1 PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is principally engaged in investment holding and providing management services. The principal activities of the Group consist of general and life insurance businesses, family takaful and all classes of general takaful businesses, investment holding, hire purchase, leasing and other credit activities, unit trust, property management, fund management and investment advisory, security and consultancy services.

There have been no significant changes in the nature of these activities for the Group and the Company during the financial year, other than the significant event disclosed in Note 53(a) the financial statements.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of the Malaysia Securities Exchange Berhad.

On 5 October 2011, the Company changed its name to "MAA Group Berhad".

The registered office and principal place of business of the Company are as follows:

Registered office

Suite 20.03, 20th Floor, Menara Zurich
12, Jalan Dewan Bahasa
50460 Kuala Lumpur

Principal place of business

13th Floor, No.566
Jalan Ipoh
51200 Kuala Lumpur

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 23 April 2012.

2 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements, unless otherwise stated.

(a) Basis of preparation

In the previous financial year, the Company was granted relief by the Companies Commission of Malaysia to prepare its consolidated financial statements on a basis consistent with the basis of preparation of the Group's insurance subsidiary company, namely Malaysian Assurance Alliance Berhad ("MAA"), with modifications made to comply with the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM"). As the Company had disposed of MAA during the current financial year, the modification is no longer required for the Group and Company. Accordingly, the financial statements of the Group and Company have been prepared under the historical cost convention modified by the valuation of investments in the investment-linked business at market value, the fair valuation of investment properties, remeasurement at fair value of available-for-sale financial assets, and financial assets held at fair value through profit or loss in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, and comply with the provisions of the Companies Act, 1965.

At the beginning of the current financial year, the Group has adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2011 as described in Note 2(b) to the financial statements.

The preparation of financial statements in conformity with the FRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Standards and amendments to published standards and interpretations

(i) Standards, and relevant amendments to published standards and interpretations to existing standards that are applicable and effective to the Group and Company

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and Company's current financial year beginning on or after 1 January 2011 are as follows:

- Revised FRS 1 "First-time Adoption of Financial Reporting Standards"
- Revised FRS 3 "Business combinations"
- Revised FRS 127 "Consolidated and separate financial statements"
- Amendment to FRS 2 "Share-based payment - Group cash-settled share-based payment transactions"
- Amendment to FRS 7 "Financial instruments: Disclosures - improving disclosures about financial instruments"
- Amendments to FRS 1 "First-time adoption of financial reporting standards"
- Amendment to FRS 132 "Financial instruments: Presentation – Classification of rights issues"
- IC Interpretation 4 "Determining whether an arrangement contains a lease"
- IC Interpretation 12 "Service concession arrangements"
- IC Interpretation 16 "Hedges of a net investment in a foreign operation"
- IC Interpretation 17 "Distribution of non-cash assets to owners"
- Improvements to FRSs (2010)

(ii) Standards, amendments to published standards and interpretations to existing standard that are applicable and relevant to the Group and Company but are not yet effective

For financial periods commencing 1 January 2012, the Group and Company will be adopting the new IFRS-Compliance framework, Malaysian Financial Reporting Standard ("MFRS"). The Group and Company will be required to prepare an opening statement of financial position and restate comparative financial information retrospectively as if the requirements of MFRS, have always been applied by the Group and Company from the transition date of 1 January 2011. MFRS 1 "First-Time Adoption of Malaysian Financial Reporting Standard" provides certain mandatory exceptions and optional exemptions for first-time adoption of MFRS.

In the planning stage, the Group and Company had completed its review of the MFRS requirements and noted there is no material financial impact arising from the adoption. The Group and Company are now progressing to the implementation of the identified disclosure changes and will complete the process prior to the release of the interim results of the Group for the financial period ending 31 March 2012.

The new accounting standards, amendments to standards and interpretations to existing standards that are relevant and applicable to the Group and Company's following financial periods are as follows:

a. Financial year beginning on/after 1 January 2012

- The revised MFRS 124 "Related Party Disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:
  - The name of the government and the nature of their relationship;
  - The nature and amount of each individually significant transactions; and
  - The extent of any collectively significant transactions, qualitatively or quantitatively.

  The amended definition of 'related party' means that some entities will be required to make additional disclosures. For example, a subsidiary is now required to disclose transactions with an associate of its parent. An entity that is controlled by an individual that is part of the key management personnel of another entity is now required to disclose transactions with that second entity.

  The Group and Company will apply this standard from financial periods beginning on 1 January 2012.

- Amendment to MFRS 112 "Income Taxes" (effective from 1 January 2012) introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. MFRS 112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in MFRS 140 "Investment Property". As a result of the amendments, IC Interpretation 121 "Income taxes - recovery of revalued non-depreciable assets" will no longer apply to investment properties carried at fair value. The amendments also incorporate into MFRS 112 the remaining guidance previously contained in IC Interpretation 121 which is withdrawn. The Group and Company will apply this standard from financial periods beginning on 1 January 2012.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Standards and amendments to published standard and interpretations (continued)

(ii) Standards, amendments to published standards and interpretations to existing standard that are applicable and relevant to the Group and Company but are not yet effective (continued)

a. Financial year beginning on/after 1 January 2012 (continued)

- IC Interpretation 19 "Extinguishing financial liabilities with equity instruments" (effective from 1 July 2011) provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit or loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in profit or loss. The Group and Company will apply this standard from financial periods beginning on 1 January 2012.

- Amendment to MFRS 7 "Financial Instruments: Disclosures on Transfers of Financial Assets" (effective from 1 July 2011) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The Group and Company will apply this standard from financial periods beginning on 1 January 2012.

b. Financial year beginning on/after 1 January 2013

- MFRS 9 "Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities" (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income. There is no subsequent recycling of the amounts in other comprehensive income, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply. MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9. The Group and Company will apply this standard from financial periods beginning on 1 January 2015.

- MFRS 10 "Consolidated Financial Statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and Separate Financial Statements" and IC Interpretation 112 "Consolidation – Special Purpose Entities". The Group and Company will apply this standard from financial periods beginning on 1 January 2013.

- MFRS 11 "Joint Arrangements" (effective from 1 January 2013) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group and Company will apply this standard from financial periods beginning on 1 January 2013.

- MFRS 12 "Disclosures of Interests in Other Entities" (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in Associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The Group and Company will apply this standard from financial periods beginning on 1 January 2013.

