

Rationale

At KWAP, our vision is to be a high performing fund assuring sustainable pension benefits. Towards this end, our journey of excellence has already begun at a fast pace following the implementation of the new business model that will transform the way we conduct our business and serve as a strong platform for us to build on. We are putting in place several initiatives that will help us take a more proactive approach in managing the fund whilst being ever mindful of the need to conduct our business in an ethical and responsible manner.



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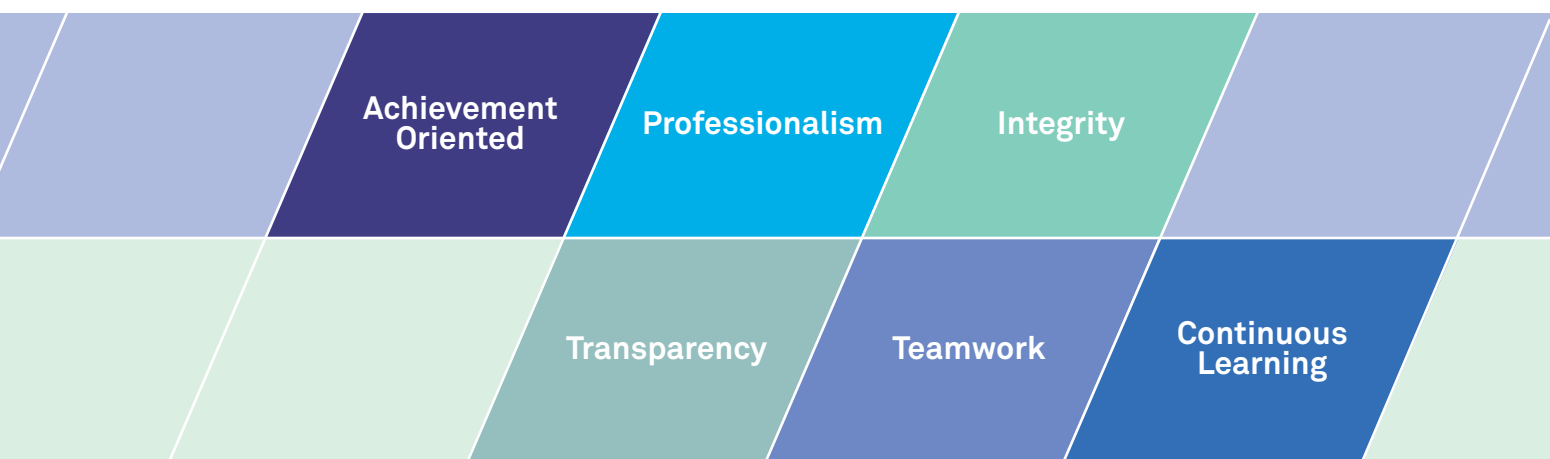
Financial Statement



Vision | A high performing fund assuring sustainable pension benefits.

Mission | Maximising returns through benchmarking, dynamic investment framework and sound risk management.

Corporate Values



Background and Role of KWAP

Background

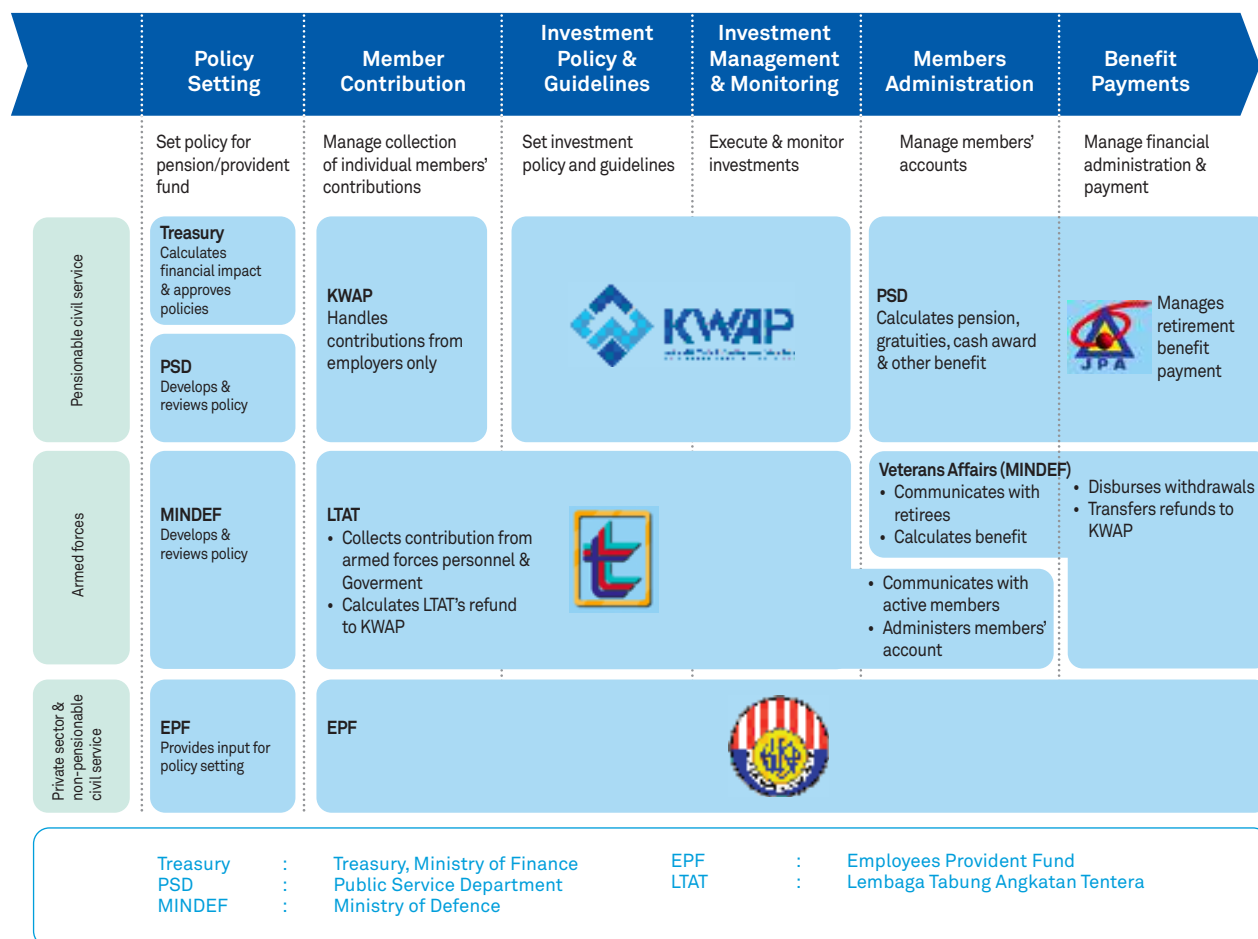
The Pensions Trust Fund Act 1991 (Act 454) was enacted to assist the Federal Government in funding its pension liability. With the enactment of this Act, the Pensions Trust Fund was established on 1 June 1991 with a launching grant of RM500 million from the Federal Government. The Pensions Trust Fund was administered by the Pensions Trust Fund Council with the Accountant General of Malaysia being responsible for the day to day administration and management of the affairs of the Pensions Trust Fund.

On 1 March 2007, the Retirement Fund (Incorporated) ("KWAP") was established under the Retirement Fund Act 2007 (Act 662) replacing the repealed Pensions Trust Fund Act 1991 (Act 454). With the incorporation of KWAP, all powers, functions, activities, assets and liabilities of the Pensions Trust Fund were taken over in totality by KWAP.

Objective

The objective of KWAP is to manage the fund ("the Fund") established under Section 13 of Retirement Fund Act 2007 (Act 662) towards achieving optimum returns on its investments. The Fund shall be applied towards assisting the Federal Government in financing its pension liability.

Malaysia's Provident / Pension Fund Value Chain



➤➤ Background and Role of KWAP

Functions

The functions of KWAP are as follows:

- Management of contributions from the Federal Government, Statutory Bodies, Local Authorities and other Agencies; and
- Administration, management and investment of the Fund in equity, fixed income securities, money market instruments and other forms of investments as permitted under the Retirement Fund Act 2007 (Act 662).

The diagram on the preceding page illustrates Malaysia's provident / pension fund value chain with KWAP's roles in the context of pensionable civil service as follows:

- **Managing contributions**

The Federal Government contributes 5% of the total annual budgeted emolument of the Federal Government employees while Statutory Bodies, Local Authorities and Agencies contribute 17.5% of the basic salaries of their pensionable employees respectively to KWAP on a monthly basis.

- **Setting investment policy and guidelines**

The Investment Panel is responsible to set, approve and review periodically KWAP's Investment Policy and Guidelines and subsequently recommend to the Board for approval. The Investment Policy and Guidelines is a document which governs KWAP's investment activities.

- **Investment management and monitoring**

The Fund is invested in asset classes in accordance with KWAP's Strategic Asset Allocation and the Investment Policy and Guidelines as recommended by the Investment Panel and approved by the Board. The investment activities of the Fund are carried out by a team of competent and experienced investment professionals.

The status and performance of KWAP's investments are reported monthly to the Investment Panel and the Board. The performance analysis includes relative performance against benchmark indices as well as absolute target return for each of the asset classes.

Financial Highlights - 2008 & 2007

	2008 (1 Jan - 31 Dec)	2007 (1 Mar - 31 Dec)
Fund Size as at 31 December (RM)	52.04 billion	48.08 billion
Gross Realised Investment Income (RM)	3.01 billion	3.70 billion
Net Income (RM)	561.86 million	3.67 billion
Return on Investment (ROI)	5.93%	8.26%
Operating Expenditure (RM)	28.17 million	18.33 million
Total Contributions Received (RM)	3.42 billion	2.47 billion
Total Number of Contributing Employers	493	475
Total Number of Members	106,944	104,081
Total Number of KWAP's Employees	99	93
Income Per Employee (RM)	30.41 million	39.99 million
Ratio of Operating Expenditure to Gross Income	0.94%	0.49%
Ratio of Operating Expenditure to Average Fund	0.06%	0.04%



from left to right

Dato' Mohd. Salleh Bin Mahmud

Datuk Idrus Bin Harun

Tan Sri Dr. Wan Abdul Aziz Bin Wan Abdullah (Chairman)

Tan Sri Ismail Bin Adam

Dato' V. Danapalan



from left to right

Dato' Siow Kim Lun
Dato' Muhammad Bin Ibrahim
Datuk Latifah Binti Datuk Abu Mansor
Dato' Izzaddin Bin Idris
Tuan Haji Omar Bin Haji Osman
Puan Azian Binti Mohd Noh

Board Profile

TAN SRI DR. WAN ABDUL AZIZ BIN WAN ABDULLAH

- **Secretary General of Treasury,
Ministry Of Finance**
- **Chairman**

Tan Sri Dr. Wan Abdul Aziz Bin Wan Abdullah was appointed to the Board as Chairman on 1 March 2007. He is currently the Secretary General of Treasury, Ministry of Finance and also a Board Member of Federal Land Development Authority, Malaysian International Shipping Corporation Berhad, Inland Revenue Board, Malaysian Airline System Berhad, Petroliaam Nasional Berhad, Multimedia Development Corporation Sdn. Bhd., Syarikat Bekalan Air Selangor Sdn. Bhd., Pembinaan BLT Sdn. Bhd., Cyberview Sdn. Bhd., Bank Negara Malaysia, Pelaburan Hartanah Bumiputera Berhad and Malaysia Deposit Insurance Corporation. He represents the Ministry of Finance as a member in PEMUDAH (Special Taskforce to Facilitate Business), Iskandar Malaysia, Regional Corridor Development Authority Sarawak, East Coast Economic Region and Economic Council Meeting. He obtained his Degree in B. Econs (Hons) Applied Economics from University of Malaya, Masters in Philosophy (Development Studies) from University of Sussex, UK and Ph.D (Business Economics) from University of Leeds, UK. He attended the Advanced Management Program at Harvard Business School, Harvard University, USA.

TAN SRI ISMAIL BIN ADAM

- **Director General of Public
Service Department**
- **Federal Government
Representative**

Tan Sri Ismail Bin Adam was appointed as a member of the Board on 1 March 2007. He is currently the Director General of Public Service Malaysia. He is also a Board Member of the Inland Revenue Board, Employees Provident Fund, Kumpulan Wang Pencen Balu dan Anak Yatim (Sabah & Sarawak) and Dewan Bahasa dan Pustaka. He graduated with a B.A. (Hons) in Economics from University of Malaya and obtained his Masters in Economics from Vanderbilt University, USA. He attended the Advanced Management Program at Harvard Business School, Harvard University, USA.

DATO' MOHD. SALLEH BIN MAHMUD

- **Accountant General
Malaysia**
- **Federal Government
Representative**

Dato' Mohd. Salleh Bin Mahmud was appointed as a member of the Board on 1 March 2007. He is currently the Accountant-General of Malaysia. He is also a member of Inland Revenue Board and Kumpulan Wang Persaraan Guru-Guru. He graduated from University of Malaya with Honours in Accounting and Masters in Business Administration from Universiti Kebangsaan Malaysia.

DATUK IDRUS BIN HARUN

- **Solicitor General of Malaysia**
- **Federal Government Representative**

Datuk Idrus Bin Harun was appointed as a member of the Board on 1 March 2007. He is currently the Solicitor General of Malaysia. He currently serves as a member of the Companies Commission of Malaysia, the Malaysia-Thailand Joint Authority, Perbadanan Tabung Pendidikan Tinggi Nasional and as a Director of Amanah Raya Capital. He obtained his Bachelor of Laws (LL.B) with Honours from University of Malaya.

DATUK LATIFAH BINTI DATUK ABU MANSOR

(appointed on 17.10.2008)

- **Deputy Secretary General Treasury (Policy), Ministry of Finance**
- **Ministry of Finance Representative**

Datuk Latifah Binti Datuk Abu Mansor was appointed as a member of the Board on 17 October 2008. She is currently the Deputy Secretary General of Treasury (Policy), Ministry of Finance. She is also a member of the Board of Employees Provident Fund ("EPF"), Johor Corporation, UDA Holdings Berhad, Lembaga Tabung Haji and Suruhanjaya Koperasi Malaysia. She currently serves as a member of EPF's Investment Panel and member of Malaysian Venture Capital Development Council. She obtained her Bachelor's degree from University of Malaya and Masters in Business Administration from Universiti Kebangsaan Malaysia.

DATO' V. DANAPALAN

- **Private Sector Representative**

Dato' V. Danapalan was appointed as a member of the Board on 1 March 2007. He is also a member of the Board of Telekom Malaysia Berhad, Universiti Telekom Sdn. Bhd., SIRIM QAS International Sdn. Bhd., Affin Trust Management Sdn. Bhd., Malaysian-American Commission on Educational Exchange, Tun Sambanthan Scholarship Fund and the Malaysia University of Science & Technology Foundation. He obtained his Bachelor's Degree with Honours from University of Malaya and Masters in Public Administration from Pennsylvania State University, USA.

Board Profile

DATO' SIOW KIM LUN

- **Private Sector Representative**

Dato' Siow Kim Lun was appointed as a member of the Board on 1 March 2007. He is currently a member of the Board of Citibank Berhad, Mainstreet Advisers Sdn. Bhd. and WZ Steel Berhad. He is also a member of the Listing Committee of Bursa Malaysia Securities Berhad. He obtained his Bachelor's Degree (Hons) in Economics from University Kebangsaan Malaysia, Masters in Business Administration from the Catholic University of Leuven, Belgium and attended the Advanced Management Program at Harvard Business School, Harvard University, USA.

DATO' MUHAMMAD BIN IBRAHIM

- **Central Bank of Malaysia Representative**

Dato' Muhammad Bin Ibrahim was appointed as a member of the Board on 15 May 2007. He is currently Assistant Governor, Bank Negara Malaysia. He is also a Senior Associate at Institute of Bankers Malaysia and Malaysian Institute of Accountants. He is also a member of the Board of Securities Commission Malaysia. He obtained his Bachelor's Degree in Accounting from University of Malaya and Masters from Harvard University, USA.

DATO' IZZADDIN BIN IDRIS

- **Private Sector Representative**

Dato' Izzaddin Bin Idris was appointed as a member of the Board on 1 March 2007. He is currently the Chief Financial Officer of Tenaga Nasional Berhad. He is a Certified Public Accountant (Australia) and a member of Malaysian Institute of Accountants. He obtained his Bachelor of Commerce Degree in Finance (First Class Honours) from the University of New South Wales, Australia.

**TUAN HAJI OMAR
BIN HAJI OSMAN**

- **Contributor
Representative**

Tuan Haji Omar Bin Haji Osman was appointed as a member of the Board on 1 March 2007. He is currently the President of CUEPACS, Honorary Advisor of Kesatuan Kakitangan Am Universiti Putra Malaysia and the Chairman of Gabungan Presiden / Setiausaha Kehormat Kesatuan-Kesatuan Universiti. He is also Deputy Chairman of National Council for Science & Technology and a representative of CUEPACS in the National Labor Advisory Council, Ministry of Human Resources and a Member of National Council for Occupational Safety and Health, Ministry of Human Resources.

