**1,874,407**

22. Net investment income and fair value gains (continued)

	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 on cash and cash equivalents	12,149	4,621	983	2,631	925	21,309
Interest on loans	42,870	1	1	1,146	630	44,648
Dividend income	209,403	5,528	15,912	12,287	3,994	247,124
Rental income (including interfund rent of $5,455k - refer to note 24)	43,448	-	-	-	-	43,448
Impairment loss on loans	790	-	-	(20)	(1)	769
Loans written off	-	-	-	-	-	-
Gains/(loss) on changes in fair value of investments	1,057,425	59,475	104,434	77,444	30,102	1,328,880
Impairment (loss)/written back on available-for-sale investments	-	-	-	-	-	-
Impairment loss on subsidiaries & associates	(100)	-	-	-	-	(100)
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)
Total	**1,403,437**	**68,759**	**119,915**	**92,290**	**36,407**	**1,720,808**

23. Claims, surrenders and annuities

2007	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	74,295	98,125	1,567	181,650	355,637
Health and accident benefits	-	92,085	-	-	92,085
Maturity benefits	606,826	72	-	-	606,898
Surrender benefits	261,517	296	315,358	-	577,171
Annuity benefits	115,144	-	-	-	115,144
Total	1,057,782	190,578	316,925	181,650	1,746,935

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	87,738	106,659	-	160,653	355,050
Health and accident benefits	-	75,172	-	-	75,172
Maturity benefits	544,946	-	-	-	544,946
Surrender benefits	249,104	177	375,786	-	625,067
Annuity benefits	67,800	-	-	-	67,800
Total	949,588	182,008	375,786	160,653	1,668,035

Gross claims, surrenders and annuities of the Life Insurance Par Fund includes bonus paid in anticipation of surplus of $24.3 million (2006 : $15.2 million).

Health and accident benefits of the Life Insurance Non-Par Fund have been regrossed to include certain reinsurance amounts. Accordingly, the comparatives have been reclassified. There is no impact on the profit and loss account for the current financial year. The effect of the reclassification is as follows:

	2007 $000	2006 $000
Increase health and accident benefits	**32,162**	26,112
Increase reinsurers' share of insurance benefits and claims	**32,162**	26,112

24. Management expenses

The following items are included in management expenses:

	2007 $000	2006 $000
Staff costs		
Salaries, commission, bonuses and staff benefits	**82,450**	96,940
Employer's Contribution to defined contribution plan	**8,311**	9,380
Depreciation of property, plant and equipment		
Office equipment	**591**	620
Furniture and fittings	**537**	402
Computer equipment	**1,089**	3,871
Motor vehicles	**63**	48
Renovation	**665**	412
Amortisation of intangible assets	**3,490**	149
Rental expense	**1,651**	1,045
Interfund rent in respect of owned office premises	**5,139**	5,455

25. Allocation of management expenses

On the recommendation of the Monetary Authority of Singapore, NTUC Income conducted a reassessment of the basis applied to allocate management expenses from the General Insurance Fund to the Life Insurance Participating Fund. As a result of the reassessment, $72.3 million representing the difference between the cumulative management expenses allocated on the previous basis and the cumulative management expenses allocated on the revised basis, is transferred from the General Insurance Fund to the Life Insurance Participating Fund. The amount transferred included accrued interest based on the actual investment return of the Participating Fund during the respective years. The General Insurance Fund has sufficient accumulated surplus for such a transfer. Neither the financial position of the fund nor NTUC Income is significantly affected by the allocation.

26. 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:

(a) Sales and purchases of goods & services

	2007 $000	2006 $000
Charges by subsidiaries for sales of merchandise, marketing, promotion, travel and rental car services rendered	**8,044**	4,463
Interest on loan granted to key management personnel during the year	**-**	15
Interest received from subsidiaries for loans granted	**416**	555
Fee paid to an associate - in relation to management of investment properties	**1,395**	1,764
Fees receivable from subsidiaries	**191**	192

(b) Key management personnel compensation

	2007 $000	2006 $000
Salaries and other benefits	**5,009**	3,982
Directors fees	**135**	137
	5,144	4,119

27. Dividends

The Directors have proposed a dividend of 60 cents per share (2006: 60 cents per share) and a special dividend of nil (2006: 20 cents per share) amounting to $26.1 million (2006: $34.7 million) to be paid in respect of the financial year ended 31 December 2007. The financial statements will reflect this dividend payable in the Shareholders' Fund as an appropriation of surplus in the year ending 31 December 2008 after declaration of the dividend by the Directors.