- MFRS 13 "Fair Value Measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial Instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones. The Group and Company will apply this standard from financial periods beginning on 1 January 2013.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Standards and amendments to published standard and interpretations (continued)

(ii) Standards, amendments to published standards and interpretations to existing standard that are applicable and relevant to the Group and Company but are not yet effective (continued)

b. Financial year beginning on/after 1 January 2013 (continued)

- The revised MFRS 128 "Investments in Associates and Joint Ventures" (effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11. The Group and Company will apply this standard from financial periods beginning on 1 January 2013.

- Amendment to MFRS 101 "Financial Statement Presentation" (effective from 1 July 2012) requires entities to separate items presented in other comprehensive income in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in other comprehensive income. The Group and Company will apply this amendment from financial periods beginning on 1 January 2013.

- Amendment to MFRS 119 "Employee Benefits" (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment. The Group and Company will apply this amendment from financial periods beginning on 1 January 2013.

- Amendment to MFRS 132 "Financial Instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of "currently has a legally enforceable right of set-off" that the right to set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanism with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria. The Group and Company will apply the amendment from financial periods beginning on 1 January 2014.

- Amendment to MFRS 7 "Financial Instruments: Disclosures" (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are off-set in the statements of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset. The Group and Company will apply the amendment from financial periods beginning on 1 January 2013.

The adoption of the above revised standards, amendments and interpretations is not expected to have any significant financial impact to the financial statements of the Group and Company.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Group and Company and all its subsidiary companies made up to the end of the financial year.

(i) Subsidiary companies

Subsidiary companies are those companies in which the Group and Company has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiary companies are consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

Subsidiary companies are consolidated using the purchase method of accounting, except for the acquisition of MAA which was consolidated using the merger method of accounting in accordance with Malaysian Accounting Standard ("MAS") No. 2 - Accounting for Acquisitions and Mergers, the extant accounting standard prevailing at the time of the merger.

For acquisition of subsidiary companies made prior to 1 January 2005, the excess or deficit of the acquisition cost over the fair values of the Group's share of the subsidiary companies' identifiable net assets as at the date of acquisition is written off to reserves in the financial year of acquisition.

Under the merger method of accounting prescribed by MAS 2, the results of the subsidiary companies are presented as if the merger had been effected throughout the current and previous financial years. On consolidation, the difference between the carrying values of the investment in the subsidiary company over the nominal value of the shares acquired is taken to merger reserve.

The Group and Company have taken advantage of the exemption provided by FRS 3 – Business Combinations to apply this Standard prospectively. Accordingly, business combinations entered into prior to 1 January 2008 have not been restated to comply with this Standard. In addition, FRS 3 requires business combinations to be accounted for using the purchase accounting method.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of consolidation (continued)

(i) Subsidiary companies (continued)

Under the purchase method of accounting, the results of subsidiary companies acquired or disposed off during the financial year are included from the date of acquisition up to the date of disposal. The cost of acquisition is measured at the fair values of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. When more than one exchange transaction is involved, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interest of the Group is accounted for as a revaluation.

The excess of the cost of acquisition over the fair values of the Group's share of the identifiable net assets acquired at the date of acquisition is recorded as goodwill (see Note 2(h) to the financial statements). If the cost of acquisition is less than the fair values of the net assets of the subsidiary company acquired, the difference is recognised directly in the income statement.

Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed to ensure consistency of accounting policies with those of the Group.

The gain or loss on disposal of a subsidiary company which is the difference between net disposal proceeds and the Group's share of its net asset as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary company, is recognised in the income statement.

(ii) Transactions with non-controlling interest

The Group applies a policy of treating transactions with non-controlling interest as transactions with equity owners of the Group. For purchases with non-controlling interest, the difference between any consideration paid and the relevant shares of the carrying value of net assets of the subsidiary company acquired is deducted from equity. For disposals to non-controlling interests, the difference between any proceeds received and the relevant share of non-controlling interests are also recognised in equity.

(d) Associated companies

Associated companies are companies in which the Group and Company exercises significant influence but which it does not control, generally accompanying a shareholding of between 20% to 50% voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not control over those policies. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. The Group's investments in associated companies include goodwill identified on acquisition, net of any accumulated impairment loss (see accounting policy in Note 2(l) on impairment of non-financial assets).

Equity accounting involves recognising in the income statement, the Group's share of the results of associated companies for the financial year and its share of post-acquisition movements in reserves, recognised in reserves. The cumulative post-acquisition movement in reserves is adjusted against the carrying amount of the investment. The Group's investments in associated companies are carried in the statement of financial position at an amount that reflects its share of the net assets of the associated companies. When the Group's share of losses in an associate company equals or exceeds its interest in the associate company, including any other long term interests that in substance form part of the Group's net investment in the associate company, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those of the Group.

Dilution gains and losses in associates are recognised in the income statement.

For incremental interest in associated company, the date of acquisition is the date at which significant influence is obtained. Goodwill is calculated at each purchase date based on the fair values of assets and liabilities identified. The previously acquired stake is stepped up to fair values and the share of profits and equity movements for the previously acquired stake are not recognised since they are embedded in the step-up.

(e) Property, plant and equipment

Property, plant and equipment are initially stated at cost or valuation, less accumulated depreciation and accumulated impairment loss. Costs include expenditure that is directly attributed to the acquisition of the asset. Land and buildings are shown at fair values, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation and impairment losses. The Group and Company may perform additional valuations during the intervening periods where market conditions indicate that the carrying values of the revalued assets are materially different than the market values.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (continued)

Subsequent cost is 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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Surplus arising on revaluation is credited to the statement of comprehensive income and shown as a separate component of equity, except that for the life insurance business, such revaluation surplus are reported as a separate component of insurance contract liabilities. Deficits that offset previous increases of the same assets are charged to the statement of comprehensive income and debited against its component in equity, except that for the Life insurance business, General takaful business and Family takaful business, deficits that offset such previous increases are debited against its component in the insurance contract liabilities. In all other cases, decreases are charged to the income statement during the financial period in which they are incurred.

Freehold land is not depreciated as it has an infinite life. Assets under construction are not depreciated until they are ready for their intended use. Other property, plant and equipment are depreciated on a straight line basis to write off the cost of the assets, or their revalued amounts, to their residual values over their estimated useful lives.

Leasehold land is amortised in equal instalments over the period of their respective leases or earlier if the expected useful life is lower than the leasehold period. In previous financial years, leasehold land was reported as prepaid leases rentals under other receivables.

The annual depreciation rates are as follows:

Leasehold land	Over the remaining leasehold period
Buildings	2%
Plant and machinery	10% - 20%
Furniture, fittings and equipment	10% - 20%
Motor vehicles	10% - 20%
Renovation	10% - 20%

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate at each reporting date.