**PUAN AZIAN
BINTI MOHD NOH**

- **Chief Executive Officer**

Puan Azian Binti Mohd Noh was appointed as the Chief Executive Officer and ex-officio member of the Board on 1 March 2007. She is also the Chairman of the Board for i-VCAP Management Sdn. Bhd. She holds directorships in Valuecap Sdn. Bhd., Malakoff Corporation Berhad and TIME dotCom Berhad. She obtained her Bachelor's Degree in Economics (Hons) majoring in Accounting from University of Malaya and Masters in Business Administration from Universiti Kebangsaan Malaysia. She is a member of the Malaysian Institute of Accountants.

**DATO' IBRAHIM
MAHALUDIN BIN PUTEH**

(retired on 17.10.2008)

- **Deputy Secretary
General Treasury (Policy),
Ministry of Finance**
- **Federal Government
Representative**

Dato' Ibrahim Mahaludin Bin Puteh was appointed as a member of the Board from 1 March 2007 to 17 October 2008. He was the Deputy Secretary General of Treasury (Policy), Ministry of Finance and sat on the Boards of Lembaga Tabung Haji, Employees Provident Fund, Syarikat Prasarana Negara Berhad, Malaysia Venture Capital Development Council and Pos Malaysia Berhad. He obtained his Bachelor of Arts (Hons) from University of Malaya and Masters in Business Administration from the University of Manchester, UK.

Investment Panel



sitting from left to right

Puan Azian Binti Mohd Noh
Tan Sri Dr. Wan Abdul Aziz Bin Wan Abdullah (Chairman)
Cik Che Zakiah Binti Che Din

standing from left to right

Encik Cheah Tek Kuang
Y.M. Tengku Dato' Azmil Zahrudin Bin Raja Dato' Seri Abdul Aziz
Puan Komalam a/p R.Kesawan
Dato' Sri Abdul Wahid Bin Omar

Investment Panel Profile

TAN SRI DR. WAN ABDUL AZIZ BIN WAN ABDULLAH

- Secretary General of Treasury, Ministry Of Finance
- Chairman

Tan Sri Dr. Wan Abdul Aziz Bin Wan Abdullah was appointed to KWAP's Investment Panel as Chairman on 21 March 2007.

CIK CHE ZAKIAH BINTI CHE DIN

- Central Bank of Malaysia Representative

Cik Che Zakiah Binti Che Din was appointed as a member of KWAP's Investment Panel on 15 May 2007. She is currently the Director of Financial Conglomerates Supervision Department, Bank Negara Malaysia. Prior to this, she was the Director of Development for Financial Institution Regulations Department. She holds a Bachelor's Degree in Economics (Hons) from University of Malaya.

PUAN KOMALAM A/P R.KESAWAN

- Ministry of Finance Representative

Puan Komalam a/p R. Kesawan was appointed as a member of KWAP's Investment Panel on 21 March 2007. She retired from the government service on 30 August 2007 and was appointed as Special Project Officer in the Ministry of Finance since 1 January 2008. She obtained her Bachelor's Degree in Economics with Honours from University of Malaya and Master of Arts in Economic Policy from Boston University, USA.

➤ Investment Panel Profile

DATO' SRI ABDUL WAHID BIN OMAR

(appointed 1.5.2008)

- **Private Sector Representative**

Dato' Sri Abdul Wahid Bin Omar was appointed as a member of KWAP's Investment Panel on 1 May 2008. He is currently the President and Chief Executive Officer of Maybank Group. He is also a member of the Board of Bursa Malaysia Berhad and Perbadanan Usahawan Nasional Berhad. He currently serves as a member of Financial Reporting Foundation Malaysia and an Investment Panel member of both Employee Provident Fund and Lembaga Tabung Haji. He is a Fellow of the Association of Chartered Accountants, UK and a member of the Malaysian Institute of Accountants.

Y.M. TENGKU DATO' AZMIL ZAHRUDDIN BIN RAJA DATO' SERI ABDUL AZIZ

- **Private Sector Representative**

Y.M. Tengku Dato' Azmil Zahrudin Bin Raja Dato' Seri Abdul Aziz was appointed as a member of KWAP's Investment Panel on 21 March 2007. He is currently the Chief Financial Officer of Malaysian Airlines System Berhad. He is a Chartered Accountant and an associate member of the Malaysian Institute of Accountants, the Institute of Chartered Accountants (England and Wales), an associate of the Association of Corporate Treasurers, UK and a member of Issues Committee of the Malaysian Accounting Standards Board. He obtained his Bachelor's Degree in Economics (First Class Honours) from University of Cambridge, UK.

ENCIK CHEAH TEK KUANG

- **Private Sector Representative**

Encik Cheah Tek Kuang was appointed as a member of KWAP's Investment Panel on 21 March 2007. He is currently the Group Managing Director of AMMB Holdings Berhad and sits on the boards of various banking subsidiaries and stock broking companies of AMMB Holdings Berhad. His other directorships include Employees Provident Fund and Bursa Malaysia Berhad. He also serves as Alternate Chairman of the Association of Merchant Banks Malaysia. He holds a Bachelor's Degree in Economics from University of Malaya.

PUAN AZIAN BINTI MOHD NOH

- **Chief Executive Officer (Secretary for Investment Panel)**

Puan Azian Binti Mohd Noh was appointed as a member of the Investment Panel of KWAP on 21 March 2007.

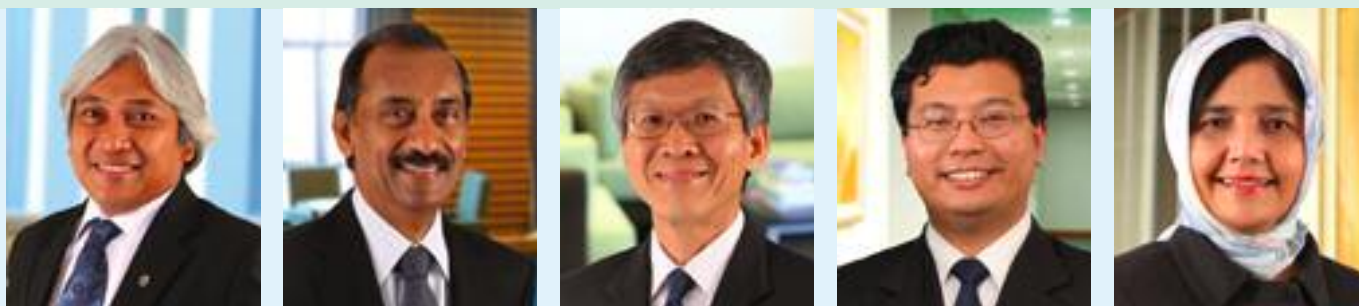
◆◆ Audit Committee and Risk Management Committee



AUDIT COMMITTEE

from left to right

- **Tan Sri Ismail Bin Adam**
Chairman
- **Dato' Mohd. Salleh Bin Mahmud**
- **Datuk Idrus Bin Harun**
- **Dato' Izzaddin Bin Idris**
- **Dato' Ibrahim Mahaludin Bin Puteh**
(retired on 17.10.2008)



RISK MANAGEMENT COMMITTEE

from left to right

- **Dato' Muhammad Bin Ibrahim**
Chairman
- **Dato' V. Danapalan**
- **Dato' Siow Kim Lun**
- **Y.M. Tengku Dato' Azmil Zahrudin
Bin Raja Dato' Seri Abdul Aziz**
(member since 1.3.2008)
- **Puan Azian Binti Mohd Noh**

Senior Management



from left to right

**Encik Ahmad Norhisham
Bin Hassan**

Senior General Manager,
Fixed Income Department

Encik Md Saffi Bin Nadzir
Senior General Manager,
Contribution Department

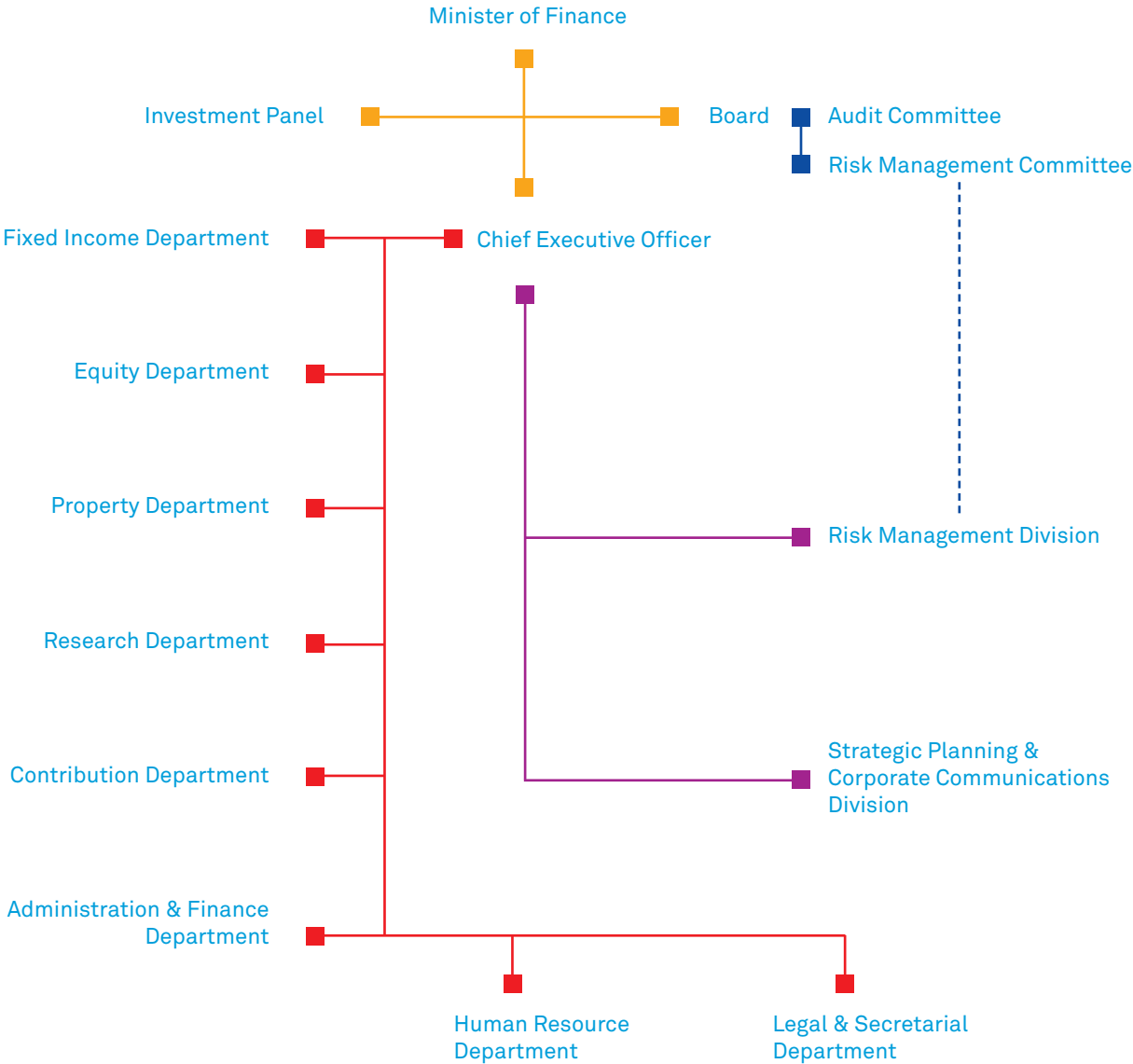
Puan Azian Binti Mohd Noh
Chief Executive Officer

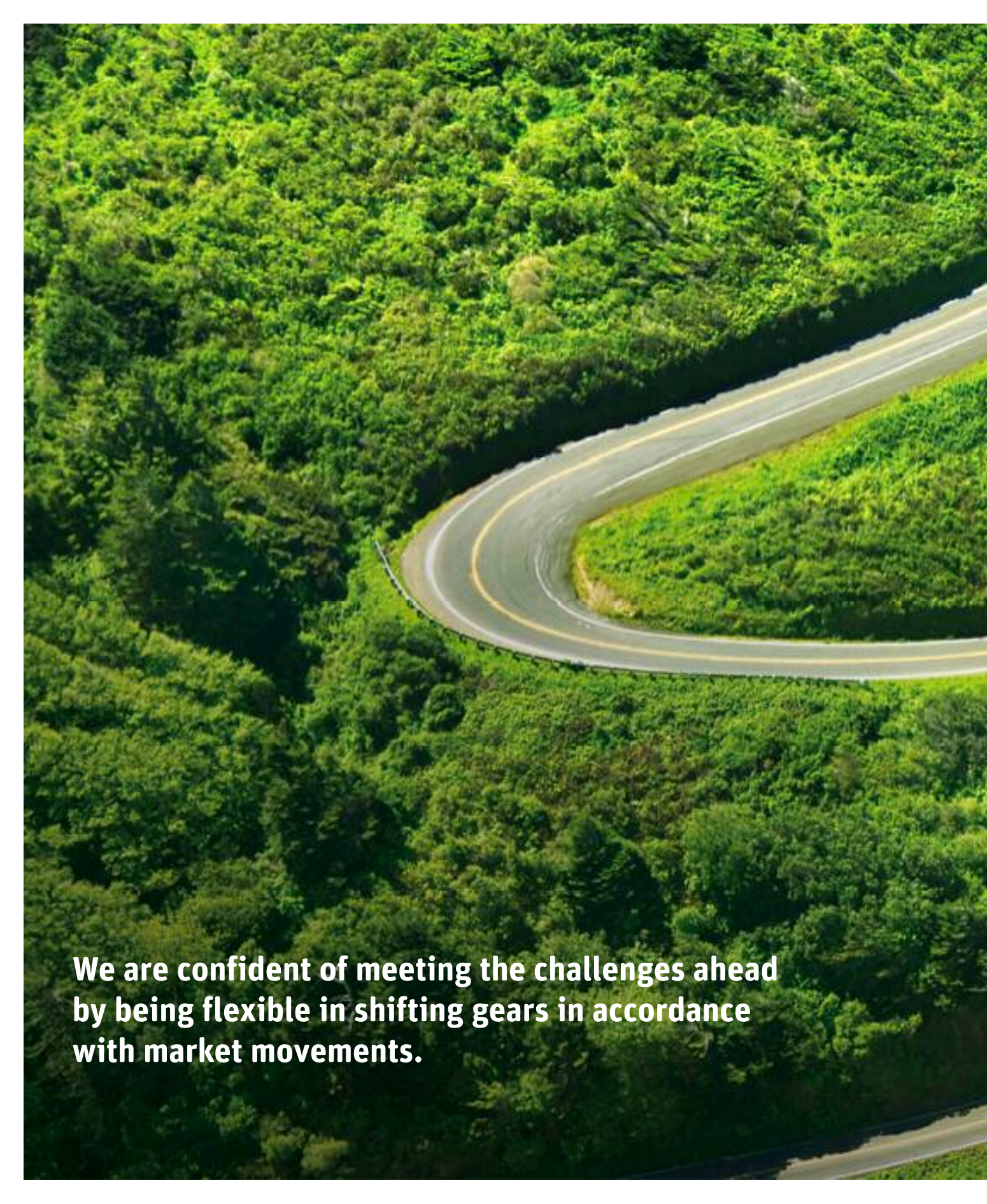
**Puan Nik Amlizan
Binti Mohamed**
Senior General Manager,
Equity Department

**Encik Sudirman
Bin Masduki**
Senior General Manager,
Administration & Finance
Department

**Encik Ambalagam
a/l R. Marappan**
Senior General Manager,
Research Department

Organisation Chart



An aerial photograph showing a two-lane asphalt road that curves sharply to the right, cutting through a dense, vibrant green forest. The road has yellow dashed center lines and solid white edge lines. The surrounding forest is thick with various shades of green, suggesting a healthy, mature woodland. The lighting is bright, creating high contrast between the road and the foliage.

**We are confident of meeting the challenges ahead
by being flexible in shifting gears in accordance
with market movements.**





Chairman's Statement

“Despite the turbulent market conditions, KWAP managed to grow its fund by 8.25% from RM48.08 billion to RM52.04 billion.”

**TAN SRI DR. WAN ABDUL AZIZ
BIN WAN ABDULLAH**
Chairman

The year 2008 turned out to be a very challenging year in managing investments due to the contagion effect that intensified and spread across the globe resulting from the sub-prime debacle in the United States of America ("US"). The unexpected and sudden failure of some of the premier US and European financial institutions caused a severe global credit crunch. This led to a marked global economic downturn in both the developed and developing economies of the world.

As one of the developing economies of the world, the Malaysian economy was also affected by the global economic downturn. This led to Kuala Lumpur Composite Index ("KLCI") plummeting by 39% and volatility in bond prices despite the Government's concerted efforts in systematically reducing interest rate to moderate the impact of the global economic downturn. The value of almost all asset classes were negatively impacted as the year concluded.

Despite the turbulent market conditions, KWAP managed to grow its fund by 8.25% from RM48.08 billion to RM52.04 billion. As far as realised investment returns were concerned, KWAP chalked up a realised return on investment or ROI of RM3.01 billion or 5.93% compared to RM3.70 billion or 8.26% in 2007. Whilst the returns on our investments were lower than the previous year, it was still a commendable achievement considering the difficult circumstances faced by KWAP. The performance demonstrated the decisive strategies implemented and the degree of alertness practiced by KWAP throughout the year.

