

ETIQA TAKAFUL BERHAD
(266243-D)
(Incorporated in Malaysia)

Directors' Report and Audited Financial
Statements
31 December 2012

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

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ETIQA TAKAFUL BERHAD
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DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the management of general takaful, family takaful and takaful investment-linked business.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	RM'000
Net profit for the financial year	<u>125,723</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial period.

The directors do not recommend the payment of any final dividend in respect of the current financial year.

MAYBANK GROUP EMPLOYEES' SHARE SCHEME

The Maybank Group Employees' Share Scheme ("ESS") is governed by the by-laws approved by Malayan Banking Berhad's ("MBB") shareholders at an Extraordinary General Meeting held on 13 June 2011. The ESS was implemented on 23 June 2011 and is in force for a maximum period of seven (7) years from the effective date for eligible employees and executive directors within the MBB Group.

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MAYBANK GROUP EMPLOYEES' SHARE SCHEME (CONT'D.)

The maximum number of ordinary shares of RM1 each in MBB available under the ESS should not exceed 10% of the total number of issued and paid-up capital of MBB at any point of time during the duration of the scheme.

DIRECTORS

The directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Mohd Salleh Haji Harun (Chairman)
Damis Jacobus Ziegns (Vice Chairman) (Resigned on 19 April 2012)
Datuk Dr. Syed Othman Syed Hussin Alhabshi
Dato' Johan Ariffin
Zainal Abidin Jamal
Mohamed Nor Abdul Hamid
Loh Lee Soon
Gary Lee Crist
Hans J. J. De Cuyper
Frank J.G Van Kempen (Appointed on 17 July 2012)

Pursuant to Article 96 of the Company's Articles of Association, Mr. Gary Lee Crist, Mr. Loh Lee Soon and Mr. Hans J.J. De Cuyper shall retire at the forth coming Annual General Meeting ("AGM") of the Company and being eligible, offer themselves for re-election.

Pursuant to Article 102 of the Company's Articles of Association, Mr. Frank J.G. Van Kempen shall retire at the forthcoming AGM of the Company and being eligible, offers himself for re-election.

SHARIAH COMMITTEE

The Company is advised by a Shariah Committee ("SC"), whose composition is as follows:

Tan Sri Dato' Seri (Dr.) Haji Harussani Haji Zakaria (Chairman)
Prof. Datuk Dr. Syed Othman Syed Hussin Alhabshi
Dr. Ismail Mohd @ Abu Hassan
Dr. Mohammad Deen Mohd Napiah
Dr. Ahcene Lahsasna
Sarip Adul

The SC met 6 times during the financial year.

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DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options to be granted pursuant to the MBB Group Employee Share Scheme ("ESS") of the ultimate holding company, MBB.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors, or the fixed salary of a full time employee of the Company as disclosed in Notes 22 and 30 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares of the ultimate holding company, MBB, during the financial year were as follows:

	Numbers of ordinary shares of RM1 each				31 December 2012
	1 January 2012	DRP*	Bought	Transfer^	
Direct Interest:					
Dato' Mohd Salleh Haji Harun	314,782	7,869	-	-	322,651
Dato' Johan Ariffin	126,337	8,362	23,663	-	158,362
Mohamed Nor Abdul Hamid	10,390	-	-	18,295	28,685
Indirect Interest:					
Mohamed Nor Abdul Hamid	22,751	-	-	(18,295)	4,456

*DRP = Dividend Reinvestment Plan

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DIRECTORS' INTERESTS (CONT'D.)

^ Transfer of shares held by a nominee to self thus increasing direct holding by 18,295 and reducing indirect holding by the same amount.

	Number of Options over Ordinary Shares of RM1 each						
	Original	← Granted on →					
	Exercise Price (RM)	23 June 2011	30 April 2012	1 January 2012	Granted	Exercised	31 December 2012
Hans J.J De Cuyper	8.82 ^a	200,000	-	200,000	-	-	200,000
	8.78 ^b	-	100,000	-	100,000	-	<u>100,000</u>
							<u>300,000</u>

^a The exercise price had been adjusted from RM8.82 to RM8.78 on 29 December 2011, then to RM8.76 on 5 June 2012 and lastly to RM8.75 on 29 October 2012.

^b The exercise price had been adjusted from RM8.78 to RM8.76 on 5 June 2012, and then to RM8.75 on 29 October 2012.

	Number of Restricted Shares Units ("RSU") of Ordinary Shares of RM1 each						
	← Granted on →						
	23 June 2011	30 April 2012	1 January 2012	Granted	Vested / Exercised	31 December 2012	
Hans J.J De Cuyper	75,000	75,000	75,000	75,000	-	150,000	

The options and RSU which were granted to the director on 23 June 2011 and 30 April 2012 had not been vested as at 31 December 2012. The options and RSU will be vested and exercisable or awarded upon fulfillment of vesting conditions or predetermined performance metrics including service period, performance targets and performance period.

Other than as disclosed above, none of the directors in office at the end of the financial year had any interest in shares of the Company or its related corporations during the financial year.

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OTHER STATUTORY INFORMATION

- (a) Before the statement of financial position and income statement of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Company which has arisen since the end of the financial year.

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OTHER STATUTORY INFORMATION (CONT'D.)

(f) In the opinion of the directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

For the purpose of paragraphs (e)(ii) and (f)(i), contingent or other liabilities do not include liabilities arising from contracts of takaful underwritten in the ordinary course of business of the Company.

- (g) Before the statement of financial position and income statement of the Company were made out, the directors took reasonable steps to ascertain that there was adequate provision for claims reported, claims incurred but not reported ("IBNR") and the actuarial valuation of family takaful liabilities.

CORPORATE GOVERNANCE

The Board of Directors ("the Board") is committed to ensuring that the highest standards of corporate governance are practised in the Company. This is a fundamental part in discharging their responsibilities to protect and enhance all stakeholders' values and the financial performance of the Company.

(a) Board Responsibilities

In discharging their duties, the Board is equally responsible to ensure compliance with the Takaful Act, 1984 and Bank Negara Malaysia's ("BNM") Guidelines, including BNM/RH/GL/004-1: *Guidelines on Directorship for Takaful Operators*. They also have to comply with the tenets of corporate governance by adopting its best practices as stipulated under BNM/RH/GL/003-2: *Prudential Framework of Corporate Governance for Insurers*.

Apart from their statutory responsibilities, the Board approves the Company's major investments, disposals and funding decisions. They ensure the implementation of appropriate systems to manage risks and also review and approve the strategies and financial objectives to be implemented by the management. These functions are carried out by the Board directly and/or through their various Committees.

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CORPORATE GOVERNANCE (CONT'D.)

(a) Board Responsibilities (cont'd.)

The Board is responsible for creating the framework and policies within which the Company should be operating and the management is responsible for implementing them. This demarcation reinforces the supervisory role of the Board.

The Company has an organisational structure showing all reporting lines as well as clearly documented job descriptions for all management and executive employees and formal performance appraisals are done annually.

The directors, with different backgrounds and experiences, collectively bring with them a wide range of skills and specialised knowledge that are required for the management of the Company.

The Board met 7 times during the financial year and the attendance of the directors was as follows:

Name	Number of Board meetings attended	%
Dato' Mohd Salleh Haji Harun (Chairman)	6/7	86
Damis Jacobus Ziengs (Vice Chairman) (Resigned on 19 April 2012)	4/4	100
Datuk Dr. Syed Othman Syed Hussin Alhabshi	5/7	71
Dato' Johan Ariffin	7/7	100
Zainal Abidin Jamal	6/7	86
Mohamed Nor Abdul Hamid	7/7	100
Loh Lee Soon	6/7	86
Gary Lee Crist	5/7	71
Hans J. J. De Cuyper	7/7	100
Frank J. G. Van Kempen (Appointed on 17 July 2012)	3/3	100

(b) Management Accountability

Whilst the Board is responsible for creating the framework and policies within which the Company should be operating, the management is accountable for the execution of the enabling policies and attainment of the Company's corporate objectives.

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CORPORATE GOVERNANCE (CONT'D.)

(c) Corporate Independence

All material related party transactions have been disclosed in Note 30 to the financial statements.

(d) Internal Controls and Audit

The Board exercises overall responsibility for the Company's internal controls and its effectiveness. The Board recognises that risks cannot be eliminated completely; as such, the systems and processes put in place are aimed at minimising and managing them. The Company has established internal controls which cover all levels of personnel and business processes that ensure the Company's operations are run in an effective and efficient manner as well as to safeguard the assets of the Company and stakeholders' interests. Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures that corrective action, where necessary, is taken in a timely manner.

The internal audit reports are tabled at the first scheduled Audit Committee ("AC") meeting after the date of receipt of these reports. The internal audit function reports to the Board through the AC, and its findings and recommendations are communicated to senior management and all levels of staff concerned. The AC is established at the holding company's level.

The composition of the AC is as follows:

Loh Lee Soon (Chairman)
Independent, non-executive director

Damis Jacobus Ziengs (Resigned on 11 June 2012)
Non-independent, non-executive director

Datuk Dr. Syed Othman Syed Hussin Alhabshi
Independent, non-executive director

Gary Lee Crist (Appointed on 26 July 2012)
Non-independent, non-executive director

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CORPORATE GOVERNANCE (CONT'D.)

(d) Internal Controls and Audit (cont'd.)

The AC met 6 times during the financial year and the attendance of the directors was as follows:

Name	Number of AC Board meetings attended	%
Loh Lee Soon	6/6	100
Damis Jacobus Ziengs (Resigned on 11 June 2012)	3/3	100
Datuk Dr. Syed Othman Syed Hussin Alhabshi	6/6	100
Gary Lee Crist (Appointed on 26 July 2012)	2/2	100

(e) Risk Management

The Board takes responsibility in establishing the Risk Management Committee ("RMC"). The primary objective of the RMC is to oversee the senior management's activities in managing the key risk areas of the Company and to ensure that the risk management process is in place and functioning effectively.

The RMC is established at the holding company's level. In discharging its responsibilities, the RMC is complemented by the Investment Committee of the Board and assisted by the Asset Liability Committee ("ALCO") established by the management.

The SC, set up in compliance with the Takaful Act, 1984, will oversee the operations of the Company to ensure that they are in line with the principles of Shariah.

The risk management framework of the Company comprises three main components, i.e. policy-making, monitoring and control and risk acceptance while the risk management approach is premised on three lines of defence, i.e. risk-taking, risk control and coordinating units and internal audit. Risks have been classified into three main categories, which are made up of takaful risk, financial risk (including market risk, credit risk and balance sheet risk) and operational risk.

There is an on-going process for identifying, evaluating and managing the significant risks faced by the Company in consultation with the SC. This is achieved through designated management functions and internal controls, which includes the setting up of operational risk limits for all core activities.

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CORPORATE GOVERNANCE (CONT'D.)

(e) Risk Management (cont'd.)

The composition of the RMC are as follows:

Mohamed Nor Abdul Hamid (Chairman)
Independent, non-executive director

Damis Jacobus Ziengs (Resigned on 11 June 2012)
Non-independent, non-executive director

Datuk R. Karunakaran
Independent, non-executive director

Gary Lee Crist (Appointed on 11 June 2012)
Non-independent, non-executive director

The RMC met 7 times during the financial year.

(f) Nomination and Remuneration Committee

The Company will continue to leverage on the existing Nomination and Remuneration Committee of the Board ("NRC") which had taken effect as a merged committee of the ultimate holding company, MBB, on 27 May 2010 as part of its governance structure.

The primary objective of the NRC is to establish a documented, formal and transparent procedure for the appointment of directors and the chief executive officer ("CEO") and key senior officers as well as assessment of the effectiveness of directors, the Board as a whole and the performance of the CEO and key senior officers.

Further, the NRC is also responsible to provide a formal and transparent procedure for developing a remuneration policy for directors, the CEO and key senior officers and ensuring that compensation is competitive and consistent with the Company's culture, objectives and strategy.

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CORPORATE GOVERNANCE (CONT'D.)

(f) Nomination and Remuneration Committee (cont'd.)

The composition of the NRC are as follows:

Dato' Mohd Salleh Haji Harun (Chairman)
Independent, non-executive director

Tan Sri Dr. Hadenan A. Jalil
Independent, non-executive director

Zainal Abidin Jamal
Non-independent, non-executive director

Dato' Dr. Tan Tat Wai
Independent, non-executive director

Alister Maitland
Independent, non-executive director

During the financial year, the NRC met 11 times.

(g) Investment Committee

The IC reports to the Board of all the operating companies under Maybank Ageas Holdings Berhad ("MAHB").

The objectives of the IC include: (i) to present an opinion on the long-term strategic investment policy including real estate, as a recommendation for the Risk Management Meeting ("RMM")/RMC/Board based on ALCO advice; (ii) to establish a tactical investment policy on the basis of the proposals made by the investment manager and within the boundaries laid out in the Investment Management Mandates ("IMM"); (iii) to test the execution of policies by the investment manager against the strategic and tactical investment policy/asset management mandate; and (iv) to evaluate and approve the operational policy executed by the investment manager. It also evaluates, reviews and maintains the Investment Management Guidelines ("IMG"), based on ALCO advice and negotiates conditions with, appoints and/or dismisses external fund managers, custodians, banks and other financial intermediaries.

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CORPORATE GOVERNANCE (CONT'D.)

(g) Investment Committee (cont'd.)

The composition of the IC are as follows:

Dato' Sri Abdul Wahid Omar (Chairman)
Non-independent, non-executive director

Datuk Dr. Syed Othman Syed Hussin Alhabshi
Independent, non-executive director

Datuk R. Karunakaran
Independent, non-executive director

The IC met 4 times during the financial year.

(h) Public Accountability

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally.

(i) Financial Reporting

The Board takes responsibility for presenting a balanced and comprehensive assessment of the Company's operations and prospects each time it releases its annual financial statements to shareholders. The AC of the Board assists by scrutinising the information to be disclosed to ensure accuracy, adequacy and completeness.

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SIGNIFICANT EVENTS

There were no significant events during the financial year.

SUBSEQUENT EVENT

There were no material events subsequent to the end of the financial year that require disclosures or adjustments to the financial statements.

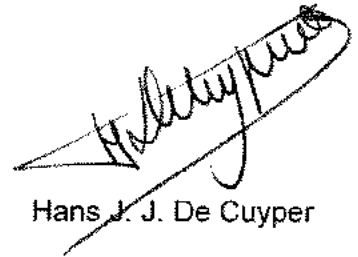
AUDITORS

The auditors, Ernst & Young, retire and have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors.



Dato' Mohd Salleh Haji Harun



Hans J. J. De Cuyper

Kuala Lumpur, Malaysia
8 February 2013

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

We, Dato' Mohd Salleh Haji Harun and Hans J. J. De Cuyper, being two of the directors of Etiqa Takaful Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 19 to 235 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2012 and of the results and the cash flows of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors.



Dato' Mohd Salleh Haji Harun



Hans J. J. De Cuyper

Kuala Lumpur, Malaysia
8 February 2013

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

I, Ahmad Rizlan Azman, being the Officer primarily responsible for the financial management of Etiqa Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 19 to 235 are in my opinion, 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 abovenamed Ahmad Rizlan Azman at
Kuala Lumpur in Wilayah Persekutuan
on 8 February 2013

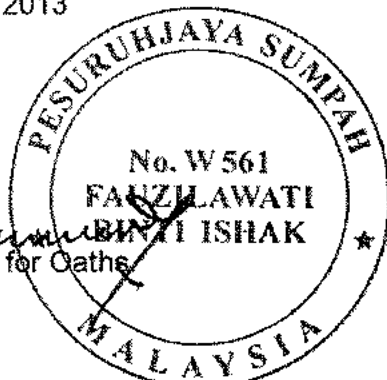


Ahmad Rizlan Azman

Before me,



Commissioner for Oaths



ETIQA TAKAFUL BERHAD
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REPORT OF THE SHARIAH COMMITTEE

In the name of Allah, the Beneficent, the Merciful

We, Tan Sri Dato' Seri (Dr.) Haji Harussani Haji Zakaria and Dr. Mohammad Deen Mohd Napiah, being two of the members of the Shariah Committee of Etiqa Takaful Berhad, do hereby report on behalf of the Committee that to the best of our knowledge and belief:

We have reviewed and approved the principles, policies, products and the contracts relating to the transactions undertaken by the Company during the financial year ended 31 December 2012. We have also conducted our review to form an opinion as to whether the Company has complied with the principles of Shariah and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

The management of the Company is responsible for ensuring that the Company conducts its business in accordance with Shariah rules and principles. It is our responsibility to express an independent opinion, based on our review of the operations of the Company.

We have assessed the work carried out by Shariah review and Shariah audit which included examining, on a test basis, the relevant type of transactions, documentations and procedures adopted by Etiqa Takaful Berhad.

We obtained all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Company has not violated the rules and principles of Shariah.

In our opinion:

1. the relevant contracts, transactions and dealings entered into by the Company during the financial year ended 31 December 2012 that we have reviewed are in compliance with the Shariah principles;
2. the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;
3. all earnings that have been realised from sources or by means prohibited by the principles of Shariah have been put aside in a separate account and is considered for donation to charitable causes; and
4. the calculation of zakat is in compliance with the principles of Shariah.

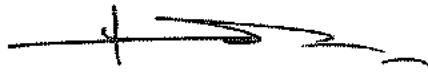
ETIQA TAKAFUL BERHAD
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REPORT OF THE SHARIAH COMMITTEE (CONT'D.)

In the name of Allah, the Beneficent, the Merciful

This opinion is rendered based on what has been presented to us by the management of the Company and its Shariah Division. We, the members of the Shariah Committee of Etiqa Takaful Berhad, do hereby confirm that the operations of the Company for the financial year ended 31 December 2012 have been conducted in conformity with the rules and principles of Shariah.

Signed on behalf of the Committee.



Tan Sri Dato' Seri (Dr.) Haji
Harussani Haji Zakaria



Dr. Mohammad Deen Mohd Napiah

Kuala Lumpur, Malaysia
8 February 2013

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Independent auditors' report to the member of
Etiqa Takaful Berhad
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Etiqa Takaful Berhad, which comprise the statement of financial position as at 31 December 2012, and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the financial year ended 31 December 2012, and a summary of significant accounting policies and other explanatory notes, as set out on pages 19 to 235.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

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Independent auditors' report to the member of
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Opinion

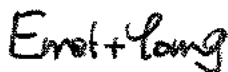
In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2012 and of its financial performance and cash flows for the year ended 31 December 2012 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on other legal and regulatory requirements

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

Other matters

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



Ernst & Young
AF: 0039
Chartered Accountants



Brandon Bruce Sta Maria
No.2937/09/13(J)
Chartered Accountant

Kuala Lumpur, Malaysia
8 February 2013

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ETIQA TAKAFUL BERHAD
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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	31.12.2012				31.12.2011				1.07.2011			
		Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
ASSETS													
Property, plant and equipment	3	2,199	1	-	2,200	1,459	6	5	1,470	4,678	8	9	4,695
Intangible assets	4	8,672	19	473	9,163	12,431	33	911	13,375	12,395	568	1,235	14,198
Investments	5	877,094	1,251,862	7,321,356	9,450,312	334,970	1,087,296	6,757,610	8,179,875	334,173	974,963	6,401,941	7,711,077
Financing receivables	6	20,319	-	16,922	37,241	21,055	-	40,878	61,933	22,192	1,921	53,486	77,299
Takaful receivables	7	-	106,692	97,362	204,054	-	92,652	68,449	161,101	-	97,618	80,272	177,690
Other receivables	8	292,775	19,311	112,566	142,307	522,167	11,818	92,119	105,074	500,086	10,634	63,846	79,991
Retakaful assets	12	-	273,365	18,634	291,999	-	278,108	18,832	286,940	-	300,064	21,081	321,145
Cash and bank balances		16,486	20,240	40,041	76,767	18,510	28,130	44,188	88,828	1,166	29,062	20,055	50,283
Total assets		1,207,545	1,671,489	7,607,354	10,214,043	910,592	1,496,043	7,022,992	8,908,597	874,690	1,414,538	6,641,925	8,436,578
EQUITY, LIABILITIES AND PARTICIPANTS' FUNDS													
Equity													
Share capital	9	100,000	-	-	100,000	100,000	-	-	100,000	100,000	-	-	100,000
Reserves	10	659,296	-	-	659,296	530,244	-	-	530,244	486,921	-	-	486,921
Total equity		759,296	-	-	759,296	630,244	-	-	630,244	586,921	-	-	586,921
Liabilities and Participants' Funds													
Participants' funds	11	-	123,172	1,965,923	2,052,411	-	67,946	1,542,038	1,593,300	-	92,690	1,458,932	1,514,938
Takaful certificates liabilities	12	-	1,294,156	5,303,482	6,597,938	-	1,137,876	4,812,034	5,949,910	-	1,042,855	4,568,158	5,611,013
Expense liabilities	13	306,128	-	-	306,128	217,973	-	-	217,973	219,057	-	-	219,057
Deferred tax liabilities	14	5,245	-	67	5,312	6,747	-	63	6,810	7,772	-	671	8,443
Takaful payables	15	3,006	89,183	61,247	153,436	-	56,937	69,800	126,737	-	64,691	79,677	144,368
Other payables	16	122,986	164,978	273,638	325,941	55,408	213,284	596,272	380,618	59,322	214,302	532,428	348,161
Current tax liabilities		10,862	-	2,997	13,879	220	-	2,785	3,005	1,618	-	2,059	3,677
Total liabilities and participants' funds		448,249	1,671,489	7,607,354	9,454,747	280,348	1,496,043	7,022,992	8,278,353	287,769	1,414,538	6,641,925	7,849,657
Total equity, liabilities and participants' funds		1,207,545	1,671,489	7,607,354	10,214,043	910,592	1,496,043	7,022,992	8,908,597	874,690	1,414,538	6,641,925	8,436,578

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

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	1.01.2012 to 31.12.2012				1.07.2011 to 31.12.2011			
		Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
Gross earned contributions	17	-	797,696	1,744,795	2,542,340	-	369,583	724,835	1,094,479
Earned contributions ceded to retakaful	17	-	(80,420)	(12,163)	(92,583)	-	(76,567)	(10,608)	(87,175)
Net earned contributions		-	717,276	1,732,632	2,449,757	-	293,016	714,227	1,007,304
Fee and commission income	18	520,354	15,747	1,888	17,635	109,526	6,145	32	6,177
Investment income	19	24,877	43,495	303,814	372,186	6,039	20,589	146,843	173,471
Realised gains and losses	20	10,357	23,564	149,195	183,116	1,966	9,290	54,002	65,258
Fair value gains and losses		-	-	10,141	10,141	-	-	25,622	25,622
Other operating revenue/ (expenses), net	21	944	(11,578)	(62,390)	(73,024)	1,779	3,655	(21,813)	(16,379)
Other revenue		556,532	71,228	402,648	510,054	119,310	39,679	204,686	254,149
Gross benefits and claims paid		-	(372,058)	(640,193)	(1,012,251)	-	(138,347)	(374,752)	(513,099)
Claims ceded to retakaful		-	6,707	3,565	10,272	-	5,536	6,790	12,326
Gross change to certificate liabilities		-	(86,717)	(501,124)	(1,051,589)	-	(108,989)	(242,244)	(466,341)
Change in certificate liabilities ceded to retakaful		-	(20,722)	(198)	(20,920)	-	23,449	(2,249)	21,200
Net benefits and claims		-	(472,790)	(1,137,950)	(2,074,488)	-	(218,351)	(612,455)	(945,914)
Management expenses	22	(224,134)	(854)	(64,792)	(289,629)	(66,350)	(534)	(53,644)	(120,489)
Change in expense liabilities	23	(88,155)	-	-	(88,155)	1,084	-	-	1,084
Fee and commission expenses	24	(214,999)	(217,192)	(390,227)	(302,064)	(46,856)	(88,029)	(103,774)	(129,133)
Other expenses		(527,288)	(218,046)	(455,019)	(679,848)	(112,122)	(88,563)	(157,418)	(248,538)
Operating profit before surplus transfers		29,244	97,668	542,311	205,475	7,188	25,881	149,040	67,001
Surplus attributable to participants		-	(48,834)	(414,914)	-	-	(12,940)	(102,168)	-
Surplus attributable to shareholder		176,015	(48,834)	(127,181)	-	59,792	(12,941)	(46,851)	-
Profit/surplus before taxation		205,259	-	216	205,475	66,980	-	21	67,001
Taxation	25	(71,419)	-	(216)	(71,635)	(19,725)	-	(21)	(19,746)
Zakat		(8,117)	-	-	(8,117)	(3,739)	-	-	(3,739)
Net profit for the year/period		125,723	-	-	125,723	43,516	-	-	43,516
Basic earnings per share (sen)	26	125.72	-	-	125.72	43.52	-	-	43.52

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

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	1.01.2012 to 31.12.2012				1.07.2011 to 31.12.2011			
		Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
Net profit for the year/period		125,723	-	-	125,723	43,516	-	-	43,516
Other comprehensive income:									
Net gains on AFS financial assets:									
Gains on fair value changes		14,796	26,253	92,236	133,285	1,708	4,666	29,691	36,066
Realised gain transferred to income statement	20	(10,357)	(23,564)	(105,784)	(139,705)	(1,966)	(9,290)	(36,960)	(48,216)
Tax effects relating to components of other comprehensive income		(1,110)	-	-	(1,110)	65	-	-	65
Other comprehensive (income)/ loss attributable to participants		-	(2,689)	13,548	10,859	-	4,624	7,269	11,893
Other comprehensive income/(loss) for the year/period, net of tax		3,329	-	-	3,329	(193)	-	-	(193)
Total comprehensive income for the year/period		129,052	-	-	129,052	43,323	-	-	43,323

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

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to Equity Holder of the Company			Total Equity RM'000
	Non-Distributable	Distributable		
	Share Capital RM'000	Available-for-sale Reserve RM'000	Retained Profits RM'000	
At 1 January 2012	100,000	10,790	519,454	630,244
Total comprehensive income for the year	-	3,329	125,723	129,052
At 31 December 2012	100,000	14,119	645,177	759,296
At 1 July 2011	100,000	10,983	475,938	586,921
Total comprehensive income for the period	-	(193)	43,516	43,323
At 31 December 2011	100,000	10,790	519,454	630,244

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	1.01.2012 to 31.12.2012 RM'000	1.07.2011 to 31.12.2011 RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation and zakat		205,475	67,001
Adjustments for:			
Depreciation of property and equipment		653	378
Amortisation of intangible assets		6,361	4,090
Write off and adjustment of property and equipment		-	2,213
Fair value gain on investments		(10,141)	(25,622)
Realised gain on disposal of investments		(183,116)	(65,258)
Unrealised losses / (gain) on foreign exchange		154	(798)
Realised losses on foreign exchange		137	313
Impairment losses/(reversal of impairment losses) on			
Investments		41,224	18,666
Takaful receivables		24,459	(3,796)
Other receivables		1,579	385
Financing receivables		226	(438)
Profit income		(347,874)	(150,973)
Gross dividend income		(26,764)	(14,230)
Amortisation of premium/(accretion of discounts)		2,452	(8,268)
Reversal of withholding tax		25,601	-
Increase in net contribution liabilities		53,584	31,437
Increase in general takaful fund		48,834	12,940
Increase in family takaful fund		414,914	102,168
Operating cash flows before working capital changes		<u>257,758</u>	<u>(29,792)</u>
Changes in working capital:			
Proceeds from sale of investments		2,583,864	867,939
Purchase of investments		(4,142,460)	(1,262,527)
(Increase)/decrease in takaful receivables		(67,412)	20,585
Increase in other receivables		(12,935)	(26,107)
(Decrease)/increase in other payables		(57,349)	29,407
Increase/(decrease) in expense liabilities		88,155	(1,084)
Increase/(decrease) in takaful certificates payables		26,701	(17,631)
Decrease in loans/financing receivables		24,466	15,804
Decrease/(increase) in placements of			
Islamic investment accounts		431,027	(5,398)
Decrease/(increase) in retakaful assets		20,920	(21,200)
Increase in claims liabilities		590,815	403,002
Operating cash flows after working capital changes		<u>(256,450)</u>	<u>(27,002)</u>

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS (CONT'D.)
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	1.01.2012 to 31.12.2012 RM'000	1.07.2011 to 31.12.2011 RM'000
CASH FLOW FROM OPERATING ACTIVITIES (CONT'D.)			
Profit income received		319,684	151,195
Gross dividend income received		26,518	14,266
Zakat paid		(5,846)	(305)
Taxation paid		(60,406)	(21,986)
Mudharabah paid to participants		(19,379)	(24,853)
Net cash flows generated from operating activities	29	<u>4,121</u>	<u>91,315</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cancellation of units		(12,650)	(50,137)
Net cash flows used in financing activities	29	<u>(12,650)</u>	<u>(50,137)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of intangible assets		(2,149)	(2,497)
Purchase of property, plant and equipment		(1,383)	(136)
Net cash flows used in investing activities	29	<u>(3,532)</u>	<u>(2,633)</u>
(Decrease)/increase in cash and cash equivalents	29	(12,061)	38,545
Cash and cash equivalents at beginning of year/period		<u>88,828</u>	<u>50,283</u>
Cash and cash equivalents at end of year/period		<u>76,767</u>	<u>88,828</u>
Cash and cash equivalents comprise:			
Cash and bank balances of:			
Shareholder's fund		16,486	18,510
General takaful fund		20,240	26,130
Family takaful fund		40,041	44,188
		<u>76,767</u>	<u>88,828</u>

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

1. CORPORATE INFORMATION

The principal activity of the Company is the management of general takaful, family takaful and takaful investment linked business.