At the end of each reporting date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see accounting policy in Note 2(l) on impairment of non-financial assets).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged to the income statement. On disposal of revalued assets, amounts in asset revaluation reserve relating to those assets are transferred to the statement of comprehensive income.

(f) Leases

Leases in which significant risks and rewards are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

(g) Investment properties

Investment properties, comprising principally of land and buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investments properties are initially stated at cost including related and incidental expenditure incurred and are subsequently carried at fair values. Fair value is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The fair values of investment properties are reviewed annually, and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying values of the investment properties are materially higher than the fair values.

Gains or losses arising from changes in fair values of investment properties are recognised in the income statement in the year in which they arise.

Property located on land that is held under an operating lease is classified as investment property as long as it is held for long term yields and is not occupied by the Group. The initial cost of the property is the lower of the fair value of the property and the present value of the maximum lease payments. The property is carried at fair value after initial recognition.

On disposal of an investment property or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it is derecognised (eliminated from the statement of financial position). The difference between net proceeds and the carrying amount is recognised in the income statement in the financial year of the retirement or disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment properties (continued)

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in asset revaluation reserve as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement. Upon the disposal of such investment property, any surplus previously recorded in asset revaluation reserve is transferred to the statement of comprehensive income and/or shown as a separate component in the insurance contract liabilities.

(h) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair values of the Group's share of the net identifiable assets of the acquired subsidiary/associate company at the acquisition date. Goodwill on acquisition of subsidiary companies made on or after 1 January 2005 is included in intangible assets.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash generating units for the purpose of impairment testing.

Management rights

This represents the purchase consideration to acquire the rights to manage unit trust funds. The purchase consideration on the acquired right is capitalised and amortised over a period of 20 years, the period over which the Group expects to recognise the related revenue.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable software systems controlled by the Group and Company, which do not form an integral part of the hardware, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Computer software development costs recognised as assets are amortised using straight line method over their estimated useful lives, ranging between 5 to 10 years.

(i) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amounts and fair value less cost to sell if their carrying amounts are recovered principally through a sale transaction rather than through continuing use.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

(j) Investments and other financial assets

The Group classifies its financial assets into the following categories: financial assets measured at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

(i) Financial assets measured at fair value through profit or loss

The Group classifies investments acquired for the purpose of selling in the short-term as held for trading. Derivatives are also classified as held for trading unless they are designated as hedges.

Investments held by investment-linked funds are designated at fair value through profit or loss at inception as they are managed and evaluated on a fair value basis, in accordance with the respective investment strategy and mandate.

These investments are initially recorded at fair value and transaction costs are expensed in the income statement. Subsequent to initial recognition, these assets are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Investments and other financial assets (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market but do not include insurance receivables. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective yield method, less allowance for impairment.

Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. After initial measurement, available-for-sale financial assets are remeasured at fair value.

Fair value gains and losses of monetary and non-monetary financial assets are reported in the statement of comprehensive income and reported as a separate component of equity until the investment is derecognised or investment is determined to be impaired, except for the Life insurance business, General takaful business and Family takaful business, where such fair value gains or losses are reported as a separate component of insurance contract liabilities. Fair value gains and losses of monetary instruments denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost of the instrument and other changes in the carrying amount of the instrument. The translation differences on monetary instruments are recognised in the income statement; translation differences on non-monetary instruments are reported in the statement of comprehensive income and shown as a separate component of equity except for the life insurance business, general takaful business and family takaful business, where such fair value gains or losses are reported as a separate component of insurance contract liabilities until the investment is derecognised, as prescribed under BNM's Guidelines on Financial Reporting for Insurers.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in the equity is transferred through the statement of comprehensive income or from insurance contract liabilities to the income statement.

(k) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted or published bid prices on reporting date. If quoted prices are not available over the counter, broker or dealer price quotations are used.

For investments in unit and real estate investment trusts, fair value is determined by reference to published bid values.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placement and accrued interest/profit. The fair value of fixed interest/yield-bearing deposits is measured using estimated discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of other non-financial assets

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

An impairment loss is charged to the income statement immediately.

A subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

(m) Impairment of financial assets

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

(i) Financial assets carried at amortised cost

A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

To determine whether there is objective that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, 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 (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate/yield. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recorded in the income statement.

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 (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Available-for-sale financial assets

The Group assesses at each reporting date whether there is objective evidence that an available-for-sale financial asset is impaired, including in the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in the income statement, is transferred from equity through the statement of comprehensive income or from insurance contract liabilities to the income statement. Impairment losses recognised in the income statement on equity instruments are not subsequently reversed. The impairment loss is reversed through the income statement, if in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

(n) Loans

Loans are recognised initially at fair value and subsequently measured at amortised costs using the effective interest method, less allowance for impairment. An allowance for impairment of loans is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the assets' carrying amounts and the present value of estimated future cash flows discounted at the effective interest rates. This includes interest that is suspended and/or recognised to the extent of the recoverable amount.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Loans (continued)

The amount of specific allowance also takes into account the collateral value and recoverable amount of interest due, which may be discounted to reflect the impact of recovery process. The recovery process is estimated to be between one to five years, depending on default condition of the loan, type of collateral and whether under litigations. The amount of the allowance is recognised in the income statement.

Where the collateral is property, the net realisable value for the property is determined by using its fair value which is based on open market value by independent property valuers, adjusted if necessary, for any difference in the nature, location or condition of the specific asset, while the net realisable value for share is based on last transacted price. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets, adjusted if necessary, for any difference in the nature, location or condition of the specific asset or discounted cash flow projections. The sensitivity analysis on loans is described in Note 8 to the financial statements.

Consistent with previous years, loans are classified as non-performing when repayments or interests are in arrears for more than six (6) months from the first day of default or after maturity date.

(o) Insurance receivables

Insurance receivables are recognised when due. They are measured at initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2(m)(i) to the financial statements.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2(p) to the financial statements have been met.

(p) Financial instruments - derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

(q) Equity instruments

<u>Ordinary share capital</u>

The Company has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributed to the issue of these shares are recognised in equity, net of tax.

<u>Dividends on ordinary share capital</u>

Dividends on ordinary shares are recognised as liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid.

Dividends for the financial year that are approved after end of the reporting date are dealt with as an event after the date of the statement of financial position.

(r) Product classification

The Group issues contracts that transfer insurance risk or financial risk or both.

Financial risk is the risk of a possible future change in one or more of a specified interest 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. Insurance risk is the risk other than financial risk.