At KWAP, we have always taken the view that we have a broader role to play than investment management. As such, we have always been mindful of the need to look beyond the 'numbers', focus on striking a balance between financial and social obligations and act with responsibility towards our society and the environment in which we operate.



Towards this end, KWAP undertook several Corporate Social Responsibility ("CSR") programs in 2008 which included fund raising and donation activities, internship program, recycling and minimising energy usage awareness campaign, knowledge sharing platforms and recreational activities for the staff. We envisage to continue our CSR initiatives and contribution towards the society and the environment which we think would have a maximum positive impact. I am glad to mention that the hallmark of KWAP's future CSR initiatives will feature a high level of employee engagement and volunteerism.

We anticipate 2009 to be a very challenging year. Nonetheless we believe that there will always be opportunities for KWAP as and when they avail to us. In the past, distressed market conditions have often presented remarkable long-term upside potential for long-term investors. Hence, while we remain vigilant of underlying market trends, we are constantly in pursuit of new opportunities to further enhance the size and growth of KWAP's fund but will only do so in ways which will not compromise our risk tolerance level whilst ensuring capital preservation.

➤➤ Chairman's Statement

As there is a constant need for KWAP to continue reinventing itself, we realise the urgency for KWAP to develop a comprehensive and resilient business model in achieving its vision of becoming a high performing fund assuring sustainable pension benefits. It is for this reason that the Board had agreed for KWAP to develop and adopt a new business model. I am pleased to mention that after a 4-month period of intense discussions and dedicated work, a new business model was developed by KWAP. This blueprint will set the tone for KWAP's future business direction and will serve as a platform for its subsequent phases of growth.

I also wish to mention that a great deal of effort has been channelled towards the development and enhancement of staff competencies as human capital is a critical element of success in any organisation. Nurturing talent and grooming future leaders formed the basis for KWAP's human resource development programs for the year 2008. Among the major programs organised was the Leadership Series, a series of talks by prominent corporate chieftains. These talks provided avenues for knowledge sharing and the opportunity for all staff to interact with these corporate chieftains to draw on their experiences.

KWAP's performance in 2008 would not have been attained had it not been for the sound judgment, support and encouragement shown by the Board and the Investment Panel. I would also like to take this opportunity to thank the Management and all employees of KWAP for their relentless commitment and effort towards making 2008 a successful year for KWAP.

As the year 2009 draws closer, I am confident that the same degree of fortitude, vigor and resolve will be displayed at all levels to confront what most envisaged will be another challenging year. Despite these trying times, we will also not lose sight of our commitment and aspiration towards becoming a model pension fund. KWAP will not rest on its laurels and will continue to challenge itself to do more and escalate to the next level in pursuit of our mission to become a high performance organisation.

CEO's Statement

“ In striving to become a high performance organisation, KWAP has initiated a change management program which revolves around the new business model and improvements to our employees' technical skills, knowledge and leadership abilities. ”



PUAN AZIAN BINTI MOHD NOH
Chief Executive Officer

CEO's Statement

I am proud to announce that despite volatile economic conditions in the third and fourth quarter of 2008, KWAP delivered a return on investments ("ROI") of 5.93% on its investments exceeding its base target of 4.89% and stretch target of 5.85%.

Over the last two years (since KWAP's incorporation on 1st March 2007) KWAP had achieved an annualised/average return of 7.92% [ROI of 5.93% for 2008 and annualised ROI of 9.91% for 2007]. This rate of return had clearly surpassed the 10-year Malaysian Government Securities ("MGS") yield which averaged 4.13% in 2008 and was higher than market dividend yield which averaged 4.50% in 2008. We attribute this outperformance primarily to the right investment strategies taken by KWAP throughout the year which is a clear reflection of the collaborative and dynamic processes involved within the organisation especially in terms of how we analyse the market and execute our investment decisions.

As a newly incorporated organisation, KWAP conducted several major initiatives in 2008 to reinforce its foundation. The initiatives include formulation of Vision, Mission and Corporate Values to clearly define its business direction. KWAP also introduce our new business model aimed at enhancing its investment and risk management framework and practices leading to organisational improvements.

Managing a pension fund would require us to be prudent yet performance driven while maintaining our focus on value creation and preservation. As such, KWAP recognises the importance of having a strong risk management culture within its organisation. The strong role played by our Risk Management Committee demonstrates KWAP's commitment and advocacy towards sound risk management framework and practices within the organisation. At the operational level, the implementation and enforcement of internal control systems is aimed at mitigating operational losses and concurrently ensuring efficiency of operations. This is further strengthened with the adoption of revised Investment Policies and Guidelines. Moving forward, it is our aspiration to adopt risk-adjusted-return and total returns in performance evaluation across the different asset classes.

Integral to the development of KWAP's new business model was the review and formulation of KWAP's Strategic Asset Allocation ("SAA"). The SAA is a strategic framework designed to determine the ideal long term allocation for KWAP's multiple asset classes. Such a review was necessary to help KWAP implement broad asset diversification strategies to manage risks and generate sustainable long-term returns which commensurate with KWAP's risk profile. The new SAA will serve as a basis for the organisation to achieve its long-term objectives and anchor KWAP's portfolio towards achieving its 5-year rolling risk adjusted return.

As an extension to the SAA, KWAP has also explored the concept of Tactical Asset Allocation ("TAA") as a complementary investment strategy. Such a strategy allows the fund to effectively deviate from its SAA in order to generate excess returns by taking advantage of short-term market movements and position the portfolio to benefit from either pricing inefficiencies or market anomalies. The combination of the SAA and TAA manifests the dynamic approach undertaken by KWAP.

In striving to become a high performance organisation, KWAP has initiated a change management program which revolves around the new business model and improvements to our employees' technical skills, knowledge and leadership abilities. The change management program was detailed, holistic and included a comprehensive communication program which included townhall meetings, issuance of newsletters, appointment of change agents and periodic detailed progress reports to the Board.

Since incorporation, KWAP has rapidly adapted to the fast pace and highly challenging environment. With only 27 employees at inception, its workforce has increased threefold to 98 employees at the end of 2008. In KWAP, we hold the principle that "Our dedicated people will always be the cornerstone of KWAP's success". As such, we are dedicated towards building a high performance work culture where all employees at every level are focused on the right priorities and understand that they are accountable for delivering strong results.

We recognise the importance of recruiting talented and experienced people to join the organisation. In addition, our recruitment practices also place great emphasis on hiring individuals who can adapt to KWAP's working culture and corporate values.

Our employees are highly encouraged to continuously develop and nurture their capabilities and competencies in every aspect that can further improve their work performance. As such, our priority has always been in developing the knowledge and competencies levels of our employees. In addition to sending our employees for external training programs, numerous in-house training programs were conducted to ensure learning and development opportunities were equally distributed to all employees of KWAP.

To enable effective human resource management, KWAP introduced an integrated, comprehensive and cost effective HR service known as Human Resource Information System ("HRIS") or eP2P. HRIS contains self-service capabilities to enhance efficiency of payroll, leave and training processing activities.

We anticipate that 2009 will continue to be a challenging year for KWAP. In order to navigate through this difficult period, it is crucial that our investment strategies continue to focus on capital preservation. While the economic slowdown would likely show signs of stress in some sectors of the economy, we believe that some sectors would remain more resilient than others. In fact, we are confident that the combined effects of both monetary and fiscal policies of the Government will pave the way for some form of stabilisation in the later part of the year.

Hence, KWAP expects to capitalise on such window of opportunities that may emerge from time to time. While market timing is indeed a highly complex endeavour, there is a need for us to detect anomalies and mispricing in asset classes enabling KWAP to generate alpha thereby enhancing KWAP's investment performance.



To enhance KWAP's investment capabilities, one of the major projects for 2009 is the installation of a new integrated fund investment management system ("IFIMS"). IFIMS would be able to improve operational efficiency as well as enhance performance measurement and evaluation.

I am convinced that KWAP will encounter many exciting investment opportunities in the coming years. It is indeed difficult to hazard a guess as to when the economy and stock market will rebound. However, for institutions like KWAP, we have always adopted a long term investment perspective. This will ensure that we would be able to reap the rewards when new opportunities emerge.

I would like to take this opportunity to express my appreciation to the Chairman, members of the Board and Investment Panel for their expert guidance and continuous support in our journey to greater success. In addition, I would also like to thank KWAP's staff for their invaluable contribution, selfless commitment and dedication towards making KWAP an organisation with sound structure and foundation which in time, will enable it to become a high performance organisation.

Investment Performance

ECONOMIC REVIEW

The year 2008 was a turbulent and volatile year, as the collapse in the United States of America ("US") financial markets emanating from the subprime fallout amplified both in scale and in breadth. Key to the collapse of the US financial markets was the precipitous fall in US home prices which continued unabated and the disorderly unwinding of credit markets. The sharp pullback in financial markets not only caused massive wealth destruction but also triggered a significant reversal of fund flow away from risky assets as investors sought refuge in safe haven instruments such as the greenback and short-term US Treasuries. Much of the deleveraging that followed resulted in a liquidity crunch as banks grew increasingly suspicious of their peers' balance sheets. Banks were simply unwilling to lend, adding further misery to businesses and increasingly distraught consumers.

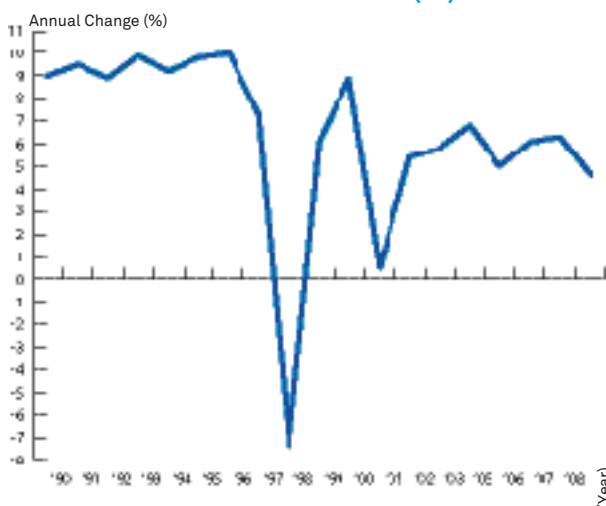
Given the highly complex and interconnected nature of the global financial system, the crisis soon spread to other parts of the world, affecting initially the financial markets and subsequently the real economy with global demand being the main casualty. With global demand on the wane, export figures soon turned negative and have in recent times become a common denominator affecting the export oriented economies of the world. Such downward adjustment had also weighed down on consumer and business confidence as businesses revisit their investment plans and begin to lower costs. This reflected a fairly deep sense of anxiety among both the developed and the developing nations over the

severity of the unfolding financial and economic crisis. Dim economic prospects had clearly overwhelmed earlier concerns over inflation, which was the primary highlight during the first half of 2008. In fact, by the end of 2008, several developed economies had slipped into recession. As the contagion spread across the globe, more countries including Malaysia introduced various fiscal and monetary stimulus packages to mitigate the impact of the economic slowdown.

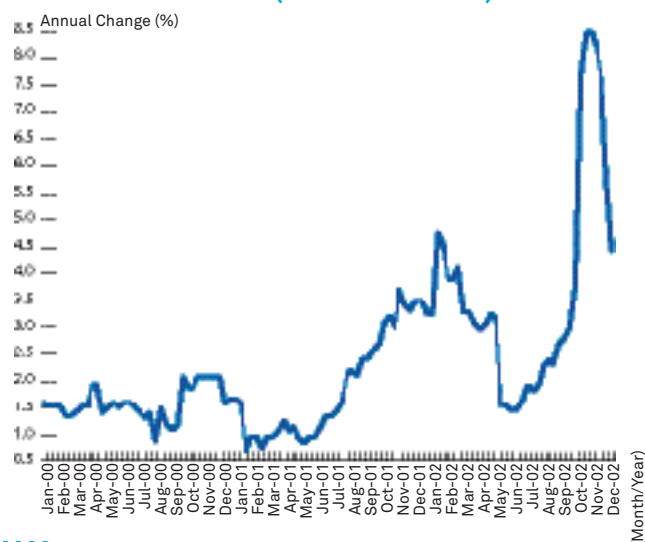
On the domestic front, the Government had also been proactive in coming up with policies for the domestic economy to maintain the country's economic growth momentum to avoid a possible recession. Aimed primarily at projects with high multiplier effects, the Government announced a RM7 billion stimulus in November 2008. In addition, to complement the fiscal measures to stimulate the economy, Bank Negara Malaysia had also reduced the Overnight Policy Rate ("OPR") by 25 basis points to 3.25 percent in November 2008, echoing similar policy responses made by other central banks around the world.

In light of these adverse conditions, Malaysia's Gross Domestic Product ("GDP") grew a modest 4.6% as compared to the official forecast of 5% for the year of 2008 and Malaysia's GDP growth 6.3% in 2007. The GDP numbers reaffirmed recent trends and emphasised Malaysia's vulnerabilities as an open economy. A cross sectional review of 2008's GDP components revealed significant weakness in both the export and manufacturing sectors, whilst domestic demand provided support to economic growth on the back of private consumption and public spending.

Real GDP Growth (%)

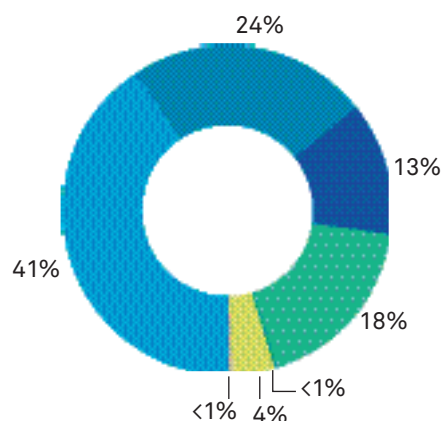


Inflation (Year on Year %)



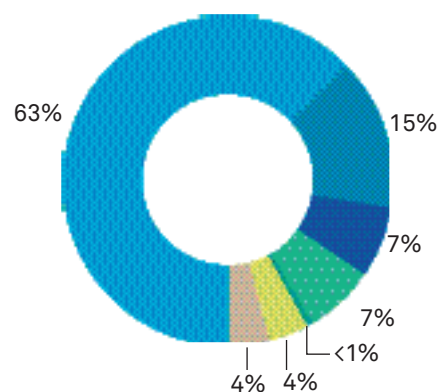
OVERALL FUND PERFORMANCE

Gross Investment Income for 2008



	Equity - RM1,223.79 million
	Fixed Income - RM731.77 million
	MGS - RM380.63 million
	Money Market Deposit - RM556.05 million
	Alternative Investment - RM0.47 million
	Tax Recoverables - RM112.27 million
	Surplus - RM4.28 million

Gross Investment Income for 2007



	Equity - RM2,339.07 million
	Fixed Income - RM542.89 million
	MGS - RM275.09 million
	Money Market Deposit - RM271.49 million
	Alternative Investment - RM5.30 million
	Tax Recoverables - RM134.00 million
	Surplus - RM130.04 million

In 2008, KWAP's total fund size (at cost) grew from RM47.42 billion to RM54.05 billion representing an increase of 14.01% or RM6.64 billion. The increase was attributable to investment income of RM3.01 billion, contribution from the Federal Government amounting to RM1.65 billion and contribution from employers amounting to RM1.76 billion.

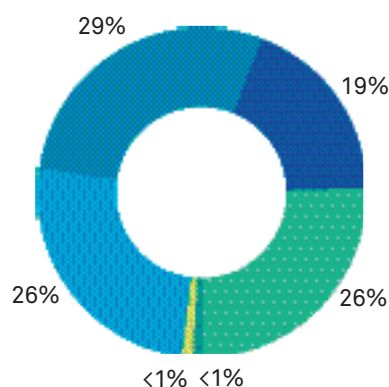
Total investment income for 2008 amounted to RM3.01 billion. RM1.67 billion or 55.44% of the total investment income for funds 2008 was derived from fixed income investments, RM1.22 billion or 40.67% from equity investments and the balance of RM0.12 billion was derived from private equity investments, tax recoverable and surplus.

Tax recoverable income of RM112.27 million was derived from reclaiming tax attributable to dividend payments by listed equity deducted at source.

Investment income for the year 2008 dropped by 22.88% compared to the prior year investment income of RM3.70 billion (10 months). The drop is a reflection of the tough equity market conditions that saw the Kuala Lumpur Composite Index ("KLCI") plunging by 39.33%. Despite the challenging economic and market conditions, the fund took prudent investment strategies throughout 2008 and successfully chalked a return on investment ("ROI") of 5.93% on its average fund size of RM50.74 billion compared to 8.26% (10 months) in 2007.

➤ Investment Performance

Fund Allocation as at 31 December 2008

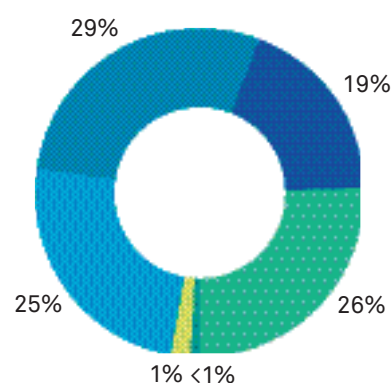


■	Equity - RM13.94 billion
■	Fixed Income - RM15.75 billion
■	MGS - RM10.10 billion
■	Money Market Deposit - RM14.14 billion
■	Alternative Investment - RM0.10 billion
■	Surplus - RM0.02 billion

Internally managed funds contributed RM2.85 billion or 94.58% of the total investment income of RM3.01 billion whereas the balance of RM163.20 million was contributed by the funds managed by external fund managers. KWAP outsources part of its fund to external fund managers to create a competitive environment for all its fund managers and to enhance its knowledge on best practices adopted by external fund managers.