There have been no significant changes in the nature of the activities of the Company during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 19, Tower C, Dataran Maybank, No. 1, Jalan Maarof, 59000 Kuala Lumpur.

The holding and ultimate holding companies of the Company are Maybank Ageas Holdings Berhad ("MAHB") (formerly known as Mayban Ageas Holdings Berhad) and Malayan Banking Berhad ("MBB") respectively, both of which are incorporated in Malaysia. MBB is a licensed commercial bank listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial year end of the Company was changed from 30 June to 31 December in the last financial year. Accordingly, the financial statements of the Company for the current financial year ended 31 December 2012 covers a twelve-month period compared to a six-month period for the previous financial period ended 31 December 2011 and, consequently, the comparative amounts for the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related notes are not comparable.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 8 February 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia. In previous financial years, the financial statements of the the Company were prepared in accordance with Financial Reporting Standards ("FRS") in Malaysia as modified by BNM Guidelines. These are the Company's first annual financial statements prepared in accordance with MFRS and the effects of the first-time adoption of MFRS Framework are disclosed in Note 2.3.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of Preparation (cont'd.)

The financial statements of the Company have been prepared under the historical cost convention, unless otherwise stated in the accounting policies. The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency, and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

In preparing the Company-level financial statements, the balances and transactions of the shareholder's fund are amalgamated and combined with those of the takaful funds. Interfund balances, transactions and unrealised gains or losses are eliminated in full during amalgamation. The accounting policies adopted for the shareholder's and takaful funds are uniform for like transactions and events in similar circumstances.

The takaful funds are consolidated and amalgamated from the date of control and continue to be consolidated until the date such control ceases which will occur when the Company's licence to manage takaful business is withdrawn or surrendered.

Takaful operations and its funds

Under the concept of takaful, individuals make contributions to a pool which is managed by a third party with the overall aim of using the monies to aid fellow participants in times of need. Accordingly, as a takaful operator, the Company manages the general and family takaful funds in line with the principles of Wakalah (agency), which is the main business model used by the Company. Under the Wakalah model, the takaful operator is not a participant in the fund but manages the funds (including the relevant assets and liabilities) towards the purpose outlined above.

In accordance with the Takaful Act 1984, the assets and liabilities of the takaful funds are segregated from those of the takaful operator: a concept known as segregation of funds. Accordingly, in prior years, the financial statements of the takaful operator presented separate statements of financial position, income statements and statements of comprehensive income for the takaful funds to clearly segregate the assets, liabilities, income and expenses of the takaful operator from those of the takaful funds which it manages but does not own. This was a modification to Financial Reporting Standards by Bank Negara Malaysia as permitted under Section 41 of the Takaful Act 1984 in Malaysia.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of Preparation (cont'd.)

Effective this year, in full compliance with MFRS 127 *Consolidated and Separate Financial Statements*, the assets, liabilities, income and expenses of the takaful funds are consolidated with those of the takaful operator to represent the control possessed by the operator over the financial and operating policies of the respective funds. Upon consolidation, the related interfund balances and transactions are eliminated in full.

The inclusion of separate information of the takaful funds and the takaful operator together with the consolidated financial information of the Company in the statement of financial position, the income statement, the statement of comprehensive income as well as certain relevant notes to the financial statements represents additional supplementary information required for Bank Negara Malaysia reporting.

2.2 Summary of Significant Accounting Policies

(a) Property, Plant and Equipment and Depreciation

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of replaced parts is derecognised. All other repairs and maintenance are charged to profit or loss in the financial year in which the costs are incurred.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Work-in-progress are not depreciated as these assets are not available for use. When work-in-progress is completed and the asset is available for use, it is reclassified to the relevant category of property, plant and equipment and depreciation of the asset begins.

Depreciation on property and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Furniture, fittings, office equipment and renovations	20%
Computers and peripherals	25%
Motor vehicles	25%

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(a) Property, Plant and Equipment and Depreciation (cont'd.)

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds and the net carrying amount is recognised in profit or loss.

(b) Intangible assets

Intangible assets include software development costs and computer software. Intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

Amortisation is charged to the income statement.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(b) Intangible assets (cont'd.)

(i) Software development costs

Software development in progress are tested for impairment annually and represent development expenditure on software. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. When development is complete and the asset is available for use, it is reclassified to computer software and amortisation of the asset begins. During the period where the asset is not yet in use, it is tested for impairment annually.

(ii) Computer software and licences

The useful lives of computer software and licences are amortised using the straight-line method over their estimated useful lives of 4 years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least at each reporting date.

(c) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Company all the risk and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risk and rewards incidental to ownership are classified as operating leases.

(ii) Operating leases - the Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (cont'd.)

(d) Investments and financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Company and/or the takaful funds become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Company determines the classification of its financial assets at initial recognition and the categories include financial assets at fair value through profit or loss ("FVTPL"), loans and receivables ("LAR") and available-for-sale ("AFS") financial assets.

(i) Financial assets at FVTPL

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

For assets designated at FVTPL, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or losses on financial assets at FVTPL do not include exchange differences, profit and dividend income. Exchange differences, profit and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other expenses or other income.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(d) Investments and financial assets (cont'd.)

(ii) LAR

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. For the accounting policies with respect to retakaful assets and takaful receivables, refer to Notes 2.2(h) and 2.2(n) respectively.

Subsequent to initial recognition, loans and receivables are measured at amortised cost, using the effective interest method. Gains and losses are recognised in the income statement when the assets are derecognised or impaired, and through the amortisation process.

(iii) AFS financial assets

AFS financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the two preceding categories.

After initial recognition, AFS financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income except for impairment losses, foreign exchange gains and losses on monetary instruments and profit calculated using the effective profit method which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair values cannot be reliably measured are measured at cost less impairment losses.

ETIQA TAKAFUL BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(d) Investments and financial assets (cont'd.)

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gains or losses that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Company and/or the takaful funds commit to purchase or sell the asset.

(e) Fair value of financial assets at FVTPL and AFS financial assets

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market prices for assets at the close of business at the reporting date.

For financial assets in quoted unit and real estate investment trusts, fair value is determined by reference to published prices. Investments in equity that do not have quoted market prices in an active market and whose fair value cannot be reliably measured are stated at cost.

For financial assets where there is no active market such as unquoted fixed income securities i.e. unquoted bonds, Malaysian Governments paper, Khazanah bonds, fair values are determined by reference to indicative bid prices obtained from Bondweb. The fair values of structured deposits are based on latest market prices obtained from financial institutions. The market value of Negotiable Islamic Certificate of Deposit ("NICDs") are determined by reference to BNM's rates on interest rate swaps. In the case of defaulted or other bonds where such indicative prices are not available, an internal valuation is performed by qualified personnel to determine the fair value of the bonds.

ETIQA TAKAFUL BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(e) Fair value of financial assets at FVTPL and AFS financial assets (cont'd.)

The fair value of floating rate and over-night deposits with financial institutions is their carrying value which is the cost of the deposit/placement.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment except in the case of financial assets at FVTPL where the transaction costs are recognised in profit or loss.

(f) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Takaful receivables

To determine whether there is objective evidence that an impairment loss on takaful receivables has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the issuer or obligor and default or significant delay in payments. Takaful receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(f) Impairment of financial assets (cont'd.)

(i) Takaful receivables (cont'd.)

If there is objective evidence that an impairment loss has been incurred, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective profit rate. The impairment loss is recognised in profit or loss.

Impairment losses on takaful receivables are recognised as a reduction against the carrying amount of those receivables through the use of an allowance account. When takaful receivables are determined to be uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) AFS financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as AFS financial assets are impaired.

ETIQA TAKAFUL BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(f) Impairment of financial assets (cont'd.)

(ii) AFS financial assets (cont'd.)

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity or participants' funds to profit or loss.

Impairment losses on AFS equity investments are not reversed in profit or loss in subsequent periods. Increases in fair value, if any, subsequent to impairment is recognised in other comprehensive income. For AFS debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the impairment losses were recognised in profit or loss.

(iii) Unquoted equity securities carried at cost

If there is objective evidence that an impairment loss on unquoted equity securities carried at cost has been incurred, the carrying amount will be written down to the recoverable amount. Such impairment losses are not reversed in subsequent periods.

(iv) Loans and receivables

LAR are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of the occurrence of loss event(s) after initial recognition. An impairment loss is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(g) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Company makes an estimate of the asset's recoverable amount.

Impairment losses are recognised in profit or loss except for assets that were previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An impairment assessment is performed at each reporting date to determine whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If that is the case, the carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation, or depreciation) had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss, unless the asset is at a revalued amount, in which case the reversal is treated as a revaluation increase.

(h) Retakaful

The Company, as the operator of the participants' fund, cedes takaful risk in the normal course of business for all its takaful business. Ceded retakaful arrangements do not relieve the Company from its obligations to participants. For both ceded and assumed retakaful, contributions, claims and benefits paid or payable are presented on a gross basis.

Retakaful arrangements, entered into by the Company, that meet the classification requirements of takaful certificates as described in Note 2.2(i) are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(h) Retakaful (cont'd.)

Retakaful assets represent amounts recoverable from retakaful operators for takaful certificate liabilities which have yet to be settled at the reporting date. Amounts recoverable from retakaful operators are measured consistently with the amounts associated with the underlying takaful certificate and the terms of the relevant retakaful arrangement.

At each reporting date, or more frequently, retakaful assets are assessed for impairment. Impairment is recognised when there is objective evidence as the result of an event that occurred after initial recognition of the retakaful assets that the Company may not receive all outstanding amounts due under the terms of the contract and the impact of the event can be reliably measured. If any such evidence exists, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recorded in profit or loss.

Retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(i) Product classification

The Company, as the operator of the participants' funds, issues certificates that contain takaful risk or both financial and takaful risk.

Financial risk is the risk of a possible future change in one or more of a specified profit rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Underwriting risk is risk other than financial risk.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(i) Product classification (cont'd.)

Takaful certificates are those certificates that contain significant underwriting risk. A takaful certificate is a certificate under which the participants' fund has accepted significant risk from the participants by agreeing to compensate the participants if a specified uncertain future event adversely affects the participants. As a general guideline, the Company determines whether it has significant underwriting risk by comparing benefits paid or payable on the occurrence of an event against benefits paid or payable if the insured event does not occur. If the ratio of the former exceeds the latter by 5% or more, the takaful risk accepted is deemed to be significant.

Investment contracts are those contracts that do not transfer significant takaful risk.

Once a certificate has been classified as a takaful certificate, it remains a takaful certificate for the remainder of its life-time, even if the underwriting risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as takaful certificates after inception if takaful risk becomes significant.

Takaful and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- (a) likely to be a significant portion of the total contractual benefits;
- (b) whose amount or timing is contractually at the discretion of the issuer; and
- (c) contractually based on the:
 - (1) performance of a specified pool of contracts or a specified type of contract;
 - (2) realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
 - (3) the profit or loss of the company, fund or other entity that issues the contract.

ETIQA TAKAFUL BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(i) Product classification (cont'd.)

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based and the takaful subsidiaries of the Group may exercise their discretion as to the quantum and timing of their payment to contract holders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, are held within insurance/takaful contract liabilities as at the end of the reporting period.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance/takaful contract and/or investment contract with DPF, or if the host insurance/takaful contract and/or investment contract itself is measured at fair value through profit or loss.

When takaful certificates contain both a financial risk component and a significant underwriting risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any contributions relating to the underwriting risk component are accounted for on the same basis as takaful certificates and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

Based on the company's product classification review, all products meet the definition of a takaful certificate.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(j) Shareholder's fund

Expense liabilities

The expense liabilities of the shareholder's fund consist of expense liabilities of the general and family takaful funds which are based on estimations performed by a qualified actuary. The expense liabilities are released over the term of the takaful certificates and recognised in the income statement.

(i) Expense liabilities of general takaful fund

Expense liabilities of the general takaful fund are reported as the higher of the aggregate of the provision for unearned wakalah fees ("UWF") and the unexpired expense reserves ("UER") and a provision of risk margin for adverse deviation ("PRAD") calculated at 75% confidence level at the total fund level as at the reporting date.

(a) Provision for unearned wakalah fee

The UWF represents the portion of wakalah fee income allocated for expenses to be incurred in managing general takaful certificates that relate to the unexpired periods of certificates at the end of the reporting period. The method used in computing UWF is consistent with the calculation of unearned contribution reserves ("UCR").

(b) Unexpired expense reserves

UER consists of the best estimate value of the unexpired expense reserves at the valuation date and a PRAD calculated at 75% confidence level at the total fund level. The best estimate UER is determined based on the expected claims handling expenses to be incurred as well as the expected expenses for certificate maintenance of unexpired risks. The method used in computing PRAD for expense liabilities is consistent with the calculation of PRAD for claim liabilities.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(j) Shareholder's fund (cont'd.)

Expense liabilities (cont'd.)

(ii) Expense liabilities of family takaful fund

The valuation of expense liabilities in relation to certificates of the family takaful fund is conducted separately by the Appointed Actuary in the shareholder's fund. The method used to value expense liabilities is consistent with the method used to value takaful liabilities of the corresponding family takaful certificates. In valuing the expense liabilities, the present value of expected future expenses payable by the shareholder's fund in managing the takaful fund for the full contractual obligation of the takaful certificates less any expected cash flows from future wakalah fee income, and any other income due to the shareholder's fund that can be determined with reasonable certainty, are taken into consideration.

Expense liabilities are recognised when projected future expenses exceed the projected future income of takaful certificates. The changes in expense liabilities are recognised in profit or loss.

(iii) Liability adequacy test

At each reporting date, the Company reviews the expense liabilities of the shareholder's fund to ensure that the carrying amount is sufficient or adequate to cover the obligations of the shareholder's fund for all managed takaful certificates.

In performing this review, the Company considers all contractual cashflows and compares this against the carrying value of expense liabilities. Any deficiency is recognised in the income statement.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(k) General takaful fund

The general takaful fund is maintained in accordance with the Takaful Act, 1984 and consists of AFS reserves and any surplus/deficit attributable to participants which represents the participants' share in the net surplus/deficit of the general takaful fund. Any deficit in the general takaful fund will be made good by the shareholder's fund via a benevolent loan or Qard. Surplus is distributable in accordance with the terms and conditions prescribed by the Shariah Committee of the Company.

The general takaful underwriting results are determined for each class of business after taking into account retakaful, changes in takaful certificate liabilities, wakalah fees and management expenses.

(i) Contribution income

Contribution income is recognised in a financial year in respect of risks assumed during that particular financial year. Contribution from direct business are recognised during the financial year upon the issuance of debit notes. Contributions in respect of risks incepted for which debit notes have not been issued as at the reporting date are accrued at that date.

Inward treaty retakaful contributions are recognised on the basis of periodic advices received from ceding takaful operators. Inward facultative retakaful contributions are recognised in the financial year in respect of the facultative risks accepted during that particular financial year as in the case of direct certificates, following the individual risks' inception dates.

Outward retakaful contributions are recognised in the same financial year as the original certificate to which the retakaful relates.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(k) General takaful fund (cont'd.)

(ii) Contribution liabilities

Contribution liabilities represent the Company's future obligations on takaful certificates as represented by contributions received for risks that have not yet expired. The movement in contribution liabilities is released over the term of the takaful certificates and is recognised as contribution income.

Contribution liabilities are reported at the higher of the aggregate of the UCR for all lines of business or the total fund's unexpired risk reserves ("URR") at 75% confidence level at the end of the financial year.

(a) *Unearned Contribution Reserves*

UCR represent the portion of the gross contributions of takaful certificates written, net of the related retakaful contributions ceded to qualified retakaful operators, that relate to the unexpired periods of the certificates at the reporting date.

Mudharabah

Short-term UCR represent the portion of net contribution income that relate to the unexpired period of certificates, with a duration not exceeding one year, at the reporting date.

In determining short-term UCR at the reporting date, the method that most accurately reflects the actual unearned contribution is used as follows:

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(k) General takaful fund (cont'd.)

(ii) Contribution liabilities (cont'd.)

(a) *Unearned Contribution Reserves (cont'd.)*

- earned upon maturity method for bond business;
- 25% method for marine, aviation, cargo and transit business; and
- 1/365th method for all other classes of general business, reduced by the corresponding percentage of accounted gross direct business commissions to the corresponding contributions, not exceeding limits specified by BNM as follows:

Motor and bond	10%
Fire, engineering, aviation and marine hull	15%
Workmen compensation and employers' liability:	
- Foreign workers	10%
- Others	25%
Other classes	25%

Long-term UCR represent the portion of net contribution income of takaful certificates, with a duration exceeding one year, that relate to the unexpired periods of certificates at the reporting date. The earned contribution income is recognised on a time apportionment basis over the duration of the certificates.

Wakalah

The UCR for wakalah business is calculated on net contribution income with a further deduction for wakalah fee expenses to reflect the wakalah business principle. The method used to calculate UCR is similar to that used for mudharabah business. No further deduction for commission expenses is made as commission expenses are borne by the shareholder's fund.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(k) General takaful fund (cont'd.)

(ii) Contribution liabilities (cont'd.)

(b) *Unexpired risk reserves*

The URR is a prospective estimate of the expected future payments arising from future events covered under certificates in force as at the reporting date and also includes allowance for expenses, including overheads and costs of retakaful, expected to be incurred during the unexpired period in administering these certificates and settling the relevant claims, and expected future contribution refunds.

URR is estimated via an actuarial valuation performed by a qualified actuary.

(iii) **Claim liabilities**

Claim liabilities represent the Company's obligations, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at reporting date.

Claim liabilities are the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and other recoveries.

Claim liabilities are comprised of claims incurred and reported but still outstanding as at reporting date, as well as claims incurred but not reported ("IBNR"). The estimation includes a provision of risk margin for adverse deviation ("PRAD") at a level of sufficiency higher than 75% as required by Bank Negara Malaysia.

Liabilities for outstanding claims are recognised upon notification by participants. IBNR claims are estimated via an actuarial valuation performed by a qualified actuary, using a range of actuarial claim projection techniques based on, amongst others, actual claim development patterns. Liabilities are not discounted for the time value of money.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(k) General takaful fund (cont'd.)

(iv) Liability adequacy test

At each reporting date, the Fund reviews all takaful certificate liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the Fund, contractual or otherwise, with respect to takaful certificates issued. In performing this review, the Fund estimates all contractual cash flows and compares this against the carrying value of takaful certificate liabilities. Any deficiency is recognised in the income statement.

The estimation of claim liabilities and contribution liabilities performed at reporting date is part of the liability adequacy tests performed by the Fund.

(v) Claim expenses

Claim expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to certificate holders or third parties damaged by the certificate holders. They include direct and indirect claims and settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company.

Recoveries on retakaful claims are accounted for in the same financial year as the original claims are recognised.

(vi) Commission expenses/acquisition costs

Commission expenses net of income derived from retakaful, which are costs directly incurred in securing contributions on takaful certificates net of income derived from ceding retakaful contributions, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Under the Mudharabah principle, commission expenses are borne by the general takaful fund with the resulting underwriting surplus/deficit after expenses shared between the Company and the participants as advised by the Shariah Committee.

Under the Wakalah principle, commission expenses are borne by the shareholder's fund at an agreed percentage of the gross contributions. This is in accordance with the principles of Wakalah as approved by the Shariah Committee and agreed between the participants and the Company.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(I) Family takaful fund

The family takaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 and consists of AFS reserves and any surplus/deficit attributable to participants which represents the participants' share in net surplus/deficit of the family takaful fund.

The family takaful fund surplus or deficit is determined by an annual actuarial valuation of the family takaful funds. Surplus distributable to participants is determined after deducting retakaful, claims/benefits paid and payable, expenses, provisions and reserves and is distributed in accordance with the terms and conditions prescribed by the Shariah Committee.

(i) Contribution income

Contributions are recognised as soon as the amount of the contributions can be reliably measured in accordance with the principles of Shariah as advised by the Shariah Committee. Initial contribution is recognised from inception date and subsequent contributions are recognised on due dates.

At the end of the financial year, all due contributions are accounted for to the extent that they can be reliably measured.

Outward retakaful contributions are recognised in the same financial year as the original certificates to which the retakaful relates.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(i) Family takaful fund (cont'd.)

(ii) Claims liabilities

Claims and settlement costs that are incurred during the financial year are recognised when a claimable event occurs and/or the Company is notified.

Recoveries on retakaful claims are accounted for in the same financial year as the original claims are recognised.

Claims and provisions for claims arising on family takaful certificates, including settlement costs, less retakaful recoveries, are accounted for using the case basis method, and for this purpose, the benefits payable under a family takaful certificate are recognised as follows:

- maturity or other certificate benefit payments due on specified dates are treated as claims payable on the due dates; and
- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of the contingency covered.

(iii) Creation/cancellation of units

Net creation of units which represents contributions paid by participants or unitholders as payment for a new contract or subsequent payments to increase the amount of that contract are reflected in the income statement of the investment-linked funds. Net creation of units is recognised on a receipt basis.

Creation/cancellation of units is recognised in the financial statements at the next valuation date, after the request to purchase/sell units is received from the participants or unitholders.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(I) Family takaful fund (cont'd.)

(iv) Commission expenses/acquisition costs

Commission expenses, which are costs directly incurred in securing contributions on takaful certificates, net of income derived from ceding retakaful contributions, are recognised as incurred and properly allocated to the periods in which it is probable that they give rise to income.

Under the mudharabah principle, commission expenses are borne by the family takaful fund with the resulting underwriting surplus/deficit after expenses shared between the Company and the participants as advised by the Shariah Committee.

Under the wakalah principle, commission expenses are borne by the shareholder's fund at an agreed percentage of the gross contributions. This is in accordance with the principles of wakalah as approved by the Shariah Committee and agreed between the participants and the Company.

(v) Family takaful certificate liabilities

Family takaful certificate liabilities are recognised when certificates are in-force and contributions are charged.

The family takaful certificate liabilities are derecognised when the certificate expires, is discharged or is cancelled. At each reporting date, an assessment is made of whether the recognised family takaful certificate liabilities are adequate through the performance of a liability adequacy test.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(I) Family takaful fund (cont'd.)

(v) Family takaful certificate liabilities (cont'd.)

Liabilities of family takaful business are determined in accordance with valuation guidelines for takaful operators issued by BNM. All family takaful liabilities have been valued using a prospective actuarial valuation based on the sum of the present value of future benefits and expenses less future gross considerations arising from the certificates, discounted at the appropriate risk discount rate. This method is known as the gross contribution valuation method.

For the risk fund, the expected future cash flows of benefits are determined using best estimate assumptions with an appropriate allowance for PRAD from expected experience such that an overall level of sufficiency of certificate reserves at a 75% confidence level is secured.

The liabilities in respect of the non-unit component of an investment-linked certificate have been valued at the risk-free discount rate by projecting future cash flows to ensure that all future outflows can be met at the product level without recourse to additional finance or capital support at any future time during the duration of the investment-linked certificate. The value of the unit component is the net asset value of the fund which is treated as a liability.

For a one year family certificate or a one year extension to a family certificate covering contingencies other than life or survival, the liability for such family takaful certificates comprises contribution and claim liabilities with an appropriate allowance for PRAD from the expected experience.

Adjustments to the liabilities at each reporting date are recorded in profit or loss. Profits originating from margins of adverse deviation on run-off contracts are recognised in profit or loss over the period of the contract, whereas losses are fully recognised in profit or loss during the first year of run-off.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(m) Measurement and impairment of Qard

In the event where the assets of the takaful funds are insufficient to meet the liabilities, shareholders are required to rectify the deficit of the takaful funds via a Qard, which is a profit free loan. The Qard shall be repaid from future surpluses of the affected takaful funds. In the Shareholder's fund, the Qard is stated at cost less impairment losses if any, whereas in the takaful funds, the Qard is stated at cost.

At each reporting date, the Qard position and the ability of the affected fund to generate sufficient surplus to repay the shareholder is monitored and measured. The likelihood that the Qard will be repaid and the duration of time that will be required to repay the Qard is determined and ascertained via projected cash flows which take into account past experience of the affected fund. The projected cash flows are then discounted to determine the recoverable value of the Qard.

If the Qard is impaired, an amount comprising the difference between its cost and its recoverable amount, less any impairment loss previously recognised is recognised in profit or loss. Impairment losses are subsequently reversed in the income statement if objective evidence exists that the Qard is no longer impaired.

(n) Takaful receivables

Takaful receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, takaful receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that a takaful receivable is impaired, the Company reduces the carrying amount of the takaful receivable accordingly and recognises the impairment loss in profit or loss. Objective evidence of impairment for takaful receivables and the determination of consequential impairment losses are as described in Note 2.2(f)(i).

Takaful receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(d), have been met.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(o) Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks, excluding fixed and call deposits with licensed financial institutions. The statement of cash flows has been prepared using the indirect method.

(p) Income tax

Income tax on profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is computed using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in other comprehensive income, in which case the deferred tax is also charged or credited directly in other comprehensive income.

(q) Zakat

Zakat represents tithes payable by the Company to comply with the principles of Shariah. Zakat is computed based on the Working Capital Method at 2.5% of the net assets of the Company as decreed by the Shariah Committee.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(r) Takaful payables

Takaful payables are recognised when due and measured on initial recognition at the fair value of the consideration payable less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

(s) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*, are recognised in the statement of financial position when, and only when, the Company and/or the takaful funds become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

During the financial year and as at the reporting date, the Company and the takaful funds did not classify any of its financial liabilities at FVTPL.

The Company's and the takaful funds' other financial liabilities include payables which are recognised initially at fair value plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in the income statement when the liabilities are derecognised, and through the amortisation process.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(s) Financial liabilities (cont'd.)

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(t) Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions ("SOCSSO") are recognised as an expense in the period in which the associated services are rendered by employees of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term, non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient funds to pay all employee benefits relating to employee services in the current and preceding financial years.

As required by law, the Company makes such contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(t) Employee benefits (cont'd.)