Insurance/takaful contracts are those contracts that transfer significant insurance risk. An insurance/takaful contract is a contract under which the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Product classification (continued)

The insurance and investment contracts of the conventional insurance subsidiary companies, 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:

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

Under the terms of contracts, surpluses in the DPF funds can be distributed on a 90/10 basis to the policyholders and the shareholders respectively. The Group has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

Under the Risk Based Capital Framework for Insurers, statutory liabilities are calculated based on the Gross Premium Valuation ("GPV") method which takes into consideration not only the guaranteed but also the discretionary benefits in the case of participating products and the underlying assumptions are based on the Group's actual experience

For financial options and guarantees which are not closely related to the host insurance/takaful 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 insurance/takaful contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

The Group defines insurance risk to be significant when ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at any point of the insurance/takaful contract in force.

(s) Reinsurance

The Group cedes insurance risk in the normal course of business for most of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurers' policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurers. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised.

The Group also assumes reinsurance risk in the normal course of business for life insurance/family takaful and general (non-life) insurance/general takaful contracts when applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contracts.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire, or when the contracts are transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Insurance contracts - Life insurance business

The surplus transferable from the life insurance business to the income statement is based on the surplus determined by an annual actuarial valuation of the long term contract liabilities to policyholders. In the event the actuarial valuation indicates that a transfer is required from the shareholders' fund, the transfer from the income statement to the life insurance business is made in the financial year of the actuarial valuation.

Gross premiums

Premium income includes premium recognised in the life fund and the investment-linked fund. Gross premiums of the life fund are recognised as soon as the amount of the premiums can be reliably measured. First premiums are recognised from inception date and subsequent premiums are recognised when they are due.

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

Premium income of the investment-linked fund includes creation of units which represents premiums paid by policyholders as payment for new contracts or subsequent payments to increase the amount of those contracts. Net creation of units is recognised on a receipt basis.

Reinsurance premiums

Gross reinsurance premiums are recognised as expense when payable or on the date on which the policy is effective.

Benefits, claims and expenses

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer is notified.

Benefits and claims, including settlement costs, are accounted for using the case-by-case method and for this purpose the amounts payable under a policy are recognised as follows:

- maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- 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 contingency covered; and
- bonus on DPF policy upon its declaration.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contracts.

Commission and agency expenses

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, and income derived from reinsurers in the course of ceding of premiums to reinsurers, are charged to the income statement in the financial year in which they are incurred.

(u) Insurance contracts - General insurance business

The general insurance underwriting results are determined for each class of business after taking into account reinsurance, commissions, premium liabilities and claims incurred.

Gross premiums

Gross premiums are recognised in a financial year in respect of risks assumed during that particular financial year. Premiums from direct business are recognised during the financial year upon the issuance of insurance policies. Premiums in respect of risks incepted for which insurance policies have not been raised as of the reporting date are accrued at that date.

Reinsurance premiums

Inwards facultative reinsurance premiums are recognised in the financial period in respect of the facultative risks assumed during that particular financial period, as in the case of direct policies, following the individual risks' inception dates.

Inwards treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inceptions dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties. In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inwards treaty reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Insurance contracts - General insurance business (continued)

Premium liabilities

For the insurance subsidiary company regulated by BNM, premium liabilities refers to the higher of:

(i) the aggregate of the unearned premium reserves ("UPR"), or

(ii) the best estimate value of the insurer's unexpired risk reserves ("URR") at the valuation date and the provision of risk margin for adverse deviation ("PRAD") calculated at the overall company level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expense including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and allows for expected future premium refunds.

For insurance subsidiary companies not regulated by BNM, premium liabilities refer to UPR.

UPR represent the portion of the net premiums of general insurance policies written that relate to the unexpired periods of the policies at the end of the financial year.

In determining the UPR at the reporting date, the method that most accurately reflects the actual unearned premium is used, as follows:

(i) 25% method for marine and aviation cargo, and transit business;

(ii) 1/24th method for all other classes of general business except for non-annual policies in respect of Malaysian policies, reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding the limits specified by BNM; and

(iii) time apportionment method for non-annual policies (including long term inwards treaty business) reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding the limits specified by BNM.

Claims and expenses

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

The amounts of outstanding claims are the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligations at the reporting date.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported ("IBNR") at the reporting date based on an actuarial valuation with a PRAD at a 75% confidence level Group-wide, consistent with the requirements for the insurance subsidiary company regulated by BNM.

Acquisition costs

The gross costs of acquiring and renewing insurance policies, net of income derived from ceding reinsurance premiums, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

(v) Takaful contracts - General takaful business

The General takaful business is maintained in accordance with the requirements of the Takaful Act, 1984 and consists of unearned contribution reserves and accumulated surplus attributable to participants which represents the participants' share in the net surplus of the General takaful business, distributable in accordance with the terms and conditions prescribed by the Shariah Committee of the subsidiary company engaged in the takaful business. The General takaful underwriting results are determined for each class of general takaful business after taking into account retakaful, wakalah fee, unearned contributions reserves and claims incurred.

Any deficit in the General takaful fund will be made good via a benevolent loan or Qardhul Hassan.

Gross contributions

Gross contributions are recognised in a financial year in respect of risks assumed during that particular financial year. Contributions from direct business are recognised during the financial year upon the issuance of takaful certificates. Contributions in respect of risks incepted for which takaful certificates have not been raised as of the reporting date are accrued at that date.

Retakaful contributions

Outward retakaful contributions are recognised in the same accounting period as the original certificate to which the retakaful relates.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Takaful contracts - General takaful business (continued)

Unearned contribution reserves

Unearned contribution reserves ("UCR") represent the portion of the net contributions of takaful certificate written that relate to the unexpired periods of the certificates at the end of the financial year.

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

- 1/365th method for all classes of General takaful business within Malaysia; and

- time apportionment method for non-annual certificates and first year annual certificates with a cover period of more than one year.

with a further reduction for wakalah fee expenses to reflect the wakalah business principle.

Provision for outstanding claims

A liability for outstanding claims is recognised in respect of both direct takaful and inward retakaful. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the reporting date.

Provision is also made for the cost of claims, together with related expenses and IBNR at the reporting date based on an actuarial valuation.

(w) Takaful contracts - Family takaful business

The Family takaful business is maintained in accordance with the requirements of the Takaful Act, 1984 and includes the amount attributable to participants. The amount attributable to participants represents the accumulated surplus attributable to the participants as determined by an annual actuarial valuation of the Family takaful fund and is attributable in accordance with the terms and conditions prescribed by the Shariah Committee of the subsidiary company engaged in the takaful business.

Any actuarial deficit in the Family takaful fund will be made good via a benevolent loan or Qardhul Hassan.

Gross contributions

Contribution income represents contribution recognised in the Family takaful and investment-linked fund.