One of the strategies that KWAP adopted in 2008 was having a high exposure in liquid assets (26.16% in money market instruments) in light of the impending global economic slowdown. This strategy had ensured capital protection of the fund and provided the opportunity to selectively accumulate preferred investments at the right price and the right time.

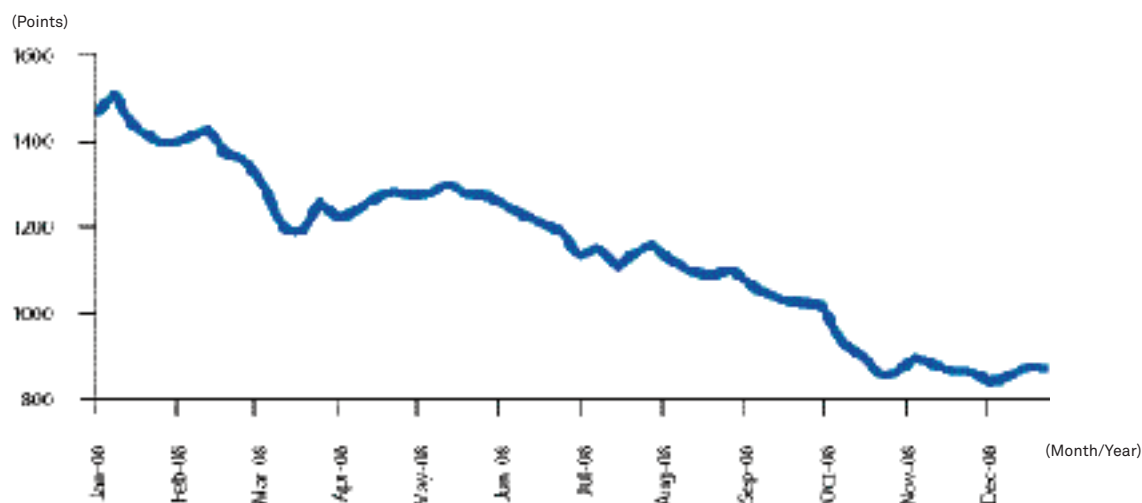
Fund Allocation as at 31 December 2007



■	Equity - RM11.96 billion
■	Fixed Income - RM13.66 billion
■	MGS - RM8.74 billion
■	Money Market Deposit - RM12.48 billion
■	Alternative Investment - RM0.06 billion
■	Surplus - RM0.52 billion

In terms of asset allocation, exposure to equity at cost stood at 25.79% of the total fund size compared to 25.23% in 2007. This represents an increase of RM1.98 billion. Out of the total exposure in equity, 97.00% was invested in listed domestic equity whereas the balance of 3.00% or RM48.21 million was invested in unlisted equity. Allocation to fixed income investments (comprising Fixed Income, Malaysian Government Securities and Money Market Deposit) increased by RM5.11 billion even though the exposure at cost remained almost unchanged at 74%. Exposure to Malaysian Government Securities ("MGS") and Money Market Deposit investments stood at 18.68% and 26.16% respectively. On the other hand, exposure of the total fund on private equity investments increased from 0.13% in 2007 to 0.19% in 2008, an increase of RM44.60 million due to drawdowns by all the four private equity funds.

KLCI Performance 2008



Source: Bloomberg

EQUITY PERFORMANCE

The year 2008 was one of the most challenging years for investors. The KLCI rose to an all time high of 1,516.22 early in 2008 before giving way to consolidation and ended the year with a 39.33% drop year on year, the biggest one year drop since the 1997 Asian financial crisis. The KLCI touched its 52-week low on 29 October 2008 at 829.41 points before closing the year at 876.75 points.

Despite the difficult market conditions, the Equity Department had a busy year implementing the initiative to adopt the new Equity investment model which emphasises proper segregation of duties and clear accountability. As such, the Custodian Unit that was previously part of the Equity Department was carved out as an independent stand alone department, responsible for the custody of all assets held by KWAP.

The research function of the Research Department was absorbed by the Equity Department to enhance the investment process and information flow. Despite the absorption, research analysts continued to retain their full autonomy in conducting analysis and giving recommendations. At the same time, the absorption has improved coordination between analysts and portfolio managers resulting in efficiency and effectiveness in the investment decision making process.

With the recent introduction of risk budgeting in KWAP, initial steps have been taken to inculcate risk culture in its equity investment management. The journey towards adopting risk adjusted return targets has commenced. Besides achieving return on investment targets, equity investment is also expected to outperform the identified strategic benchmark within the preferred risk parameters.

➡ Investment Performance

As part of KWAP's investment monitoring process, regular meetings and visits were undertaken with its investee companies throughout the year. For the year 2008, KWAP attended 48 AGMs/EGMs, 51 analyst briefings, 72 company visits and 8 senior management visits to investee companies. In addition, a minimum of 4 quarterly meetings were held with each of KWAP's external equity fund managers.

Internal Equity

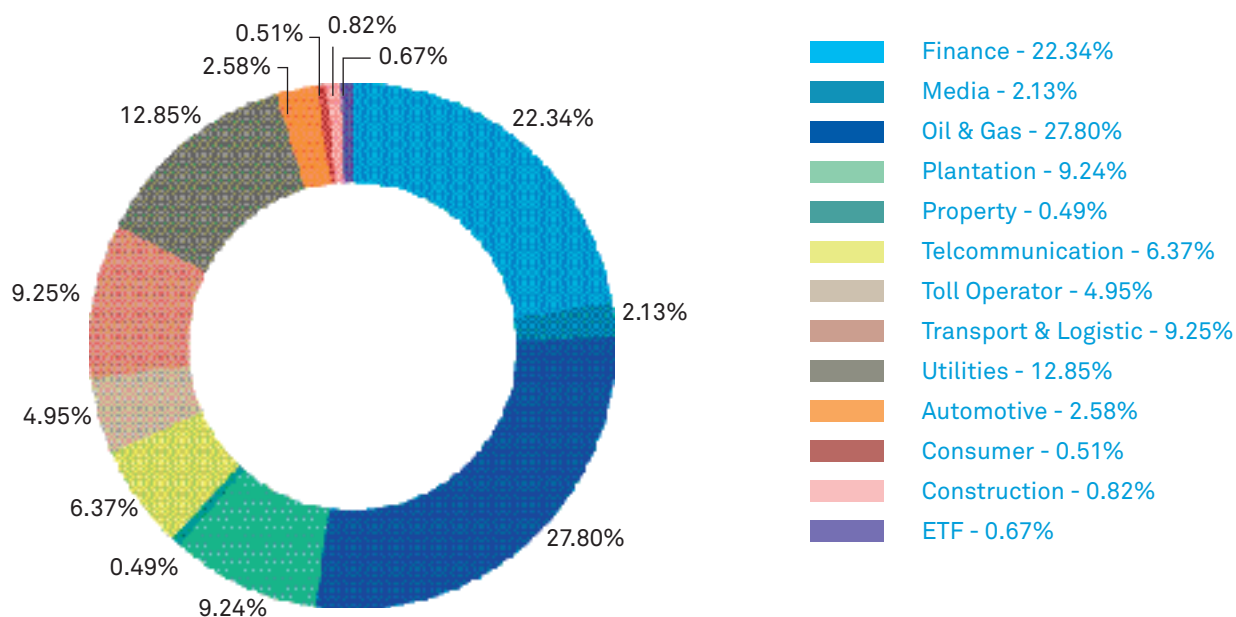
KWAP's internal equity was entirely invested in the domestic market. An active investment management style was adopted in line with KWAP's investment philosophy to generate excess returns through stock pickings and this strategy proved to be the appropriate strategy for 2008. Despite the plunging equity market, prices of high dividend yielding companies with consistent cash flows held up.

As at 31 December 2008, KWAP's exposure in the domestic equity market stood at RM12.30 billion or 22.75% of the total fund size (at cost) with RM11.88 billion or 96.60% invested in listed shares and 3.40% or RM418.21 million invested in unlisted shares.

In terms of sector allocation, 27.80% of KWAP's internal equity portfolio was invested in oil and gas sector (with 26.20% in Petronas Gas Berhad), 22.34% in finance sector, 12.85% in utilities, 9.25% in transport and logistics, 9.24% in plantation and 6.37% in telecommunications.

Despite the challenging market conditions due to the impact of the global financial crisis on the local equity market, KWAP managed to record a reasonable total investment income of RM1.08 billion with an ROI of 9.46%. This represents a 47.30% drop compared to 2007. Out of the total investment income, RM594.9 million or 55.04% was derived from the sale of shares and the balance RM485.97 million from dividend income net of tax.

Internal Equity - Sector Allocation 2008





External Equity Fund Managers

Out of the total listed equity investments, 12.15% was managed by 4 external equity fund managers. In the year 2008, funds allocated to the external equity fund managers increased from RM1.41 billion to RM1.64 billion as at 31 December 2008 due to net capital injection of RM230 million.

For the year 2008, external equity fund managers realised an aggregate income of RM142.91 million representing an ROI of 9.35% with RM87.37 million derived from capital gains from the sale of shares, RM9.15 million from interest income and the balance RM36.87 million from dividend income.

MyETF

In early 2008, KWAP became one of the seeders for MyETF DJIA Islamic Market Malaysia Titans 25 ("MyETF"), a national Shariah Exchange Traded Fund ("ETF") and the first global Shariah ETF which was listed on 31 January 2008. As at the end of 2008, KWAP's investment in MyETF amounted to RM102.10 million.

Unlisted Equity

Throughout 2008, investment in unquoted shares at cost remained at RM418.21 million. Dividend income received from unquoted shares totaled RM28.67 million for the year 2008.

FIXED INCOME PERFORMANCE

The year 2008 was a tumultuous year for fixed income market. Yields were volatile due to changes in the economic climate throughout the year. Currency play drove the yields lower at the beginning of the year, before inflationary concerns pushed the yields upwards. Towards the end of the year, the bond market showed a reversal of fortune as the yields started to decline amidst concerns over slower growth and cooling inflationary pressure. In November 2008, Bank Negara Malaysia reduced the Overnight Policy Rate ("OPR") by 25 basis points to 3.25% with expectations of further cuts in 2009.

In 2008, the Fixed Income Department implemented several initiatives to strengthen its investment processes. A Credit Assessment Unit was proposed to be set up to segregate the functions of the front and middle offices, as well as to facilitate the credit evaluation and monitoring processes. In addition, policies and procedures were revised to expand the scope of investments in other fixed income and money market instruments.

The fixed income investments comprise 4 sub-asset classes, namely government securities, corporate bonds, loans and money market deposit. Investment in government securities consists of Malaysia Government Securities ("MGS"), Government Investment Issues ("GII"), Bank Negara Bills, Treasury Bills and Bank Negara Notes.

➤ Investment Performance

For corporate bonds, KWAP invests in both conventional and Islamic papers comprising Fixed Rate Serial Bonds, Medium Term Notes as well as Commercial Papers. In the loans sector, KWAP extends loans mainly to government linked companies.

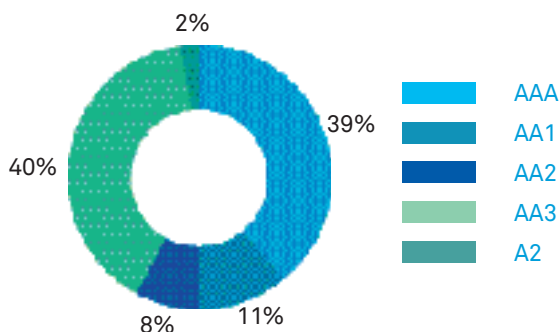
Money market deposit activities include placement of deposits and repos with financial institutions as well as investing in other money market instruments such as Bankers Acceptances ("BA") and Negotiable Instrument of Deposit ("NID").

KWAP's investment in fixed income at cost amounted to RM39.99 billion or 73.98% of total fund size, compared to RM34.88 billion or 73.55% in 2007. Total gross income increased by 53.14% to RM1.67 billion in 2008 from RM1.09 billion in 2007. Income contributions by fixed income sub asset classes are as follows:

(i) Corporate Bonds

In 2008, KWAP's overall holdings of corporate bonds, inclusive of funds managed by external fixed income fund managers grew to RM8.34 billion from RM6.21 billion at the end of 2007. Gross income was up by 109.54% to RM363.36 million in 2008 from RM173.41 million in 2007. KWAP's investment in corporate bonds comprised RM4.69 billion in conventional corporate bonds, RM3.15 billion in Islamic corporate bonds and RM500 million managed by external fixed income fund managers.

Corporate Bonds Portfolio Rating Distribution Profile



(ii) Government Securities

KWAP's investment in government securities grew by 15.51% to RM10.10 billion in 2008 from RM8.74 billion in 2007. Gross income was higher by 37.42% as the fund registered earnings of RM378.04 million in 2008 as against RM275.09 million in 2007. Total issuance of MGS and GII saw an increase of 13% from RM53 billion in 2007 to RM60 billion in 2008.

MGS Yields In 2008



(iii) Loans

Total loans extended by KWAP to Federal and State Governments were maintained at RM261.89 million in 2008. Loans disbursed to public authorities and corporations saw a decline from RM5.38 billion in 2007 to RM4.45 billion in 2008. However, loans to corporate entities grew to RM2.70 billion in 2008 from RM1.80 billion in 2007. Overall total loans portfolio showed a slight decline from RM7.44 billion in 2007 to RM7.41 billion in 2008. Gross income also contracted from RM369.48 million in 2007 to RM368.41 million in 2008.

(iv) Money Market Deposit

As at 31 December 2008, KWAP's investment in money market deposit comprised Fixed Deposits, Short Term Placements, Bankers Acceptances and Negotiable Instruments of Deposit in both Islamic and Conventional instruments. Total holdings in money market deposit grew by 13.32% to RM14.14 billion in 2008 from RM12.48 billion in 2007. In 2008, money market contributed gross income of RM556.05 million, an increase of 104.81% from RM271.49 billion achieved in 2007.

External Fixed Income Fund Managers

KWAP's exposure to fixed income investments managed via external fixed income fund managers remained at RM500 million throughout 2008. In 2008, external fixed income fund managers recorded an aggregate realised income of RM24.81 million representing an ROI of 4.96%. The aggregate realised income was derived from capital gains of RM0.79 million, coupon interest of RM22.02 million and interest on repo of RM2 million.

As part of KWAP's investment monitoring process, regular meetings and visits were undertaken with its investee companies throughout the year. Among them were 5 company visits and 3 senior management visits to investee companies. In addition, a minimum of 4 quarterly meetings were held with each of our external fixed income fund managers.

ALTERNATIVE INVESTMENT PERFORMANCE

As at 31 December 2008, KWAP's total commitment and drawdowns for its three foreign and one domestic private equity investment funds totalled RM213.11 million and RM104.87 million respectively. During the year 2008, RM44.98 million was drawn down for the 4 private equity funds. KWAP's investment in private equity funds are shown below:

Fund's Name	Vintage Year	Amount Drawn Down	Commitment
IDB Infrastructure Fund LP	2001	USD4.78 million	USD7 million
Actis ASEAN Fund LP	2004	USD5.89 million	USD10 million
Lombard Asia III LP	2006	USD12.97 million	USD30 million
CIMB-Mapletree Real Estate Fund 1	2005	RM21.25 million	RM50 million

For the year 2008, KWAP received distributions in the form of repayment of capital amounting to RM0.34 million and dividend income of RM0.47 million. Except for the IDB Infrastructure Fund, the rest of KWAP's private equity funds are still in the investment stage. As such distribution to KWAP for the year 2008 was solely from IDB Infrastructure Fund LP.



We continue to place emphasis on sound investment and risk management practices to optimise returns on investments and nothing will distract us.



Statement of Corporate Governance

The Board of KWAP recognises that the exercise of good corporate governance in conducting the affairs of KWAP with corporate values such as achievement oriented, transparency, professionalism, teamwork, integrity and continuous learning is a key component contributing to the organisation's continued progress and success. This would not only safeguard and enhance stakeholder's investments and value but ensure the smooth running of its business.

KWAP acknowledges the important roles played by the Board members, the Investment Panel members and the Management to formulate and determine KWAP's direction and operations. KWAP is led and managed by experienced and skillful Board members with varied background from the Government, private sector, Bank Negara Malaysia and contributors' representative, which are important for the overall strategic achievements of KWAP.

THE BOARD

The Retirement Fund Act, 2007 (Act 662) ("The Act"), stipulates that KWAP shall have a Board that shall be responsible for the administration and management of the organisation whereby the Board shall have the power to perform its duties as imposed by the Act and to do all acts which may be exercised or done by KWAP.