(iii) Share-based compensation

- **ESS**

The ESS is an equity-settled share-based compensation plan that allows the Directors and employees to acquire shares of MBB. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the amount due to MBB over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting date, MBB revises its estimates of the number of options that are expected to become exercisable over the vesting period.

- **Restricted share units ("RSU")**

Senior management personnel of MAHB are entitled to performance-based restricted shares as consideration for services rendered. The RSU may be settled by way of issuance and transfer of new parent shares or by cash at the absolute discretion of the ESS Committee. The total fair value of RSU granted to senior management employees is recognised as an employee cost with a corresponding increase in the reserve within the parent's equity over the vesting period and taking into account the probability that the RSU will vest. The fair value of the RSU is measured at grant date, taking into account, the market vesting conditions upon which the RSU were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to be awarded on the vesting date.

Settlement with the ultimate holding company in respect of the arrangement of the scheme is by cash over the vesting period.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(u) Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency ("foreign currencies") are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the income statement for the financial year.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement and/or other comprehensive income for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(v) Other revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transactions will flow to the Company and/or takaful funds, and the amount of the revenue can be measured reliably.

(i) Dividend income

Dividend income is recognised on a declared basis when the Company's and/or takaful funds' right to receive payment is established.

ETIQA TAKAFUL BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(v) Other revenue recognition (cont'd.)

(ii) Profit income

Profit income is recognised using the effective yield method.

(iii) Wakalah fees

Wakalah fees represent fees charged by the shareholder's fund to manage takaful certificates issued by the general and family takaful funds under the principle of Wakalah and are recognised as soon as the contributions to which they relate can be reliably measured in accordance with the principles of Shariah.

(iv) Fund management fees

Fund management fees are recognised when services are rendered.

(w) Fee and commission income

Participants are charged for policy administration services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, these fees are deferred and recognised over those future financial years.

Management fee income earned from investment-linked business is recognised on an accrual basis based on a percentage of the net asset value of the investment-linked funds.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(x) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised and accounted for in the statement of changes in equity in the period in which they are declared.

2.3 Transition to MFRS and application of MFRS 1

These are the Company's first annual financial statements prepared in accordance with MFRS. In previous financial years, the financial statements of the Company were prepared in accordance with FRS in Malaysia as modified by BNM Guidelines.

The accounting policies set out in Notes 2.2 have been applied in preparing the financial statements of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial period ended 31 December 2011 and in the preparation of the opening statement of financial position at 1 July 2011 (which is also the Company's date of transition). The optional exemptions available under MFRS 1 are not applicable to the Company and did not result in any financial impact to the Company.

2.4 Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following Standards, Amendments and Issues Committee ("IC") Interpretations have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Company.

Effective for financial periods beginning on or after 1 July 2012

MFRS 101 Presentation of Items of Other Comprehensive Income
(Amendments to MFRS 101)

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards issued but not yet effective (cont'd.)

Effective for financial periods beginning on or after 1 January 2013

MFRS 3 *Business Combinations* (IFRS 3 *Business Combinations* issued by IASB in March 2004)

MFRS 10 *Consolidated Financial Statements*

MFRS 11 *Joint Arrangements*

MFRS 12 *Disclosure of interests in Other Entities*

MFRS 13 *Fair Value Measurement*

MFRS 119 *Employee Benefits*

MFRS 127 *Separate Financial Statements*

MFRS 128 *Investment in Associate and Joint Ventures*

MFRS 127 *Consolidated and Separate Financial Statements* (IAS 27 as revised by IASB in December 2004)

Amendments to MFRS 7: *Disclosures - Offsetting Financial Assets and Financial Liabilities*

Amendments to MFRS 1: *First-time Adoption of Malaysian Financial Reporting Standards - Government Loans*

Amendments to MFRS 1: *First-time Adoption of Malaysian Financial Reporting Standards - Annual Improvements 2009-2011 Cycle*

Amendments to MFRS 101: *Presentation of Financial Statements* (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 116: *Property, Plant and Equipment* (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 132: *Financial Instruments: Presentation* (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 134: *Interim Financial Reporting* (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 10: *Consolidated Financial Statements: Transition Guidance*

Amendments to MFRS 11: *Joint Arrangements: Transition Guidance*

Amendments to MFRS 12: *Disclosure of Interests in Other Entities: Transition Guidance*

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards issued but not yet effective (cont'd.)

Effective for financial periods beginning on or after 1 January 2013 (cont'd.)

IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*
Amendment to IC Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)*

Effective for financial periods beginning on or after 1 January 2014

Amendments to MFRS 132: *Offsetting Financial Assets and Financial Liabilities*

Effective for financial periods beginning on or after 1 January 2015

MFRS 9 *Financial Instruments*

The Company plans to adopt the above pronouncements when they become effective in the respective financial years. These pronouncements are not expected to have a significant impact to the financial statements of the Company upon their initial application except as described below:

(a) MFRS 9 *Financial Instruments* ("MFRS 9")

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 *Financial Instruments: Recognition and Measurement* and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 *Financial Instruments: Recognition and Measurement*. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards issued but not yet effective (cont'd.)

(b) MFRS 10 Consolidated Financial Statements ("MFRS 10")

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation - Special Purpose Entities.

Under MFRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to explain when an investor has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances. The Company is currently assessing the impact that this Standard will have on the financial statements of the Company but based on preliminary analyses performed, no material impact is expected.

(c) MFRS 11 Joint Arrangements ("MFRS 11")

MFRS 11 replaces MFRS 131 Interests in Joint Ventures and IC Interpretation 113 Jointly-Controlled Entities - Non-monetary Contributions by Venturers.

The classification of joint arrangements under MFRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under MFRS 11, joint arrangements are classified as either joint operations or joint ventures.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards issued but not yet effective (cont'd.)

(c) MFRS 11 Joint Arrangements ("*MFRS 11*") (cont'd.)

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

MFRS 11 removes the option to account for jointly controlled entities ("JCE") using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method. The Company is currently assessing the impact that this Standard will have on the financial statements of the Company but based on preliminary analyses performed, no material impact is expected.

(d) MFRS 12 *Disclosure of Interests in Other Entities* ("*MFRS 12*")

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and is expected to have no significant impact on the Company's financial position or performance.

(e) MFRS 13 *Fair Value Measurement* ("*MFRS 13*")

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS when fair value is required or permitted.

The Company is currently assessing the impact that this Standard will have on the financial statements of the Company but based on preliminary analyses performed, no material impact is expected.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards issued but not yet effective (cont'd.)

(f) MFRS 127 Separate Financial Statements ("MFRS 127")

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

As a consequence of the new MFRS 11 and MFRS 12, MFRS 128 is renamed as MFRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

(g) Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle) ("MFRS 101")

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Company's financial position and performance.

2.5 Significant accounting estimates and judgments

(a) Critical judgments made in applying accounting policies

The preparation of financial statements in conformity with MFRS requires management to exercise judgment on the use of estimates and make assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving higher degree of judgment and complexity, are disclosed as below:

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting estimates and judgments (cont'd.)

(a) Critical judgments made in applying accounting policies (cont'd.)

(i) Impairment of AFS financial assets

Significant judgment is required to assess impairment for AFS financial assets. The Company evaluates the duration and extent to which the fair value of an investment is less than its cost; the financial health and near term business outlook for the investee, including but not limited to factors such as industry and sector performance, changes in technology; and operational and financial cash flows.

(ii) Impairment of receivables

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. Factors considered by the Company are probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Amortisation and impairment of intangible assets

Intangible assets that can be separated and sold and have a finite useful life are amortised over their estimated useful lives.

The determination of the estimated useful lives of these intangible assets require management to analyse the circumstances, the industry and market practice and also to use judgment. At each reporting date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets with its recoverable amount.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting estimates and judgments (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(ii) Uncertainty in accounting estimates for general takaful business

The principal uncertainty in the general takaful certificate liabilities arises from the technical provisions which include the contribution and claim liabilities. The basis of valuation of the contribution and claim liabilities is explained in Notes 2.2 (k)(ii) and 2.2 (k)(iii) of the financial statements.

The estimation bases for contribution liabilities is explained in the related accounting policy statement whilst claim liabilities comprise provision for outstanding claims and IBNR. Generally, claims liabilities are estimated based upon historical claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience of similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual, future contribution and claim liabilities will not exactly develop as projected and they vary from the projections.

The estimates of contribution liabilities and claims liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of contribution and claims liabilities may vary from the initial estimates.

(iii) Uncertainty in accounting estimates for family takaful business

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, judicial interpretations, legislative changes and claims handling procedures.

For family takaful certificates, estimates are made for future deaths, disabilities, maturities, investment returns in accordance with the Company experience. The family takaful fund bases the estimate of expected number of deaths on applied mortality tables, adjusted where appropriate to reflect the fund's unique risk exposures. The estimated number of deaths determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future contributions.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting estimates and judgments (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(iii) Uncertainty in accounting estimates for family takaful business (cont'd)

For those certificates that cover risks related to disability, estimates are made based on recent past experience and emerging trends.

At each reporting date, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

(iv) Uncertainty in accounting estimates for shareholder's fund expenses liabilities

Management expenses are categorized into 2 categories to reflect the nature of the spending.

(a) Acquisition cost include the expenses incurred to write the business, such as medical cost for underwriting, printing cost for the necessary documents, cost of setting up the product in the IT system and etc.

(b) Maintenance expenses include system maintenance cost, policy servicing, claim handling expenses, overhead and etc that associated with the operation of the business on an on-going basis.

Only maintenance expenses will be included in the expense liabilities calculations.

The expenses liabilities for family takaful business are estimated using prospective actuarial valuation, by projecting future expenses and shareholders' future income. The expected future cash flows used to compute the expense liabilities are based on best estimate assumptions with provision of risk margin for adverse deviation ("PRAD"). These cash flows are discounted to present date at the risk-free discount rate prescribed.

The valuation was made in accordance to the Guidelines on Valuation Basis for Liabilities of Family Takaful Business (BNM/RH/GL 004-20).

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting estimates and judgments (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(iv) Uncertainty in accounting estimates for shareholder's fund expenses liabilities (cont'd.)

The expense liabilities of general takaful fund refers to the higher of unearned wakalah fees and best estimate for unexpired expense reserves with provision of risk margin for adverse deviation. There are uncertainties in estimating these two components:

- (a) The unearned wakalah fees are estimated in a similar manner as the calculation for unearned contribution liabilities, for all lines of business. The detailed estimation basis of unearned wakalah fees for general takaful certificate liabilities is explained in Note 2.16 (i) (a) of the Summary of Significant Accounting Policies.
- (b) The method used to value unexpired expense reserve is calculated using adjusted parameters to provide expenses liabilities at 75% confidence level as required by the "Guidelines on Valuation Basis for Liabilities of General Takaful Business".

(v) Deferred taxation

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the income statement in the financial year in which actual realisation and settlement occurs.

Deferred tax assets are recognised for all impairment losses on investments, net amortisation of premium in investments and other temporary differences to the extent that it is probable that taxable profit will be available against which the benefits can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

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3. PROPERTY, PLANT AND EQUIPMENT

Shareholder's fund

	Motor vehicles RM'000	Work in progress RM'000	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Total RM'000
31.12.2012					
Cost					
At 1 January 2012	589	-	19,390	15,998	35,977
Additions	-	406	560	417	1,383
Write off	(266)	-	(16,983)	(15,522)	(32,771)
At 31 December 2012	<u>323</u>	<u>406</u>	<u>2,967</u>	<u>893</u>	<u>4,589</u>
Accumulated Depreciation					
At 1 January 2012	520	-	18,127	15,871	34,518
Charge for the year	36	-	492	115	643
Write off	(266)	-	(16,983)	(15,522)	(32,771)
At 31 December 2012	<u>290</u>	<u>-</u>	<u>1,636</u>	<u>464</u>	<u>2,390</u>
Net Book Value					
At 31 December 2012	<u>33</u>	<u>406</u>	<u>1,331</u>	<u>429</u>	<u>2,199</u>
31.12.2011					
Cost					
At 1 July 2011	589	-	22,261	15,974	38,824
Additions	-	-	112	24	136
Adjustment	-	-	(68)	-	(68)
Reclassified to intangible assets (Note 4)	-	-	(770)	-	(770)
Write off	-	-	(2,145)	-	(2,145)
At 31 December 2011	<u>589</u>	<u>-</u>	<u>19,390</u>	<u>15,998</u>	<u>35,977</u>
Accumulated Depreciation					
At 1 July 2011	502	-	17,809	15,835	34,146
Charge for the period	18	-	318	36	372
At 31 December 2011	<u>520</u>	<u>-</u>	<u>18,127</u>	<u>15,871</u>	<u>34,518</u>

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3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Shareholder's fund (cont'd.)

	Motor vehicles RM'000	Work in progress RM'000	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Total RM'000
Net Book Value					
At 31 December 2011	69	-	1,263	127	1,459
Net Book Value					
At 1 July 2011	87	-	4,452	139	4,678
General takaful fund					
31.12.2012					
Cost					
At 1 January 2012	-	-	579	1,514	2,093
Write off	-	-	(556)	(1,514)	(2,070)
At 31 December 2012	-	-	23	-	23
Accumulated Depreciation					
At 1 January 2012	-	-	573	1,514	2,087
Charge for the year	-	-	5	-	5
Write off	-	-	(556)	(1,514)	(2,070)
At 31 December 2012	-	-	22	-	22
Net Book Value					
At 31 December 2012	-	-	1	-	1
31.12.2011					
Cost					
At 1 July/ 31 December 2011	-	-	579	1,514	2,093
Accumulated Depreciation					
At 1 July 2011	-	-	571	1,514	2,085
Charge for the period	-	-	2	-	2
At 31 December 2011	-	-	573	1,514	2,087
Net Book Value					
At 31 December 2011	-	-	6	-	6
Net Book Value					
At 1 July 2011	-	-	8	-	8

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3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Family takaful fund

	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Total RM'000
31.12.2012			
Cost			
At 1 January 2012	1,838	1,859	3,697
Write off	(1,806)	(1,854)	(3,660)
At 31 December 2012	<u>32</u>	<u>5</u>	<u>37</u>
Accumulated Depreciation			
At 1 January 2012	1,833	1,859	3,692
Charge for the year	5	-	5
Write off	(1,806)	(1,854)	(3,660)
At 31 December 2012	<u>32</u>	<u>5</u>	<u>37</u>
Net Book Value			
At 31 December 2012	<u>-</u>	<u>-</u>	<u>-</u>
31.12.2011			
Cost			
At 1 July/31 December 2011	<u>1,838</u>	<u>1,859</u>	<u>3,697</u>
Accumulated Depreciation			
At 1 July 2011	1,829	1,859	3,688
Charge for the period	4	-	4
At 31 December 2011	<u>1,833</u>	<u>1,859</u>	<u>3,692</u>
Net Book Value			
At 31 December 2011	<u>5</u>	<u>-</u>	<u>5</u>
Net Book Value			
At 1 July 2011	<u>9</u>	<u>-</u>	<u>9</u>

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3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Company

	Motor vehicles RM'000	Work in progress RM'000	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Total RM'000
31.12.2012					
Cost					
At 1 January 2012	589	-	21,807	19,371	41,767
Additions	-	406	560	417	1,383
Write off	(266)	-	(19,345)	(18,890)	(38,501)
At 31 December 2012	<u>323</u>	<u>406</u>	<u>3,022</u>	<u>898</u>	<u>4,649</u>
Accumulated Depreciation					
At 1 January 2012	520	-	20,533	19,244	40,297
Charge for the year	36	-	502	115	653
Write off	(266)	-	(19,345)	(18,890)	(38,501)
At 31 December 2012	<u>290</u>	<u>-</u>	<u>1,690</u>	<u>469</u>	<u>2,449</u>
Net Book Value					
At 31 December 2012	<u>33</u>	<u>406</u>	<u>1,332</u>	<u>429</u>	<u>2,200</u>
31.12.2011					
Cost					
At 1 July 2011	589	-	24,678	19,347	44,614
Additions	-	-	112	24	136
Adjustment	-	-	(68)	-	(68)
Reclassified to Intangible assets (Note 4)	-	-	(770)	-	(770)
Write off	-	-	(2,145)	-	(2,145)
At 31 December 2011	<u>589</u>	<u>-</u>	<u>21,807</u>	<u>19,371</u>	<u>41,767</u>

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3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Company (cont'd)

	Motor vehicles RM'000	Work in progress RM'000	Furniture, fittings, office equipment and renovations RM'000	Computers and peripherals RM'000	Total RM'000
Accumulated Depreciation					
At 1 July 2011	502	-	20,209	19,208	39,919
Charge for the year	18	-	324	36	378
Write off	-	-	-	-	-
At 31 December 2011	<u>520</u>	<u>-</u>	<u>20,533</u>	<u>19,244</u>	<u>40,297</u>
Net Book Value					
At 31 December 2011	<u>69</u>	<u>-</u>	<u>1,274</u>	<u>127</u>	<u>1,470</u>
Net Book Value					
At 1 July 2011	<u>87</u>	<u>-</u>	<u>4,469</u>	<u>139</u>	<u>4,695</u>

Included in property, plant and equipment of the funds and Company are the costs of fully depreciated assets, which are still in use, as follows:

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
31.12.2012			
Furniture, fittings, office equipment and renovations	94	-	25
Computers and peripherals	220	-	13
Motor vehicles	180	-	-
	<u>494</u>	<u>-</u>	<u>38</u>
31.12.2011			
Furniture, fittings, office equipment and renovations	16,997	556	1,806
Computers and peripherals	15,742	1,514	1,859
Motor vehicles	445	-	-
	<u>33,184</u>	<u>2,070</u>	<u>3,665</u>

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4. INTANGIBLE ASSETS

Shareholder's fund

	Software development costs RM'000	Computer software and licences RM'000	Total RM'000
31.12.2012			
Cost			
At 1 January 2012	34,654	-	34,654
Additions	2,149	-	2,149
Write off	(2,208)	-	(2,208)
At 31 December 2012	<u>34,595</u>	<u>-</u>	<u>34,595</u>
Accumulated Amortisation and Impairment			
At 1 January 2012	22,223	-	22,223
Amortisation charge for the year	5,908	-	5,908
Write off	(2,208)	-	(2,208)
At 31 December 2012	<u>25,923</u>	<u>-</u>	<u>25,923</u>
Net Book Value			
At 31 December 2012	<u>8,672</u>	<u>-</u>	<u>8,672</u>
31.12.2011			
Cost			
At 1 July 2011	30,859	-	30,859
Additions	2,497	-	2,497
Reclassified from property, plant and equipment (Note 3)	770	-	770
Transfer from general takaful fund	528	-	528
At 31 December 2011	<u>34,654</u>	<u>-</u>	<u>34,654</u>
Accumulated Amortisation and Impairment			
At 1 July 2011	18,464	-	18,464
Amortisation charge for the period	3,759	-	3,759
At 31 December 2011	<u>22,223</u>	<u>-</u>	<u>22,223</u>

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4. INTANGIBLE ASSETS (CONT'D.)

Shareholder's fund (Cont'd)

	Software development costs RM'000	Computer software and licences RM'000	Total RM'000
Net Book Value			
At 31 December 2011	12,431	-	12,431
Net Book Value			
At 1 July 2011	12,395	-	12,395
General takaful fund			
31.12.2012			
Cost			
At 1 January/31 December 2012	-	11,234	11,234
Accumulated Amortisation and Impairment			
At 1 January 2012	-	11,201	11,201
Amortisation charge for the year	-	15	15
At 31 December 2012	-	11,216	11,216
Net Book Value			
At 31 December 2012	-	18	18
31.12.2011			
Cost			
At 1 July 2011	528	11,234	11,762
Transfer to shareholder's fund	(528)	-	(528)
At 31 December 2011	-	11,234	11,234

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4. INTANGIBLE ASSETS (CONT'D.)

General takaful fund (Cont'd.)

	Software development costs RM'000	Computer software and licences RM'000	Total RM'000
Accumulated Amortisation and Impairment			
At 1 July 2011	-	11,194	11,194
Amortisation charge for the period	-	7	7
At 31 December 2011	<u>-</u>	<u>11,201</u>	<u>11,201</u>
Net Book Value			
At 31 December 2011	<u>-</u>	<u>33</u>	<u>33</u>
Net Book Value			
At 1 July 2011	<u>528</u>	<u>40</u>	<u>568</u>
Family takaful fund			
31.12.2012			
Cost			
At 1 January/31 December 2012	<u>-</u>	<u>9,922</u>	<u>9,922</u>
Accumulated Amortisation and Impairment			
At 1 January 2012	-	9,011	9,011
Amortisation charge for the year	-	438	438
At 31 December 2012	<u>-</u>	<u>9,449</u>	<u>9,449</u>
Net Book Value			
At 31 December 2012	<u>-</u>	<u>473</u>	<u>473</u>

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4. INTANGIBLE ASSETS (CONT'D.)

Family takaful fund (Cont'd.)

	Software development costs RM'000	Computer software and licences RM'000	Total RM'000
31.12.2011			
Cost			
At 1 July/31 December 2011	-	9,922	9,922
Accumulated Amortisation and Impairment			
At 1 July 2011	-	8,687	8,687
Amortisation charge for the period	-	324	324
At 31 December 2011	-	9,011	9,011
Net Book Value			
At 31 December 2011	-	911	911
Net Book Value			
At 1 July 2011	-	1,235	1,235
Company			
31.12.2012			
Cost			
At 1 January 2012	34,654	21,156	55,810
Additions	2,149	-	2,149
Write off	(2,208)	-	(2,208)
At 31 December 2012	34,595	21,156	55,751
Accumulated Amortisation and Impairment			
At 1 January 2012	22,223	20,212	42,435
Amortisation charge for the year	5,908	453	6,361
Write off	(2,208)	-	(2,208)
At 31 December 2012	25,923	20,665	46,588

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4. INTANGIBLE ASSETS (CONT'D.)

Company (cont'd.)	Software development costs RM'000	Computer software and licences RM'000	Total RM'000
Net Book Value			
At 31 December 2012	8,672	491	9,163
31.12.2011			
Cost			
At 1 July 2011	31,387	21,156	52,543
Additions	2,497	-	2,497
Reclassified from property, plant and equipment (Note 3)	770	-	770
Transfer from/(to) fund	-	-	-
At 31 December 2011	34,654	21,156	55,810
Accumulated Amortisation and Impairment			
At 1 July 2011	18,464	19,881	38,345
Amortisation charge for the period	3,759	331	4,090
At 31 December 2011	22,223	20,212	42,435
Net Book Value			
At 31 December 2011	12,431	944	13,375
Net Book Value			
At 1 July 2011	12,923	1,275	14,198

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6. INVESTMENTS

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
31.12.2012				
Available-for-sale ("AFS")	763,134	1,040,792	2,225,372	4,029,298
Designated upon initial recognition as at Fair Value Through Profit or Loss ("FVTPL")	-	-	4,442,783	4,442,783
Held for Trading ("HFT")	-	-	13,578	13,578
Loans and receivables ("LAR")	113,960	211,070	639,623	964,653
	<u>877,094</u>	<u>1,251,862</u>	<u>7,321,356</u>	<u>9,450,312</u>
31.12.2011				
Available-for-sale ("AFS")	204,222	824,536	1,975,704	3,004,462
Designated upon initial recognition as at Fair Value Through Profit or Loss ("FVTPL")	-	-	3,711,116	3,711,116
Held for Trading ("HFT")	-	-	68,618	68,618
Loans and receivables ("LAR")	130,748	262,760	1,002,172	1,395,680
	<u>334,970</u>	<u>1,087,296</u>	<u>6,757,610</u>	<u>8,179,876</u>
1.07.2011				
Available-for-sale ("AFS")	180,079	793,090	1,845,538	2,818,707
Designated upon initial recognition as at Fair Value Through Profit or Loss ("FVTPL")	-	-	3,386,086	3,386,086
Held for Trading ("HFT")	-	-	116,002	116,002
Loans and receivables ("LAR")	154,094	181,873	1,054,315	1,390,282
	<u>334,173</u>	<u>974,963</u>	<u>6,401,941</u>	<u>7,711,077</u>

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5. INVESTMENTS (CONT'D.)

(i) AFS financial assets

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
31.12.2012				
<u>At fair value:</u>				
Malaysian government papers	12,157	210,218	277,861	500,236
Unquoted debt securities in Malaysia	657,865	616,182	1,306,083	2,580,130
Equity securities:				
Quoted in Malaysia	91,237	185,617	601,145	877,999
Unquoted in Malaysia	32	-	-	32
Quoted unit and property trust funds in Malaysia	1,843	4,087	23,686	29,616
Negotiable Islamic certificates of deposit	-	24,688	16,597	41,285
	<u>763,134</u>	<u>1,040,792</u>	<u>2,225,372</u>	<u>4,029,298</u>
31.12.2011				
<u>At fair value:</u>				
Malaysian government papers	2,050	177,601	226,142	405,793
Unquoted debt securities in Malaysia	164,816	468,948	1,091,269	1,725,033
Equity securities:				
Quoted in Malaysia	37,170	152,484	625,230	814,884
Unquoted in Malaysia	32	-	-	32
Quoted unit and property trust funds in Malaysia	154	1,581	17,088	18,823
Negotiable Islamic certificates of deposit	-	23,922	15,975	39,897
	<u>204,222</u>	<u>824,536</u>	<u>1,975,704</u>	<u>3,004,462</u>

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5. INVESTMENTS (CONT'D.)

(i) AFS financial assets (Cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
1.07.2011				
<u>At fair value:</u>				
Malaysian government papers	12,023	174,695	219,570	406,288
Unquoted debt securities in Malaysia	132,097	443,636	955,843	1,531,576
Equity securities:				
Quoted in Malaysia	35,314	149,121	633,150	817,585
Unquoted in Malaysia	230	-	-	230
Quoted unit and property trust funds in Malaysia	415	2,503	18,190	21,108
Negotiable Islamic certificates of deposit	-	23,135	18,785	41,920
	<u>180,079</u>	<u>793,090</u>	<u>1,845,538</u>	<u>2,818,707</u>

(ii) Financial assets designated as FVTPL upon initial recognition

	Family takaful fund RM'000	Company RM'000
31.12.2012		
<u>At fair value:</u>		
Malaysian government papers	921,405	921,405
Unquoted debt securities in Malaysia	3,421,175	3,421,175
Negotiable Islamic certificates of deposit	100,203	100,203
	<u>4,442,783</u>	<u>4,442,783</u>

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5. INVESTMENTS (CONT'D.)

(ii) Financial assets designated as FVTPL upon initial recognition (Cont'd.)

	Family takaful fund RM'000	Company RM'000
31.12.2011		
<u>At fair value:</u>		
Malaysian government papers	772,039	772,039
Unquoted debt securities in Malaysia	2,842,585	2,842,585
Negotiable Islamic certificates of deposit	96,492	96,492
	<u>3,711,116</u>	<u>3,711,116</u>
1.07.2011		
<u>At fair value:</u>		
Malaysian government papers	776,163	776,163
Unquoted debt securities in Malaysia	2,493,012	2,493,012
Negotiable Islamic certificates of deposit	116,911	116,911
	<u>3,386,086</u>	<u>3,386,086</u>

(iii) HFT financial assets

	Family takaful fund RM'000	Company RM'000
31.12.2012		
<u>At fair value:</u>		
Unquoted debt securities in Malaysia	5,847	5,847
Foreign notes	7,731	7,731
	<u>13,578</u>	<u>13,578</u>

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5. INVESTMENTS (CONT'D.)

(iii) HFT financial assets (Cont'd.)