Gross contributions from the Family takaful business are recognised as soon as the amount can be reliably measured. First contribution is recognised from inception date and subsequent contribution is recognised when it is due.

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

Gross contributions of the investment-linked business include net creation of units and represent contributions paid by participants as payment for a new contract or subsequent which payments to increase the amount of that contract. Net creation of units is recognised on a receipt basis.

Retakaful contributions

Outward retakaful contributions are recognised in the same accounting periods as the original certificates to which the retakaful relates.

Provision for outstanding claims

Claims and settlement costs that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer 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 policy are recognised as follows:

(i) maturity or other certificate benefit payments due on specified dates are treated as claims payable on the due dates;

(ii) 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 contingency covered.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Insurance/takaful contract liabilities

(i) Life actuarial liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guarantee and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit liabilities of investment-linked policies.

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the contract level derived as stated above.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, is set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group.

Adjustments to the liabilities at each reporting date are recorded in the income statement. Profits that originate from margins of adverse deviations on run-off contracts, are recognised in the income statement over the life of the contract, whereas losses are fully recognised in the income statement during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

As the valuation methods used to value liabilities are in accordance with the RBC Framework for Insurers, the insurance subsidiary company regulated by BNM is deemed to have complied with the requirements of a liability adequacy test under FRS 4 Insurance Contracts.

For insurance subsidiary companies not regulated by BNM, separate assessments are carried out to comply with the requirements of a liability adequacy test under FRS 4.

(ii) Surplus in insurance contracts

Surpluses in DPF insurance contracts are distributable to policyholders and shareholders in accordance with the relevant terms under the Insurance Act, 1996 for the insurance subsidiary company regulated by BNM. The Group, however, has the discretion over the amount and timing of these surpluses to policyholders and shareholders. Surpluses on non-DPF insurance contracts are attributable wholly to the shareholders, and the amount and timing of the distribution to the shareholders is subject to the advice of the Group's appointed actuary.

The Group has applied the treatment as recommended under the Guidelines on Financial Reporting for Insurers issued by BNM and applied by its local insurance subsidiary companies, i.e. the unallocated surpluses of the DPF and non-DPF insurance contracts, where the amount of surplus allocation or attributable to either policyholders or shareholders has yet to be determined at the end of the financial year, is held within the insurance contract liabilities.

(iii) Family takaful contract liabilities

Family takaful contract liabilities are recognised when contracts are entered into and contributions are charged.

Liability adequacy test is performed at 75th percentile sufficiency level, in line with BNM's new valuation guidelines on Family takaful business which is applicable for financial period beginning on/after 1 July 2011. Hence, claim rates, surrender assumptions and other valuation parameters are determined at a 75th percentile confidence level.

For investment linked products, the non-unit liabilities are valued on a cash flow basis by projecting tabarru' (risk charges) stream on a certificate basis, taking into account expected death and surrenders as decrements. The tabarru' streams are then compared against the corresponding projected mortality and other risk benefits. Future deficits are reserved on a present value basis, using the risk free spot rates of return. The higher of the UCR and total present value of deficits is taken as the actuarial liability. The value of Participant Investment Account ("PIA") is taken as the unit reserves.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Insurance/takaful contract liabilities (continued)

(iii) Family takaful contract liabilities (continued)

In the case of yearly renewable term products with no savings elements, the liability for such Family takaful certificate comprises of the provision for unearned contributions and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the operator. Where the portfolio demonstrates deteriorating experience, a deficiency reserve is set up as an additional reserve.

For long-term term products with implicit guarantees, the liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of present value of future benefits less the present value of future contributions, discounted at the appropriate risk discount rate. The liability is then compared against reserves derived from statutory method, and the larger of the two reserves is held as the liability. In the event that the surrender value is higher than the reserve in aggregate, the excess is held as an additional reserve.

Expense reserve in the shareholder's fund is determined by taking the present value of future deficits, discounted at appropriate spot rates. Future deficits are defined as the excess of future expense stream over future income cash flows, in aggregate basis.

The liability is de-recognised when the contract expires, is discharged or is cancelled.

(iv) General (non-life) insurance and general takaful contract liabilities

General insurance and general takaful contract liabilities are recognised when contracts are entered into and premiums/ contributions are charged.

These liabilities comprise outstanding claims provision and premium liabilities/unearned contribution reserves.

Outstanding claims provision which includes a margin for adverse deviation is based on the estimated ultimate cost of all claims incurred but not settled at the date of the statement of financial position, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the statement of financial position date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques on empirical data. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

Premium liabilities/unearned contribution reserves represent premiums/contributions received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium/contribution income.

At each reporting date, the Group reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims over unearned premiums. The Group engages independent external actuaries to perform the claims liabilities estimation. A number of methods are employed initially in the estimation of ultimate claims reserves using the Group's own historical experience and other relevant market quantitative and qualitative information. The valuation methods used include the Incurred Claim Development method, the Paid Claim Development method, the Bornhuetter-Ferguson Method, the Mack's Method and the Stanard-Buhlmann's Method. The final estimates are selected after due consideration was given to the strengths and weaknesses of the various methods used and the information available at hand. To mitigate the potential effect of uncertainty, a risk margin is also incorporated into the ultimate claims estimates. The provision for adverse deviation is set at 75 per cent confidence level Group-wide, consistent with the requirements for the insurance subsidiary company regulated by BNM.

(y) Investment contracts

The Group issues investment contracts without fixed terms, i.e. investment-linked plans.

Investment contracts without fixed terms are financial liabilities whose fair value is dependent on the fair value of the underlying financial and/or non-financial assets and are designated at inception at fair value through profit or loss because it eliminates or significantly reduces the measurement or recognition inconsistency (i.e. an accounting mismatch) that would otherwise arise from measuring assets and liabilities or recognising the gains or losses or others on different bases. See Note 2(j) to the financial statements for the financial assets backing these liabilities.

The Group's main valuation technique incorporates all factors that market participants would consider. The fair value of financial liabilities for investment contracts without fixed terms is determined using the current unit values in which the contractual benefits are denominated. These unit values reflect the fair value of the financial assets contained within the Group's unitised investment fund linked to the financial liability. The fair value of the financial liabilities are obtained by multiplying the number of units attributed to each contract holder at the end of the reporting period by the unit value for the same date.

The Group re-estimates at each reporting date the expected future cash flows and recalculates the carrying amount of the financial liability by calculating the present value of estimated future cashflow using the financial liability's original effective interest rate. Any adjustment is immediately recognised as income or expense in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Management expenses, commission expenses and wakalah fee

Acquisition costs, commissions and management expenses (collectively known as “wakalah fee”) are borne by the Family takaful and General takaful funds respectively in the income statement at an agreed percentage of the gross contribution, in accordance with the principles of wakalah as approved by the Shariah Committee of the subsidiary company engaged in the takaful business and agreed between the participants and the subsidiary company, and are allocated to the shareholders’ fund and recognised as income upon issuance of certificates.