Composition of the Board

The Board shall consist of the following members who shall be appointed by the Minister of Finance:

- (i) a Chairman who shall be the Secretary General of Treasury, the Ministry of Finance;
- (ii) a representative from the Bank Negara Malaysia;
- (iii) a representative from the Ministry of Finance;

- (iv) the Chief Executive Officer who shall be an ex-officio member;
- (v) three (3) representatives of the Government of Malaysia;
- (vi) three (3) other persons from the private sector with experience and expertise in business or finance; and
- (vii) a person who, in the opinion of the Minister of Finance, shall fairly represent the contributors to the Fund other than the representatives of the Government of Malaysia.

The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Chief Executive Officer of KWAP, as duly appointed by the Board with the approval of the Minister of Finance, is responsible for the overall operations of the business and the implementation of the decisions made by the Board and the investment decisions made by the Investment Panel in accordance with the Act. The Chief Executive Officer is assisted by the Management in managing day to day administration of KWAP and the administrative control of the employees.

A brief profile of each Board member is presented on page (88 to 91) of this Annual Report.

Responsibilities and Accountabilities of the Board

The Board is established to administer and manage KWAP in such a manner as would further enhance the respective interests of the contributors as well as the stakeholders. The function of the Board is to formulate administration and management policies and procedures and to ensure that KWAP achieves its objectives with success and excellence.

The Board assumes a number of specific tasks such as overseeing the proper conduct of operations, identifying principle risk areas and ensuring the proper implementation of appropriate systems to manage these risks as well as reviewing the adequacy and integrity of the internal control systems as specified in the Act and the Board Charter.

The scope of the Board's accountabilities shall include making regulations as may be necessary and expedient for giving effect to the provisions in the Act, inter-alia:

- (i) to establish procedures with respect to financial and accounting matters, including keeping, closing and auditing of the accounts of KWAP and the creation of its own financial and accounting procedures;
- (ii) to prescribe the responsibilities of the employees of KWAP including matters in respect of remuneration, terms and conditions of service, period of service and leave of its employees;
- (iii) to establish the appropriate disciplinary authorities with respect to the conduct and discipline of the employees of KWAP;
- (iv) to establish committees and procedure of such committees;
- (v) to regulate its internal procedures including procedures relating to operational matters;
- (vi) to prescribe the manner in which documents, cheques and instruments of any description shall be signed or executed on behalf of KWAP;
- (vii) to prescribe the circumstances of emergency as envisaged in the Act; and
- (viii) to regulate its own procedures with respect to unclaimed moneys as prescribed in the Act.

THE INVESTMENT PANEL

The Act requires the establishment of an Investment Panel which shall be responsible for matters pertaining to the investment of the Fund.

Composition of the Investment Panel

The Investment Panel shall consist of the following members who shall be appointed by the Minister of Finance:

- (i) a Chairman who shall be the Chairman of the Board or such other person as may be appointed by the Minister of Finance;
- (ii) a representative from the Bank Negara Malaysia;
- (iii) a representative from the Ministry of Finance;
- (iv) the Chief Executive Officer of KWAP who shall be the secretary; and
- (v) three (3) other persons from the private sector with experience and expertise in business or finance.

Primary Duties and Responsibilities of the Investment Panel

The Investment Panel is generally responsible to approve inter-alia KWAP's strategic directions on investment matters, investment policy and guidelines, asset allocation and investment proposals. In executing its function, the Investment Panel shall report its activities to the Board and shall act in accordance to the general policy that may be issued by the Board and approved by the Minister of Finance from time to time.

Board and Investment Panel

APPOINTMENT AND REMUNERATION OF BOARD AND INVESTMENT PANEL MEMBERS

Appointments of members to the Board and the Investment Panel are for a period not exceeding three years, and on the expiry thereof, be eligible for reappointment. Subject to the approval of the Minister of Finance, the members of the Board and the Investment Panel shall be paid such remuneration as the Board may determine from time to time.

THE BOARD AND INVESTMENT PANEL MEETINGS

The Retirement Fund Act 2007 (Act 662) requires the Board and Investment Panel to meet quarterly to deliberate, review, evaluate policies and strategies, and monitor the performance of the Management. The Board met thirteen (13) times throughout 2008, including four (4) Special Board Meeting and one (1) Special Board and Investment Panel Meeting and during the year 2008, eight (8) Investment Panel meetings were held, including one (1) Special Board and Investment Panel Meeting.

The Board considered and approved proposals pertaining to the administration and operations, policies, strategic issues, recruitment and approval of KWAP's financial statements. All Board members were provided with the necessary information prior to every meeting to enable them to make well informed decision on proposals.

The Board meetings were held regularly and the Board also met on an ad-hoc basis to deliberate urgent issues concerning corporate proposals or matters that require the expeditious direction of the Board.

Tan Sri Dr. Wan Abdul Aziz chaired all Board meetings which were conducted in accordance with the agenda. The agenda for each Board meeting and papers relating to the agenda items were forwarded to all Board members at least 3 days prior to the Board meetings. This is to facilitate the Board to peruse the Board papers and review the issues to be deliberated at the Board meeting well ahead of the meeting date.

The Board papers were presented in a comprehensive and concise manner which include progress reports on business operations; detailed information on business propositions and corporate proposals including where relevant, supporting documents such as professional advice from solicitors or advisers; new policies and guidelines issued by Ministry of Finance and reports for updating the Board on KWAP's business. In order to maintain confidentiality, material information and price-sensitive issues or corporate proposals, were circulated during the Board meetings.

In the event any Board member has any interest in proposals considered by the Board, the Board will make a declaration to that effect at the Board meeting. The interested Board member will thereupon abstain from deliberations on the subject proposal.

The Board has full and unrestricted access to information relating to KWAP's business in the discharge of its duties. Further insights and clarifications on matters by the Board are detailed out during the Board meetings by the Senior Management.

In circumstances where there is an immediate decision needed, and the secretary of the Board and Investment Panel is unable to convene a meeting, approval may be sought via circularisation to all members of the Board or Investment Panel. However, decision via circularisation to all members requires unanimous approval which will be ratified during the following Board or Investment Panel meeting. A resolution in writing signed by all members of the Board or Investment Panel shall be valid and effectual as if it has been passed at the meeting of the Board or Investment Panel duly convened and held.

Risk Management Committee

Risk Management Committee (“RMC”) was established to assist the Board in discharging its functions with regards to risk management.

RMC shall comprise at least three (3) Board members i.e. a Chairman and two (2) other members, all of whom shall be appointed by the Board.

Duties and Responsibilities of RMC

The following are the duties and responsibilities of the RMC:

- (i) to formulate and carry out the risk management strategies and policies;
- (ii) to assess and recommend for the Board’s approval the proposal on risk management policies and procedures for business and financial risk areas such as market risk, credit risk, strategic risk and operational risk;
- (iii) to determine risk appetite/tolerance/parameters to the Board for adoption;
- (iv) to assess/evaluate existing and new policies, controls and recommend to the Board for final changes, approval and adoption;
- (v) to ensure the adequacy of risk management policies and systems and the extent to which such policies and system are operating effectively;
- (vi) to ensure that the infrastructure, resources and systems are in place to identify, measure, monitor and control risks;
- (vii) to determine KWAP’s risk exposures and risk management activities;
- (viii) to formulate Business Continuity Management; and
- (ix) to consider other risk related issues as defined by the Board.

Audit Committee

Audit Committee (“AC”) was established to ensure establishment and enforcement of internal controls and systems at KWAP.

AC shall comprise at least three (3) Board members i.e. a Chairman and two (2) other members, all of whom shall be appointed by the Board.

The Board may at any time discontinue or alter the composition of the Audit Committee and at least one (1) member of the Committee must be a member of Malaysian Institute of Accountants.

Duties and Responsibilities of AC

The following are the duties and responsibilities of AC:

- (i) to recommend and review financial regulations, accounting regulations, policies and practices;
- (ii) to review and discuss the nature and scope of internal and external audit plans and ensure co-ordination of approach between the internal and external auditors;
- (iii) to review the financial statements of the Retirement Fund (Incorporated) with management and the auditors prior to them being approved by the Board;
- (iv) to discuss problems and reservations arising from the interim and final audits and any matter the auditor may wish to discuss (in the absence of management where necessary);
- (v) to review the external auditor’s audit observations and management’s response;
- (vi) to consider major findings of internal investigations and management’s response;
- (vii) to direct any special investigations to be carried out by the internal auditor and review the internal auditor’s findings;
- (viii) to consider any related party transactions that may arise within the Retirement Fund (Incorporated);
- (ix) to provide independent assessment of the adequacy and reliability of the risk management processes and system of internal controls and compliance with risk policies, laws, internal guidelines and regulatory requirements;
- (x) to review changes to Financial Procedures; and
- (xi) to consider other issues as defined by the Board.

Transformation Program

In May 2008, the Board approved for KWAP to review and enhance its existing business model and capabilities to enable it to fulfill its vision of becoming a high performing fund that assures sustainable pension benefits.

The study recommends for KWAP to adopt a returns-based asset manager model which requires the organisation to focus on growing its fund size in order to meet Government’s pension liability. To achieve this, KWAP has established four strategic pillars as illustrated below:



Enhanced Returns

In order to enhance KWAP’s risk adjusted returns, KWAP shall diversify its investments into new asset classes including foreign asset classes. This will be achieved through reviewing its existing Strategic Asset Allocation (“SAA”) and migrating towards a new SAA which would give enhanced returns within the permissible risk parameters.

Risk Awareness

Risk management is not only limited to setting up a risk management function within the organisation but is fundamentally about inculcating risk management practices in every aspect of the organisation’s activities cutting across the entire organisation. Taking cognisance of the above and reinforced further by potential investment complexity which KWAP may face in the future, creating risk culture has been chosen as one of KWAP’s strategic pillars.

➡ Transformation Program

Performance Culture

Having the right investment and risk management tools would not guarantee the success of the organisation unless there is an alignment between the organisation and employees' goals. To achieve this, it is imperative for KWAP to create a working environment characterised by clear accountabilities, Key Performance Indicators ("KPIs") and appropriate performance linked compensation scheme.

Talent Organisation

Recognising human resource as KWAP's most important asset or enabler in achieving its goals, effective talent management has been set as another strategic pillar. This necessitates KWAP to look at how it should optimally grow its internal talent whilst attracting new talent, underscored by the organisation's demand for specific technical skills and expertise as well as overall leadership to bring the organisation to the next level.

To support the realisation of the four strategic pillars, a transformation program with 20 initiatives has been identified to be implemented over a period of 2 years as shown below:

Organisation	Investment Management	Risk Management
Revise grading, compensation and KPIs	Amend Investment Policy & Guidelines	Build up risk management function
Move to new organisation structure	Migrate to the new Strategic Asset Allocation	Implement operational risk standards
Redesign office layout	Adopt new Equity Investment Model	Implement Business Continuity Plan
Develop management trainee program and scholarship	Adopt new Fixed Income Investment Model	Implement Strategic Risk Plan
	Set up External Fund Management function	Implement risk management system
	Set up business performance function	Set up internal audit function
	Implement Portfolio Management System	
	Outsource custodian function	
	Set up portfolio strategy function	
	Set up Tactical Asset Allocation function	

Change Management and Communication

Change Management and Communication

To ensure effective implementation of the transformation program, Project Management Office (“PMO”) was set up in August 2008 which is primarily responsible to:

- Identify and prioritise key initiatives for implementation;
- Monitor and report the progress of implementation of the initiatives;
- Facilitate and resolve road-blocks, if any, on the implementation of the initiatives; and
- Develop communication plan and assist with communication to stakeholders.

PMO reports directly to the Chief Executive Officer and provides monthly updates to the Board on the progress of the transformation program, highlighting major issues or concerns for guidance and decision.

As change management is integral to the transformation program, the focus of change management in 2008 was directed towards:

- Creating awareness on the purpose of the transformation;
- Creating willingness among all employees to change and embrace the transformation program; and
- Equipping the organisation with tools such as enhanced work processes and new systems to implement change.

The implementation of the 20 initiatives which commenced in September 2008 will continue into 2009. The following milestones were achieved in 2008:

Focus Areas	Milestones
Organisation	<ul style="list-style-type: none"> • Design of new organisation structure
Investment Management	<ul style="list-style-type: none"> • Revision to Investment Policies and Guidelines • Adoption of new Strategic Asset Allocation • Design of new equity and fixed income operating models • Establishment of External Fund Management Department • Establishment of Custodian Department and Investment Settlement Department
Risk Management	<ul style="list-style-type: none"> • Introduction of risk management framework and corporate risk profile

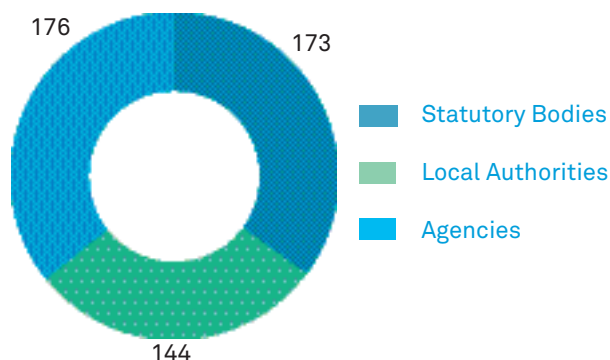
Contribution Management

Pension Contributions

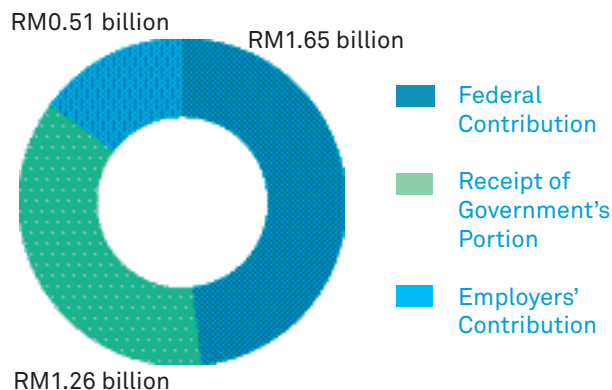
One of KWAP's main responsibilities is to ensure timely remittance of pension contributions from Statutory Bodies, Local Authorities and other Agencies in accordance with the Statutory and Local Authorities Pensions Act, 1980 (Act 239) and the Service Circular No. 12/2008.

In 2008, KWAP received a total of RM 3.42 billion representing annual contribution of RM1.65 billion from the Federal Government; employers' contributions totaling RM515 million from Statutory Bodies, Local Authorities and Agencies; and receipt of Government's portion of Employees' Provident Fund, Lembaga Tabung Angkatan Tentera and Teachers' Provident Fund amounting to RM1.26 billion. This represents an increase of 38% compared to the total pension contributions of RM2.47 billion received in 2007.

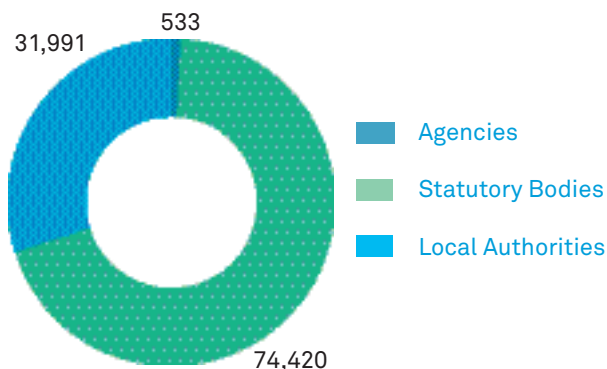
Contributory Employers



Collection of Contribution



Registered Members



As at 31 December 2008, there were 493 contributory employers and 106,944 registered members. In comparison to 2007, there were 475 contributory employers and 104,081 registered members.

Newly Registered Employers in 2008

In the year 2008, KWAP registered the following contributory employers:

- Malaysia Health Promotion Board
(Lembaga Promosi Kesihatan Malaysia)
- Solid Waste and Public Cleansing Management Corporation
(Perbadanan Pengurusan Sisa Pepejal & Pembersihan Awam)
- National Arts Culture and Heritage Academy (ASWARA)
(Akademi Seni Budaya dan Warisan Kebangsaan)

Refund

In 2008, refund applications showed an increase of 36% to RM14.91 million compared to RM10.95 million in the previous year.

	2008	2007	Variance
Refund (RM)	14.91 million	10.95 million	3.96 million
Number of Application	5,008	3,985	1,023

Compliance and Enforcement Visits in 2008

The objective of compliance and enforcement visit is to ensure compliance to the provisions of Statutory and Local Authorities Pensions Act, 1980 (Act 239) and Service Circular No. 12/2008 as well as to conduct briefing sessions to contributory employers in educating and enlightening them on issues relating to pension contributions.

Throughout 2008, KWAP conducted compliance and enforcement visits in the states of Penang, Sarawak, Federal Territory and Selangor covering fifty (50) contributory employers.

Compliance and enforcement visits in 2008

States	Number of Employers	Date of Visit
Penang	21	25 – 28 Feb.
Sarawak	21	20 – 24 Oct.
Federal Territory	2	20 Nov.
Selangor	6	18 Nov. & 3 Dec.

Human Resource Management

In line with KWAP's aspiration to become a high performance organisation, organisational change focusing on human resource has been identified as one of the key development areas to be prioritised. KWAP recognised the need to elevate its employees' level of expertise and create a working environment in which employees' capabilities can be maximised. This notion has been further reinforced by recommendations made under the new business model. As such major emphasis was given to human resource development in 2008.