	Family takaful fund RM'000	Company RM'000
31.12.2011		
<u>At fair value:</u>		
Negotiable Islamic certificates of deposit	10,755	10,755
Unquoted debt securities in Malaysia	49,357	49,357
Foreign notes	8,506	8,506
	<u>68,618</u>	<u>68,618</u>
1.07.2011		
<u>At fair value:</u>		
Negotiable Islamic certificates of deposit	50,129	50,129
Unquoted debt securities in Malaysia	54,735	54,735
Foreign notes	11,138	11,138
	<u>116,002</u>	<u>116,002</u>

(iv) LAR

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
31.12.2012				
Deposits and placements with financial institutions				
Islamic investment accounts with:				
Licensed financial institutions	113,824	211,070	630,410	955,304
Others	136	-	9,213	9,349
	<u>113,960</u>	<u>211,070</u>	<u>639,623</u>	<u>964,653</u>

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5. INVESTMENTS (CONT'D.)

(iv) LAR (Cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
31.12.2011				
Deposits and placements with financial institutions				
Islamic investment accounts with:				
Licensed financial institutions	130,617	262,760	947,714	1,341,091
Others	131	-	54,458	54,589
	<u>130,748</u>	<u>262,760</u>	<u>1,002,172</u>	<u>1,395,680</u>
1.07.2011				
Deposits and placements with financial institutions				
Islamic investment accounts with:				
Licensed financial institutions	153,963	181,696	1,000,029	1,335,688
Others	131	177	54,286	54,594
	<u>154,094</u>	<u>181,873</u>	<u>1,054,315</u>	<u>1,390,282</u>
Investments maturing after 12 months :				
	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
31.12.2012				
AFS	670,022	568,050	1,501,326	2,739,398
FVTPL	-	-	4,221,142	4,221,142
	<u>670,022</u>	<u>568,050</u>	<u>5,722,468</u>	<u>6,960,540</u>

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5. INVESTMENTS (CONT'D.)

Investments maturing after 12 months (Cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
31.12.2011				
AFS	166,866	543,170	1,290,536	2,000,572
FVTPL	-	-	3,641,965	3,641,965
HFT	-	-	27,974	27,974
	<u>166,866</u>	<u>543,170</u>	<u>4,960,475</u>	<u>5,670,511</u>
1.07.2011				
AFS	144,120	497,115	1,148,464	1,789,699
FVTPL	-	-	3,262,114	3,262,114
HFT	-	-	49,444	49,444
	<u>144,120</u>	<u>497,115</u>	<u>4,460,022</u>	<u>5,101,257</u>

(iv) Fair value of financial investments

An analysis of the different fair value measurement bases used in the determination of the fair values of investments are further disclosed in Note 35(v) of the financial statements.

6. FINANCING RECEIVABLES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
31.12.2012				
Corporate loans	-	3,381	42,099	45,480
Staff loans:				
Secured	18,334	-	-	18,334
Unsecured	115	-	-	115
Others	2,492	-	19	2,511
Allowance for impairment losses	(622)	(3,381)	(25,196)	(29,199)
	<u>20,319</u>	<u>-</u>	<u>16,922</u>	<u>37,241</u>
Receivable within 12 months	2,228	-	-	2,228
Receivable after 12 months	18,091	-	16,922	35,013
	<u>20,319</u>	<u>-</u>	<u>16,922</u>	<u>37,241</u>

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6. FINANCING RECEIVABLES (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
31.12.2011				
Corporate loans	-	3,396	65,648	69,044
Staff loans:				
Secured	19,056	-	-	19,056
Unsecured	174	-	-	174
Other	2,405	-	227	2,632
Allowance for impairment losses	(580)	(3,396)	(24,997)	(28,973)
	<u>21,055</u>	<u>-</u>	<u>40,878</u>	<u>61,933</u>
Receivable within 12 months	2,277	-	2,705	4,982
Receivable after 12 months	18,778	-	38,173	56,951
	<u>21,055</u>	<u>-</u>	<u>40,878</u>	<u>61,933</u>
1.07.2011				
Corporate loans	-	5,453	78,440	83,893
Staff loans:				
Secured	22,772	-	-	22,772
Unsecured	-	-	-	-
Other	-	-	45	45
Allowance for impairment losses	(580)	(3,832)	(24,999)	(29,411)
	<u>22,192</u>	<u>1,621</u>	<u>53,486</u>	<u>77,299</u>
Receivable within 12 months	1,828	858	12,813	15,499
Receivable after 12 months	20,364	763	40,673	61,800
	<u>22,192</u>	<u>1,621</u>	<u>53,486</u>	<u>77,299</u>

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6. FINANCING RECEIVABLES (CONT'D.)

The carrying amounts of financing receivables approximate their fair values as these loans are issued at profit rates that are comparable to instruments in the market with similar characteristics and risk profiles and, accordingly, the impact of discounting thereon is not material.

The weighted average effective profit rate of financing receivables at the reporting date was 6.29% (31.12.2011: 6.86%, 1.7.2011: 6.52%).

7. TAKAFUL RECEIVABLES

	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
31.12.2012			
Due contributions including agents/ brokers and co-takaful balances	99,254	131,127	230,381
Due from retakaful operators	<u>28,559</u>	<u>7,452</u>	<u>36,011</u>
	127,813	138,579	266,392
Allowance for impairment losses	<u>(21,121)</u>	<u>(41,217)</u>	<u>(62,338)</u>
	<u>106,692</u>	<u>97,362</u>	<u>204,054</u>
31.12.2011			
Due contributions including agents/ brokers and co-takaful balances	81,686	74,630	156,316
Due from retakaful operators	<u>32,203</u>	<u>10,461</u>	<u>42,664</u>
	113,889	85,091	198,980
Allowance for impairment losses	<u>(21,237)</u>	<u>(16,642)</u>	<u>(37,879)</u>
	<u>92,652</u>	<u>68,449</u>	<u>161,101</u>

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7. TAKAFUL RECEIVABLES (CONT'D.)

	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
1.07.2011			
Due contributions including agents/ brokers and co-takaful balances	94,756	89,353	184,109
Due from retakaful operators	29,393	6,063	35,456
	<u>124,149</u>	<u>95,416</u>	<u>219,565</u>
Allowance for impairment losses	(26,531)	(15,144)	(41,675)
	<u>97,618</u>	<u>80,272</u>	<u>177,890</u>

8. OTHER RECEIVABLES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
31.12.2012				
Sundry receivables, deposits and prepayments	3,752	1,854	5,145	10,751
Allowance for impairment losses	(1,430)	-	(550)	(1,980)
	<u>2,322</u>	<u>1,854</u>	<u>4,595</u>	<u>8,771</u>
Investment profit receivable	8,132	10,777	69,444	88,353
Qard due from family takaful fund*	36,684	-	-	-
Amounts due from:				
General takaful fund**	64,012	-	1,340	-
Family takaful fund**	170,309	-	-	-
Amount due from ultimate holding company**	-	-	1,663	1,663
Amount due from related parties**	114	-	-	114
Amount due from stockbrokers	1,202	6,680	35,524	43,406
	<u>282,775</u>	<u>19,311</u>	<u>112,566</u>	<u>142,307</u>

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8. OTHER RECEIVABLES (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
31.12.2011				
Sundry receivables, deposits and prepayments	5,729	3,246	31,318	40,293
Allowance for impairment losses	(401)	-	-	(401)
	<u>5,328</u>	<u>3,246</u>	<u>31,318</u>	<u>39,892</u>
Investment profit receivable	1,562	8,566	50,277	60,405
Qard due from family takaful fund*	36,684	-	-	-
Amounts due from:				
General takaful fund**	48,630	-	7,678	-
Family takaful fund**	428,038	-	-	-
Amount due from ultimate holding company**	-	-	1,663	1,663
Amount due from related parties**	87	6	181	274
Amount due from stockbrokers	1,838	-	1,002	2,840
	<u>522,167</u>	<u>11,818</u>	<u>92,119</u>	<u>105,074</u>
1.07.2011				
Sundry receivables, deposits and prepayments	7,591	2,087	5,731	15,409
Allowance for impairment losses	(16)	-	-	(16)
	<u>7,575</u>	<u>2,087</u>	<u>5,731</u>	<u>15,393</u>
Investment profit receivable	2,424	8,408	50,005	60,837
Qard due from family takaful fund*	36,684	-	-	-
Amounts due from:				
General takaful fund**	59,196	-	4,861	-
Family takaful fund**	393,834	-	-	-
Amount due from ultimate holding company**	-	-	1,277	1,277
Amount due from related parties**	341	-	2	343
Amount due from stockbrokers	32	139	1,970	2,141
	<u>500,086</u>	<u>10,634</u>	<u>63,846</u>	<u>79,991</u>

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8. OTHER RECEIVABLES (CONT'D.)

The carrying amounts approximate their fair values due to the relatively short-term maturity of these balances.

* Qard represents a benevolent, profit-free loan to the family takaful fund was used to make good any actuarial valuation deficit in the group family takaful fund. The amount is unsecured and is repayable out of future surpluses of the group family takaful fund upon demand.

** The amounts due from the ultimate holding company, the holding company and related companies, and the general takaful and family takaful funds in the respective funds are unsecured, not subject to any profit elements and are repayable upon demand.

9. SHARE CAPITAL

	No. of shares '000	Amount RM'000
Shareholder's fund		
31.12.2012		
Authorised:		
Ordinary shares of RM1.00 each		
At beginning and end of year	<u>500,000</u>	<u>500,000</u>
Issued and paid-up:		
Ordinary shares of RM1.00 each		
At beginning and end of year	<u>100,000</u>	<u>100,000</u>
31.12.2011 and 1.07.2011		
Authorised:		
Ordinary shares of RM1.00 each		
At beginning and end of period/year	<u>500,000</u>	<u>500,000</u>
Issued and paid-up:		
Ordinary shares of RM1.00 each		
At beginning and end of period/year	<u>100,000</u>	<u>100,000</u>

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10. RESERVES

	31.12.2012 RM'000	31.12.2011 RM'000	1.07.2011 RM'000
Shareholder's fund/Company			
Non-distributable:			
AFS reserves	14,119	10,790	10,983
Distributable:			
Retained profits	645,177	519,454	475,938
	<u>659,296</u>	<u>530,244</u>	<u>486,921</u>

The AFS reserve of the Company arose from the changes in the fair value of the investment assets classified as AFS financial assets.

11. PARTICIPANTS' FUND

	31.12.2012 RM'000	31.12.2011 RM'000	1.07.2011 RM'000
Takaful funds and Company			
General takaful fund (Note (a))	123,172	87,946	92,690
Family takaful fund (Note (b))	1,965,923	1,542,038	1,458,932
	<u>2,089,095</u>	<u>1,629,984</u>	<u>1,551,622</u>
Less : Qard elimination	(36,684)	(36,684)	(36,684)
	<u>2,052,411</u>	<u>1,593,300</u>	<u>1,514,938</u>

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11. PARTICIPANTS' FUND (CONT'D.)

(a) General takaful fund

	31.12.2012 RM'000	31.12.2011 RM'000	1.07.2011 RM'000
Accumulated surplus (Note (i))	90,922	58,385	58,505
AFS reserves (Note (ii))	32,250	29,561	34,185
	<u>123,172</u>	<u>87,946</u>	<u>92,690</u>

(i) Accumulated surplus

	31.12.2012 RM'000	31.12.2011 RM'000	1.07.2011 RM'000
At beginning of year/period	58,385	58,505	55,848
Surplus attributable to participants during the year/period	48,834	12,940	45,357
Hibah paid to participants during the year/period	(16,297)	(13,060)	(42,700)
At end of year/period	<u>90,922</u>	<u>58,385</u>	<u>58,505</u>

(ii) AFS reserves

	31.12.2012 RM'000	31.12.2011 RM'000	1.07.2011 RM'000
At beginning of year/period	29,561	34,185	19,758
Net gain on fair value changes	26,253	4,666	29,915
Realised gain transferred to income statement (Note 20)	(23,564)	(9,290)	(15,488)
At end of year/period	<u>32,250</u>	<u>29,561</u>	<u>34,185</u>

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11. PARTICIPANTS' FUND (CONT'D.)

(b) Family takaful fund

	31.12.2012 RM'000	31.12.2011 RM'000	1.07.2011 RM'000
Accumulated surplus (Note (i))	1,787,174	1,349,741	1,259,366
Qard* (Note (ii))	36,684	36,684	36,684
AFS reserves (Note (iii))	142,065	155,613	162,882
	<u>1,965,923</u>	<u>1,542,038</u>	<u>1,458,932</u>

(i) Accumulated surplus

	31.12.2012 RM'000	31.12.2011 RM'000	1.07.2011 RM'000
At beginning of year/period	1,349,741	1,259,366	1,060,541
Surplus attributable to participants during the year/period	414,914	102,168	219,068
Hibah paid to participants during the year/period	22,519	(11,793)	(20,243)
At end of year/period	<u>1,787,174</u>	<u>1,349,741</u>	<u>1,259,366</u>

(ii) Qard

	31.12.2012 RM'000	31.12.2011 RM'000	1.07.2011 RM'000
At beginning/end of year/period	<u>36,684</u>	<u>36,684</u>	<u>36,684</u>

* Management expects that the Qard will be repaid by the family takaful fund within 5 to 10 years from the date of the financial statements. The Qard has been retained within the group family takaful fund to ensure that the fund continues to strengthen in terms of financial position, before cash repayment is made to the shareholder's fund.

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11. PARTICIPANTS' FUND (CONT'D.)

(b) Family takaful fund (cont'd.)

(iii) AFS reserves

	31.12.2012 RM'000	31.12.2011 RM'000	1.07.2011 RM'000
At beginning of year/period	155,613	162,882	86,332
Net gain on fair value changes	92,236	29,691	133,282
Realised gain transferred to income statement (Note 20)	<u>(105,784)</u>	<u>(36,960)</u>	<u>(56,732)</u>
At end of year/period	<u>142,065</u>	<u>155,613</u>	<u>162,882</u>

12. TAKAFUL CERTIFICATE LIABILITIES

	Gross RM'000	Retakaful RM'000	Net RM'000
Takaful funds and Company			
31.12.2012			
General takaful fund (Note (a))	1,294,156	(273,365)	1,020,791
Family takaful fund (Note (b))	<u>5,303,482</u>	<u>(18,634)</u>	<u>5,284,848</u>
	<u>6,597,638</u>	<u>(291,999)</u>	<u>6,305,639</u>
31.12.2011			
General takaful fund (Note (a))	1,137,876	(278,108)	859,768
Family takaful fund (Note (b))	<u>4,812,034</u>	<u>(18,832)</u>	<u>4,793,202</u>
	<u>5,949,910</u>	<u>(296,940)</u>	<u>5,652,970</u>
1.07.2011			
General takaful fund (Note (a))	1,042,855	(300,064)	742,791
Family takaful fund (Note (b))	<u>4,568,158</u>	<u>(21,081)</u>	<u>4,547,077</u>
	<u>5,611,013</u>	<u>(321,145)</u>	<u>5,289,868</u>

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12. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

(a) General takaful fund

	Gross RM'000	Retakaful RM'000	Net RM'000
31.12.2012			
Claims liabilities (Note (i))	748,517	(237,507)	511,010
Contribution liabilities (Note (ii))	545,639	(35,858)	509,781
	<u>1,294,156</u>	<u>(273,365)</u>	<u>1,020,791</u>
31.12.2011			
Claims liabilities (Note (i))	661,800	(258,229)	403,571
Contribution liabilities (Note (ii))	476,076	(19,879)	456,197
	<u>1,137,876</u>	<u>(278,108)</u>	<u>859,768</u>
1.07.2011			
Claims liabilities (Note (i))	552,811	(234,780)	318,031
Contribution liabilities (Note (ii))	490,044	(65,284)	424,760
	<u>1,042,855</u>	<u>(300,064)</u>	<u>742,791</u>

(i) Claims liabilities

	Gross RM'000	Retakaful RM'000	Net RM'000
31.12.2012			
At beginning of year	661,800	(258,229)	403,571
Claims incurred in the current accident year	479,285	(22,820)	456,465
Movement in claims incurred in prior accident years	(47,371)	32,432	(14,939)
Claims paid during the year	(372,058)	6,707	(365,351)
Movements in PRAD	26,861	4,403	31,264
At end of the year	<u>748,517</u>	<u>(237,507)</u>	<u>511,010</u>

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12. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

(a) General takaful fund (cont'd.)

(i) Claims liabilities (cont'd.)

	Gross RM'000	Retakaful RM'000	Net RM'000
31.12.2011			
At beginning of period	552,811	(234,780)	318,031
Claims incurred in the current accident period	437,396	(112,272)	325,124
Movement in claims incurred in prior accident years	(305,782)	150,913	(154,869)
Claims paid during the period	(138,347)	5,536	(132,811)
Movements in PRAD	115,722	(67,626)	48,096
At end of the period	<u>661,800</u>	<u>(258,229)</u>	<u>403,571</u>
1.07.2011			
At beginning of year	361,349	(93,842)	267,507
Claims incurred in the current accident year	437,052	(176,297)	260,755
Movement in claims incurred in prior accident years	17,659	12,006	29,665
Claims paid during the year	(265,859)	28,590	(237,269)
Movements in PRAD	2,610	(5,237)	(2,627)
At end of the year	<u>552,811</u>	<u>(234,780)</u>	<u>318,031</u>

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12. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

(a) General takaful fund (cont'd.)

(ii) Contribution liabilities

	Gross RM'000	Retakaful RM'000	Net RM'000
31.12.2012			
At beginning of the year	476,076	(19,879)	456,197
Contributions written during the year	867,259	(96,399)	770,860
Contributions earned during the year	(797,696)	80,420	(717,276)
At end of the year	<u>545,639</u>	<u>(35,858)</u>	<u>509,781</u>
31.12.2011			
At beginning of the period	490,044	(65,284)	424,760
Contributions written during the period	355,715	(31,162)	324,553
Contributions earned during the period	(369,683)	76,567	(293,116)
At end of the period	<u>476,076</u>	<u>(19,879)</u>	<u>456,197</u>
1.07.2011			
At beginning of the year	379,283	(29,438)	349,845
Contributions written during the year	636,241	(101,773)	534,468
Contributions earned during the year	(525,480)	65,927	(459,553)
At end of the year	<u>490,044</u>	<u>(65,284)</u>	<u>424,760</u>

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12. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

(b) Family takaful fund

- (i) The family takaful certificate liabilities and its movements are further analysed as follows:

	Gross RM'000	Retakaful RM'000	Net RM'000
31.12.2012			
Provision for outstanding claims (Note (ii))	128,053	(113)	127,940
Actuarial liabilities (Note (ii))	5,118,543	(18,521)	5,100,022
NAV attributable to unitholders (Note (ii))	56,886	-	56,886
	<u>5,303,482</u>	<u>(18,634)</u>	<u>5,284,848</u>
31.12.2011			
Provision for outstanding claims (Note (ii))	125,546	-	125,546
Actuarial liabilities (Note (ii))	4,618,790	(18,832)	4,599,958
NAV attributable to unitholders (Note (ii))	67,698	-	67,698
	<u>4,812,034</u>	<u>(18,832)</u>	<u>4,793,202</u>
1.07.2011			
Provision for outstanding claims (Note (ii))	104,725	-	104,725
Actuarial liabilities (Note (ii))	4,346,553	(21,081)	4,325,472
NAV attributable to unitholders (Note (ii))	116,880	-	116,880
	<u>4,568,158</u>	<u>(21,081)</u>	<u>4,547,077</u>

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12. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

(b) Family takaful fund (Cont'd.)

(ii) Movements of family takaful certificate liabilities

	Provision for Outstanding Claims RM'000	Actuarial Liabilities RM'000	NAV Attributable to Unitholders RM'000	Gross Liabilities RM'000	Retakaful Assets RM'000	Net Liabilities RM'000
31.12.2012						
As at 1 January 2012	125,546	4,618,790	67,698	4,812,034	(18,832)	4,793,202
Net earned contribution	-	-	-	-	(12,163)	(12,163)
Other revenue	-	-	2,991	2,991	-	2,991
Experience/benefit variation	(9,676)	-	-	(9,676)	8,598	(1,078)
Claims intimated during the year	639,726	(639,726)	-	-	(113)	(113)
Claims paid during the year	(627,543)	-	(12,650)	(640,193)	3,565	(636,628)
Other expenses	-	-	(937)	(937)	-	(937)
Taxation	-	-	(216)	(216)	-	(216)
Increase in certificate reserves	-	1,139,479	-	1,139,479	311	1,139,790
As at 31 December 2012	<u>128,053</u>	<u>5,118,543</u>	<u>56,886</u>	<u>5,303,482</u>	<u>(18,634)</u>	<u>5,284,848</u>

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12. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

(b) Family takaful fund (Cont'd.)

(ii) Movements of family takaful certificate liabilities (cont'd.)

	Provision for Outstanding Claims RM'000	Actuarial Liabilities RM'000	NAV Attributable to Unitholders RM'000	Gross Liabilities RM'000	Retakaful Assets RM'000	Net Liabilities RM'000
31.12.2011						
As at 1 July 2011	104,725	4,346,553	116,880	4,568,158	(21,081)	4,547,077
Net earned contribution	-	-	(1,219)	(1,219)	(10,608)	(11,827)
Other revenue	-	-	1,490	1,490	-	1,490
Experience/benefit variation	1,632	-	-	1,632	3,818	5,450
Claims intimated during the period	345,022	(345,022)	-	-	-	-
Claims paid during the period	(325,833)	-	(48,919)	(374,752)	6,790	(367,962)
Other expenses	-	-	(513)	(513)	-	(513)
Taxation	-	-	(21)	(21)	-	(21)
Increase in certificate reserves	-	617,259	-	617,259	2,249	619,508
As at 31 December 2011	<u>125,546</u>	<u>4,618,790</u>	<u>67,698</u>	<u>4,812,034</u>	<u>(18,832)</u>	<u>4,793,202</u>

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12. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

(b) Family takaful fund (Cont'd.)

(ii) Movements of family takaful certificate liabilities (cont'd.)

	Provision for Outstanding Claims RM'000	Actuarial Liabilities RM'000	NAV Attributable to Unitholders RM'000	Gross Liabilities RM'000	Retakaful Assets RM'000	Net Liabilities RM'000
1.07.2011						
As at 1 July 2010	87,272	3,835,535	314,994	4,237,801	(31,078)	4,206,723
Net earned contribution	-	-	1,219	1,219	(20,236)	(19,017)
Other revenue	-	-	17,493	17,493	-	17,493
Experience/benefit variation	814	-	-	814	16,287	17,101
Claims intimated during the year	639,450	(639,450)	-	-	-	-
Claims paid during the year	(622,811)	-	(206,258)	(829,069)	3,949	(825,120)
Other expenses	-	-	(9,919)	(9,919)	-	(9,919)
Taxation	-	-	(649)	(649)	-	(649)
Increase in certificate reserves	-	1,150,468	-	1,150,468	9,997	1,160,465
As at 30 June 2011	<u>104,725</u>	<u>4,346,553</u>	<u>116,880</u>	<u>4,568,158</u>	<u>(21,081)</u>	<u>4,547,077</u>

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13. EXPENSE LIABILITIES

	31.12.2012 RM'000	31.12.2011 RM'000	1.07.2011 RM'000
Shareholder's fund			
Expense liabilities for general takaful fund:			
Provision for unearned wakalah fees	83,104	72,992	66,941
Expense liabilities for family takaful fund:			
Unexpired expense reserve ("UER")	223,024	144,981	152,116
	<u>306,128</u>	<u>217,973</u>	<u>219,057</u>
	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
31.12.2012			
At beginning of the year	72,992	144,981	217,973
Wakalah fee received during the year (Note 18)	217,192	-	217,192
Wakalah fee earned during the year	(207,080)	-	(207,080)
Movement in provision for UER	-	78,043	78,043
At end of the year	<u>83,104</u>	<u>223,024</u>	<u>306,128</u>

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13. EXPENSE LIABILITIES (CONT'D.)

	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
31.12.2011			
At beginning of the period	66,941	152,116	219,057
Wakalah fee received during the period (Note 18)	88,029	-	88,029
Wakalah fee earned during the period	(81,978)	-	(81,978)
Movement in provision for UER	-	(7,135)	(7,135)
At end of the period	<u>72,992</u>	<u>144,981</u>	<u>217,973</u>
1.07.2011			
At beginning of the year	51,535	138,519	190,054
Wakalah fee received during the year	161,316	-	161,316
Wakalah fee earned during the year	(145,910)	-	(145,910)
Movement in provision for UER	-	13,597	13,597
At end of the year	<u>66,941</u>	<u>152,116</u>	<u>219,057</u>

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14. DEFERRED TAXATION

	Shareholder's fund RM'000	Family takaful fund RM'000	Company RM'000
31.12.2012			
At beginning of year	(6,747)	(63)	(6,810)
Recognised in :			
Income statement (Note 25)	2,612	(4)	2,608
Other comprehensive income	(1,110)	-	(1,110)
At end of year	<u>(5,245)</u>	<u>(67)</u>	<u>(5,312)</u>
31.12.2011			
At beginning of period	(7,772)	(671)	(8,443)
Recognised in :			
Income statement (Note 25)	960	608	1,568
Other comprehensive income	65	-	65
At end of period	<u>(6,747)</u>	<u>(63)</u>	<u>(6,810)</u>
1.07.2011			
At beginning of year	(4,029)	(1,210)	(5,239)
Recognised in :			
Income statement	(2,386)	539	(1,847)
Other comprehensive income	(1,357)	-	(1,357)
At end of year	<u>(7,772)</u>	<u>(671)</u>	<u>(8,443)</u>

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14. DEFERRED TAXATION (CONT'D.)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net deferred tax liabilities shown in the statements of financial position have been determined after appropriate offsetting as follows:

Family takaful fund

	31.12.2012 RM'000	31.12.2011 RM'000	1.07.2011 RM'000
Deferred tax liabilities	(67)	(63)	(671)

The components and movements of deferred tax liabilities during the financial year/period prior to offsetting are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	1.07.2011 RM'000
Fair value adjustment			
At beginning of the year/period	(63)	(671)	(1,210)
Recognised in income statement	(4)	608	539
At end of the year/period	(67)	(63)	(671)

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14. DEFERRED TAXATION (CONT'D.)

Shareholder's fund

	31.12.2012 RM'000	31.12.2011 RM'000	1.07.2011 RM'000
Deferred tax assets	1,784	278	365
Deferred tax liabilities	(7,029)	(7,025)	(8,137)
	<u>(5,245)</u>	<u>(6,747)</u>	<u>(7,772)</u>

The components and movements of deferred tax (liabilities)/assets of the Shareholder's fund during the financial year/period prior to offsetting are as follows:

	AFS reserves RM'000	Impairment on AFS financial assets RM'000	Net accretion of discounts on investments RM'000	Fair value adjustment RM'000	Accelerated capital allowances RM'000	Others RM'000	Total RM'000
At 1 January 2012	(3,596)	133	(3)	(627)	(2,799)	145	(6,747)
Recognised in:							
Income statement	-	360	1,133	627	476	16	2,612
Other comprehensive income	(1,110)	-	-	-	-	-	(1,110)
At 31 December 2012	<u>(4,706)</u>	<u>493</u>	<u>1,130</u>	<u>-</u>	<u>(2,323)</u>	<u>161</u>	<u>(5,245)</u>
At 1 July 2011	(3,661)	153	67	(627)	(3,849)	145	(7,772)
Recognised in:							
Income statement	-	(20)	(70)	-	1,050	-	960
Other comprehensive income	65	-	-	-	-	-	65
At 31 December 2011	<u>(3,596)</u>	<u>133</u>	<u>(3)</u>	<u>(627)</u>	<u>(2,799)</u>	<u>145</u>	<u>(6,747)</u>

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14. DEFERRED TAXATION (CONT'D.)

Shareholder's fund (cont'd.)

The components and movements of deferred tax (liabilities)/assets of the Shareholder's fund during the financial year/period prior to offsetting are as follows:
(cont'd.)