(aa) Qardhul Hassan

Qardhul Hassan is stated at cost in the Shareholders’ fund of the takaful subsidiary company, as prescribed by the Guidelines on Financial Statements for Takaful Operators issued by BNM.

At each date of the statement of financial position, the Shareholders’ fund assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount, as set out in Note 2(l) to the financial statements.

(ab) Other revenue recognition

Interest and profit income

Interest income for financial assets that are not classified as fair value through profit or loss is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the investment and continues unwinding the discount as interest income.

Other interest income including the amount of amortisation of premiums and accretion of discounts is recognised on a time proportion basis that takes into account the effective yield of the asset.

Profit income of the subsidiary company engaged in the takaful business is recognised on a time proportion basis that takes into account the effective yield of the asset.

Rental income

Rental income is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for over six months, in which case recognition of rental income is suspended. Subsequent to suspension, income is recognised on the receipt basis until all arrears have been paid.

Rental income on self-occupied and investment property is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

Lease rental income net of payment of lease rental expenses made under operating lease of the same properties is recognised on the straight line basis over the lease term.

Dividend income

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

Other fee income

Management, investment advisory, security and consultancy services fees are recognised when the services are provided.

Realised gains and losses on investments

Realised gains and losses recorded in the income statement on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the carrying value at date of disposal and are recorded on occurrence of the sale transaction.

Fees and commission income

Insurance contract policyholders are charged for policy administration services, investment management 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, then, they are deferred and recognised over those future periods.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income or directly in equity.

Current tax
Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantially enacted at the reporting date in the countries when the Group's subsidiary companies and associated companies operate and generate taxable income, and any adjustments to tax payable in respects of prior financial years.

Management periodically evaluates the positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and makes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities measured using an expected value (weighted average probability) approach.

Deferred tax

Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes.

Deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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 end of the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax is recognised as income or an expense and included in the income statement for the period, except when it arises from a transaction which is recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax is also recognised in the Life insurance contract liabilities for the shareholders' portion of the unallocated surpluses.

(ad) Zakat

Zakat represents tithes payable by the subsidiary company engaged in takaful businesses to comply with Shariah principles and as approved by the Shariah Committee. Zakat provision is calculated at 2.5% of the profit before zakat and taxation of the subsidiary company for the financial year.

(ae) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic movement in which the entity operates ("functional currency").

The consolidated financial statements are presented in Ringgit Malaysia which is the Group's functional and presentational currency.

Transactions and balances

Translation differences on non-monetary items, such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equities classified as available-for-sale financial assets are included in the fair value reserve.

Foreign currency transactions in the Group are accounted for at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the date of the statement of financial position. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ae) Foreign currencies (continued)

Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to equity as separate equity component. When a foreign operation is partially disposed off or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. This will be applied prospectively.

(af) Finance leases - lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the sum of digits method.

(ag) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(ah) Contingent liabilities and contingent assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

(ai) Provisions

Provisions are recognised when the Group has a present obligation, either legal or constructive, as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

(aj) Employee benefits

Short-term employee benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits, which are short-term employee benefits, are accrued in the financial year in which the associated services are rendered by employees of the Group and Company.

Post employment benefits

The Group and Company have post-employment benefit schemes for eligible employees, which are defined contribution plans.

A defined contribution plan is a pension plan under which the Group and Company pay fixed contributions or variable contributions as determined yearly, into a separate entity ("a fund"), and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior financial years.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aj) Employee benefits (continued)

Post employment benefits (continued)

The Group's and Company's contributions to defined contribution plans, including the Employees' Provident Fund, are charged to the income statement in the financial year to which they relate. Once the contributions have been paid, the Group and Company have no further payment obligations.

(ak) Other financial liabilities and insurance payables

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

A financial liability and an insurance payable are derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially modified terms, 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 the income statement.

(al) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, deposits held at call with original maturity of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

(am) Financial instruments

Description

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

Recognition method

The particular recognition method adopted for financial instruments recognised in the statement of financial position is disclosed in the individual accounting policy note associated with each item.

(an) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components and are reported in a manner consistent with the internal reporting structure. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which is the Executive Committee of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risk and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

(ao) Assets acquired under hire purchase agreements

Assets financed by hire purchase agreements which transfer substantially all the risks and rewards of ownership to the Group are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets. Finance charges are allocated to the income statement over the period of the agreements to give a constant periodic rate of charge on the remaining hire purchase liabilities.

(ap) Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period. No diluted EPS is disclosed in these financial statements as there are no dilutive potential ordinary shares.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(i) Valuation of life insurance contract liabilities

The liability for life insurance contracts of the life insurance subsidiary companies are based on current assumptions, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflects management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The company bases mortality and morbidity on established industry and respective territory tables which reflect historical experiences, adjusted where appropriate to reflect the respective company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation adjustments, if appropriate. Lapse and surrender rates are based on the respective company's historical experience of lapses and surrenders.

The discount rate for non-participating policies, guaranteed benefits of participating policies and the non-unit liability of investment-linked policies accord a level of guarantee which is no less certain than that accorded by a risk-free rate financial instrument. In the case of the total benefits liabilities of participating policies, the discount rate is based on the historical yield and future investment outlook of the participating fund, net of tax on investment income of the life fund.

(ii) Valuation of general insurance and general takaful contract liabilities

The estimation of claims liabilities or equivalently, the ultimate claims liability arising from claims made under an insurance/takaful contract, is the Group's most critical accounting estimate.

Provision is made for the estimated cost of claims incurred but not settled at the statement of financial position date, whether reported or not, together with a risk margin for adverse deviation ("PRAD"). PRAD is an additional component to the liability value aimed at ensuring that the value of the insurance liabilities is established at a level such that there is a higher level of confidence (or probability) that the provisions will ultimately be sufficient. This provision consists of estimates of both the expected ultimate cost of claims reported to the Group at statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported to the Group at statement of financial position date. The estimated cost of claims includes both direct and indirect expenses that are expected to be incurred in settling those claims.

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, incurred but not reported claims form the majority of the liability on the statement of financial position.

The Group engages independent external actuaries to perform the claims liabilities estimation. A number of methods are employed initially in the estimation of ultimate claims reserves using the Group's own historical experience and other relevant market quantitative and qualitative information. The final estimates are selected after due consideration was given to the strengths and weaknesses of the various methods used and the information available at hand. To mitigate the potential effect of uncertainty, a risk margin was also incorporated into the ultimate claims estimates.