Training and Development

In 2008, KWAP achieved an average of 9 learning days per employee. The training programs conducted were designed to enhance the knowledge and skills of its employees as well as to keep all employees abreast of the constant changes and challenges faced by KWAP.

Amongst the in-house development programmes that were implemented include Business English for Managers, Non Executive Development Programme as well as a Social and Business Etiquette Workshop for Senior Managers.

In line with KWAP's mission to implement sound risk management principles in its investments, efforts have been made to inculcate a risk awareness culture through Risk Management workshops covering employees at all levels. In addition, as KWAP is in the process of moving towards Financial Reporting Standards for its financial reporting, a series of in-house workshops on Financial Reporting Standards have been organised.

In order to promote and encourage sharing of knowledge amongst employees in the organisation, a series of in-house public speaking session called "The Golden Hour Series" were introduced at KWAP. The sessions were held once a month. A total of 11 sessions were conducted in 2008 involving 22 employees as speakers for the sessions. Amongst the topics presented during the sessions were management and leadership skills, self-motivation, improvements in work processes, personal mastery and other topics related to KWAP and its business.

KWAP also introduced an in-house leadership talk series that featured experienced and distinguished speakers to speak on topics relating to leadership, management and corporate development. The sessions, named "KWAP Leadership Series", were organised as knowledge sharing sessions between prominent business leaders or notable intellectuals and KWAP's employees. It also served as an ideal platform for learning and networking amongst the invited corporate professionals.

To add value to employees' technical competency and to enhance professionalism, KWAP introduced the KWAP CFA Financial Assistance Scheme. It is an educational aid scheme open to employees who seek to develop and enhance their capabilities in the financial sector by sitting for the Chartered Financial Analyst examination. This initiative forms part of KWAP's continuous effort to develop organisational talent by encouraging its employees to take on greater challenges and responsibilities.

Employee Performance

As KWAP moves towards becoming a performance driven organisation, strong emphasis was placed to monitor the performance and deliverables of its employees. Corporate Key Performance Indicators ("KPIs") that are aligned towards KWAP's business plan and focus areas were formulated. These corporate KPIs were then translated into individual KPIs for all management staff in a balanced scorecard format that covers all aspects of KWAP's activities.

Staff Welfare and Benefits

In a continuous effort to promote KWAP as an employer of choice as well as to promote its competitiveness as an employer, KWAP instituted several improvements to be made to its compensation and benefit package. One of the major initiatives was a review of KWAP's current salary scheme that aims to provide a more equitable remuneration scheme. Furthermore, this places KWAP on par with market practices and enables it to retain, develop and attract the best talent from the industry.

Internal Audit

As part of KWAP’s continuous efforts to improve its internal controls, several key areas of the operations namely, equity and fixed income operations, finance and administration and contribution management were audited in 2008 to identify areas for improvement. As a follow up on the audit observations, the following key improvements were implemented in 2008:

Area of improvement	Description
Segregation of duties	Custodian and settlement functions were segregated from investment operations to ensure proper check and balance mechanisms were put in place.
Standard Operating Procedures (“SOPs”)	Detailed SOPs for KWAP’s investment and support functions were prepared.
Work processes in Contribution Department	Board’s approval was obtained to develop and implement a new computerised Contribution Management System in 2009 to automate work processes of the department.
Retirement Fund Act ,2007	Board’s approval was obtained to amend the Retirement Fund Act, 2007 to empower KWAP to initiate action against defaulting employers. The proposed amendments are expected to be undertaken in 2009.

Risk Management

The ever changing business environment poses various risks to KWAP and in anticipation we take proactive measures to manage these risks. Investment management is associated with risks of both financial and operating in nature. The most prominent risks include market risk, credit risk and operational risk. We believe that one of the key success factors in investment management is the ability to identify, analyse and manage risks on timely manner.

Overall Risk Management Framework

At the helm of the organisation, the Board is ultimately responsible for the overall management of risks. The Board, through the Risk Management Committee (“RMC”) maintains overall responsibility for risk oversight within KWAP.

The RMC’s responsibilities include reviewing and ensuring adequacy of risk management policies and procedures, reviewing risk exposures, and ensuring that infrastructure, resources and systems are put in place for risk management activities.

The Board is also supported by the Audit Committee whose responsibility is to provide an independent assessment on the adequacy and reliability of the risk management processes and system of internal controls, and compliance with risk policies and regulatory requirements.

The dedicated independent risk management and control functions, namely the Risk Management Division and Internal Audit function are responsible for ensuring the approved risk management framework and policies are implemented and complied. They are also responsible for facilitating the risk management processes with operating units which include risk identification, assessment, mitigation and monitoring.

At the forefront, operating units are responsible for identifying and managing risks within their operations. The operating units are also responsible to ensure all daily activities are in compliance with the approved policies, guidelines and procedures. One of the key activities undertaken in 2008 by the respective operating units was to review their internal controls to ensure relevancy and appropriateness. Any changes to the internal controls were reflected on their respective Standard Operating Procedures (“SOPs”).



Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The primary responsibility for managing operational risk rests with each operating unit. Nevertheless, the execution of risk management methodology is supported and guided by the Risk Management Division.

In 2008, we implemented the Corporate Risk Profile (“CRP”) in which risks pertinent to the organisation were identified and analysed to determine risk exposure and facilitate the deployment of mitigating controls. The CRP is a live document maintained by the Risk Management Division with inputs from the operating units. The CRP is presented to RMC periodically for deliberation and recommendation to further improve overall risk management practices.

Business Continuity Management (“BCM”) being an integral part of operational risk management requires KWAP to have internal capabilities and competencies to mitigate the risk of severe operational disruption. In 2008, we initiated the enterprise-wide BCM initiatives with the development of Business Continuity Plan (“BCP”) and Disaster Recovery Plan (“DRP”).

Moving forward, several other initiatives will be implemented for operational risk management which includes the development of Key Risk Indicators (“KRI”), implementation of Loss Data Management (“LDM”) and Risk Control Self Assessment (“RCSA”).

Market Risk Management

Market risk is the risk of loss arising from adverse movements in the level of market prices of financial assets and rates. The key objective of market risk management is to manage the adverse effects of market movements on KWAP’s investments. The implementation and enforcement of risk limits onto the investment activities is aimed at managing risk exposure and thus minimising potential losses.

In 2008, we initiated efforts to build capabilities to implement Value-at-Risk (“VAR”) and Stress Testing. Contingent upon the successful implementation of VAR and Stress Testing, efforts will be made to implement risk budgeting to further enhance the management of market risk.

Credit Risk Management

Credit risk is the potential financial loss as a result of defaults by the borrowers or counterparties. The primary objective of credit risk management is to ensure that exposure to credit risk is always kept within KWAP’s risk appetite and financial capacity to withstand potential losses. KWAP’s investment activities are guided by its Investment Policy and Guidelines which specify the credit policies and counterparty limits.

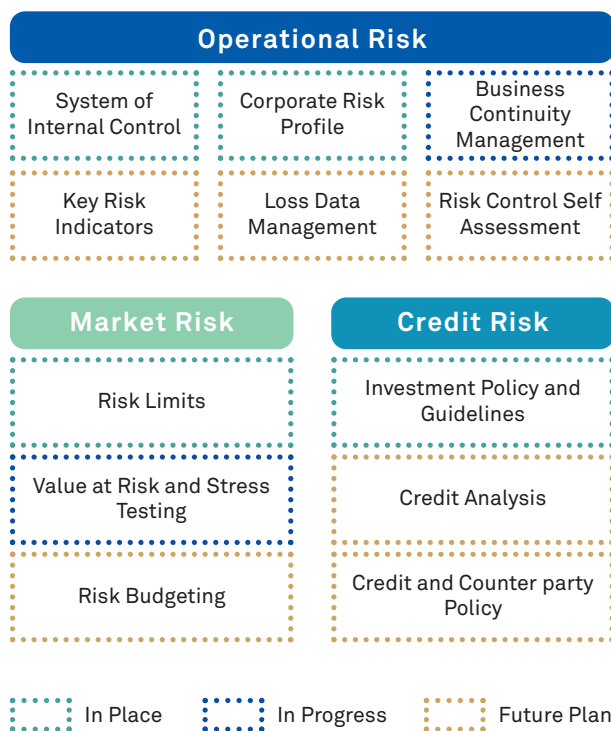
To further strengthen credit risk management, a dedicated Credit and Counterparty Policy will be developed for adoption. In addition, the credit analysis capabilities will progressively be developed and improved through the recruitment of qualified credit analysts and deployment of improved management information system.

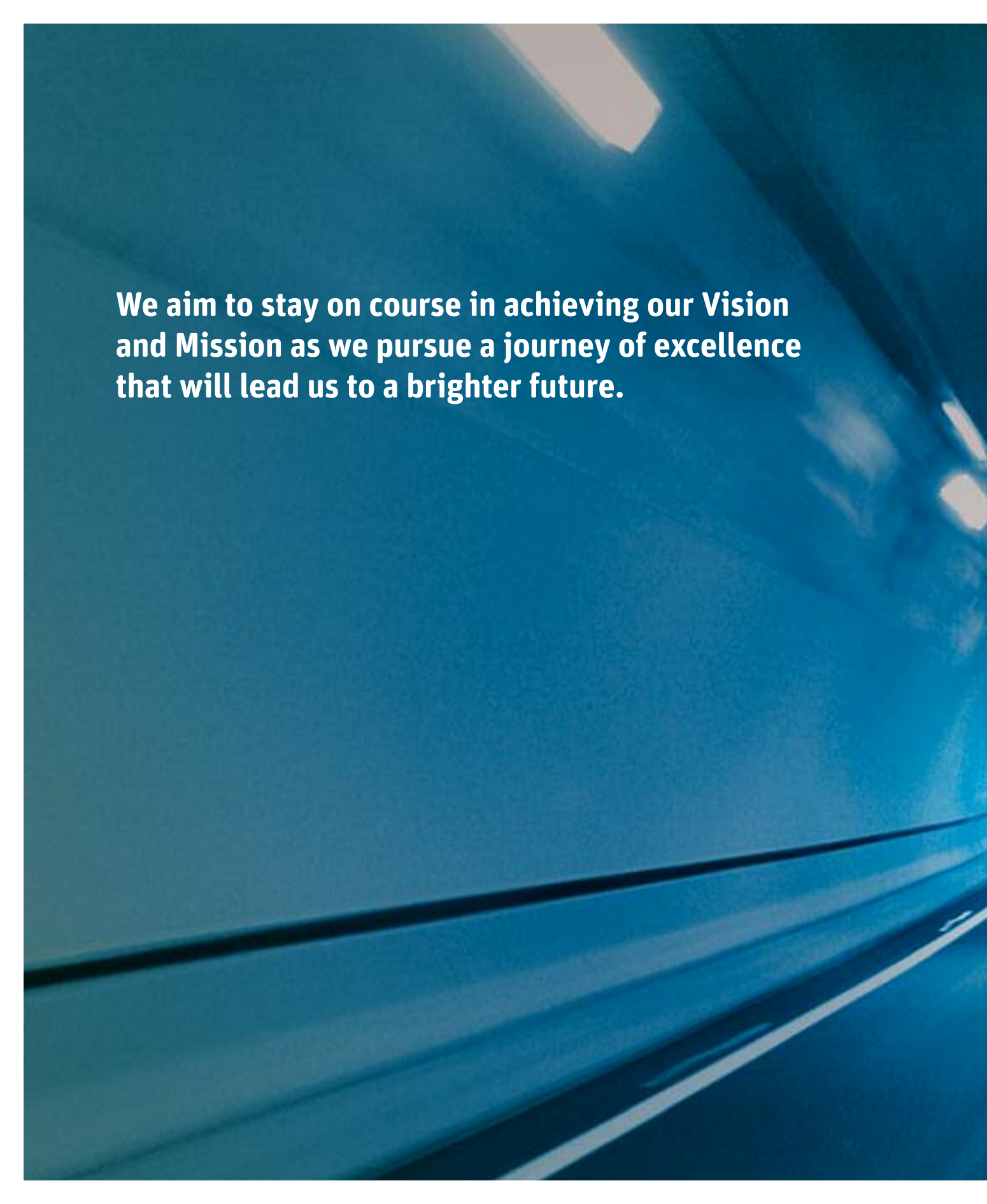
Risk Awareness and Training

Continuous learning is crucial as the environment in which KWAP operates is constantly evolving. KWAP recognises the importance of having the necessary knowledge and skills to manage the wide spectrum of risks that KWAP is exposed to. In promoting risk awareness within the organisation, a number of activities were conducted throughout 2008.

Two risk management workshops for all levels of management were conducted to expose them to various risk management topics. One of the key topics discussed was the implementation of risk metrics to facilitate the management of market risk.

In addition, risk related articles or materials were disseminated periodically to the staff via KWAP’s newsletter.





We aim to stay on course in achieving our Vision and Mission as we pursue a journey of excellence that will lead us to a brighter future.



Corporate Social Responsibility

As a progressive and caring organisation that is committed to finding ways to improve the quality of life of its employees and society at large, KWAP as a good corporate citizen embarked upon a number of Corporate Social Responsibility ("CSR") initiatives in 2008 as follows:

Fund raising activity and donation drive

Central to KWAP's CSR philosophy is employee engagement. To further encourage involvement of our employees in charity, mini initiatives were conducted such as jumble sales and donation drives to raise fund for a worthy cause. The proceeds were used to purchase sports equipment and apparel for Sekolah Kebangsaan Bukit Tampoi (A), Dengkil, Selangor. Three of their top UPSR 2008 students were given a token appreciation for their academic accomplishment.

Save our environment

One crucial aspect of our CSR initiative is to establish a work culture that is environmentally aware and conscientious. We wish to instill a sense of respect and appreciation of our environment in each and every individual in KWAP. In this regard, efforts were made to reduce the usage and to recycle paper products. Energy usage was minimised by switching off lights and electrical equipment during lunch and after office hours. To constantly remind employees on the importance of recycling and avoiding wastage, the tagline "Save Cost: Recycle, Avoid Wastage" was introduced in all electronic communications.

For the year 2009, we look forward to continue from where we have started in 2008 by introducing more CSR initiatives. In addition, we intend to leverage on our knowledge in investment and finance for the purpose of uplifting the community's awareness on financial planning.

Charity Giving Day at SK. Bukit Tampoi (A), Dengkil, Selangor

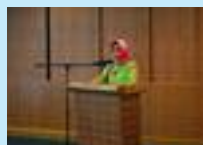


January-March 2008



2 JANUARY 2008 Mandate for 2008

The Chief Executive Officer announced the financial performance for 2007 and addressed the need to continue striving for goals set for year 2008.



25 JANUARY 2008 Recitation of Dana Yang Berkat

A peom recitation competition on KWAP's Dana Yang Berkat was held which saw our three best recitors in a keenly contested final.



26 JANUARY 2008 Board Retreat on Formulation of KWAP's Vision, Mission & Corporate Values

The Board, Investment Panel and Senior Management attended a workshop to formulate KWAP's vision, mission and corporate values.



MARCH – DECEMBER 2008 Golden Hours Public Speaking

This monthly activity is aimed at developing and building KWAP's employees self confidence and to further improve presentation skills.



MARCH – DECEMBER 2008 Fitness After Five

This weekly activity is aimed to help KWAP's employees to unwind and loosen up after a hard day's work.



14 MARCH 2008 Leadership Series I

Y.Bhg. Dato' V.Danapalan, a member of the Board delivered a talk during the inaugural Leadership Series titled "Managing for Success".



April-June



8 APRIL 2008 Vision, Mission & Values Cascading Session

The session was officiated by Y. Bhg. Dato' Muhammad Bin Ibrahim, a member of the Board and was facilitated by Mr. Arun Rengasamy who briefed KWAP's employees on the newly formulated vision, mission and corporate values.



24 APRIL 2008 First Anniversary Dinner

The dinner graced by Minister of Finance II, Y. Bhg. Tan Sri Nor Bin Mohamed Yakcop to commemorate KWAP's first anniversary as well as to bid farewell to Y. Bhg. Datuk Amirsham Bin Abdul Aziz who resigned from his post as an Investment Panel Member.



APRIL – JULY 2008 Sports Carnival

The carnival was held from April until July 2008 with employees grouped into 3 teams which competed against each other in sports such as carom, scrabble, badminton, futsal, dart, congkak, bowling, ping pong, chess, netball and volleyball.



28 AUGUST 2008 Townhall Meeting I

The Chief Executive Officer launched KWAP's transformation program aimed to enhance its existing business model and capabilities.



12 SEPTEMBER 2008 Iftar with the Board and Investment Panel

KWAP's employees felt honoured that the Board and Investment Panel joined the Iftar and Tarawih prayers.



9 OCTOBER 2008 Visit by CSPF, Oman

The Civil Service Pension Fund, Oman conducted a study visit to KWAP with the objective of exchanging ideas on managing pension fund.



24 NOVEMBER 2008 Leadership Series III

Y. Bhg. Tan Sri Azman Bin Mokhtar, Managing Director of Khazanah Nasional Berhad presented a talk titled "Leadership Development: The Khazanah Experience".



4 DECEMBER 2008 Visit by TASPEN, Indonesia

Delegates from TASPEN (Persero, an Indonesian pension fund) and The Ministry of Administrative Reform - Republic of Indonesia had conducted a study trip to KWAP.