	AFS reserves RM'000	Impairment on AFS financial assets RM'000	Net accretion of discounts on investments RM'000	Fair value adjustment RM'000	Accelerated capital allowances RM'000	Others RM'000	Total RM'000
At 1 July 2010	(2,304)	-	120	780	(2,625)	-	(4,029)
Recognised in:							
Income statement	-	153	(53)	(1,407)	(1,224)	145	(2,386)
Other comprehensive income	(1,357)	-	-	-	-	-	(1,357)
At 30 June 2011	<u>(3,661)</u>	<u>153</u>	<u>67</u>	<u>(627)</u>	<u>(3,849)</u>	<u>145</u>	<u>(7,772)</u>

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15. TAKAFUL PAYABLES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
31.12.2012				
Due to agents and brokers	3,008	43,094	51,972	98,074
Due to retakaful operators	-	46,089	9,275	55,364
	<u>3,008</u>	<u>89,183</u>	<u>61,247</u>	<u>153,438</u>
31.12.2011				
Due to agents and brokers	-	11,392	50,510	61,902
Due to retakaful operators	-	45,545	19,290	64,835
	<u>-</u>	<u>56,937</u>	<u>69,800</u>	<u>126,737</u>
1.07.2011				
Due to agents and brokers	-	12,522	64,236	76,758
Due to retakaful operators	-	52,169	15,441	67,610
	<u>-</u>	<u>64,691</u>	<u>79,677</u>	<u>144,368</u>

The carrying amounts approximate fair values due to the relatively short-term maturity of these balances.

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16. OTHER PAYABLES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
31.12.2012				
Contributions deposits	-	-	7,961	7,961
Advance contributions	109	7,038	60,586	67,733
Amounts due to:				
Shareholder's fund*	-	64,012	170,309	-
Family takaful fund*	-	1,340	-	-
Amount due to stockbrokers	-	-	18	18
Unclaimed monies	539	5,651	14,476	20,666
Service tax payable	(9)	2,832	239	3,062
Mudharabah payable	-	62,185	4	62,189
Withholding tax payable	-	2,985	7,743	10,728
Amount due to ultimate holding company*	34,114	-	-	34,114
Amount due to holding company*	2,774	-	-	2,774
Amount due to related parties*	5,590	-	6	5,596
Sundry payables and accrued liabilities	79,869	18,935	12,296	111,100
	<u>122,986</u>	<u>164,978</u>	<u>273,638</u>	<u>325,941</u>
31.12.2011				
Contributions deposits	-	-	6,548	6,548
Advance contributions	979	44,466	39,674	85,119
Amounts due to:				
Shareholder's fund*	-	48,630	428,038	-
Family takaful fund*	-	7,678	-	-
Amount due to stockbrokers	-	4,208	7,731	11,939
Unclaimed monies	552	3,300	10,658	14,510
Service tax payable	-	2,873	4,603	7,476
Mudharabah payable	-	88,409	-	88,409
Withholding tax payable	-	6,056	49,183	55,239
Amount due to ultimate holding company*	10,445	-	-	10,445
Amount due to holding company*	2,482	-	-	2,482
Amount due to related parties*	3,930	-	-	3,930
Sundry payables and accrued liabilities	37,020	7,664	49,837	94,521
	<u>55,408</u>	<u>213,284</u>	<u>596,272</u>	<u>380,618</u>

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16. OTHER PAYABLES (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
1.07.2011				
Contributions deposits	-	88	8,023	8,111
Advance contributions	387	41,056	26,798	68,241
Amounts due to:				
Shareholder's fund*	-	59,196	393,834	-
Family takaful fund*	-	4,861	-	-
Amount due to stockbrokers	-	15,973	24,690	40,663
Unclaimed monies	478	2,343	6,724	9,545
Service tax payable	-	1,132	6,911	8,043
Mudharabah payable	-	75,501	-	75,501
Withholding tax payable	-	4,370	40,425	44,795
Amount due to ultimate holding company*	4,980	-	-	4,980
Amount due to holding company*	1,656	-	-	1,656
Amount due to related parties*	3,239	-	-	3,239
Sundry payables and accrued liabilities	48,582	9,782	25,023	83,387
	<u>59,322</u>	<u>214,302</u>	<u>532,428</u>	<u>348,161</u>

* The amounts due to the ultimate holding company, the holding company and related companies, and the shareholder's and family takaful funds in the respective funds are unsecured, not subject to any profit elements and are repayable upon demand.

The carrying amounts disclosed above approximate their fair values at the reporting date. All amounts are payable within one year.

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17. NET EARNED CONTRIBUTION

	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
1.01.2012 to 31.12.2012			
(a) Gross contribution	867,259	1,744,795	2,608,019
Change in unearned contribution reserves	(69,563)	-	(69,563)
	<u>797,696</u>	<u>1,744,795</u>	<u>2,538,456</u>
(b) Contributions ceded to retakaful operators	(96,399)	(12,163)	(108,562)
Change in unearned contribution reserves	15,979	-	15,979
	<u>(80,420)</u>	<u>(12,163)</u>	<u>(92,583)</u>
	<u>717,276</u>	<u>1,732,632</u>	<u>2,445,873</u>
1.07.2011 to 31.12.2011			
(a) Gross contribution	355,715	724,835	1,079,092
Change in unearned contribution reserves	13,968	-	13,968
	<u>369,683</u>	<u>724,835</u>	<u>1,093,060</u>
(b) Contributions ceded to retakaful operators	(31,162)	(10,608)	(41,770)
Change in unearned contribution reserves	(45,405)	-	(45,405)
	<u>(76,567)</u>	<u>(10,608)</u>	<u>(87,175)</u>
	<u>293,116</u>	<u>714,227</u>	<u>1,005,885</u>

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18. FEES AND COMMISSION INCOME

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
1.01.2012 to 31.12.2012				
Wakalah fee income:				
General takaful fund	217,192	-	-	-
Family takaful fund	303,162	-	-	-
Profit commission	-	-	1,869	1,869
Retakaful commission income	-	15,367	19	15,386
Others	-	380	-	380
	<u>520,354</u>	<u>15,747</u>	<u>1,888</u>	<u>17,635</u>
1.07.2011 to 31.12.2011				
Wakalah fee income:				
General takaful fund	88,029	-	-	-
Family takaful fund	21,497	-	-	-
Profit commission	-	-	32	32
Retakaful commission income	-	5,997	-	5,997
Others	-	148	-	148
	<u>109,526</u>	<u>6,145</u>	<u>32</u>	<u>6,177</u>

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19. INVESTMENT INCOME

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
1.01.2012 to 31.12.2012				
Financial assets at FVTPL:				
Profit income	-	-	190,874	190,874
HFT financial assets:				
Profit income	-	-	2,238	2,238
AFS financial assets:				
Profit income	20,346	35,488	70,352	126,186
Dividend income:				
Equity securities	1,963	5,253	18,426	25,642
Unit and property trusts	8	98	1,016	1,122
LAR:				
Profit income	4,536	5,585	19,973	30,094
Net (amortisation of premium)/ accretion of discount	(1,722)	(2,689)	1,959	(2,452)
Investment related expenses	(254)	(240)	(1,024)	(1,518)
	<u>24,877</u>	<u>43,495</u>	<u>303,814</u>	<u>372,186</u>
1.07.2011 to 31.12.2011				
Financial assets at FVTPL:				
Profit income	-	-	80,263	80,263
HFT financial assets:				
Profit income	-	-	1,472	1,472
AFS financial assets:				
Profit income	3,588	14,552	29,883	48,023
Dividend income:				
Equity securities	640	2,408	10,148	13,196
Unit and property trusts	7	56	971	1,034
LAR:				
Profit income	1,603	4,053	16,466	22,122
Net accretion of discount/ (amortisation of premium)	310	(366)	8,324	8,268
Investment related expenses	(109)	(114)	(684)	(907)
	<u>6,039</u>	<u>20,589</u>	<u>146,843</u>	<u>173,471</u>

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20. REALISED GAINS AND LOSSES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
1.01.2012 to 31.12.2012				
Gain on disposal of:				
AFS financial assets	10,357	23,564	105,784	139,705
FVTPL financial assets	-	-	43,196	43,196
HFT financial assets	-	-	215	215
	<u>10,357</u>	<u>23,564</u>	<u>149,195</u>	<u>183,116</u>
1.07.2011 to 31.12.2011				
Gain on disposal of:				
AFS financial assets	1,966	9,290	36,960	48,216
FVTPL financial assets	-	-	9,163	9,163
HFT financial assets	-	-	7,879	7,879
	<u>1,966</u>	<u>9,290</u>	<u>54,002</u>	<u>65,258</u>

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21. OTHER OPERATING REVENUE/(EXPENSES), NET

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
1.01.2012 to 31.12.2012				
Surrender charges	202	-	-	202
Gain/(loss) on foreign exchange:				
Realised	(4)	7	(140)	(137)
Unrealised	-	-	(154)	(154)
Processing fee income	3,724	-	-	3,724
Bad debts written off	(24)	-	(1,228)	(1,252)
(Impairment losses)/reversal of impairment losses on:				
Investments	(2,196)	(7,275)	(31,753)	(41,224)
Financing receivables	(42)	15	(199)	(226)
Takaful receivables	-	116	(24,575)	(24,459)
Other receivables	(1,029)	-	(550)	(1,579)
Processing fee expenses	-	-	(3,791)	(3,791)
Sundry income/(expenditure)	313	(4,441)	-	(4,128)
	<u>944</u>	<u>(11,578)</u>	<u>(62,390)</u>	<u>(73,024)</u>
1.07.2011 to 31.12.2011				
Surrender charges	-	-	10	10
Gain/(loss) on foreign exchange:				
Realised	5	(1)	(317)	(313)
Unrealised	-	-	798	798
Processing fee income	4,839	-	94	4,933
Property, plant and equipment written off	(2,145)	-	-	(2,145)
(Impairment losses)/reversal of impairment losses on:				
Investments	(515)	(2,102)	(16,049)	(18,666)
Financing receivables	-	436	2	438
Takaful receivables	-	5,294	(1,498)	3,796
Others receivables	(385)	-	-	(385)
Processing fee expenses	-	-	(4,853)	(4,853)
Sundry (expenditure)/income	(20)	28	-	8
	<u>1,779</u>	<u>3,655</u>	<u>(21,813)</u>	<u>(16,379)</u>

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22. MANAGEMENT EXPENSES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
1.01.2012 to 31.12.2012				
Employee benefits expenses (Note (a))	104,107	461	32,337	136,905
Directors' remuneration (Note (b))	1,207	-	226	1,433
Auditors' remuneration:				
Statutory audits	252	2	100	354
Other services	36	-	4	40
Depreciation of property, plant and equipment (Note 3)	643	5	5	653
Amortisation of intangible assets (Note 4)	5,908	15	438	6,361
Agency related expenses	5,402	-	-	5,402
Bank and financing charges	6,407	-	4,438	10,845
Electronic data processing expenses	21,177	163	3,738	25,078
Entertainment	777	4	337	1,118
Fund management fees	410	-	693	1,103
interest expenses	5,223	15	-	5,238
Legal fees	1,035	2	86	1,123
Office facilities expenses	412	3	158	573
Other management fees	712	3	92	807
Outsourcing services	5,245	-	75	5,320
Postage & stamp duties	2,433	11	520	2,964
Printing & stationery	3,282	3	615	3,900
Professional fees	445	5	753	1,203
Promotional and marketing cost	35,571	30	3,988	39,589
Rental of offices/premises	6,233	31	1,958	8,222
Training expenses	2,832	17	381	3,230
Travelling expenses	2,723	15	835	3,573
Utilities, assessment and maintenance	1,976	13	620	2,609
Penalty charges	2,349	-	9,566	11,915
Other expenses	7,337	56	2,829	6,187
	224,134	854	64,792	285,745

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22. MANAGEMENT EXPENSES (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
1.07.2011 to 31.12.2011				
Employee benefits expenses (Note (a))	30,103	300	26,463	56,866
Directors' remuneration (Note (b))	610	1	29	640
Auditors' remuneration:				
Statutory audits	209	3	95	307
Other services	5	-	8	13
Depreciation of property, plant and equipment (Note 3)	372	2	4	378
Amortisation of intangible assets (Note 4)	3,759	7	324	4,090
Agency related expenses	1,619	-	-	1,619
Bank and financing charges	2,756	39	2,576	5,371
Electronic data processing expenses	3,194	81	4,013	7,288
Entertainment	445	6	455	906
Fund management fees	2,308	-	3,789	6,097
Legal fees	305	-	3	308
Office facilities expenses	119	1	113	233
Other management fees	8	-	5	13
Outsourcing services	7	-	2	9
Postage & stamp duties	341	1	451	793
Printing & stationery	412	1	495	908
Professional fees	1,012	9	749	1,770
Promotional and marketing cost	11,206	(1)	7,102	18,307
Rental of offices/premises	2,180	15	1,898	4,093
Training expenses	1,290	7	506	1,803
Travelling expenses	917	9	1,109	2,035
Utilities, assessment and maintenance	816	10	578	1,404
Other expenses	2,357	43	2,877	3,819
	<u>66,350</u>	<u>534</u>	<u>53,644</u>	<u>119,070</u>

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22. MANAGEMENT EXPENSES (CONT'D.)

(a) Employee benefits expenses

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
1.01.2012 to 31.12.2012				
Wages, salaries and bonus	76,116	321	21,698	98,135
EPF	11,101	47	3,354	14,502
SOCSSO	422	2	148	572
Share based compensation	3,058	28	779	3,865
Other benefits expenses	13,410	63	6,358	19,831
	<u>104,107</u>	<u>461</u>	<u>32,337</u>	<u>136,905</u>
1.07.2011 to 31.12.2011				
Wages, salaries and bonus	20,706	201	18,802	39,709
EPF	2,629	32	3,040	5,701
SOCSSO	148	1	138	287
Share based compensation	2,728	35	1,728	4,491
Other benefits expenses	3,892	31	2,755	6,678
	<u>30,103</u>	<u>300</u>	<u>26,463</u>	<u>56,866</u>

Included in employee benefits expenses are remuneration paid to the Chief Executive Office of the Company amounting to RM93,000 (1.7.2011 to 31.12.2011: RM1,067,000) as detailed in Note 22(c).

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22. MANAGEMENT EXPENSES (CONT'D.)

(b) Directors' remuneration

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
1.01.2012 to 31.12.2012				
Executive:				
Salary	263	-	49	312
Bonus	96	-	18	114
EPF and pension scheme	8	-	2	10
Share based compensation	-	-	-	-
Other remuneration	380	-	71	451
	<u>747</u>	<u>-</u>	<u>140</u>	<u>887</u>
Non executive:				
Fees	418	-	78	496
Other emoluments	42	-	8	50
	<u>460</u>	<u>-</u>	<u>86</u>	<u>546</u>
	<u>1,207</u>	<u>-</u>	<u>226</u>	<u>1,433</u>
1.07.2011 to 31.12.2011				
Executive:				
Salary	137	-	-	137
Bonus	99	-	-	99
Benefits-in-kind				-
Share based compensation	33	-	-	33
Other remuneration	172	-	-	172
	<u>449</u>	<u>-</u>	<u>-</u>	<u>449</u>
Non executive:				
Fees	141	1	23	165
Other emoluments	20	-	6	26
	<u>161</u>	<u>1</u>	<u>29</u>	<u>191</u>
	<u>610</u>	<u>1</u>	<u>29</u>	<u>640</u>

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22. MANAGEMENT EXPENSES (CONT'D.)

(b) Directors' remuneration (cont'd.)

The number of directors whose total remuneration received from the Company during the year/period falls within the following bands is analysed below:

	Number of Directors	
	1.01.2012 to 31.12.2012 RM'000	1.07.2011 to 31.12.2011 RM'000
Executive directors:		
RM500,001 to RM900,000	1	-
RM400,001 to RM500,000	-	1
	<hr/>	<hr/>
Non-executive directors:		
RM50,001 to RM100,000	7	-
Below RM50,000	2	8
	<hr/>	<hr/>

(c) The details of remuneration receivable by the Chief Executive Officer (CEO) included in employee benefits expenses during the year/period are as follows:

	1.01.2012 to 31.12.2012 RM'000	1.07.2011 to 31.12.2011 RM'000
Salaries	70	270
Bonus	-	412
EPF	13	113
Share based compensation	-	227
Other emoluments	10	45
	<hr/>	<hr/>
	93	1,067

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23. CHANGE IN EXPENSE LIABILITIES

	1.01.2012 to 31.12.2012 RM'000	1.07.2011 to 31.12.2011 RM'000
Shareholder's fund		
Expense liabilities for general takaful fund:		
Increase in provision for unearned wakalah fees (Note 13)	10,112	6,051
Expense liabilities for family takaful fund:		
Increase/(decrease) in UER (Note 13)	78,043	(7,135)
	<u>88,155</u>	<u>(1,084)</u>

24. FEE AND COMMISSION EXPENSES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
1.01.2012 to 31.12.2012				
Commission paid	214,999	-	85,077	300,076
Wakalah fee expense	-	217,192	303,162	-
Others	-	-	1,988	1,988
	<u>214,999</u>	<u>217,192</u>	<u>390,227</u>	<u>302,064</u>
1.07.2011 to 31.12.2011				
Commission paid	46,856	-	76,936	123,792
Wakalah fee expense	-	88,029	21,497	-
Others	-	-	5,341	5,341
	<u>46,856</u>	<u>88,029</u>	<u>103,774</u>	<u>129,133</u>

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25. TAXATION

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
1.01.2012 to 31.12.2012				
Malaysian income tax:				
Tax expense for the year	80,069	-	212	80,281
Overprovision of tax in prior years	(6,038)	-	-	(6,038)
Deferred taxation:				
Relating to origination and reversal of temporary differences (Note 14)	(2,612)	-	4	(2,608)
	<u>71,419</u>	<u>-</u>	<u>216</u>	<u>71,635</u>
1.07.2011 to 31.12.2011				
Malaysian income tax:				
Tax expense for the period	20,685	-	652	21,337
Overprovision of tax in prior years	-	-	(23)	(23)
Deferred taxation:				
Relating to origination and reversal of temporary differences (Note 14)	(960)	-	(608)	(1,568)
	<u>19,725</u>	<u>-</u>	<u>21</u>	<u>19,746</u>

Domestic income tax for the shareholder's and general takaful funds is calculated at the Malaysian statutory tax rate of 25% (1.7.2011 to 31.12.2011: 25%) of the estimated assessable profit for the financial year/period.

Domestic income tax of the family takaful fund is calculated at the preferential tax rate of 8% (1.7.2011 to 31.12.2011: 8%) of taxable investment income for the financial year/period.

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25. TAXATION (CONT'D.)

The reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

	Company RM'000
1.01.2012 to 31.12.2012	
Profit before taxation	<u>205,475</u>
Taxation at Malaysian statutory tax rate of 25%	51,315
Taxation at Malaysian statutory tax rate of 8%	17
Income not subject to tax	(123,001)
Expenses not deductible for tax purposes	192,854
Surplus transferred to shareholder's fund	-
Transfer to deferred tax	(2,608)
Tax borne by participants	(40,904)
Overprovision of tax in prior years	<u>(6,038)</u>
	<u>71,635</u>

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25. TAXATION (CONT'D.)

	Company RM'000
1.07.2011 to 31.12.2011	
Profit before taxation	<u>67,001</u>
Taxation at Malaysian statutory tax rate of 25%	16,745
Taxation at Malaysian statutory tax rate of 8%	2
Income not subject to tax	(55,175)
Expenses not deductible for tax purposes	73,765
Surplus transferred to shareholder's fund	-
Transfer to deferred tax	(1,568)
Tax borne by participants	(14,000)
Overprovision of tax in prior years	<u>(23)</u>
	<u>19,746</u>

There is no chargeable income for the general and family takaful funds as the adjusted income of each fund has been fully distributed to the shareholder and the participants in accordance with the principles of Shariah. The tax expense for the family takaful fund relates wholly to tax borne by unitholders of the investment-linked funds.

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26. EARNINGS PER SHARE

The basic earnings per share ("EPS") is calculated based on the net profit for the financial year divided by the number of ordinary shares in issue during the financial year/period as follows:

	1.01.2012 to 31.12.2012 RM'000	1.07.2011 to 31.12.2011 RM'000
Profit attributable to ordinary shareholder	125,723	43,516
Number of shares in issue	100,000	100,000
Basic earnings per share (sen)	<u>125.72</u>	<u>43.52</u>

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the date of the statement of financial position.

There have been no other transactions involving ordinary shares between the reporting date and the authorisation date of these financial statements.

27. OPERATING LEASE COMMITMENTS

As at the reporting date, the Company and takaful funds lease office premises under lease agreements that are not cancellable within a year. The leases contain renewable options.

Future minimum lease payments for leases with initial or remaining terms of one year or more are as follows:

	1.01.2012 to 31.12.2012 RM'000	1.07.2011 to 31.12.2011 RM'000
Within 1 year	8,030	8,080
After 1 year but not more than 5 years	29,886	30,458
	<u>37,916</u>	<u>38,538</u>

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28. CAPITAL COMMITMENTS

	31.12.2012 RM'000	31.12.2011 RM'000
Shareholder's fund		
Approved and contracted for: Intangible assets	<u>14,259</u>	<u>11,918</u>
Approved and not contracted for: Intangible assets	<u>6,734</u>	<u>-</u>

29. SEGMENT INFORMATION ON CASH FLOW

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
31.12.2012				
Net cash flow generated from/(used in):				
Operating activities	1,508	(5,890)	8,503	4,121
Financing activities	-	-	(12,650)	(12,650)
Investing activities	<u>(3,532)</u>	<u>-</u>	<u>-</u>	<u>(3,532)</u>
	<u>(2,024)</u>	<u>(5,890)</u>	<u>(4,147)</u>	<u>(12,061)</u>
Net increase/(decrease) in cash and cash equivalents:				
At 1 January	18,510	26,130	44,188	88,828
At 31 December	<u>16,486</u>	<u>20,240</u>	<u>40,041</u>	<u>76,767</u>
	<u>(2,024)</u>	<u>(5,890)</u>	<u>(4,147)</u>	<u>(12,061)</u>

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29. SEGMENT INFORMATION ON CASH FLOW (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
31.12.2011				
Net cash flow generated from/(used in):				
Operating activities	19,977	(2,932)	74,270	91,315
Financing activities	-	-	(50,137)	(50,137)
Investing activities	(2,633)	-	-	(2,633)
	<u>17,344</u>	<u>(2,932)</u>	<u>24,133</u>	<u>38,545</u>
Net increase/(decrease) in cash and cash equivalents:				
At 1 July	1,166	29,062	20,055	50,283
At 31 December	<u>18,510</u>	<u>26,130</u>	<u>44,188</u>	<u>88,828</u>
	<u>17,344</u>	<u>(2,932)</u>	<u>24,133</u>	<u>38,545</u>

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30. RELATED PARTY DISCLOSURES

(a) In addition to the transactions and balances detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during and at the end of the financial year/period:

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
Income/(expenses):			
1.01.2012 to 31.12.2012			
Transactions with the ultimate holding company:			
Profit income	515	718	7,616
Gross takaful contribution income	-	6,504	3,959
Commissions and fees expenses	(42,008)	(242)	(1,340)
	<u> </u>	<u> </u>	<u> </u>
Transactions with the holding company:			
Gross takaful contribution income	-	114	453
	<u> </u>	<u> </u>	<u> </u>
Transactions with fellow subsidiaries within the MAHB Group:			
Gross takaful contribution income	-	1,206	5,031
Rental expense	(7,252)	-	(245)
Management fee	-	-	-
Processing fee	56	-	-
	<u> </u>	<u> </u>	<u> </u>
Transactions with other related companies within the MBB Group:			
Gross takaful contribution income	-	295	465
Commissions and fees expenses	(413)	-	(690)
	<u> </u>	<u> </u>	<u> </u>
Transactions with shareholder with significant influence over the MBB Group:			
Gross takaful contribution income	-	3,090	1,072
	<u> </u>	<u> </u>	<u> </u>

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30. RELATED PARTY DISCLOSURES (CONT'D.)

(a) In addition to the transactions and balances detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during and at the end of the financial year/period: (cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
Income/(expenses): (Cont'd.)			
1.07.2011 to 31.12.2011			
Transactions with the ultimate holding company:			
Profit income	279	1,083	8,934
Gross takaful contribution income	-	-	51,909
Commissions and fees expenses	<u>(15,486)</u>	<u>(2,223)</u>	<u>(1,793)</u>
Transactions with the holding company:			
Gross takaful contribution income	<u>-</u>	<u>299</u>	<u>46</u>
Transactions with fellow subsidiaries within the MAHB Group:			
Gross takaful contribution income	-	192	2,583
Rental expense	(3,344)	-	(368)
Management fee	(2,308)	-	(3,789)
Processing fee	<u>38</u>	<u>-</u>	<u>-</u>
Transactions with other related companies within the MBB Group:			
Gross takaful contribution income	<u>-</u>	<u>-</u>	<u>1,339</u>
Transactions with shareholder with significant influence over the MBB Group:			
Gross takaful contribution income	<u>-</u>	<u>302</u>	<u>859</u>

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30. RELATED PARTY DISCLOSURES (CONT'D.)

(a) In addition to the transactions and balances detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during and at the end of the financial year/period: (cont'd.)

Included in the statement of financial position of the Company are amounts due from/(to) related companies represented by the following:

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
31.12.2012			
Amount due from/(to) ultimate holding company:			
Bank balances	12,338	18,607	29,499
Income and profit due and accrued	97	32	746
Islamic investment accounts	26,000	9,909	121,023
Other receivables	-	-	1,663
Other payables	(34,114)	-	-
	<u>(2,774)</u>	<u>-</u>	<u>-</u>
Amount due to holding company:			
Other payable	(2,774)	-	-
	<u>(2,774)</u>	<u>-</u>	<u>-</u>
Amount due from/(to) fellow subsidiaries within the MAHB Group:			
Other receivables	12	-	-
Other payables	(4,754)	-	(6)
	<u>(4,742)</u>	<u>-</u>	<u>(6)</u>

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30. RELATED PARTY DISCLOSURES (CONT'D.)

(a) In addition to the transactions and balances detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during and at the end of the financial year/period: (cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
31.12.2012 (cont'd.)			
Amount due from other related companies within the MBB Group:			
Other receivables	102	-	-
Other payable	(836)	-	-
<hr/>			
Transactions with shareholder with significant influence over the MBB Group:			
Takaful receivables	-	221	138
Takaful payables	-	(7)	-
<hr/>			
31.12.2011			
Amount due from/(to) ultimate holding company:			
Bank balances	14,738	23,290	29,494
Income and profit due and accrued	-	202	1,142
Islamic investment accounts	33,000	105,390	288,756
Other receivables	-	-	1,663
Other payables	(10,445)	-	-
<hr/>			

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30. RELATED PARTY DISCLOSURES (CONT'D.)

(a) In addition to the transactions and balances detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during and at the end of the financial year/period: (cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
31.12.2011 (Cont'd.)			
Amount due to holding company:			
Other payable	(2,482)	-	-
Amount due from/(to) fellow subsidiaries within the MAHB Group:			
Other receivables	-	6	181
Other payables	(3,930)	-	-
Amount due from other related companies within the MBB Group:			
Other receivables	87	-	-
Transactions with shareholder with significant influence over the MBB Group:			
Takaful receivables	-	373	81
Takaful payables	-	-	-

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30. RELATED PARTY DISCLOSURES (CONT'D.)

(b) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. The key management personnel of the Company are the Executive Director and Chief Executive Officer.