Due to the fact that the ultimate claims liability is dependent upon the outcome of future events such as the size of court awards, the attitudes of claimants towards settlement of their claims, and social and economic inflation, there is an inherent uncertainty in any estimate of ultimate claims liability. As such, there is a limitation to the accuracy of those estimates. In fact, it is certain that actual future losses and loss adjustment expenses will not develop exactly as projected and may vary significantly from the projections.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(iii) Actuarial liabilities for Family takaful fund

For Family takaful plans, the actuarial liabilities are determined by the Appointed Actuary and were set up based on the type of products as follows:

a) Investment-Linked Personal Risk Investment Account ("PRIA Investment-Linked")

This is the risk fund that involves investment-linked certificates including unit deducting riders. The Tabarru' rates are dripped from Participant Investment Account ("PIA") to this risk fund on a monthly basis. The UCR is calculated by taking half of the total monthly drip at the valuation date. The liabilities in this fund are calculated as the larger of UCR and total present value of future deficits.

In addition to this liability, IBNR reserve is also included for Critical Illness and Medical unit deducting riders. From the experience study, 2 months average claims were assumed in calculating IBNR.

A provision for certificates, currently under waiver of contributions, estimated at the present value of future gross contributions has also been included in the financial statements.

b) Ordinary Personal Risk Investment Account ("PRIA Ordinary Life")

This fund consists of three products, Cancer Care, SmartMedic and Takafulife Series.

Cancer Care is a guaranteed renewable medical takaful product with an additional death benefit. The contribution reserve is calculated at 45% of unearned gross cancer contribution using 1/24th method. For the death benefit, the valuation reserve is calculated using M8388 mortality table discounted at spot rates. In addition, 2 months of average claims are set aside for IBNR.

SmartMedic is an individual Hospital and Surgical product with guaranteed renewability up to age 80. It also provides an additional benefit, funeral expense, which is payable upon death due to all causes. The contribution reserve is calculated at 30% or 60% of unearned gross medical contribution using 1/24th method for first certificate year and renewal certificate year respectively. Reserve for funeral expense benefit is calculated at 80% of unearned gross funeral expense contribution using 1/24th method. An additional provision of 2 months of average claims are set aside as IBNR. An additional of 60% of contribution reserve is set aside as deficiency reserve, to reflect the portfolio experience. Reserves for SmartMedic are adjusted to reflect 50% retained portion after reinsurance arrangement.

The Takafulife Series, an ordinary whole life plan, was valued on GPV basis at 75th confidence level and the resultant reserve is taken to be at least equal to the UCR reserves.

c) Group Fund Risk Investment Account ("GFRIA")

Currently there are 3 products in this fund, which are Group Term Takaful, Comprehensive Group Takaful Scheme and Group Mortgage Protection Plan.

The net liability for Group Term Takaful has been calculated on Unexpired Risk Reserve ("URR") basis using 1/24th method, with the risk rates assumed to be 130% of LIAM risk rates.

For Comprehensive Group Takaful Scheme, the reserve is calculated at 100% of unearned contribution using 1/24th method.

The reserving method used for Group Mortgage Protection Plan is based on GPV. The present value of future benefits was discounted at spot rates using M9903 mortality table on the retained portion of the risk.

At subsequent reporting dates, these estimates will be reassessed for adequacy and reasonableness and changes will be made accordingly.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(iv) Estimation of gain on disposal of subsidiaries

The Group and Company recognised a gain on disposal of RM83.2 million and RM236.6 million respectively, disclosed in Note 41 to the financial statements respectively in the financial year ended 31 December 2011 arising from disposal of the Disposed Subsidiaries as disclosed in Note 53(a) to the financial statements. The gain on disposal of the Disposed Subsidiaries was estimated after taking into consideration the following:

- Total cash consideration of RM344.0 million;
- The exclusion of an amount of RM69.7 million held back to address certain issues relating to the satisfaction and fulfillment of certain condition precedents in the SPA with Zurich; and
- An upward adjustment of RM86.0 million to the sale consideration of RM344.0 million, being the difference between the aggregate net asset value of the Disposed Subsidiaries as at 30 September 2010 and the final aggregate net asset value as at 30 September 2011, prepared by Zurich as provided under the terms of the SPA.

In estimating the gain on disposal of subsidiaries, the Company has also considered its obligations under the various representations and warranties that are required to be fulfilled within the agreed timeframe, as specified in the SPA, and concluded that other than the held-back sum of RM69.7 million mentioned above, the likelihood of the various representations and warranties crystallising as assessed todate, is remote.

In addition, subsequent to the financial year end, the Company has submitted notifications of disputes to Zurich to disagree certain downward adjustments made to the draft completion accounts and the statement of aggregate net assets value of the Disposed Subsidiaries. Should there be positive adjustments to the draft completion accounts and statement of aggregate net assets of the Disposed Subsidiaries arising from the submitted dispute notifications, and the successful fulfillment of the condition precedents stated above, the final gain on disposal of the Disposal Subsidiaries may be higher than currently recognised.

(b) Critical judgement in applying the entity's accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Group and Company.

The Directors are of their view that currently there are no accounting policies which require significant judgement to be exercised.