12 DECEMBER 2008 Gift Exchange

A gift exchange session was held to foster closer relationship amongst KWAP's employees.



July-September



2 JUNE 2008
Leadership Series II
Y.Bhg. Tan Sri Dato' Sri Mohd Hassan bin Marican, President and Chief Executive Officer of Petroliaam Nasional Berhad presented a talk titled "The Petronas Experience".



21 JULY 2008
Special Lecture
Mr. George Stalk, Senior Partner and Managing Director of The Boston Consulting Group presented a talk on his latest book entitled "Five Future Strategies You Need Right Now".



19 AUGUST 2008
KWAP at Bursa – The Edge Rat Race 2008
As part of KWAP's CSR Program, KWAP had entered The EDGE-Bursa Malaysia KL Rat Race 2008 by sending a team of 5 to participate in the Open Category.



October-December



21 OCTOBER 2008
Eidulfitri Celebration
KWAP's employees felt honoured that the Minister of Finance II, Board, Investment Panel and corporate guests joined the Eidulfitri Celebration.



26 OCTOBER 2008
Townhall Meeting II
The Chief Executive Officer briefed all employees on the new organisation structure based on KWAP's transformation program.



19 NOVEMBER 2008
Development Program
A training program for all KWAP's non executives was conducted to further enhance their skills on managing tasks.



28 DECEMBER 2008
Townhall Meeting III
The meeting was held to update KWAP's employees on milestones achieved since the commencement of KWAP's transformation program, launching of KWAP's PIX Blog and prize giving for winners of SPARC Open Games.



Financial Statement

- 137** Auditor General Certification on Retirement Fund (Incorporated)
Financial Statements for the Year Ended 31 December 2007
- 138** Statement by the Chairman and a Member of the
Board of Directors of Retirement Fund (Incorporated)
- 139** Declaration by the Officer Primarily Responsible for the
Financial Management of Retirement Fund (Incorporated)
- 140** Balance Sheet
- 141** Income Statement
- 142** Statement of Changes in Reserves
- 143** Cash Flow Statement
- 145** Notes to the Financial Statements



**AUDITOR GENERAL CERTIFICATION ON
RETIREMENT FUND (INCORPORATED)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008
(TRANSLATION)**

I have audited the Retirement Fund (Incorporated) Financial Statements for the year ended 31 December 2008. These Financial Statements are the responsibility of the management. My responsibility is to express an opinion on these Financial Statements based on the audit conducted.

2. The audit has been conducted in accordance with Audit Act 1957 and pursuant to approved auditing standards. The standards require that the audit be planned and performed to obtain reasonable assurance, about whether the Financial Statements are free of material misstatement or loss. An audit includes examining records on a test basis, evidence supporting the amount and assuring adequate disclosure in the Financial Statements. It also includes assessment of accounting principles used, and the overall Financial Statements presentations.

3. In my opinion, the Financial Statements give a true and fair view of financial affairs of the Retirement Fund (Incorporated) as at 31 December 2008, its operating results and cash flow for the year based on approved accounting standards.

SIGNED
(**TAN SRI DATO' SETIA HAJI AMBRIN BIN BUANG**)
AUDITOR-GENERAL
MALAYSIA

PUTRAJAYA
1 APRIL 2009

Statement by the Chairman and a Member of the Board of Directors of Retirement Fund (Incorporated)

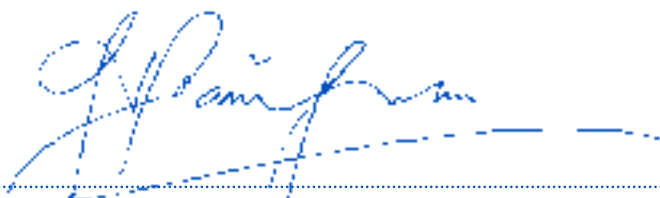
We, **Tan Sri Dr. Wan Abdul Aziz Bin Wan Abdullah** and **Tan Sri Ismail Bin Adam** who are the Chairman and one of the members of the Board of Directors of Retirement Fund (Incorporated), respectively, hereby state that, in the opinion of the Board of Directors, the Financial Statements, which consists of the following Balance Sheet, Income Statement, Statement of Changes in Reserve and Cash Flow Statement together with the notes to Financial Statements therein, were prepared to give a true and fair view of the state of affairs of Retirement Fund (Incorporated) as at 31 December 2008 and of its operating results and the changes of its financial position for the period of twelve months ended on the date.

On behalf of the Board,



Name : **Tan Sri Dr. Wan Abdul Aziz Bin Wan Abdullah**
Position : Chairman of the Board
Date : 27 Mar 2009
Place : Putrajaya

On behalf of the Board,



Name : **Tan Sri Ismail Bin Adam**
Position : Member of the Board
Date : 27 Mar 2009
Place : Putrajaya

Declaration by the Officer Primarily Responsible for the Financial Management of Retirement Fund (Incorporated) 2008

I, **Azian Binti Mohd Noh**, the officer who is primarily responsible for the management of financial and accounting records of Retirement Fund (Incorporated), hereby solemnly declare that the following Financial Statements, which consists of the Balance Sheet, Income Statement, Statement of Changes in Reserve and Cash Flow Statement together with the notes to Financial Statements therein are, in my best knowledge, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared by the above named)
at Kuala Lumpur)
on 27 March 2009)



Before me,



COMMISSIONER FOR OATHS

LOT 524-530, TENGGAS
WYTHAM CENTRAL
SALAK ANTIPO
45500 KUALA LUMPUR

Balance Sheet As at 31 December 2008

	Note	2008 (RM)	2007 (RM) (Restated)
Assets			
Property and equipment	3	7,197,580	8,177,085
Investments	4	37,037,890,534	33,963,069,900
		37,045,088,114	33,971,246,985
Current Assets			
Trade Debtors	5	559,488,379	813,887,302
Other Debtors	6	265,939,756	352,608,260
Deposits and Prepayments	7	14,421,037	1,102,960
Short Term Investments	8	5,249,024,800	5,576,004,282
Fixed Deposits	9	8,895,533,000	6,906,000,000
Cash and Bank Balances	10	21,271,408	516,116,939
		15,005,678,380	14,165,719,743
Current Liabilities			
Trade Creditors	11	2,439,636	2,572,477
Other Creditors	12	273,675	1,682,210
Accrued Expenditure	13	3,953,737	54,461,448
Finance Creditors	14	320,311	26,693
		6,987,359	58,742,828
Net Current Assets		14,998,691,021	14,106,976,915
		52,043,779,135	48,078,223,900
Financed by:			
Contributions from Federal Government	15	16,001,944,312	14,356,944,312
Pensions Contribution	16	24,083,051,679	22,322,188,237
Reserves		11,951,997,073	11,390,140,180
		52,036,993,064	48,069,272,729
Long Term Liabilities			
Finance Creditors	14	133,463	774,086
Deferred Income	17	6,652,608	8,177,085
		52,043,779,135	48,078,223,900

The notes on pages 145 to 159 form an integral part of these financial statements.



Income Statement

For the period ended 31 December 2008

	Note	2008 (RM)	01/03/2007 - 31/12/2007 2007 (RM) (Restated)
Income	19	3,010,811,337	3,719,113,637
		<hr/> 3,010,811,337	<hr/> 3,719,113,637
Emoluments	20	10,224,826	6,824,505
Services and Supplies		16,418,226	10,927,656
Depreciation on Property and Equipment		1,524,477	575,651
Amortization of Investments		34,207,932	28,869,764
Allowance for Diminution in Value of Investments		<hr/> 2,386,578,983	<hr/> 866,604
Total Expenses		<hr/> 2,448,954,444	<hr/> 48,064,180
Net Surplus for the Year		<hr/> 561,856,893	<hr/> 3,671,049,457

The notes on pages 145 to 159 form an integral part of these financial statements.

Statement of Changes in Reserves

For the period ended 31 December 2008

	Note	Accumulated Surplus 2008 (RM)	Accumulated Surplus 01 Mar 2007 - 31 Dec 2007 (RM) (Restated)
Accumulated Surplus Brought Forward		11,438,690,101	7,719,090,723
Prior Year Adjustments	21	(48,549,921)	–
Restated Accumulated Surplus Brought Forward		11,390,140,180	7,719,090,723
Net Surplus for the Year		561,856,893	3,671,049,457
Accumulated Surplus Carried Forward		11,951,997,073	11,390,140,180

The notes on pages 145 to 159 form an integral part of these financial statements.



Cash Flow Statement

For the period ended 31 December 2008

	Note	2008 (RM)	01/03/2007 - 31/12/2007 (RM) (Restated)
Cash Flow from Operating Activities			
Receipt of Launching Grant		10,000,000	12,000,000
Cash Receipts from Customers and Employees		784,681	2,406,538
Cash Payment to Suppliers and Employees		(21,750,201)	(11,925,311)
Net Cash from Operating Activities		(10,965,520)	2,481,227
Cash Flow from Investment Activities			
Receipts:			
Gain from Stock Market		14,409,773,685	1,350,673,071
Stock Market Dividends		508,221,571	404,625,969
Tax Claim on Dividends		188,580,885	542,813
Income from Equity Fund Manager		3,707,769,222	—
Repayment of Loan		6,758,178,294	—
Sale of Malaysian Government Securities		74,926,187	—
Interest from Loans		359,665,776	378,664,100
Gain on Disposal of Bonds		10,578,935,505	1,545,800
Bond Interests		306,719,035	153,634,559
Bond Dividends		—	12,958,400
Income from Bond Fund Manager		11,265,469	—
Fixed Deposit Interests		335,918,434	168,760,834
Short Term Money Market Interests		286,550,719	63,693,825
Malaysian Government Securities Interests		392,707,157	203,040,721
Money Market Current Account Interests		4,098,685	129,952,822
Bank's Current Accounts Interests		185,166	84,994
IDB Fund Income		471,916	4,294,835
CMREF 1 Fund Income		—	999,875
Lombard Fund Income		—	5,002
Others		—	2

Cash Flow Statement For the period ended 31 December 2008

	Note	2008 (RM)	01/03/2007 - 31/12/2007 (RM) (Restated)
Payments			
Quoted Shares		(15,547,655,224)	(508,986,491)
Unquoted Shares		–	(401,536,030)
Fund Managers		(3,631,271,170)	(550,000,000)
Custodian Fee		(70,215)	–
Loans		(6,728,698,568)	879,927,144
Malaysian Government Securities		(1,477,433,558)	(2,349,099,000)
Bonds		(12,738,841,364)	(1,320,698,966)
Malaysian Government Securities Advances		(27,029,042)	(981,332)
Private Equity Funds		–	(22,938,734)
Acquisition of Fixed Assets		(546,939)	(6,533,607)
Net Cash from Investment Activities		(2,227,578,374)	(1,407,369,394)
Cash Flow from Financing Activities			
Receipt of Federal Government Contributions		1,645,000,000	1,180,000,000
Receipt of Pension Contribution		1,776,160,568	1,278,140,644
Repayment of Pension Contribution		(14,908,687)	–
Net Cash from Financing Activities		3,406,251,881	2,458,140,644
Net Increase in Cash		1,167,707,987	1,053,252,477
Cash And Cash Equivalents at Beginning of the Period		12,998,121,221	11,944,868,744
Cash And Cash Equivalents at End of the Period	18	14,165,829,208	12,998,121,221

The notes on pages 145 to 159 form an integral part of these financial statements.

Notes to the Financial Statements

31 December 2008

1. PRINCIPAL ACTIVITY

The Retirement Fund (Incorporated) [KWAP] was established on 1 March 2007 under the Retirement Fund Act 2007 (Act 662) with a launching grant of RM27 million from the Federal Government. KWAP is responsible for managing funds received from three main sources i.e. contributions from the Federal Government, contributions from Statutory Bodies and Local Governments, and investment income. In order to generate income, funds were invested in shares, loans, bonds, money market instruments, real estate and other investments approved by the Investment Panel. KWAP's objective is to manage the funds to achieve optimum returns on investments so as to assist the Federal Government to meet the increasing pension liabilities.

2. ACCOUNTING POLICIES

2.1 BASIS OF ACCOUNTING

The Financial Statements have been prepared in compliance with:

- (i) Historical cost convention, except otherwise stated in other accounting policies.
- (ii) Private Entities Reporting Standards currently in force.

2.2 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less provisions for depreciation using the straight line method and based on the estimated useful lives of the assets.

Depreciation rates for property and equipment are as follows:

(i) Building Renovation	16.67%
(ii) Furniture	15%
(iii) Office Equipment	15%
(iv) Computers	20%
(v) Computer Software	20%
(vi) Vehicles	20%

Net residual value and life span of assets in use are revised at the Balance Sheet date to determine whether there is any indication of impairment. If there is any indication of impairment, KWAP has to determine if the carrying values of the assets are fully recoverable. Loss from impairment is provided if the carrying value exceeds the recoverable value as stated in Note 2.3.

2.3 IMPAIRMENT OF ASSET

Assets with indefinite useful life are not subject to amortization but tested for impairment annually. Assets subjected to amortization will be revised for impairment when events or changes in circumstances show that the carrying value is unlikely to be recoverable. Loss from impairment is recognized when carrying value of the asset exceeds the recoverable value. Recoverable value is the higher of fair value of the assets less sales costs or value in use.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 IMPAIRMENT OF ASSET

For the purpose of evaluating impairment, assets are grouped at the lowest level where cash flow is identifiable separately.

Loss from impairment is charged to the Income Statement. For other assets, if there is any increment in the amount of recoverable value, it will be recognized in the income statement, unless there is reversible loss from impairment over asset revaluation where it will be accounted for in the Revaluation Surplus.

2.4 INVESTMENTS

Allowance for diminution in value for investments in quoted shares, except for fund manager portfolios are as follows:

(i) Disclosure of the Value of Investments in Quoted Shares in Financial Statements

Investment in quoted shares must be disclosed in Financial Statements at the lower of cost or market value, based on individual counters at each financial year end on 31 December. Cost value is determined based on net purchase value of shares. Market value on the other hand is based on the closing price of shares as at Balance Sheet date, i.e 31 December.

(ii) Determination of Allowance for Diminution in Value

Allowance for diminution in value on individual counters is determined and provided for at 100% each year over the unrealized amount of loss at the date of the financial year end. If the market price of investments in quoted shares is lower than the cost of investments in the quoted shares, unrealized loss is measured as the difference between the cost and the closing market price of the share at each year end on 31 December.

Book value of quoted shares will be written down through allowance for diminution in value accounts. The unrealizable loss will be fully charged to Income Statement for the year.

If in the following year the shares are sold or the market price of the share is higher than cost, the unrealized loss will be adjusted as income. Amount of readjustment as income is limited to the balance of allowance for diminution in value provided.

(iii) Accounting for Sale of Investments in Quoted Share

The difference between net disposal proceeds and the carrying amount of the investment is charged/credited to the Income Statement for the year.

(iv) Private Debt Securities

Private Debt Securities such as Bonds, Medium Term Notes and Commercial Papers are stated at book value calculated from its cost and adjusted where necessary for amortization of premium and accretion of discount from the date of purchase till the date of maturity.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 INVESTMENTS (CONTINUED)

(v) Malaysian Government Securities

Malaysian Government Securities are stated at book value calculated from its cost and adjusted where necessary for amortization of premium and accretion of discount from the date of purchase till the date of maturity.

(vi) Property

Investment in property is treated as long term investment and accounted at cost.

2.5 FOREIGN CURRENCY

(i) Presentation currency

The presentation currency of KWAP's financial statements is Ringgit Malaysia (RM).

(ii) Foreign currency transactions

Transactions in foreign currencies are translated into the Ringgit Malaysia (RM) at exchange rates prevailing at the dates of the transactions.

2.6 PENSION CONTRIBUTIONS

Pensions contributions are accounted for when the contributions are received.

2.7 RECOGNITION OF INCOME

Income is accounted for based on the accrual principle.

2.8 TAXATION

KWAP is exempted from income tax as provided under section 127[3A] Income Tax Act 1967.

2.9 FINANCIAL LEASE

Assets acquired under financial lease agreements are capitalized at purchase cost and depreciated on the same basis as owned assets. The outstanding amount under the financial lease agreements is accounted for as financial lease creditors.

2.10 CASH AND CASH EQUIVALENTS

Cash equivalents are short term and highly liquid items with maturity of within 1 year from the date of holding and readily convertible into cash with low risks of changes in value.

Cash and cash equivalents comprise of cash balance in hand and at banks, as well as deposits with

licensed financial institutions which are not used as collaterals.

2. ACCOUNTING POLICIES (CONTINUED)

2.11 EMPLOYEE BENEFITS

Short Term Benefits

Wages, salaries, bonuses and social security contributions are accounted for as expenditure in the year in which employee services are rendered. Short term accumulating compensated absences such as paid annual leave will be accounted for when employees render services that increase their entitlement to future compensated absences in the future. Short term non accumulating compensated absences such as sick leave will be accounted for when the absences occur.

Defined Contribution Plan

As requested by law, KWAP made contributions to the Employees Provided Fund [EPF] and Social Security Organisation [SOCSO].