(i) The remuneration of key management personnel compensation during the year/period was as follows:

	1.01.2012 to 31.12.2012 RM'000	1.07.2011 to 31.12.2011 RM'000
Short-term employee benefits		
Salaries, allowances and bonuses	496	918
EPF	23	121
Share based compensation	-	260
Other staff benefits	461	217
	<u>980</u>	<u>1,516</u>

(ii) The movement in share options of key management personnel is as follows:

	1.01.2012 to 31.12.2012 RM'000	1.07.2011 to 31.12.2011 RM'000
At beginning of year/period	219	94
Appointed	-	125
Resignation of key management personnel	(125)	-
At end of year/period	<u>94</u>	<u>219</u>

The remuneration of other key management personnel, that is the non-executive directors of the Company are as disclosed in Note 22(b).

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31. RISK MANAGEMENT FRAMEWORK

The Risk Management Framework defines the governance structure to support the Risk Management process and to ensure strong risk management. It defines the risk related roles and responsibilities of the different Boards, Committees and Departments for the Group's legal entities within Maybank Ageas Holdings Bhd ("MAHE") (formerly known as Mayban Ageas Holdings Berhad), collectively known as the Maybank Ageas Group ("the Group"). A strong risk governance structure enhances the capabilities to align risk appetite and strategy, link risk with growth and return, make timely risk response decisions, minimise operational surprises and losses, seize opportunities and rationalise capital.

The Framework also ensures that risks are properly and adequately identified, evaluated, monitored and reported, so as to safeguard and protect the assets of the Group and enable the Group to fulfill its obligations to its customers, shareholder, stakeholders and meeting the expectations of regulators.

The Risk Management function was strengthened with the appointment of the Chief Risk Officer ("CRO") in the Senior Management Committee. The CRO will ensure an independent control function and makes risk management more strategic within the Group.

The Group Risk Appetite principles are subject to BNM guidelines, International Standards Guideline on Risk Management issued by recognised organisational. In addition, The Company's Risk Governance principles are subject to Shariah compliance where relevant. Shariah non-compliance risk refers to possible failure to meet the obligation of Shariah principles as defined in BNM Shariah Governance Framework adopted in the Company as Shariah Compliance Framework.

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31. RISK MANAGEMENT FRAMEWORK (CONT'D.)

This Framework is set up to ensure that all significant risks are identified, assessed, monitored and managed in accordance with the interests of shareholders and is intended to guide all business conduct within the Company. It identifies three levels:

- (a) A clear risk objectives and business strategy;
- (b) Comprehensive risk management cycle; and
- (c) A strong risk culture.

(a) A clear risk objectives and business strategy

The Group's business is risk taking in nature and is intrinsic in creating value for its customers and shareholders. To ensure the Group delivers sustainable growth in shareholder value, the execution of business strategy is at all times, kept within its risk tolerance to control the risk of insolvency. A clear business strategy is required together with explicit statements of which risks or events are tolerable or to be avoided at all times. The risk appetite is controlled by having consistent limits and policies in place for all relevant risks.

Any risks are, must stay within the risk appetite set by the Board. Action must be taken for any risks outside the risk appetite.

(b) Comprehensive risk management cycle

•All key risks are identified and appropriately managed. An overview of major risk categories including financial, insurance, operational risks and strategic or industry-specific risk types describes the entire set of potential risks that should be used to ensure completeness. Key risks and key risk indicators are identified to track the most important developments and actions. Reporting is prepared with necessary limits including risk appetite or other relevant elements to support immediate monitoring.

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31. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(c) Strong risk culture

The Framework describes the risk management process and the control procedures necessary to ensure risk management is effectively carried out. Monitoring is accomplished through ongoing management activities, separate evaluations or both. Clear responsibilities and accountabilities are the cornerstone for good risk management and good governance in general.

Capital Management Objectives, Policies and Approach

The Capital Management Guideline sets a standard policy regarding the levels of capital to be maintained within the Company. The Company aligns its capital requirements with the minimum paid-up capital requirements for takaful operators as specified in Circulars issued by BNM (BNM/RH/CIR/004-13). As at 31 December 2012, the Company maintained a minimum capital of RM100 million and the shareholders' equity stood at RM759 million.

The Capital Management Guideline defines the level of internal capital target which is reviewed on an annual basis. This is to ensure that the target capital level adequately reflects the risk profile of the Company and the Company's risk tolerance. The guideline is supported by stress testing exercises conducted at least twice a year. The stress testing exercise is governed by the requirements established in the stress testing Guideline issued by BNM (BNM/RH/GL/004-16).

Effective from 1 January 2014, takaful operators including the Company will have to align its capital requirement with the Capital Adequacy Ratio ("CAR") defined in the RBC Takaful Framework issued by Bank Negara Malaysia.

Under the requirements of the RBC Takaful Framework, the minimum CAR as set by Bank Negara Malaysia at 130%.

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31. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(c) Strong risk culture (cont'd.)

Asset-Liability Management ("ALM")

The Asset-Liability Management Committee ("ALCO") is responsible to coordinate ongoing controls over the financial/investment risk position of each investment portfolio and the liability position of the Company.

The ALCO is authorised to propose policies to the Risk Management Committee ("RMC") and the Investment Committee ("IC") and to propose the implementation program of investment activities. The ALCO is also responsible for carrying out Asset Liability Management ("ALM") studies, amongst other things.

Risk Governance Structure and Risk Organisation

The governance structure outlines the organisational structure, the hierarchy and the scope of responsibilities of all the governance bodies involved in the risk management function.

The Risk Management function is built around a number of Boards and Committees that have been set-up, including the Board of Directors ("Board"), the Risk Management Committee ("RMC") and the Risk Management Meeting ("RMM").

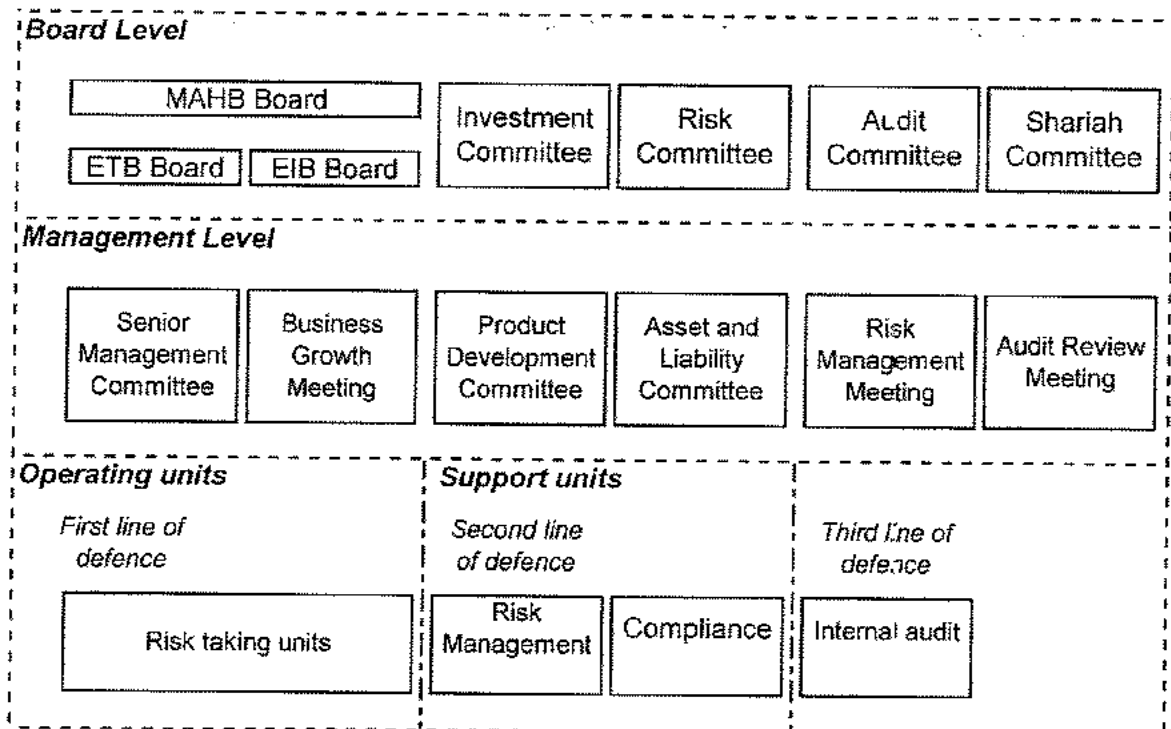
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31. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(c) Strong risk culture (cont'd.)

Risk Governance Structure and Risk Organisation (cont'd.)

Governance is emphasised via various level of Committees (Board, Management and working levels). Each of the Committees has its own terms of reference, roles and responsibilities, specific duties and levels of authority.



Risk management at the Company is organised centrally and is embedded in the business units. The Company risk management approach is premised on three lines of defence – Risk Taking Units, Risk Control Units and Internal Audit.

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31. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Risk Governance Structure and Risk Organisation (cont'd.)

(i) Risk Taking Unit (First Line of Defence)

Risk Taking Units are responsible for the day-to-day management of risks inherent in their business activities. They are the first line of defence and operationally responsible to ensure that the Group does not suffer from unforeseen circumstances.

The business is responsible for managing the full risk taxonomy that relates its execution of business strategy and ranges from the CEO, Line Management and Business Managers to employees in the business lines.

(ii) Risk Control Unit (Second Line of Defence)

Risk Control Units, through Risk Management and Compliance Department, are responsible for setting the risk management framework, adherence to it and developing tools and methodologies for the identification, measurement, monitoring and control of risks.

In addition, the Risk Management Department has the responsibility to communicate and embed risk strategy, risk awareness and risk management within the entire organisation. The Compliance function has an overall assurance role in which it ensure that policies abide to any relevant external guidelines and requirements.

(iii) Internal Audit (Third Line of Defence)

Internal Audit checks and provides independent assurance of the effectiveness of the risk management approach, proper design and implementation of the risk management framework and observance of guidelines, policies and processes.

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32. UNDERWRITING RISK

Underwriting risk relates to the inherent risk associated in the underwriting activities of the Family and General Takaful businesses. Such risk includes pricing risk, claims reserving and retakaful risk. Actuarial analyses are performed to control pricing, underwriting and reserving risks.

Retakaful is placed to minimise certain takaful risks within the established risk parameters. Risks associated with retakaful risk include counterparty risk, which is the risk of retakaful operators failing to honour their obligations. Claims processes are defined by approval authority as part of the controls in place on financial exposure.

The Company has established appropriate guidelines and framework which are aligned with regulatory authority limits. Annual internal audit reviews are performed to ensure compliance with the Company's guidelines and standards.

(a) Family takaful fund

The table below shows the concentration of family takaful certificate liabilities:

	31.12.2012			31.12.2011			1.07.2011		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Endowment	1,118,993	-	1,118,993	1,056,719	-	1,056,719	929,149	-	929,149
Mortgage	2,893,345	(18,521)	2,874,824	2,537,782	(18,832)	2,518,950	2,384,293	(21,081)	2,363,212
Term assurance	30,253	-	30,253	30,219	-	30,219	28,078	-	28,078
Annuity	787,078	-	787,078	755,550	-	755,550	757,210	-	757,210
Others	288,874	-	288,874	238,520	-	238,520	247,823	-	247,823
	<u>5,118,543</u>	<u>(18,521)</u>	<u>5,100,022</u>	<u>4,618,790</u>	<u>(18,832)</u>	<u>4,599,958</u>	<u>4,346,553</u>	<u>(21,081)</u>	<u>4,325,472</u>

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32. UNDERWRITING RISK (CONT'D.)

(a) Family takaful fund (cont'd.)

(i) Key assumptions and methodology

The valuation was made in accordance to the Guidelines on Valuation Basis for Liabilities of Family Takaful Business (BNM/RH/GL 004-20) and additional guideline pertaining to the Valuation of Liabilities arising from SATK Annuity Business (Ref JPIT/PT/1/23) issued by Bank Negara Malaysia.

Material judgment is required in determining the Takaful's Participants Risk Fund ("PRF") liabilities. PRF refers to the fund in which the portion of contributions paid by the participants is allocated and pooled for the purpose of meeting claims. Assumptions are set based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Discount rate

Discount rates used in the determination of PRF cashflows are based on long-term Government Investment Issue ("GII") rates.

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32. UNDERWRITING RISK (CONT'D.)

(a) Family takaful fund (cont'd.)

(i) Key assumptions (cont'd.)

Mortality and morbidity rates

The Company determines mortality and morbidity rates using established local industry tables which reflect historical experiences, adjusted where appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that are exposed to risk on longevity, prudent allowance is made for expected future mortality improvements.

Lapse and surrender rates

Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders.

Expenses

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation adjustments, where appropriate.

(ii) Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions affecting the determination of takaful liabilities with all other assumptions held constant, showing the impact on net liabilities, surplus arising and the surplus attributable to the shareholder (referred to as "surplus sharing").

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32. UNDERWRITING RISK (CONT'D.)

(a) Family takaful fund (cont'd.)

(ii) Sensitivities (cont'd.)

The correlation of assumptions will have a significant effect in determining the ultimate claim liabilities, but to demonstrate the impact changes in assumptions are analysed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

	% change in assumptions	Impact on net liabilities RM'000	Impact on surplus arising RM'000	Impact on surplus sharing RM'000
31.12.2012				
Discount rate	- 1%	278,738	(278,738)	(58,395)
Mortality and morbidity rates	+ 10%	219,712	(219,712)	(54,301)
Lapse and surrender rates	-10%	2,770	(2,770)	(50)
Expenses	+10%	12,657	(12,657)	(2,821)

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32. UNDERWRITING RISK (CONT'D.)

(a) Family takaful fund (cont'd.)

(ii) Sensitivities (cont'd.)

	% change in assumptions	Impact on net liabilities RM'000	Impact on surplus arising RM'000	Impact on surplus sharing RM'000
31.12.2011				
Discount rate	-1%	232,855	(232,855)	(46,497)
Mortality and morbidity rates	+ 10%	190,420	(190,420)	(45,798)
Lapse and surrender rates	-10%	4,367	(4,367)	(2,483)
Expenses	+10%	19,172	(19,172)	(4,537)
1.07.2011				
Discount rate	-1%	205,810	(205,810)	(54,987)
Mortality and morbidity rates	+ 10%	184,642	(184,642)	(48,609)
Lapse and surrender rates	-10%	2,844	(2,844)	(1,835)
Expenses	+10%	17,357	(17,357)	(3,166)

Changes in morbidity, mortality and lapse rates shown above include both upwards and downwards experience, depending on the specific key assumption being analysed. For the purposes of the sensitivity analysis, management has only examined the impact arising from adverse changes to these key assumptions as the impact of such adverse changes would be more significant to management in their decision-making process and strategic positioning.

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32. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund

The table below shows the concentration of contribution of the general takaful fund by class of business.

	31.12.2012			31.12.2011			1.07.2011		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Motor	653,031	(5,719)	647,312	282,981	(1,844)	281,137	433,468	(4,385)	429,083
Fire	84,629	(27,051)	57,578	28,113	(9,230)	18,883	68,922	(24,122)	44,800
Marine, Aviation, Cargo and Transit	52,124	(50,492)	1,632	12,992	(12,308)	684	54,035	(52,111)	1,924
Miscellaneous	77,475	(13,137)	64,338	31,629	(7,780)	23,849	79,816	(21,155)	58,661
	<u>867,259</u>	<u>(96,399)</u>	<u>770,860</u>	<u>355,715</u>	<u>(31,162)</u>	<u>324,553</u>	<u>636,241</u>	<u>(101,773)</u>	<u>534,468</u>

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32. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (cont'd.)

(i) Key assumptions and methods

The claim liabilities of the general takaful fund are estimated by using a range of standard actuarial claims projection methodologies, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and, hence, the ultimate cost of claims. Accordingly, these methods extrapolate the development of paid and incurred losses based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident period. Claims development is separately analysed for each line of business. Certain lines of business are also further analysed by type of coverage. The changes in key variables also do not have an impact on the change in contribution liabilities. This is due to the unearned contribution reserves ("UCR") held by Company being higher than the estimated unexpired risk reserves ("URR") even after the application of the key variables.

The assumptions used in the projection methodologies, including future rates of claims inflation or loss ratio assumptions, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future, for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, legislative changes, judicial decisions and economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome, from a range of possible outcomes, taking into account, all the uncertainties involved. The range of possible outcomes does not, however, result in the quantification of a liability range. In addition, the liabilities are estimated on an undiscounted basis and no curve-fitting methods have been applied in the estimation process. The inherent uncertainties in estimating liabilities can arise from a variety of factors such as the range and quality of data available, underlying assumptions made and random volatility in future experience.

There has been no change in the estimation methods used since the previous financial year nor have there been any significant changes in key assumptions.

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32. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (cont'd.)

(ii) Sensitivities

Using the methods described above, the claims development is extrapolated for each accident year based on the observed development of earlier years. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historical claims.

Illustrative results of sensitivity testing for the general takaful fund's claims liabilities are set out below. The cumulative effect of all possible factors that affect the assumptions in the projection would ultimately impact the claims liabilities and, consequently, the observed net claims ratio for the financial year. Therefore, the sensitivity analysis has been performed based on reasonably possible movements in the net claims ratio with all other assumptions or key factors held constant, showing the impact on gross and net claim liabilities, surplus before tax and the participants' fund.

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32. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (Cont'd.)

(ii) Sensitivities (cont'd.)

	% change in key assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on surplus before tax RM'000	Impact on participants' fund RM'000
31.12.2012					
Incurring Claims Ratio	+ 5%	39,885	35,864	(35,864)	(17,932)
	- 5%	(39,885)	(35,864)	35,864	17,932
31.12.2011					
Incurring Claims Ratio	+ 5%	18,484	14,656	(14,656)	(7,328)
	- 5%	(18,484)	(14,656)	14,656	7,328

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32. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (Cont'd.)

(ii) Sensitivities (cont'd.)

	% change in key assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on surplus before tax RM'000	Impact on participants' fund RM'000
1.07.2011					
Incurring Claims Ratio	+ 5%	26,274	22,978	(22,978)	(11,489)
	- 5%	(26,274)	(22,978)	22,978	11,489

The method used and significant assumptions made for deriving sensitivity information did not change from the previous year.

(iii) Claims development table

The following tables show the estimated incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date. The management of the Company believes the estimate of total claims liabilities as at the financial year end are adequate. The Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty.

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32. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (Cont'd.)

(iii) Claims development table (cont'd.)

Gross analysis of claims development for 2012:

Accident year	Before	2006	2007	2008	As at 31 December		2011	2012	Total
	2006				2009	2010			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At the end of accident year		118,774	121,433	166,000	237,471	394,600	437,396	479,285	
1 year later		136,027	108,984	175,889	196,615	258,963	436,220		
2 years later		137,431	103,481	123,154	239,280	260,490			
3 years later		137,159	112,376	163,998	232,675				
4 years later		128,702	92,602	162,720					
5 years later		130,104	88,665						
6 years later		122,877							

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

32. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (Cont'd.)

(iii) Claims development table (cont'd.)

Gross analysis of claims development for 2012: (cont'd.)

Accident year	Before	As at 31 December							Total	
	2006 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000		
Estimate of gross cumulative claims to date (A)		122,877	88,665	162,720	232,675	260,490	436,220	479,285		
At the end of accident year		54,850	29,999	67,164	74,439	94,507	131,482	187,973		
1 year later		91,182	59,428	113,408	146,844	191,698	269,769			
2 years later		103,757	69,548	130,773	173,478	226,315				
3 years later		109,731	77,943	142,458	183,492					
4 years later		114,065	80,888	145,212						
5 years later		116,466	82,636							
6 years later		116,178								
Gross cumulative claims paid to date (B)		116,178	82,636	145,212	183,492	226,315	269,769	187,973		
Best Estimate Gross Claim										
Liabilities (A) - (B)		6,795	6,699	6,029	17,508	46,183	34,175	166,451	291,312	578,152
Provision for Risk Margin for Adverse Deviation (C)										170,365
Gross Claim liabilities (A) - (B) + (C)										<u>748,517</u>

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

32. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (Cont'd.)

(iii) Claims development table (cont'd.)

Net analysis of claims development for 2012:

Accident year	Before	2006	2007	2008	As at 31 December		2011	2012	Total
	2006				2009	2010			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At the end of accident year		95,376	105,625	152,245	182,266	342,237	325,123	456,465	
1 year later		102,469	92,318	156,169	157,960	227,980	336,639		
2 years later		103,864	89,532	108,833	192,838	227,866			
3 years later		103,884	98,911	145,198	188,992				
4 years later		98,603	81,269	141,239					
5 years later		99,133	77,902						
6 years later		94,271							

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

32. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (Cont'd.)

(iii) Claims development table (cont'd.)

Net analysis of claims development for 2012: (cont'd.)

Accident year	Before	As at 31 December							Total
	2006	2006	2007	2008	2009	2010	2011	2012	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of net cumulative claims to date (A)		94,271	77,902	141,239	185,992	227,866	336,639	456,465	
At the end of accident year		42,176	26,626	64,563	72,745	91,793	130,642	186,608	
1 year later		71,163	51,812	106,228	135,607	171,337	266,182		
2 years later		78,740	60,824	119,667	161,900	204,893			
3 years later		83,369	68,873	129,419	171,527				
4 years later		87,568	71,676	131,894					
5 years later		89,035	73,246						
6 years later		89,291							
Net cumulative claims paid to date (B)		89,291	73,246	131,894	171,527	204,893	266,182	186,608	
Best Estimate net Claim									
Liabilities (A) - (B)		4,022	4,980	4,656	9,345	17,465	22,973	70,457	269,857
Provision for Risk Margin for Adverse Deviation (C)									107,255
Net Claim liabilities (A) - (B) + (C)									<u>511,010</u>

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

32. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (Cont'd.)

(iii) Claims development table (cont'd.)

Gross analysis of claims development for 2011:

Accident year	Before	As at 31 December							
	2005 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
At the end of accident year		93,054	118,774	121,433	166,000	237,471	391,033	437,396	
1 year later			104,214	136,027	108,984	175,889	200,678	258,963	
2 years later			90,279	137,431	103,481	123,154	239,280		
3 years later			91,473	137,159	112,376	163,998			
4 years later			87,108	128,702	92,602				
5 years later			74,149	130,104					
6 years later			80,152						

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

32. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (cont'd.)

(iii) Claims development table (cont'd.)

Gross analysis of claims development for 2011: (cont'd.)

Accident year	Before	As at 31 December							Total
	2005	2005	2006	2007	2008	2009	2010	2011	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of cumulative claims to date (A)		80,152	130,104	92,602	163,998	239,280	258,963	437,396	
At the end of accident year		32,673	54,850	29,999	67,164	74,439	94,507	131,482	
1 year later		54,714	91,182	59,428	113,408	146,844	191,698		
2 years later		62,300	103,757	69,548	130,773	173,478			
3 years later		67,334	109,731	77,943	142,458				
4 years later		69,500	114,065	80,888					
5 years later		71,367	116,466						
6 years later		74,317							
Cumulative claims paid to date (B)		74,317	116,466	80,888	142,458	173,478	191,698	131,482	
Gross Best Estimate Claim									
Liabilities (A) - (B)	26,588	5,835	13,638	11,714	21,540	65,802	67,265	305,914	518,296
Provision for Risk Margin for Adverse Deviation (C)									143,504
Gross Claim liabilities (A) - (B) + (C)									<u>661,800</u>

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

32. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (cont'd.)

(iii) Claims development table (cont'd.)

Net analysis of claims development for 2011:

Accident year	Before	2005	2006	2007	As at 31 December		2010	2011	Total
	2005				2008	2009			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At the end of accident year		74,947	95,376	105,625	152,245	182,266	339,143	325,123	
1 year later		89,694	102,469	92,318	156,169	161,225	227,980		
2 years later		74,859	103,864	89,532	108,833	192,838			
3 years later		71,324	103,884	98,911	145,198				
4 years later		68,417	98,603	81,269					
5 years later		60,681	99,133						
6 years later		65,565							

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ETIQA TAKAFUL BERHAD
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32. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (cont'd.)

(iii) Claims development table (cont'd.)

Net analysis of claims development for 2011: (cont'd.)

Accident year	Before	As at 31 December							Total
	2005 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	
Estimate of cumulative claims to date (A)		65,565	99,133	81,269	145,198	192,838	227,980	325,123	
At the end of accident year		30,663	42,176	26,626	64,563	72,745	91,793	130,642	
1 year later		51,192	71,163	51,812	106,228	135,607	171,337		
2 years later		55,236	78,740	60,824	119,667	161,900			
3 years later		55,745	83,369	68,873	129,419				
4 years later		57,730	87,568	71,676					
5 years later		59,561	89,035						
6 years later		61,331							
Cumulative claims paid to date (B)		61,331	89,035	71,676	129,419	161,900	171,337	130,642	
Gross Best Estimate Claim									
Liabilities (A) - (B)	5,814	4,234	10,098	9,593	15,779	30,938	56,643	194,481	327,580
Provision for Risk Margin for Adverse Deviation (C)									75,991
Net Claim liabilities (A) - (B) + (C)									<u>403,571</u>

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(Incorporated in Malaysia)

32. UNDERWRITING RISK (Cont'd.)

(b) General takaful fund (cont'd.)

(iii) Claims development table (cont'd.)

Gross analysis of claims development for 2011:

Accident year	Before	2005 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	As at 1 July		2010 RM'000	2011 RM'000	Total RM'000
	2005 RM'000					2008 RM'000	2009 RM'000			
At the end of accident year			83,734	52,638	137,250	125,788	194,505	241,083	439,932	
1 year later			108,948	121,481	125,196	130,133	216,117	254,229		
2 years later			83,024	117,194	124,884	127,574	215,488			
3 years later			78,665	108,412	120,590	125,418				
4 years later			76,033	105,997	120,898					
5 years later			74,716	107,055						
6 years later			74,277							

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32. UNDERWRITING RISK (Cont'd.)

(b) General takaful fund (cont'd.)

(iii) Claims development table (cont'd.)

Gross analysis of claims development for 2011: (cont'd.)

Accident year	Before	As at 1 July							Total
	2005	2005	2006	2007	2008	2009	2010	2011	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of cumulative claims to date (a)		74,277	107,055	120,898	129,418	215,488	254,229	439,932	
At the end of accident year		25,797	34,466	46,155	37,045	55,257	74,418	126,766	
1 year later		56,695	69,406	80,650	80,181	113,987	170,559		
2 years later		65,171	78,178	95,319	92,785	136,633			
3 years later		67,073	85,689	102,004	103,682				
4 years later		68,457	88,368	106,156					
5 years later		69,763	90,425						
6 years later		71,255							
Cumulative claims paid to date (b)		71,255	90,425	106,156	103,682	136,633	170,559	126,766	
Gross Best Estimate Claim									
Liabilities (A) - (B)		7,386	3,022	16,629	14,743	25,737	78,855	83,670	313,166
Provision for Risk Margin for Adverse Deviation (C)									9,604
Gross Claim liabilities (A) - (B) + (C)									<u>552,811</u>

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ETIQA TAKAFUL BERHAD
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32. UNDERWRITING RISK (Cont'd.)

(b) General takaful fund (cont'd.)

(iii) Claims development table (cont'd.)

Net analysis of claims development for 2011:

Accident year	Before	As at 1 July							Total
	2005 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	
At the end of accident year		76,071	98,877	114,831	113,696	158,530	200,363	266,267	
1 year later		68,192	112,866	101,727	111,668	172,887	216,842		
2 years later		68,527	104,995	101,454	111,944	163,669			
3 years later		64,025	98,339	99,737	109,702				
4 years later		61,374	99,861	100,044					
5 years later		60,330	98,336						
6 years later		60,193							

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ETIQA TAKAFUL BERHAD
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32. UNDERWRITING RISK (Cont'd.)

(b) General takaful fund (cont'd.)

(iii) Claims development table (cont'd.)

Net analysis of claims development for 2011: (cont'd.)