28. Commitments

	2007 $000	2006 $000
Life Insurance Par Fund		
Capital expenditure contracted but not provided for	**527**	9,814
Outstanding investment commitments	**320,838**	189,735
	321,365	199,549

29. Contingent liability

Life Insurance Par Fund

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

The proportionate share of the credit facilities are:

	2007 $000	2006 $000
Transferable term loan	**386**	2,710
Overdraft facility	**-**	50
	386	2,760

30. New or revised accounting Standards and Interpretations

Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2008. The Co-operative's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Co-operative is set out below:

The Co-operative has adopted FRS 107 Financial Instruments: Disclosures and Amendment to FRS 1 Presentation of Financial Statements - Capital Disclosures on 1 January 2008.

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including minimum disclosures about credit risk, liquidity risk and market risk (including sensitivity analysis to market risk). It replaces the disclosure requirements in FRS 32: Financial Instruments: Disclosure and Presentation. The amendment to FRS 1 introduces disclosures about the level of an entity's capital and how it manages capital.

The Co-operative has assessed the impact of FRS 107 and the amendments to FRS 1 and concluded that the main additional disclosures will be the credit risks disclosures and sensitivity analysis to market risk required by FRS 107, as well as the capital disclosures required by the amendment to FRS 1.

31. Authorisation for issue

These financial statements were approved by the Board of Directors at a meeting held on 25 March 2008 and authorised for release on 25 March 2008.

FOUNDER & INSTITUTIONAL MEMBERS

As at 31 December 2007

FOUNDER MEMBER	No of Shares
National Trades Union Congress	7,011,344
INSTITUTIONAL MEMBERS	
Singapore Labour Foundation	798,560
NTUC Income Insurance Co-operative Ltd (DIS)*	788,402
NTUC Income Insurance Co-operative Ltd	581,494
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-operative Society Ltd	198,350
Singapore Airlines Staff Union	195,470
NTUC Fairprice Co-operative 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-operative League Ltd	127,830
NTUC Childcare Co-operative Ltd	120,019
Singapore Teachers' Co-operative Society Ltd	118,058
Singapore Industrial & Services Employees' Union	113,987
United Workers of Petroleum Industry	113,558
Singapore Insurance Employees' Union	112,865
Exxonmobil Employees Co-operative 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-operative 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 Co-operative Federation	57,075
Singapore Airport Terminal Services Workers' Union	55,857
Singapore Government Staff Credit Co-operative Soc Ltd	55,392
Inland Revenue Authority of S'pore Staff Union	48,580
Singapore Bank Officers Association	46,640
Straits Times Press Co-operative T & L Society	45,790
Customs Credit Co-operative 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-operative Society	35,880
Singapore Public Works Employees' Credit Co-op Soc Ltd	35,625
Citiport Credit Co-operative Ltd	35,580

INSTITUTIONAL MEMBERS	No of Shares
Union of ITE Training Staff	34,959
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-operative Society Ltd	29,613
Staff Union of NTUC ARU	26,711
Air-Transport Executive Staff Union	25,761
NTUC Media Co-operative Ltd	25,412
Changi International Airport Services Employees' Union	23,968
AUPE Multi-Purpose Co-operative Society Ltd	21,292
NTUC Healthcare Co-operative Ltd	20,288
Singapore Prison Service Multi-Purpose Co-operative Ltd	20,100
Telecoms Credit Co-operative Society Ltd	17,195
Ceylon Tamils Multi-Purpose Co-operative 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-operative Society Ltd	14,200
UTES Multi-Purpose Co-operative Society Ltd	13,304
Ngee Ann Poly Consumer Co-operative Society	12,810
TRC Multi-Purpose Co-operative Society	12,919
Singapore Stevedores Union	9,073
Singapore Refining Companies Employees' Union	8,255
Keppel Employees' Union	6,154
Industrial & Services Co-operative Society Ltd	6,095
Singapore Polytechnic Co-operative Ltd	5,818
Singapore Air Transport-Workers' Union	4,934
Union of Security Employees	4,763
NUS Multi-Purpose Co-operative 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-operative Society Ltd	3,306
Singapore Technologies Electronics Employees Union	2,973
DEW Credit Co-operative Ltd	2,875
Singapore Tamil Teachers' Union	2,756
NTUC Club Staff Union	2,382
Energy & Utilities Employees' Co-operative 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
Spring Singapore Staff Union	417
Singapore Government Shorthand Writers Association	309
Singapore Malay Teachers' Union	141
Singapore Chinese Teachers' Union	21
Reuters Local Employees Union	10

* Held on behalf of staff

NOTICE OF ANNUAL GENERAL MEETING

For the financial year ended 31 December 2007

NOTICE IS HEREBY given that the Thirty-Eighth Annual General Meeting of NTUC INCOME INSURANCE CO-OPERATIVE LIMITED will be held on Friday, 30 May 2008, at 6.00 pm at the Auditorium, 7th Floor, NTUC Income Centre, 75 Bras Basah Road, Singapore 189557.