2.12 OBJECTIVES AND POLICIES OF FINANCIAL RISK MANAGEMENT

KWAP is exposed to various financial risks including credit risks, liquidity risks and cash flow risks. Generally, the objectives and policies of financial risk management are aimed at maximizing returns to KWAP.

Financial Risks

Financial risk management is carried out by reviewing the risks, internal control systems and compliance to financial risk management policies. The Board of Directors are continuously reviewing and monitoring the risks.

Credit Risks

KWAP ensures credit risks are under control by continuously monitoring the financial position and credit performance of counter parties.

Liquidity and Cash Flow Risks

KWAP manages its liquidity and cash flow risks by ensuring that cash is sufficient at all times and providing sufficient funds to meet the projected commitment for the operating expenses and financial liabilities.

2.13 GOVERNMENT GRANT

Government grant related to the purchase of assets is classified under non-current liabilities as deferred income and will be credited to the Income Statement on a straight line method based on the estimated useful life of the assets.

3. PROPERTY AND EQUIPMENT

	Renovation RM	Building Furniture RM	Equipment RM	Office Computers RM	Software RM	Computer Vehicles RM	Total RM
Cost							
Balance as at 1 January 2008	4,342,874	1,409,855	570,148	2,075,399	207,652	146,808	8,752,736
Addition	78,576	30,274	150,439	114,370	174,361	–	548,020
Adjustment/Disposal	(1,080)	–	(2,249)	–	–	–	(3,329)
Balance as at 31 December 2008	4,420,370	1,440,1297	18,338	2,189,769	382,013	146,808	9,297,427
Accumulated Depreciation							
Balance as at 1 January 2008	322,966	117,361	17,450	96,486	2,386	19,002	575,651
Current year charge	731,086	212,605	92,839	415,77	642,810	29,361	1,525,477
Adjustment/Disposal	–	–	(281)	–	–	–	(281)
Balance as at 31 December 2008	1,054,052	329,966	110,008	512,262	45,196	48,363	2,00,847
Net Book Value							
Balance as at 31 December 2008	3,366,318	1,110,163	608,330	1,677,507	336,817	98,445	7,197,580
Cost							
Balance as at 1 March 2007	–	–	–	–	–	–	–
Addition	4,342,874	1,409,855	570,148	2,075,399	207,652	146,808	8,752,736
Adjustment/Disposal	–	–	–	–	–	–	–
Balance as at 31 December 2007	4,342,874	1,409,855	570,148	2,075,399	207,652	146,808	8,752,736
Accumulated Depreciation							
Balance as at 1 March 2007	–	–	–	–	–	–	–
Current year charge	322,966	117,361	17,450	96,486	2,386	19,002	575,651
Adjustment/Disposal	–	–	–	–	–	–	–
Balance as at 31 December 2007	322,966	117,361	17,450	96,486	2,386	19,002	575,651
Net Book Value							
Balance as at 31 December 2007	4,019,908	1,292,494	552,698	1,978,913	205,266	127,806	8,177,085

Included in net book value of computer as at 31 December 2008 is asset held under finance lease arrangement of RM656,722.07 (2007 : RM825,692)

4. INVESTMENTS

Summary of KWAP's Investments is as follows:

	2008 (RM)	2007 (RM)
Cost		
Investment in shares	11,019,519,696	11,427,537,481
Malaysian Government Securities	10,056,101,482	8,676,503,618
Private Equity Fund	104,867,096	60,225,004
Loan	7,413,568,637	7,443,048,363
Corporate Bond	8,443,833,623	6,355,755,434
	37,037,890,534	33,963,069,900
Market Value		
Investment in share	10,613,398,931	14,044,437,676
Malaysian Government Securities	10,677,527,212	8,880,272,576
Corporate Bond	8,503,146,576	6,447,395,515
	29,794,072,719	29,372,105,767

4.1 INVESTMENT IN SHARES

KWAP's investments in shares are as follows:

	2008 (RM)	2007 (RM)
Quoted shares	13,524,322,937	11,545,761,739
Unquoted shares	418,205,830	418,205,830
	13,942,528,767	11,963,967,569
Impairment Allowances	(2,923,009,071)	(536,430,088)
Net Book Value	11,019,519,696	11,427,537,481
Market Value:		
Quoted shares	10,613,398,931	14,044,437,676
Unquoted shares	—	—
	10,613,398,931	14,044,437,676

4. INVESTMENTS (CONTINUED)

4.2 MALAYSIAN GOVERNMENT SECURITIES

Investments by KWAP in Malaysian Government Securities are as follows:

	2008 (RM)	2007 (RM)
Malaysian Government Securities	10,096,769,54	28,741,112,171
Accretion of discount and amortisation of premium: Malaysian Government Securities	(40,668,060)	(64,608,553)
Net Book Value	10,056,101,482	8,676,503,618
Market Value: Malaysian Government Securities	10,677,527,212	8,880,272,576

4.3 PARTICIPATION IN PRIVATE EQUITY FUND

The investments are as follows:

	Commitment (RM)	2008 Investment (Cost) (RM)	Commitment (RM)	2007 (Cost) (RM)
IDB Fund	24,293,500	18,257,951	24,500,000	17,747,187
CMREF 1 Fund	50,000,000	21,849,875	50,000,000	18,749,875
Actis ASEAN Fund LP	34,705,000	21,139,930	35,000,000	11,594,717
Lombard Asia III Fund	104,115,000	43,619,340	105,000,000	12,133,225
Total	213,113,500	104,867,096	214,500,000	60,225,004

4.4 LOANS

KWAP has extended loans to Government agencies and the corporate sector. Total loans given are as follows:

	2008 (RM)	2007 (RM)
Local Authorities and Public Corporations	4,451,681,733	5,381,161,459
State Governments	261,886,904	261,886,904
Corporate Loans	2,700,000,000	1,800,000,000
Total	7,413,568,637	7,443,048,363

4. INVESTMENTS (CONTINUED)

4.5 CORPORATE BONDS

KWAP's investment in corporate bonds is as follows:

	2008 (RM)	2007 (RM)
Corporate Bond	8,337,822,255	6,212,690,230
Accretion of discount and amortisation of premium:	106,011,368	143,065,204
Net Book Value	8,443,833,623	6,355,755,434
Market Value	8,503,146,576	6,447,395,515

5. TRADE DEBTORS

Accounts receivables as at 31 December 2008 are as follows:

	Note	2008 (RM)	2007 (RM) (Restated)
Interest on Fixed Deposit		38,262,723	118,515,934
Interest on Malaysian Government Securities		120,220,862	121,047,209
Interest on Short Term Money Market	21	23,500,306	9,670,018
Interest on Loans		98,497,563	90,504,884
Interest on Corporate Bonds		71,702,763	58,066,254
Income from Equity Fund Managers		137,103,183	313,114,572
Income from Bond Fund Managers		24,815,261	15,841,465
Income from Disposal of Shares		29,001,704	48,492,184
Dividend Income		9,129,964	31,380,732
Meridian Asset Management Sdn Bhd *		7,254,050	7,254,050
Total		559,488,379	813,887,302

* KWAP is pursuing legal action against Meridian Asset Management Sdn Bhd.

6. OTHER DEBTORS

	2008 (RM)	2007 (RM)
Income Tax Receivable	265,906,708	342,218,844
Launching Grant Receivable	—	10,000,000
Miscellaneous	33,048	389,416
Total	265,939,756	352,608,260

7. DEPOSITS, PREPAYMENTS AND ADVANCES

	2008 (RM)	2007 (RM)
Interests on MGS	14,164,654	981,332
Other Advances	20,607	5,260
Other Deposits	63,032	61,032
Other Prepayments	172,744	55,336
Total	14,421,037	1,102,960

Deposits, prepayments and advances will mature in 12 months time.

8. SHORT TERM INVESTMENTS

KWAP made placements in short term deposits with maturity periods of not more than 12 months as follows:

	2008 (RM)	2007 (RM)
Stated at Cost	5,249,024,800	5,576,004,282
Market Value	5,249,024,800	5,576,004,282

9. FIXED DEPOSITS

Investments in fixed deposits in financial institutions approved by the Treasury of Malaysia with maturity periods of not more than 12 months are as follows:

	2008 (RM)	2007 (RM)
Stated at Cost	8,895,533,000	6,906,000,000
Market Value	8,895,533,000	6,906,000,000

10. CASH AND BANK BALANCES

	2008 (RM)	2007 (RM)
Cash and Bank Balances	19,263,831	48,826,164
Money Market Accounts – Bank Negara Malaysia	2,007,577	467,290,775
Total	21,271,408	516,116,939

11. TRADE CREDITORS

	2008 (RM)	2007 (RM)
Fund Managers' Fees	2,439,636	977,978
Stock Brokers	–	1,594,499
Total	2,439,636	2,572,477

12. OTHER CREDITORS

	2008 (RM)	2007 (RM)
Suppliers	261,572	1,653,363
Employees	–	5,871
Board of Directors and Investments Panel Allowances	–	22,000
Employer Contribution Repayment Claims	–	976
Others	12,103	–
Total	273,675	1,682,210

13. ACCRUED EXPENDITURE

	Note	2008 (RM)	2007 (RM) (Restated)
Provision for Bonus		3,643,057	2,314,686
Provision for Sports and Recreational Club KWAP		–	21,474
Provision for Employer's EPF Contribution		–	405,070
Provision for Services		60,396	103,500
Repayment to JANM		–	163,962
Provision for Fund Managers' Fees		250,284	3,607,766
Provision for Loss on Disposal of Bonds	21	–	47,844,990
Total		3,953,737	54,461,448

14. FINANCIAL CREDITORS

	2008 (RM)	2007 (RM)
Short Term Creditors	320,311	26,693
Long Term Creditors	133,463	774,086
Total	453,774	800,779

15. GOVERNMENT ALLOCATION

In accordance with Section 13, Retirement Fund Act 2007 (Act 662), the Federal Government provides an annual allocation to KWAP, as follows:

	2008 (RM)	2007 (RM)
Balance at Beginning of Year	14,356,944,312	13,176,944,312
Add:		
Allocation for Current Year	1,645,000,000	1,180,000,000
Balance at End of Year	16,001,944,312	14,356,944,312

16. PENSION CONTRIBUTIONS

- 16.1 KWAP receives a monthly pension contribution from Statutory Bodies, Local Authorities and agencies for their employees with pensionable status. Contributions made are based on 17.5% of the basic salary of the employees.

	Accumulated Contribution 01/01/2008 (RM)	Receipts 2008 (RM)	Balance 31/12/2008 (RM)	Accumulated Contribution 01/03/2007 (RM)	Receipts 2007 (RM)	Balance 31/12/2007 (RM)
Statutory Bodies	3,800,368,733	403,335,430	4,203,704,163	3,489,207,048	311,161,685	3,800,368,733
Local Authorities	1,000,165,310	106,694,293	1,106,859,603	923,945,905	76,219,405	1,000,165,310
Seconded Officers	51,348,630	5,438,729	56,787,359	48,241,339	3,107,291	51,348,630
	4,851,882,673	515,468,452	5,367,351,125	4,461,394,292	390,488,381	4,851,882,673
Less: Repayment of Claims	(1,998,185)	(72,438)	(2,070,623)	(1,906,945)	(91,240)	(1,998,185)
Total	4,849,884,488	515,396,014	5,365,280,502	4,459,487,347	390,397,141	4,849,884,488

- 16.2 Payments to KWAP of Government's share when public officers retired or made withdrawals under the Withdrawal Scheme for Pensionable Employees and Pensioner Withdrawal Scheme are as follows:

	Accumulated Contribution 01/01/2008 (RM)	Receipts 2008 (RM)	Balance 31/12/2008 (RM)	Accumulated Contribution 01/03/2007 (RM)	Receipts 2007 (RM)	Balance 31/12/2007 (RM)
Employee Provident Fund	13,667,370,085	939,003,209	14,606,373,294	12,971,409,103	695,960,982	13,667,370,085
Teacher Provident Fund	144,767,318	900,757	145,668,075	142,402,294	2,365,024	144,767,318
Teacher Provident Fund Sabah	12,479,365	756,282	13,235,647	12,479,365	–	12,479,365
Armed Forces Provident Fund	2,986,618,550	272,862,546	3,259,481,096	2,840,092,343	146,526,207	2,986,618,550
Sarawak Electricity Supply Corporation	45,309,082	–	45,309,082	45,309,082	–	45,309,082
Public Service Department - Gratuities	631,639,560	45,572,615	677,212,175	591,940,487	39,699,073	631,639,560
Others	26,471,314	1,207,291	27,678,605	12,849,492	13,621,822	26,471,314
	17,514,655,274	1,260,302,700	18,774,957,974	16,616,482,166	898,173,108	17,514,655,274
Less: Repayment of Claims	(42,351,525)	(14,835,272)	(57,186,797)	(32,886,632)	(9,464,893)	(42,351,525)
Total	17,472,303,749	1,245,467,427	18,717,771,177	16,583,595,534	888,708,215	17,472,303,749

17. DEFERRED INCOME - GOVERNMENT GRANT RELATING TO ACQUISITION OF FIXED ASSETS

Deferred income is the grant received from the Government for the purpose of purchasing fixed assets.

	2008 (RM)	2007 (RM)
Deferred Income	8,177,085	8,752,736
Less: Amortization of Deferred Income	(1,524,477)	(575,651)
Deferred Income after Amortization	6,652,608	8,177,085

Launching grant approved by the Treasury was RM27,000,000 and was used for the following purposes:

	2008 (RM)	2007 (RM)
Acquisition of Fixed Assets	–	8,752,736
Operating Expenditure	–	18,247,264
Total	–	27,000,000

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents accounted for in the Cash Flow Statement are inclusive of items and amounts reported in balance sheet as follows:

	Note	2008 (RM)	2007 (RM)
Short Term Investments with Financial Institutions	8	5,249,024,800	5,576,004,282
Fixed Deposits with Financial Institutions	9	8,895,533,000	6,906,000,000
Cash and Bank Balances	10	21,271,408	516,116,939
Total		14,165,829,208	12,998,121,221

19. INCOME

Income comprises revenue from operating and investment activities and write back of diminution in value allowance on investments, and penalties. Income received for the period ended 31 December 2008 is as follows:

	Note	2008 (RM)	01 Mar 2007 – 31 Dec 2007 (RM) (Restated)
Interest of Deposits	21	556,046,230	271,494,195
Interest on Bank Balances		4,283,851	130,037,816
Interest on Loan		367,658,593	369,484,301
Interest on Malaysia Government Securities		362,577,640	274,993,532
Write Back of Diminution in Value Allowances		–	233,143,674
Accretion of Investment Discount		25,355,852	22,006,454
Interest and Dividends on Bonds		320,355,544	189,506,081
Profit on Sale of Bonds	21	15,457,451	(47,693,634)
Gain on Disposal of Shares		594,902,113	1,381,854,621
Share Dividends		485,970,803	436,006,700
Income from Fund Managers		163,153,437	297,747,608
Tax Claim on Dividends		112,268,749	134,003,122
Income/Capital Gain from Private Equity Fund Investment		471,916	5,299,712
Amortization of Deferred Income		1,524,477	575,651
Launching Grant		–	18,247,264
Other Income		784,681	2,406,540
Total		3,010,811,337	3,719,113,637

20. EMOLUMENT

Emolument for the period ended 31 December 2008 is as follows:

	2008 (RM)	01 Mar 2007 – 31 Dec 2007 (RM) (Restated)
Salary and Allowances	8,874,569	5,867,465
Contribution to EPF	1,324,694	946,126
Contribution to SOCSO	25,563	10,914
Total	10,224,826	6,824,505

Total number of KWAP's employees stood at 99 in 2008 (2007 : 93).

21. PRIOR YEAR ADJUSTMENT

During the current financial year, KWAP has made the following prior year adjustments to comply with the requirement under the accounting standards:

a) IAS 25

Paragraph 47 of IAS 25 states that the carrying amount of all long-term investments should be reduced to recognize a decline other than temporary in the value of the investments. Despite the diminution in value in Sistem Lingkaran Lebuhraya Kajang Sdn Bhd (SILK) bonds, the value of investments were not reduced in the year 2007 due to oversight. Thus, earnings for financial year 2007 had been overstated.

b) MASB 3

Paragraph 33 of MASB 3 states that fundamental errors may occur as a result of mathematical mistakes, mistakes in applying accounting policies, misinterpretation of facts, fraud or oversights. Paragraph 34 of the same standard states that the correction of fundamental errors that relate to prior periods requires the restatement of the comparative information or the presentation of additional pro forma information. For this purpose, KWAP has elected to restate the comparative information as recommended under the benchmark treatment.

The prior year adjustments have resulted in an increase in net surplus for the financial year 2008 by RM48,549,921. The effect of the prior year adjustments is as follows:-

	Note	As Reported Previously (RM)	Fundamental Error (RM)	Restated (RM)
<u>Income Statement</u>				
Income	19	3,767,663,558	(48,549,921)	3,719,113,637
Net Surplus For The Year		3,719,599,378	(48,549,921)	3,671,049,457
<u>Balance Sheet</u>				
Trade Receivables	5	814,592,233	(704,931)	813,887,302
Accrued Expenditure	13	6,616,458	47,844,990	54,461,448
Reserves		11,438,690,101	(48,549,921)	11,390,140,180