Accident year	Before	As at 1 July							Total
	2005	2005	2006	2007	2008	2009	2010	2011	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Estimate of cumulative claims to date (a)		60,193	98,336	100,044	109,702	163,669	216,842	266,267	
At the end of accident year		27,176	47,103	40,481	35,429	53,473	71,785	113,111	
1 year later		47,029	75,491	68,881	73,572	107,529	157,967		
2 years later		53,387	79,739	80,238	84,073	128,214			
3 years later		54,167	84,625	85,215	92,058				
4 years later		55,204	86,923	88,437					
5 years later		56,464	89,030						
6 years later		57,944							
Cumulative claims paid to date (b)		57,944	89,030	88,437	93,058	128,214	157,967	113,111	
Gross Best Estimate Claim									
Liabilities (A) - (B)	2,787	2,249	9,306	11,607	16,644	35,455	58,875	153,156	290,079
Provision for Risk Margin for Adverse Deviation (C)									27,952
Net Claim liabilities (A) - (B) + (C)									<u>318,031</u>

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS

(i) Credit Risk

The Company's credit risk arises through investments in fixed income instruments, fixed and call deposits, corporate loans and contracts with retakaful counterparties.

However, the main contributor to credit risk arises from transactions related to the Company's position in debt securities, mainly corporate bonds. The Company faces default risk when counterparties fail to meet contractual payment obligations.

Financial loss may materialise as a result of the widening credit spread or downgrade of credit rating.

The Company measures and manages their credit risk following the philosophy and principles below:

- (a) The Company actively aims to prevent undue concentration by ensuring it holds a diversified and marketable credit portfolio;
- (b) The Company's asset management research team adopts a prudent position in the selection of fixed income investments;
- (c) The Company establishes limits on maximum credit exposures. The credit limit for a counterparty is based on the counterparty credit quality and is aligned to risk appetite; and
- (d) The Company uses Key Risk Indicators ("KRI") to alert the management to impending problems in a timely manner.

Credit exposure

The table below shows the maximum exposure to credit risk for the components of the Statement of Financial Position as at 31 December 2012. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

ETIQA TAKAFUL BERHAD
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33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure (cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
31.12.2012				
AFS financial investments:				
Malaysian government papers	12,157	210,218	277,861	500,236
Unquoted debt securities in Malaysia	657,865	616,182	1,306,083	2,580,130
Negotiable islamic certificates of deposit	-	24,688	16,597	41,285
LAR:				
Deposits and placements with financial institutions	113,960	211,070	639,623	964,653
FVTPL financial investments:				
Malaysian government papers	-	-	921,405	921,405
Unquoted debt securities in Malaysia	-	-	3,421,175	3,421,175
Negotiable islamic certificates of deposit	-	-	100,203	100,203

ETIQA TAKAFUL BERHAD
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33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure (cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
31.12.2012 (cont'd.)				
HFT financial investments:				
Unquoted debt securities in Malaysia	-	-	5,847	5,847
Negotiable islamic certificates of deposit	-	-	-	-
Foreign notes	-	-	7,731	7,731
Financing receivables	20,319	-	16,922	37,241
Takaful receivables	-	106,692	97,362	204,054
Other receivables	282,775	19,311	112,566	142,307
Retakaful assets	-	273,365	18,634	291,999
Cash and bank balances	16,486	20,240	40,041	76,767
	<u>1,103,562</u>	<u>1,481,766</u>	<u>6,982,050</u>	<u>9,295,033</u>

31.12.2011

AFS financial investments:				
Malaysian government papers	2,050	177,601	226,142	405,793
Unquoted debt securities in Malaysia	164,816	468,948	1,091,269	1,725,033
Negotiable islamic certificates of deposit	-	23,922	15,975	39,897

ETIQA TAKAFUL BERHAD
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33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure (cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
31.12.2011 (cont'd.)				
LAR:				
Deposits and placements with financial institutions	130,748	262,760	1,002,172	1,395,680
FVTPL financial investments:				
Malaysian government papers	-	-	772,039	772,039
Unquoted debt securities in Malaysia	-	-	2,842,585	2,842,585
Negotiable islamic certificates of deposit	-	-	96,492	96,492
HFT financial investments:				
Unquoted debt securities in Malaysia	-	-	49,357	49,357
Negotiable islamic certificates of deposit	-	-	10,755	10,755
Foreign notes	-	-	8,506	8,506
Financing receivables	21,055	-	40,878	61,933
Takaful receivables	-	92,652	68,449	161,101
Other receivables	522,167	11,818	92,119	105,074
Retakaful assets	-	278,108	18,832	296,940
Cash and bank balances	18,510	26,130	44,188	88,828
	<u>859,346</u>	<u>1,341,939</u>	<u>6,379,758</u>	<u>8,060,013</u>

ETIQA TAKAFUL BERHAD
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33. FINANCIAL RISKS (CONT'D.)

(i) **Credit Risk (Cont'd.)**

Credit exposure (cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
1.07.2011				
AFS financial investments:				
Malaysian government papers	12,023	174,695	219,570	406,288
Unquoted debt securities in Malaysia	132,097	443,636	955,843	1,531,576
Negotiable islamic certificates of deposit	-	23,135	18,785	41,920
LAR:				
Deposits and placements with financial institutions	154,094	181,873	1,054,315	1,390,282
FVTPL financial investments:				
Malaysian government papers	-	-	776,163	776,163
Unquoted debt securities in Malaysia	-	-	2,493,012	2,493,012
Negotiable islamic certificates of deposit	-	-	116,911	116,911
HFT financial investments:				
Unquoted debt securities in Malaysia	-	-	54,735	54,735
Negotiable islamic certificates of deposit	-	-	50,129	50,129
Foreign notes	-	-	11,138	11,138
Financing receivables	22,192	1,621	53,486	77,299
Takaful receivables	-	97,618	80,272	177,890
Other receivables	500,086	10,634	63,846	79,991
Retakaful assets	-	300,064	21,081	321,145
Cash and bank balances	1,166	29,062	20,055	50,283
	<u>821,658</u>	<u>1,262,338</u>	<u>5,989,341</u>	<u>7,578,762</u>

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ETIQA TAKAFUL BERHAD
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33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties. This analysis excludes assets of the investment-linked funds as credit risk of these funds are borne by the participants.

Shareholder's fund

	----- Neither past-due nor impaired -----				Not subject to credit risk RM'000	Total RM'000
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000	Past-due RM'000		
31.12.2012						
AFS financial investments:						
Equity securities	-	-	-	-	91,269	91,269
Malaysian government papers	-	-	12,157	-	-	12,157
Unquoted debt securities in Malaysia	475,447	-	182,418	-	-	657,865
Negotiable islamic certificates of deposits	-	-	-	-	-	-
Trust funds	-	-	-	-	1,843	1,843

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ETIQA TAKAFUL BERHAD
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33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating

Shareholder's fund (cont'd.)

	----- Neither past-due nor impaired -----				Not subject to credit risk RM'000	Total RM'000
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000	Past-due RM'000		
31.12.2012 (cont'd.)						
LAR:						
Deposits and placements with financial institutions	113,825	-	135	-	-	113,960
Financing receivables	-	-	18,449	1,870	-	20,319
Other receivables	5,794	9	276,713	-	259	282,775
Cash and bank balances	16,398	-	88	-	-	16,486
	<u>611,464</u>	<u>9</u>	<u>489,960</u>	<u>1,870</u>	<u>93,371</u>	<u>1,196,674</u>

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ETIQA TAKAFUL BERHAD
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33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Shareholder's fund

	----- Neither past-due nor impaired -----			Past-due RM'000	Not subject to credit risk RM'000	Total RM'000
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000			
31.12.2011						
AFS financial investments:						
Equity securities	-	-	-	-	37,202	37,202
Malaysian government papers	-	-	2,050	-	-	2,050
Unquoted debt securities in Malaysia	89,191	-	75,625	-	-	164,816
Trust funds	-	-	-	-	154	154

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ETIQA TAKAFUL BERHAD
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33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Shareholder's fund (cont'd.)

	----- Neither past-due nor impaired -----				Not subject to credit risk RM'000	Total RM'000
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000	Past-due RM'000		
31.12.2011 (cont'd.)						
LAR:						
Deposits and placements with financial institutions	130,618	-	130	-	-	130,748
Financing receivables	-	-	19,233	1,822	-	21,055
Other receivables	712	-	521,381	-	74	522,167
Cash and bank balances	18,394	-	116	-	-	18,510
	<u>238,915</u>	<u>-</u>	<u>618,535</u>	<u>1,822</u>	<u>37,430</u>	<u>896,702</u>

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ETIQA TAKAFUL BERHAD
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33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Shareholder's fund

	----- Neither past-due nor impaired -----			Past-due RM'000	Not subject to credit risk RM'000	Total RM'000
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000			
1.07.2011						
AFS financial investments:						
Equity securities	-	-	-	-	35,544	35,544
Malaysian government papers	-	-	12,023	-	-	12,023
Unquoted debt securities in Malaysia	57,879	50	74,168	-	-	132,097
Trust funds	-	-	-	-	415	415

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Shareholder's fund (cont'd.)

	----- Neither past-due nor impaired -----					
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000	Past-due RM'000	Not subject to credit risk RM'000	Total RM'000
1.07.2011 (cont'd.)						
LAR:						
Deposits and placements with financial institutions	153,964	-	130	-	-	154,094
Financing receivables	-	-	20,431	1,761	-	22,192
Other receivables	1,449	-	498,553	-	84	500,086
Cash and bank balances	1,049	-	117	-	-	1,166
	<u>214,341</u>	<u>50</u>	<u>605,422</u>	<u>1,761</u>	<u>36,043</u>	<u>857,617</u>

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

General takaful fund

	----- Neither past-due nor impaired -----				Not subject to credit risk RM'000	Total RM'000
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000	Past-due RM'000		
31.12.2012						
AFS financial investments:						
Equity securities	-	-	-	-	185,617	185,617
Malaysian government papers	-	-	210,218	-	-	210,218
Unquoted debt securities in Malaysia	527,920	-	88,262	-	-	616,182
Negotiable islamic certificates of deposits	24,688	-	-	-	-	24,688
Trust funds	-	-	-	-	4,087	4,087

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

General takaful fund (cont'd.)

	----- Neither past-due nor impaired -----			Past-due RM'000	Not subject to credit risk RM'000	Total RM'000
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000			
31.12.2012 (cont'd.)						
LAR:						
Deposits and placements with financial institutions	211,070	-	-	-	-	211,070
Takaful receivables	-	-	72,422	34,270	-	106,692
Other receivables	7,365	-	11,514	-	432	19,311
Retakaful assets	179,173	14,407	43,927	-	35,858	273,365
Cash and bank balances	20,236	-	4	-	-	20,240
	<u>970,452</u>	<u>14,407</u>	<u>426,347</u>	<u>34,270</u>	<u>225,994</u>	<u>1,671,470</u>

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

General takaful fund (cont'd.)

	----- Neither past-due nor impaired -----				Not subject to credit risk RM'000	Total RM'000
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000	Past-due RM'000		
31.12.2011						
AFS financial investments:						
Equity securities	-	-	-	-	152,484	152,484
Malaysian government papers	-	-	177,601	-	-	177,601
Unquoted debt securities in Malaysia	359,187	-	109,761	-	-	468,948
Negotiable islamic certificates of deposits	23,922	-	-	-	-	23,922
Trust funds	-	-	-	-	1,581	1,581

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

General takaful fund (cont'd.)

	----- Neither past-due nor impaired -----			Past-due RM'000	Not subject to credit risk RM'000	Total RM'000
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000			
31.12.2011 (cont'd.)						
LAR:						
Deposits and placements with financial institutions	261,660	-	1,100	-	-	262,760
Takaful receivables	-	-	71,415	21,237	-	92,652
Other receivables	5,215	-	6,404	-	199	11,818
Retakaful assets	206,019	8,047	44,163	-	19,879	278,108
Cash and bank balances	26,121	-	9	-	-	26,130
	<u>882,124</u>	<u>8,047</u>	<u>410,453</u>	<u>21,237</u>	<u>174,143</u>	<u>1,496,004</u>

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

General takaful fund (cont'd.)

	----- Neither past-due nor impaired -----				Not subject to credit risk RM'000	Total RM'000
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000	Past-due RM'000		
1.07.2011						
AFS financial investments:						
Equity securities	-	-	-	-	149,121	149,121
Malaysian government papers	-	-	174,695	-	-	174,695
Unquoted debt securities in Malaysia	333,987	-	109,649	-	-	443,636
Negotiable islamic certificates of deposits	23,135	-	-	-	-	23,135
Trust funds	-	-	-	-	2,503	2,503

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

General takaful fund (cont'd.)

	----- Neither past-due nor impaired -----			Past-due RM'000	Not subject to credit risk RM'000	Total RM'000
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000			
1.07.2011 (cont'd.)						
LAR:						
Deposits and placements with financial institutions	180,597	-	1,276	-	-	181,873
Financing receivables	-	-	-	1,621	-	1,621
Takaful receivables	-	-	78,360	19,258	-	97,618
Other receivables	4,407	-	6,000	-	227	10,634
Retakaful assets	191,054	7,516	36,210	-	65,284	300,064
Cash and bank balances	29,047	-	15	-	-	29,062
	<u>762,227</u>	<u>7,516</u>	<u>406,205</u>	<u>20,879</u>	<u>217,135</u>	<u>1,413,962</u>

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Family takaful fund

	----- Neither past-due nor impaired -----					
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000	Past-due RM'000	Not subject to credit risk RM'000	Total RM'000
31.12.2012						
AFS financial investments:						
Equity securities	-	-	-	-	601,145	601,145
Malaysian government papers	-	-	277,861	-	-	277,861
Unquoted debt securities in Malaysia	907,332	-	398,751	-	-	1,306,083
Negotiable islamic certificates of deposits	16,597	-	-	-	-	16,597
Trust funds	-	-	-	-	23,686	23,686

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Family takaful fund (cont'd.)

	----- Neither past-due nor impaired -----			Past-due RM'000	Not subject to credit risk RM'000	Total RM'000
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000			
31.12.2012 (cont'd.)						
LAR:						
Deposits and placements with financial institutions	630,409	-	9,214	-	-	639,623
FVTPL financial investments:						
Malaysian government papers	-	-	921,405	-	-	921,405
Unquoted debt securities in Malaysia	2,811,025	-	610,150	-	-	3,421,175
Negotiable islamic certificates of deposits	100,203	-	-	-	-	100,203

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Family takaful fund (cont'd.)

	----- Neither past-due nor impaired -----			Past-due RM'000	Not subject to credit risk RM'000	Total RM'000
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000			
31.12.2012 (cont'd.)						
HFT financial investments:						
Unquoted debt securities in Malaysia	5,847	-	-	-	-	5,847
Foreign notes	-	-	7,731	-	-	7,731
Financing receivables	-	-	-	16,922	-	16,922
Takaful receivables	-	-	52,739	44,623	-	97,362
Other receivables	46,614	-	64,457	-	1,495	112,566
Retakaful assets	18,634	-	-	-	-	18,634
Cash and bank balances	39,976	-	65	-	-	40,041
	<u>4,576,637</u>	<u>-</u>	<u>2,342,373</u>	<u>61,545</u>	<u>626,326</u>	<u>7,606,881</u>

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Family takaful fund

	----- Neither past-due nor impaired -----					
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000	Past-due RM'000	Not subject to credit risk RM'000	Total RM'000
31.12.2011						
AFS financial investments:						
Equity securities	-	-	-	-	625,230	625,230
Malaysian government papers	-	-	226,142	-	-	226,142
Unquoted debt securities in Malaysia	834,778	-	256,491	-	-	1,091,269
Negotiable islamic certificates of deposits	15,975	-	-	-	-	15,975
Trust funds	-	-	-	-	17,088	17,088

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Family takaful fund (cont'd.)

	----- Neither past-due nor impaired -----					
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000	Past-due RM'000	Not subject to credit risk RM'000	Total RM'000
31.12.2011 (cont'd.)						
LAR:						
Deposits and placements with financial institutions	946,068	-	56,104	-	-	1,002,172
Financial investments at FVTPL:						
Malaysian government papers	-	-	772,039	-	-	772,039
Other debt securities, structured	2,345,563	-	437,022	-	-	2,842,585
Negotiable islamic certificates of deposits	96,492	-	-	-	-	96,492

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Family takaful fund (cont'd.)

	----- Neither past-due nor impaired -----			Past-due RM'000	Not subject to credit risk RM'000	Total RM'000
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000			
31.12.2011 (cont'd.)						
HFT financial investments:						
Unquoted debt securities in Malaysia	49,357	-	-	-	-	49,357
Negotiable islamic certificates of deposits	10,755	-	-	-	-	10,755
Foreign notes	-	-	8,506	-	-	8,506
Financing receivables	-	-	-	40,878	-	40,878
Takaful receivables	-	-	15,096	53,353	-	68,449
Other receivables	33,876	-	57,584	-	659	92,119
Retakaful assets	18,832	-	-	-	-	18,832
Cash and bank balances	44,001	-	187	-	-	44,188
	<u>4,395,697</u>	<u>-</u>	<u>1,899,171</u>	<u>94,231</u>	<u>642,977</u>	<u>7,022,076</u>

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Family takaful fund

	----- Neither past-due nor impaired -----			Past-due RM'000	Not subject to credit risk RM'000	Total RM'000
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000			
1.07.2011						
AFS financial investments:						
Equity securities	-	-	-	-	633,150	633,150
Malaysian government papers	-	-	219,570	-	-	219,570
Unquoted debt securities in Malaysia	704,598	-	251,245	-	-	955,843
Negotiable islamic certificates of deposits	18,785	-	-	-	-	18,785
Trust funds	-	-	-	-	18,190	18,190

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Family takaful fund (cont'd.)

	----- Neither past-due nor impaired -----			Past-due RM'000	Not subject to credit risk RM'000	Total RM'000
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000			
1.07.2011 (cont'd.)						
LAR:						
Deposits and placements with financial institutions	996,671	-	57,644	-	-	1,054,315
Financial investments at FVTPL:						
Malaysian government papers	-	-	776,163	-	-	776,163
Unquoted debt securities in Malaysia	2,049,581	-	443,431	-	-	2,493,012
Negotiable islamic certificates of deposits	116,911	-	-	-	-	116,911

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Family takaful fund (cont'd.)

	----- Neither past-due nor impaired -----			Past-due RM'000	Not subject to credit risk RM'000	Total RM'000
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000			
1.07.2011 (cont'd.)						
HFT financial investments:						
Unquoted debt securities in Malaysia	54,735	-	-	-	-	54,735
Negotiable islamic certificates of deposits	50,129	-	-	-	-	50,129
Foreign notes	-	-	11,138	-	-	11,138
Financing receivables	-	-	-	53,486	-	53,486
Takaful receivables	-	-	46,158	34,114	-	80,272
Other receivables	34,350	-	28,610	-	886	63,846
Retakaful assets	21,081	-	-	-	-	21,081
Cash and bank balances	19,440	-	615	-	-	20,055
	<u>4,066,281</u>	<u>-</u>	<u>1,834,574</u>	<u>87,600</u>	<u>652,226</u>	<u>6,640,681</u>

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Age Analysis of Financial Assets Past-Due/But Not Impaired and Financial Assets Past Due and Impaired

Shareholder's fund

31.12.2012

	----- Past due but not impaired -----				----- Past due and impaired -----			Grand total RM'000
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	
Financing receivables	-	-	1,870	1,870	622	(622)	-	1,870
Other receivables	-	-	-	-	1,430	(1,430)	-	-
	-	-	1,870	1,870	2,052	(2,052)	-	1,870

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Age Analysis of Financial Assets Past-Due/But Not Impaired and Financial Assets Past Due and Impaired (cont'd.)

Shareholder's fund (cont'd.)

31.12.2011

	----- Past due but not impaired -----				----- Past due and impaired -----			Grand total RM'000
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	
Financing receivables	-	-	1,822	1,822	580	(580)	-	1,822
Other receivables	-	-	-	-	401	(401)	-	-
	-	-	1,822	1,822	981	(981)	-	1,822

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Age Analysis of Financial Assets Past-Due/But Not Impaired and Financial Assets Past Due and Impaired (cont'd.)

Shareholder's fund (cont'd.)

1.07.2011

	----- Past due but not impaired -----				----- Past due and impaired -----			Grand total RM'000
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	
Financing receivables	-	-	1,761	1,761	580	(580)	-	1,761
Other receivables	-	-	-	-	16	(16)	-	-
	-	-	1,761	1,761	596	(596)	-	1,761

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Age Analysis of Financial Assets Past-Due/But Not Impaired and Financial Assets Past Due and Impaired

General takaful fund

31.12.2012

	----- Past due but not impaired -----				----- Past due and impaired -----			Grand total RM'000
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	
Financing receivables	-	-	-	-	3,381	(3,381)	-	-
Takaful receivables	1,259	13,018	31,392	56,939	21,121	(21,121)	-	56,939
	1,259	13,018	31,392	56,939	24,502	(24,502)	-	56,939

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Age Analysis of Financial Assets Past-Due/But Not Impaired and Financial Assets Past Due and Impaired (cont'd.)

General takaful fund (cont'd.)

31.12.2011

	----- Past due but not impaired -----				----- Past due and impaired -----			Grand total RM'000
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	
Financing receivables	-	-	-	-	3,396	(3,396)	-	-
Takaful receivables	9,159	2,891	9,187	21,237	21,237	(21,237)	-	21,237
	9,159	2,891	9,187	21,237	24,633	(24,633)	-	21,237

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Age Analysis of Financial Assets Past-Due/But Not Impaired and Financial Assets Past Due and Impaired (cont'd.)

General takaful fund (cont'd.)

1.07.2011

	----- Past due but not impaired -----				----- Past due and impaired -----			Grand total RM'000
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	
Financing receivables	-	-	858	858	4,595	(3,832)	763	1,621
Takaful receivables	11,983	4,994	2,281	19,258	26,531	(26,531)	-	19,258
	11,983	4,994	3,139	20,116	31,126	(30,363)	763	20,879

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Age Analysis of Financial Assets Past-Due/But Not Impaired and Financial Assets Past Due and Impaired

Family takaful fund

31.12.2012

	----- Past due but not impaired -----				----- Past due and impaired -----			Grand total RM'000
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	
Financing receivables	-	-	-	-	42,118	(25,196)	16,922	16,922
Takaful receivables	23,087	13,685	7,850	44,622	41,217	(41,217)	-	44,622
Other receivables	-	-	-	-	550	(550)	-	-
	23,087	13,685	7,850	44,622	83,885	(66,963)	16,922	61,544

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Age Analysis of Financial Assets Past-Due/But Not Impaired and Financial Assets Past Due and Impaired (cont'd.)

Family takaful fund (cont'd.)

31.12.2011

	----- Past due but not impaired -----				----- Past due and impaired -----			Grand total RM'000
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	
Financing receivables	205	2,500	-	2,705	63,170	(24,997)	38,173	40,878
Takaful receivables	5,656	19,392	28,305	53,353	16,642	(16,642)	-	53,353
	5,861	21,892	28,305	56,058	79,812	(41,639)	38,173	94,231

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Age Analysis of Financial Assets Past-Due/But Not Impaired and Financial Assets Past Due and Impaired (cont'd.)

Family takaful fund (cont'd.)

1.07.2011

	----- Past due but not impaired -----				----- Past due and impaired -----			Grand total RM'000
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	
Financing receivables	21	2,500	10,292	12,813	65,672	(24,999)	40,673	53,486
Takaful receivables	32,933	1,181	-	34,114	15,144	(15,144)	-	34,114
	32,954	3,681	10,292	46,927	80,816	(40,143)	40,673	87,600

ETIQA TAKAFUL BERHAD
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33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Reconciliation of allowance account

The movements in allowance for impairment losses for financial assets are as follows:

Shareholder's fund

	Financing receivables RM'000	Takaful receivables RM'000	Other receivables RM'000	Total RM'000
At 1 July 2011	580	-	16	596
Impairment losses during the year	-	-	385	385
At 31 December 2011	580	-	401	981
At 1 January 2012	580	-	401	981
Impairment losses during the year	102	-	-	102
Written off during the year	(24)	-	-	(24)
Reversal of impairment losses during the year	(36)	-	1,029	993
At 31 December 2012	622	-	1,430	2,052

General takaful fund

	Financing receivables RM'000	Takaful receivables RM'000	Other receivables RM'000	Total RM'000
At 1 July 2011	3,832	26,531	-	30,363
Reversal of impairment losses during the period	(436)	(5,294)	-	(5,730)
At 31 December 2011	3,396	21,237	-	24,633

ETIQA TAKAFUL BERHAD
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33. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Reconciliation of allowance account (cont'd.)

The movements in allowance for impairment losses for financial assets are as follows:
(cont'd.)

General takaful fund (cont'd.)

	Financing receivables RM'000	Takaful receivables RM'000	Other receivables RM'000	Total RM'000
At 1 January 2012	3,396	21,237	-	24,633
Reversal of impairment losses during the year	(15)	(116)	-	(131)
At 31 December 2012	<u>3,381</u>	<u>21,121</u>	<u>-</u>	<u>24,502</u>

Family takaful fund

	Financing receivables RM'000	Takaful receivables RM'000	Other receivables RM'000	Total RM'000
At 1 July 2011	24,999	15,144	-	40,143
Impairment losses during the year	-	-	-	-
(Reversal of impairment losses)/impairment losses during the period	(2)	1,498	-	1,496
At 31 December 2011	<u>24,997</u>	<u>16,642</u>	<u>-</u>	<u>41,639</u>
At 1 January 2012	24,997	16,642	-	41,639
Amount written off	-	(1,228)	-	(1,228)
Impairment losses during the year	199	25,803	550	26,552
At 31 December 2012	<u>25,196</u>	<u>41,217</u>	<u>550</u>	<u>66,963</u>

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33. FINANCIAL RISKS (CONT'D.)

(i) **Credit Risk (Cont'd.)**

Financial effect of collateral held

The main types of collateral held as security by the Company to mitigate credit risk are as follows:

Type of financing receivables	Type of collaterals
Secured staff loans	Charges over residential properties and vehicles
Corporate loans	Charges over properties, lands being financed and bank guarantees

The funds with financial assets over which collaterals are held as security include the shareholder's and family takaful funds. The quantification of the extent to which collateral and other credit enhancements mitigate credit risk (referred to as "the financial effect of collateral") is described below.

Shareholder's fund

The financial effect of collateral held for financing receivables of the fund is 79% as at 31 December 2012 (31.12.2011: 77%). The financing receivables include staff loans which amounted to RM20.3 million as at 31 December 2012 (31.12.2011: RM21.1 million). These loans are collateralised in the form of charges over residential properties which are worth RM21.9 million (31.12.2011: RM24.4 million).

Family takaful fund

The financial effect of collateral held for financing receivables of the fund is 100% as at 31 December 2012 (31.12.2011: 28%). The financing receivables include corporate loans which amounted to RM16.9 million as at 31 December 2012 (31.12.2011: RM40.9 million). These loans are collateralised in the form of land guarantees, worth RM25.5 million in aggregate (31.12.2011: RM152.0 million).

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33. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk

Liquidity risk is the risk that arises from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimise a loss. It is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

The objective of liquidity risk management is to safeguard the Company's ability to meet all payments when they come due. Liquidity risk management will ensure that, even under adverse conditions, the Company has access to the funds necessary to cover surrenders, withdrawals, claims and the maturity liabilities.

The Company measures and manages liquidity risk following the philosophy and principles below:

- (a) The Company actively monitors the cashflows associated and derived from assets and liabilities of the Company through the ALCO platform; and
- (b) The Company's investment strategies ensure that the established investment limits set takes care of reasonable liquidity requirements at all times.