AGENDA

1 To confirm the minutes of the 37th annual general meeting held on 30 May 2007.

2 To receive, and if approved, to adopt the Directors' Report and the Audited Accounts for the year ended 31 December 2007.

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

4 Election of Director(s)

5 To declare a dividend to shareholders.

6 To approve the payment of honoraria to directors.

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

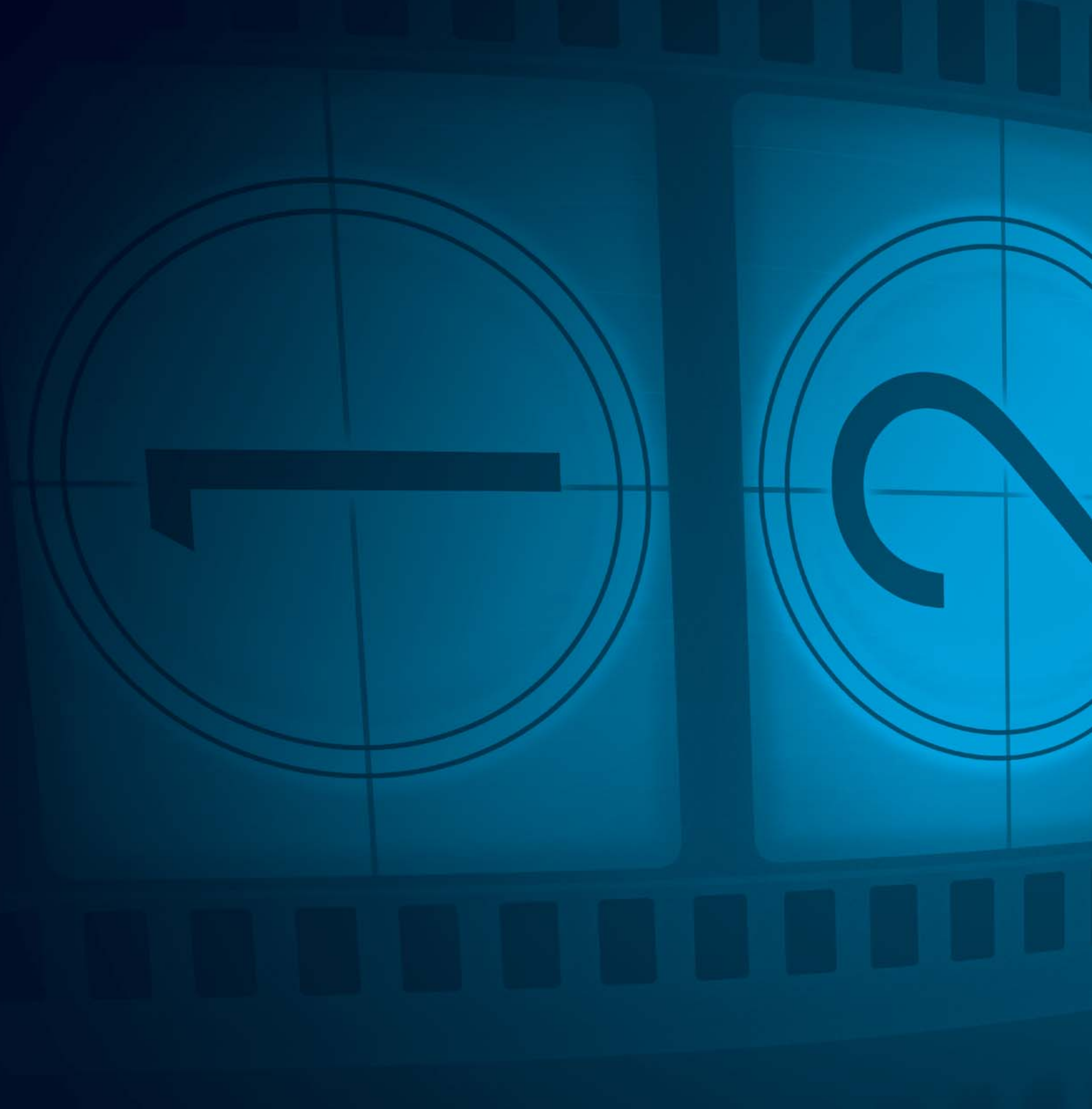
8 To re-appoint Messrs PricewaterhouseCoopers as external auditors of the Co-operative for the financial year ending 31 December 2008.

9 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 2008



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