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33. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles

The table below summarises the maturity profiles of the financial assets and liabilities of the Company based on remaining undiscounted contractual obligations, including profit payable and receivable. For takaful certificate liabilities and retakaful assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised takaful certificate liabilities.

Contribution liabilities and the retakaful operators' share of contribution liabilities have been excluded from the analysis as there are no contractual obligations to make payments on those liabilities.

Unit-linked liabilities are repayable or transferable on demand and are included in the "up to a year" column. Repayments which are subject to notice are treated as if notice were to be given immediately.

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33. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

Shareholder's fund	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
31.12.2012						
Financial investments:						
LAR	113,960	113,960	-	-	-	113,960
AFS	763,134	-	190,381	703,387	93,111	986,879
Financing receivables	20,319	2,228	8,774	9,317	-	20,319
Other receivables	282,775	282,775	-	-	-	282,775
Cash and bank balances	16,486	16,486	-	-	-	16,486
Total assets	1,196,674	415,449	199,155	712,704	93,111	1,420,419
Takaful payables	3,008	3,008	-	-	-	3,008
Other payables	122,986	122,986	-	-	-	122,986
Total liabilities	125,994	125,994	-	-	-	125,994

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33. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

Shareholder's fund (cont'd.)	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
31.12.2011						
Financial investments:						
LAR	130,748	130,748	-	-	-	130,748
AFS	204,222	-	28,557	193,050	37,355	258,962
Financing receivables	21,055	2,277	9,310	9,468	-	21,055
Other receivables	522,167	522,167	-	-	-	522,167
Cash and bank balances	18,510	18,510	-	-	-	18,510
Total assets	896,702	673,702	37,867	202,518	37,355	951,442
Other payables	55,408	55,408	-	-	-	55,408
Total liabilities	55,408	55,408	-	-	-	55,408

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33. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

Shareholder's fund (cont'd.)	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
1.07.2011						
Financial investments:						
LAR	154,094	154,094	-	-	-	154,094
AFS	180,079	-	29,404	162,553	35,959	227,916
Financing receivables	22,192	607	3,493	18,092	-	22,192
Other receivables	500,086	500,086	-	-	-	500,086
Cash and bank balances	1,166	1,166	-	-	-	1,166
Total assets	857,617	655,953	32,897	180,645	35,959	905,454
Other payables	59,322	59,322	-	-	-	59,322
Total liabilities	59,322	59,322	-	-	-	59,322

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33. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

General takaful fund	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
31.12.2012						
Financial investments:						
LAR	211,070	211,070	-	-	-	211,070
AFS	1,040,792	290,051	509,830	153,307	189,704	1,142,892
Takaful receivables	106,692	106,692	-	-	-	106,692
Other receivables	19,311	19,311	-	-	-	19,311
Retakaful assets	237,507	118,766	94,331	24,410	-	237,507
Cash and bank balances	20,240	20,240	-	-	-	20,240
Total assets	1,635,612	766,130	604,161	177,717	189,704	1,737,712

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33. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

General takaful fund (cont'd.)	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
31.12.2012 (cont'd.)						
Takaful payables	89,183	89,183	-	-	-	89,183
Other payables	164,978	164,978	-	-	-	164,978
Claims liabilities	748,517	374,297	297,288	76,932	-	748,517
Total liabilities	1,002,678	628,458	297,288	76,932	-	1,002,678

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33. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

General takaful fund (cont'd.)	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
31.12.2011						
Financial investments:						
LAR	262,760	262,760	-	-	-	262,760
AFS	824,536	130,758	522,589	90,925	154,065	898,337
Takaful receivables	92,652	92,652	-	-	-	92,652
Other receivables	11,818	11,818	-	-	-	11,818
Retakaful assets	258,229	114,059	111,500	32,670	-	258,229
Cash and bank balances	26,130	26,130	-	-	-	26,130
Total assets	1,476,125	638,177	634,089	123,595	154,065	1,549,926
Takaful payables	56,937	56,937	-	-	-	56,937
Other payables	213,284	213,284	-	-	-	213,284
Claims liabilities	661,800	292,316	285,758	83,726	-	661,800
Total liabilities	932,021	562,537	285,758	83,726	-	932,021

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33. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

General takaful fund (cont'd.)	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
1.07.2011						
Financial investments:						
LAR	181,873	181,873	-	-	-	181,873
AFS	793,090	147,934	489,791	76,459	151,624	865,808
Financing receivables	1,621	858	-	763	-	1,621
Takaful receivables	97,618	97,618	-	-	-	97,618
Other receivables	10,634	10,634	-	-	-	10,634
Retakaful assets	234,780	100,784	112,160	21,836	-	234,780
Cash and bank balances	29,062	29,062	-	-	-	29,062
Total assets	1,348,678	568,763	601,951	99,058	151,624	1,421,396
Takaful payables	64,691	64,691	-	-	-	64,691
Other payables	214,302	214,302	-	-	-	214,302
Claims liabilities	552,811	237,306	264,090	51,416	-	552,811
Total liabilities	831,804	516,299	264,090	51,416	-	831,804

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33. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Family takaful fund	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
31.12.2012						
Financial investments:						
LAR	639,623	639,623	-	-	-	639,623
AFS	2,225,372	102,526	408,537	1,563,661	624,831	2,699,555
FVTPL	4,442,783	227,780	735,497	5,012,390	-	5,975,667
HFT	13,578	13,578	-	-	-	13,578
Financing receivables	16,922	-	-	16,922	-	16,922
Takaful receivables	97,362	97,362	-	-	-	97,362
Other receivables	112,566	112,566	-	-	-	112,566
Retakaful assets	18,634	5,153	10,174	3,307	-	18,634
Cash and bank balances	40,041	40,041	-	-	-	40,041
Total assets	7,606,881	1,238,629	1,154,208	6,596,280	624,831	9,613,948
Takaful payables	61,247	61,247	-	-	-	61,247
Other payables	273,638	273,638	-	-	-	273,638
Takaful certificate liabilities	5,303,482	2,582,342	1,080,079	2,946,752	-	6,609,173
Total liabilities	5,638,367	2,917,227	1,080,079	2,946,752	-	6,944,058

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33. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Family takaful fund (cont'd.)	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
31.12.2011						
Financial investments:						
LAR	1,002,172	1,002,172	-	-	-	1,002,172
AFS	1,975,704	44,517	528,370	1,179,973	642,318	2,395,177
FVTPL	3,711,116	106,232	1,184,907	3,689,337	-	4,980,476
HFT	68,618	-	68,618	-	-	68,618
Financing receivables	40,878	2,705	9,000	29,173	-	40,878
Takaful receivables	68,449	68,449	-	-	-	68,449
Other receivables	92,119	92,119	-	-	-	92,119
Retakaful assets	18,832	7,020	10,045	1,767	-	18,832
Cash and bank balances	44,188	44,188	-	-	-	44,188
Total assets	7,022,076	1,367,402	1,800,940	4,900,250	642,318	8,710,909
Takaful payables	69,800	69,800	-	-	-	69,800
Other payables	596,272	596,272	-	-	-	596,272
Takaful certificate liabilities	4,812,034	2,193,850	862,390	2,489,913	-	5,546,153
Total liabilities	5,478,106	2,859,922	862,390	2,489,913	-	6,212,225

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33. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Family takaful fund (cont'd.)	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
1.07.2011						
Financial investments:						
LAR	1,054,315	1,054,315	-	-	-	1,054,315
AFS	1,845,538	60,884	565,203	1,501,408	651,340	2,778,835
FVTPL	3,386,086	170,303	982,756	2,754,696	-	3,907,755
HFT	116,002	-	116,002	-	-	116,002
Financing receivables	53,486	12,813	11,500	29,173	-	53,486
Takaful receivables	80,272	80,272	-	-	-	80,272
Other receivables	63,846	63,846	-	-	-	63,846
Retakaful assets	21,081	8,683	11,073	1,325	-	21,081
Cash and bank balances	20,055	20,055	-	-	-	20,055
Total assets	6,640,681	1,471,171	1,686,534	4,286,602	651,340	8,095,647
Takaful payables	79,677	79,677	-	-	-	79,677
Other payables	532,428	532,428	-	-	-	532,428
Takaful certificate liabilities	4,568,158	2,135,748	810,393	2,379,757	-	5,325,898
Total liabilities	5,180,263	2,747,853	810,393	2,379,757	-	5,938,003

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33. FINANCIAL RISKS (CONT'D.)

(iii) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises of three (3) types of risk:

- (a) currency risk;
- (b) profit yield risk; and
- (c) equity price risk.

The Company has three key features in its market risk management practices and policies.

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33. FINANCIAL RISKS (CONT'D.)

(iii) Market Risk (Cont'd.)

First, a company-wide market risk policy exists which sets out the evaluation and determination of components of market risk for the Company. Compliance with the policy is monitored and reported monthly to the RMC and exposures and breaches are reported as soon as practicable.

Second, the Company's policies on asset allocation, portfolio limit structure and diversification benchmark have been set in line with the Company's risk management policy after taking cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

Third, strict controls exist over derivative transactions; such transactions are only permitted for hedging purposes and not for speculative purposes.

The Company also issues unit-linked investment certificates in a number of its products. In the unit-linked business, the participants bear the investment risk on the assets held in the unit-linked funds as the benefits are directly linked to the value of the assets in the funds.

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33. FINANCIAL RISKS (CONT'D.)

(iii) Market Risk (cont'd.)

The Company's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds. Accordingly, the sensitivity analyses disclosed for each component of market risk in the following pages do not include analyses on the impact such risks on the investment-linked funds.

(a) Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's primary transactions are carried out in Ringgit Malaysia ("RM") and its exposure to foreign exchange risk arises principally with respect to US Dollar.

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the Takaful Act, 1984, and hence, primarily denominated in the same currency (the local RM) as its insurance and investment certificate liabilities.

The Company's main foreign exchange risk from recognised assets and liabilities arises from retakaful transactions for which the balances are expected to be settled and realised in less than a year. Accordingly, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Company has no significant concentration of foreign currency risk.

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33. FINANCIAL RISKS (CONT'D.)

(iii) Market Risk (cont'd.)

(b) Profit Yield Risk

Profit yield risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market profit rate/profit yield.

Profit yield risks arise from exposures to profit rate/profit yield related assets and liabilities. It is also known as asset-liability mismatch ("ALM") risk. It is mainly driven by the volatility of future cash flows. The quantum is also proxied to the duration mismatch between the assets and the liabilities.

The Company measures and manages the profit rate/profit yield risk through the main following philosophies and principles:

- (a) Actively aim to match the liability duration with the asset duration, without compromising credit quality;
- (b) Set forth the benchmark for asset duration in line with risk appetite; and
- (c) Use KRIs to alert the organisation to impending problems in a timely manner.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on equity or unallocated surplus, and implicitly, profit before tax. The correlation of variables will have a significant effect in determining the ultimate impact on profit rate risk but to demonstrate the impact variables are examined on an individual basis. It should be noted that movements in these variables are non linear.

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33. FINANCIAL RISKS (CONT'D.)

(iii) Market Risk (cont'd.)

(b) Profit Yield Risk (cont'd.)

Funds	Changes in variables	31-Dec-12		31-Dec-11		1-Jul-11	
		Impact on Profit / Surplus Before Tax	Impact on Equity / Participants' Funds	Impact on Profit / Surplus Before Tax	Impact on Equity / Participants' Funds	Impact on Profit / Surplus Before Tax	Impact on Equity / Participants' Funds
		(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Shareholders' Fund	+100 basis points	(251)	(51,821)	(259)	(15,961)	(288)	(8,383)
	-100 basis points	251	51,821	259	15,961	288	8,383
General Takaful Fund	+100 basis points	(369)	(20,501)	(406)	(15,658)	(327)	(14,433)
	-100 basis points	369	20,501	406	15,658	327	14,433
Family Takaful Fund	+100 basis points	(319,245)	(349,125)	(239,067)	(259,337)	(217,999)	(222,813)
	-100 basis points	319,245	349,125	239,067	259,337	217,999	222,813

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33. FINANCIAL RISKS (CONT'D.)

(iii) Market Risk (cont'd.)

(c) Equity Price Risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate/profit yield risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices which are principally investment securities not held for unit-linked business.

The Company's equity price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each country, sector, market and issuer, having regard also to such limits stipulated by BNM.

The Company complied with BNM stipulated limits during the financial year and had no significant concentration of equity price risk.

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33. FINANCIAL RISKS (CONT'D.)

(iii) Market Risk (cont'd.)

(c) Equity Price Risk (cont'd.)

The analysis below is performed for reasonably possible movements in key variables with all other variables being held constant, showing the impact on equity or unallocated surplus. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact, variables are examined on an individual basis. It should be noted that the movements in these variables are non linear.

Funds	Market Indices	Changes in variables	31-Dec-12	31-Dec-11	1-Jul-11
			Impact on Equity / Participants' Funds (RM'000)	Impact on Equity / Participants' Funds (RM'000)	Impact on Equity / Participants' Funds (RM'000)
Shareholders Fund	Bursa Malaysia	+10%	9,308	3,732	3,596
	Bursa Malaysia	-10%	(9,308)	(3,732)	(3,596)
General Takaful Fund	Bursa Malaysia	+10%	18,970	15,407	14,295
	Bursa Malaysia	-10%	(18,970)	(15,407)	(14,295)
Family Takaful Fund	Bursa Malaysia	+10%	62,483	63,173	60,559
	Bursa Malaysia	-10%	(62,483)	(63,173)	(60,559)

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34. OPERATIONAL RISK

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. The Company has put in place controls to mitigate operational risks. If these controls fail to perform, they can cause damage to reputation, have legal or regulatory implications and can lead to financial loss. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

Operational risks includes Shariah non-compliance risk. Shariah non-compliance risk refers to the possible failure in meeting the obligations of Shariah. When controls fail to perform, Shariah non-compliance risk can cause reputational and operational damage, have regulatory implications or can even lead to financial loss and finally, impediment from Allah's barakah or blessing. The Company expects to mitigate such risks by initiating, monitoring and responding to the Shariah control framework. Controls include effective oversight of the Shariah Committee, supported by the internal Shariah Compliance Department in all aspects of the Company's operations. Other relevant controls include staff awareness training and internal operating guidelines, including the use of internal and external Shariah audit.

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35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

(i) Cash and cash equivalents and other receivables/payables

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(ii) Financing receivables

Financing receivables are granted at interest/profit rates which are comparable with the rates offered on similar instruments in the market and to counter parties with similar credit profiles. Accordingly, the carrying amount of the financing receivables approximate their fair values as the impact of discounting is not material.

(iii) Takaful receivables and payables

The carrying amounts are measured at amortised cost in accordance with the accounting policies as disclosed in Note 2.2(n) and 2.2(r). The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(iv) Investments

Investments have been accounted for in accordance with the accounting policies as disclosed in Note 2.2(d) and 2.2(e). The carrying amounts and fair values of investments are disclosed in Note 5 of the financial statements.

Description of Overall Fair Value Framework

The Company has an established framework and policies which provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuations of financial instruments.

The valuations of financial instruments are performed either based on quoted prices in active markets at which an arm's length transaction would be likely to occur or using valuation techniques. Fair values of financial instruments can be assessed using observable inputs or unobservable inputs where one or more significant inputs are unobservable. Management judgment is exercised in the selection and application of appropriate parameters, assumptions and modeling techniques where some or all of the parameter inputs are not observable in deriving fair value.

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35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

(iv) Investments (Cont'd.)

Description of Overall Fair Value Framework (cont'd.)

Valuation adjustment is an integral part of valuation process. Valuation adjustment reflects the uncertainty in valuations for products that are less standardised, less frequently traded and more complex in nature. In making valuation adjustments, the Company follows methodologies that consider factors such as liquidity, bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/parameters.

In addition, the Company continuously enhances its design and validation methodologies and processes used to produce valuations and periodic reviews are performed to ensure the model remains suitable for its intended use.

Description of Overall Definition of the Fair Value Hierarchy

The levels of the fair value hierarchy as defined by the accounting standards are an indication of the observability of prices or valuation input. It can be classified into the following hierarchies/levels:

- Level 1 : Active Market – quoted price

Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Such financial instruments include quoted equity securities and quoted unit and property trust funds.

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35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

(iv) Investments (Cont'd.)

Description of Overall Fair Value Framework (cont'd.)

- **Level 2 : No Active Market – Valuation techniques using observable input**

Refers to inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Examples of level 2 financial instruments include Malaysian government papers, unquoted debt securities and negotiable Islamic certificates of deposits.

- **Level 3 : No Active Market – Valuation techniques using unobservable input**

Refers to financial instruments where fair values are measured using unobservable market inputs. The valuation technique is consistent with level 2. The chosen valuation technique incorporates management's assumptions and data.

Examples of level 3 instruments include unquoted equity securities and foreign notes.

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35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

(v) Fair Value Disclosures Based on 3-Level Hierarchy

Shareholder's Fund

	Valuation techniques using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Significant unobservable inputs RM'000	
31.12.2012				
<u>Assets</u>				
AFS financial assets:				
Equity securities	91,237	-	32	91,269
Malaysian government papers	-	12,157	-	12,157
Unquoted debt securities in Malaysia	-	657,865	-	657,865
Trust funds	1,843	-	-	1,843
Total assets	93,080	670,022	32	763,134
31.12.2011				
<u>Assets</u>				
AFS financial assets:				
Equity securities	37,170	-	32	37,202
Malaysian government papers	-	2,050	-	2,050
Unquoted debt securities in Malaysia	-	164,816	-	164,816
Trust funds	154	-	-	154
Total assets	37,324	166,866	32	204,222

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35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

(v) Fair Value Disclosures Based on 3-Level Hierarchy (cont'd.)

Shareholder's Fund (cont'd.)

	Valuation techniques using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Significant unobservable inputs RM'000	
1.07.2011				
<u>Assets</u>				
AFS financial assets:				
Equity securities	35,314	-	230	35,544
Malaysian government papers	-	12,023	-	12,023
Unquoted debt securities in Malaysia	-	132,097	-	132,097
Trust funds	415	-	-	415
Total assets	35,729	144,120	230	180,079

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35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

(v) Fair Value Disclosures Based on 3-Level Hierarchy (cont'd.)

General takaful fund

	Valuation techniques using:		Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	
31.12.2012			
<u>Assets</u>			
AFS financial assets:			
Equity securities	185,617	-	185,617
Malaysian government papers	-	210,218	210,218
Unquoted debt securities in Malaysia	-	616,182	616,182
Negotiable Islamic certificates of deposits	-	24,688	24,688
Trust funds	4,087	-	4,087
Total assets	189,704	851,088	1,040,792
31.12.2011			
<u>Assets</u>			
AFS financial assets:			
Equity securities	152,484	-	152,484
Malaysian government papers	-	177,601	177,601
Unquoted debt securities in Malaysia	-	468,948	468,948
Negotiable Islamic certificates of deposits	-	23,922	23,922
Trust funds	1,581	-	1,581
Total assets	154,065	670,471	824,536

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35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

(v) Fair Value Disclosures Based on 3-Level Hierarchy (cont'd.)

General takaful fund (cont'd.)

	Valuation techniques using:		Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	
1.07.2011			
<u>Assets</u>			
AFS financial assets:			
Equity securities	149,121	-	149,121
Malaysian government papers	-	174,695	174,695
Unquoted debt securities in Malaysia	-	443,636	443,636
Negotiable Islamic certificates of deposits	-	23,135	23,135
Trust funds	2,503	-	2,503
Total assets	151,624	641,466	793,090

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35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

(v) Fair Value Disclosures Based on 3-Level Hierarchy (cont'd.)

Family takaful fund

	Valuation techniques using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Significant unobservable inputs RM'000	
31.12.2012				
<u>Assets</u>				
AFS financial assets:				
Equity				
securities	601,145	-	-	601,145
Malaysian				
government				
papers	-	277,861	-	277,861
Unquoted debt				
securities in				
Malaysia	-	1,306,083	-	1,306,083
Negotiable Islamic				
certificates				
of deposits	-	16,597	-	16,597
Trust funds	23,686	-	-	23,686
FVTPL financial				
investments:				

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35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

(v) Fair Value Disclosures Based on 3-Level Hierarchy (cont'd.)

Family takaful fund (cont'd.)

	Valuation techniques using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Significant unobservable inputs RM'000	
31.12.2012 (cont'd.)				
<u>Assets (cont'd.)</u>				
Malaysian government papers	-	921,405	-	921,405
Unquoted debt securities in Malaysia	-	3,421,175	-	3,421,175
Negotiable Islamic certificates of deposits	-	100,203	-	100,203
HFT financial investments:				
Unquoted debt securities in Malaysia	-	5,847	-	5,847
Foreign Notes	-	-	7,731	7,731
Total assets	624,831	6,049,171	7,731	6,681,733

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35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

(v) Fair Value Disclosures Based on 3-Level Hierarchy (cont'd.)

Family takaful fund (cont'd.)

	Valuation techniques using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Significant unobservable inputs RM'000	
31.12.2011				
<u>Assets</u>				
AFS financial assets:				
Equity				
securities	625,230	-	-	625,230
Malaysian government papers	-	226,142	-	226,142
Unquoted debt securities in Malaysia	-	1,091,269	-	1,091,269
Negotiable Islamic certificates of deposits	-	15,975	-	15,975
Trust funds	17,088	-	-	17,088
FVTPL financial investments:				
Malaysian government papers	-	772,039	-	772,039
Unquoted debt securities in Malaysia	-	2,842,585	-	2,842,585
Negotiable islamic certificates of deposits	-	96,492	-	96,492

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35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

(v) Fair Value Disclosures Based on 3-Level Hierarchy (cont'd.)

Family takaful fund (cont'd.)

	Valuation techniques using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Significant unobservable inputs RM'000	
31.12.2011 (cont'd.)				
HFT financial investments:				
Unquoted debt securities in Malaysia	-	49,357	-	49,357
Negotiable Islamic certificates of deposits	-	10,755	-	10,755
Foreign Notes	-	-	8,506	8,506
Total assets	642,318	5,104,614	8,506	5,755,438

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35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

(v) Fair Value Disclosures Based on 3-Level Hierarchy (cont'd.)

Family takaful fund (cont'd.)

	Valuation techniques using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Significant unobservable inputs RM'000	
1.07.2011				
<u>Assets</u>				
AFS financial assets:				
Equity				
securities	633,150	-	-	633,150
Malaysian government papers	-	219,570	-	219,570
Unquoted debt securities in Malaysia	-	955,843	-	955,843
Negotiable Islamic certificates of deposits	-	18,785	-	18,785
Trust funds	18,190	-	-	18,190
FVTPL financial investments:				
Malaysian government papers	-	776,163	-	776,163
Unquoted debt securities in Malaysia	-	2,493,012	-	2,493,012
Negotiable Islamic certificates of deposits	-	116,911	-	116,911

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35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

(vi) Fair Value Disclosures Based on 3-Level Hierarchy (cont'd.)

Family takaful fund (cont'd.)

	Valuation techniques using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Significant unobservable inputs RM'000	
1.07.2011 (cont'd.)				
<u>Assets (cont'd.)</u>				
HFT financial investments:				
Unquoted debt securities in Malaysia	-	54,735	-	54,735
Negotiable Islamic certificates of deposits	-	50,129	-	50,129
Foreign Notes	-	-	11,138	11,138
Total assets	651,340	4,685,148	11,138	5,347,626

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35. FAIR VALUES HIERARCHY (CONT'D.)

(b) Reconciliation of Level 3 fair value hierarchy

	Unquoted Equity Securities <u>Shareholder's fund</u> RM'000
AFS financial assets	
31.12.2012	
As at 1 January/31 December 2012	<u>32</u>
31.12.2011	
As at 1 July 2011	230
Net fair value loss recognised in other comprehensive income	(198)
As at 31 December 2011	<u>32</u>
	<u>Foreign Notes</u> HFT financial assets RM'000
Family takaful fund	
31.12.2012	
As at 1 January 2012	8,506
Net fair value loss recognised in other comprehensive income/income statement	571
Disposal	(1,346)
As at 31 December 2012	<u>7,731</u>

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35. FAIR VALUES HIERARCHY (CONT'D.)

(b) Reconciliation of Level 3 fair value hierarchy (Cont'd.)

	<u>Foreign Notes</u> HFT financial assets RM'000
Family takaful fund (cont'd.)	
31.12.2011	
As at 1 July 2011	11,138
Net fair value loss recognised in other comprehensive income/income statement	(294)
Disposal	<u>(2,338)</u>
As at 31 December 2011	<u>8,506</u>

36. CONTINGENT LIABILITIES

(i) Counter claim on litigated case

In 2004, the Company commenced a civil suit against a third party ("the First Defendant") and all the guarantors for the failure to pay two monthly instalments amounting to RM0.8 million. The First Defendant counter claimed for loss and damage amounting to RM283.6 million as a result of the Company's alleged failure to release the balance of the facility of RM7.5 million. It was alleged that the First Defendant was unable to carry on with its project and therefore had suffered loss and damage.

The Company's solicitors were of the opinion that the First Defendant bore the burden of proving all allegations against the Company which was contained in the statement of defence and counterclaim. In addition, the First Defendant was obliged to prove, on the balance of probabilities, the loss and damage purportedly suffered as a result of the Company's actions at the material time. The Company's application for Summary Judgment was heard on 14 May 2009 and allowed by the Kuala Lumpur High Court ("KLHC"). In addition, the KLHC ordered that the First Defendant's counter claim against the Company be dismissed.

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36. CONTINGENT LIABILITIES (CONT'D.)

(i) Counter claim on litigated case (Cont'd.)

The First Defendant then filed a Notice of Motion to the Court of Appeal for stay of execution and to appeal against the decision of the KLHC dated 14 May 2009. During the hearing of the application for stay of execution on 28 October 2009, the Court of Appeal had dismissed the application with cost.

The First Defendant's appeal against the decision of the KLHC dated 14 May 2009 was heard by the Court of Appeal on 4 March 2010 which had allowed the First Defendant's appeal with cost. Thus, the Summary Judgment granted by the KLHC on 14 May 2009 was set aside and the striking out of the Defendants' counter-claim was now overturned. The Court of Appeal had directed the matter to be set down for full trial.

The full trial concluded on 29 June 2011 and on 21 September 2011 the KLHC had dismissed the Defendants' counter-claim against the Company and allowed judgment to be entered against the Defendants. The First, Second and Fourth Defendants then filed for a stay of execution of the Judgment dated 21 September 2011 and on 8 December 2011, the KLHC dismissed the said application with costs of RM1,000.

The First, Second and Fourth Defendants had filed for appeal against the decision dated 21 September 2011 to the Court of Appeal and the Court had fixed 20 February 2013 as the next hearing date.

The solicitors of the Company are of the view that the Company has a more than even chance of success based on the merits of the case and, accordingly, the Company should be able to maintain the judgment at the disbursed sum less payments received to date.

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36. CONTINGENT LIABILITIES (CONT'D.)

(ii) Letter of demand from service provider

On 22 October 2012, the Company and its fellow subsidiary had terminated the services of a service provider on the grounds that they had not complied with the services required of them under a service level agreement between the service provider and the Company and its fellow subsidiary. On 28 November 2012, the service provider had, via its solicitors, issued a letter of demand against the Company and its fellow subsidiary for a particular sum, alleged to be amounts owing to the service provider for outstanding claims by Medical providers. In respect of the amounts claimed by the service provider, management is of the opinion that the claimed amounts were not substantiated and, thus, no payments were made. The Company's and its fellow subsidiary's solicitors had advised management that the Company and its fellow subsidiary had a reasonable defence against the claim until such time as sufficient evidence is given by the service provider to support the claimed amounts. Accordingly, the management of the Company and its fellow subsidiary are of the view that an accrual for the claimed amounts is not necessary as the alleged amounts are not substantiated by documentary evidence.