4 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Freehold and leasehold land RM'000	Freehold and leasehold buildings RM'000	Plant and machinery RM'000	Furniture, fittings, and equipment RM'000	Motor vehicles RM'000	Reno-vation RM'000	Assets under con-struction RM'000	Total RM'000
Cost/valuation								
At 1 January 2010	69,661	274,433	183	73,806	16,324	54,463	7,456	496,326
Additions	14,543	49,111	6	3,657	1,842	2,915	967	73,041
Transferred from assets classified as held for sale	-	-	-	7,722	2,533	3,604	-	13,859
Transferred to assets classified as held for sale (Note 16)	(62,812)	(251,589)	-	(72,688)	(4,671)	(56,541)	(5,625)	(453,926)
Transferred to investment properties (Note 5)	(6,000)	(10,500)	-	-	-	-	-	(16,500)
Disposals	(15,392)	(61,455)	-	(224)	(3,598)	(728)	-	(81,397)
Write off	-	-	-	(661)	-	-	(2,798)	(3,459)
Currency translation differences	-	-	-	-	(66)	-	-	(66)
At 31 December 2010 / 1 January 2011	-	-	189	11,612	12,364	3,713	-	27,878
Additions	-	-	4	4,786	1,330	790	-	6,910
Arising from the disposal of subsidiary companies	-	-	-	(2,211)	(1,432)	(354)	-	(3,997)
Disposals	-	-	(170)	(457)	(2,083)	(586)	-	(3,296)
Write off	-	-	(23)	(53)	(299)	(10)	-	(385)
Currency translation differences	-	-	-	-	18	-	-	18
At 31 December 2011	-	-	-	13,677	9,898	3,553	-	27,128
Accumulated depreciation								
At 1 January 2010	660	26,675	57	64,779	11,381	42,291	-	145,843
Charge for the financial year	35	4,432	88	3,953	1,214	3,483	-	13,205
Transferred from assets classified as held for sale	-	-	-	5,699	1,398	2,803	-	9,900
Transferred to assets classified as held for sale (Note 16)	(695)	(24,548)	-	(64,743)	(3,356)	(45,923)	-	(139,265)
Disposals	-	(6,559)	-	(153)	(2,578)	(340)	-	(9,630)
Write off	-	-	-	(653)	-	-	-	(653)
Currency translation differences	-	-	-	-	(29)	-	-	(29)
At 31 December 2010 / 1 January 2011	-	-	145	8,882	8,030	2,314	-	19,371
Charge for the financial year	-	-	-	965	878	371	-	2,214
Arising from the disposal of subsidiary companies	-	-	-	(1,766)	(993)	(177)	-	(2,936)
Disposals	-	-	(130)	(267)	(1,721)	(359)	-	(2,477)
Write off	-	-	(15)	(44)	(67)	(6)	-	(132)
Currency translation differences	-	-	-	(16)	(1)	(7)	-	(24)
At 31 December 2011	-	-	-	7,754	6,126	2,136	-	16,016

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP

	Freehold and leasehold land RM'000	Freehold and leasehold buildings RM'000	Plant and machinery RM'000	Furniture, fittings, and equipment RM'000	Motor vehicles RM'000	Reno-vation RM'000	Assets under con-struction RM'000	Total RM'000
Accumulated impairment loss								
At 1 January 2010	138	34,836	-	65	55	-	2,798	37,892
Impairment loss for the financial year	-	-	-	-	-	-	1,690	1,690
Transferred to assets classified as held for sale (Note 16)	(138)	(30,105)	-	-	-	-	(1,690)	(31,933)
Disposals	-	(4,731)	-	-	-	-	-	(4,731)
Write off	-	-	-	-	-	-	(2,798)	(2,798)
At 31 December 2010 / 1 January 2011	-	-	-	65	55	-	-	120
Impairment loss for the financial year	-	-	-	227	-	447	-	674
Disposals	-	-	-	-	(55)	-	-	(55)
At 31 December 2011	-	-	-	292	-	447	-	739
Net book value								
At 31 December 2010	-	-	44	2,665	4,279	1,399	-	8,387
At 31 December 2011	-	-	-	5,631	3,772	970	-	10,373

As at 31 December 2011, the net book value of assets acquired under hire purchase agreements was RM747,000 (2010: RM1,345,000).

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY

	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Cost				
At 1 January 2010	916	2,627	189	3,732
Additions	20	4	-	24
Disposals	(6)	(150)	-	(156)
Write off	(20)	-	-	(20)
At 31 December 2010 / 1 January 2011	910	2,481	189	3,580
Additions	21	23	-	44
Disposals	(21)	(298)	(12)	(331)
Write off	(39)	-	-	(39)
At 31 December 2011	871	2,206	177	3,254
Accumulated depreciation				
At 1 January 2010	595	835	69	1,499
Charge for the financial year	83	246	19	348
Disposals	(5)	(30)	-	(35)
Write off	(16)	-	-	(16)
At 31 December 2010 / 1 January 2011	657	1,051	88	1,796
Charge for the financial year	75	224	18	317
Disposals	(18)	(146)	(11)	(175)
Write off	(36)	-	-	(36)
At 31 December 2011	678	1,129	95	1,902
Accumulated impairment loss				
At 31 December 2010 / 1 January 2011	-	-	-	-
Impairment loss for the financial year	(94)	-	(82)	(176)
At 31 December 2011	(94)	-	(82)	(176)
Net book value				
At 31 December 2010	253	1,430	101	1,784
At 31 December 2011	99	1,077	-	1,176

As at 31 December 2011, the net book value of assets acquired under hire purchase agreements was Nil (2010: RM634,000).

5 INVESTMENT PROPERTIES

	GROUP	
	31.12.2011 RM'000	31.12.2010 RM'000
At 1 January	11,601	570,165
Additions from acquisition	-	2,935
Additions from subsequent expenditure	-	2,158
Transferred from property, plant and equipment (Note 4)	-	16,500
Disposals	(425)	(45,289)
Fair value loss – net (Note 30)	-	(22,043)
Currency translation differences	(1)	(538)
Transferred to assets classified as held for sale (Note 16)	-	(512,287)
At 31 December	11,175	11,601
Comprising:		
Leasehold land and buildings	11,175	11,601

Investment properties are stated at fair value, which had been determined based on valuations performed by external independent valuers at the statement of financial position date. Valuations are performed annually based on the properties' fair market values using the direct sale comparison and income approach. The fair value changes (gains/losses) are recorded in the income statements.

6 INTANGIBLE ASSETS

GROUP

	Management rights RM'000	Computer software RM'000	Total RM'000
Cost			
At 1 January 2010	7,000	17,908	24,908
Additions	-	3,397	3,397
Transferred to assets classified as held for sale (Note 16)	-	(13,628)	(13,628)
At 31 December 2010 / 1 January 2011	7,000	7,677	14,677
Additions	-	2,361	2,361
Arising from the disposal of subsidiary companies	-	(320)	(320)
At 31 December 2011	7,000	9,718	16,718
Accumulated amortisation			
At 1 January 2010	2,199	10,190	12,389
Charge for the financial year	347	4,225	4,572
Transferred to assets classified as held for sale (Note 16)	-	(10,555)	(10,555)
At 31 December 2010 / 1 January 2011	2,546	3,860	6,406
Charge for the financial year	347	1,568	1,915
Arising from the disposal of subsidiary companies	-	(64)	(64)
At 31 December 2011	2,893	5,364	8,257
Net carrying amount			
At 31 December 2010	4,454	3,817	8,271
At 31 December 2011	4,107	4,354	8,461

6 INTANGIBLE ASSETS (CONTINUED)

COMPANY

	Computer software	
	31.12.2011 RM'000	31.12.2010 RM'000
Cost		
At 1 January	231	231
Additions	207	-
At 31 December	438	231
Accumulated amortisation		
At 1 January	174	128
Charge for the financial year	88	46
At 31 December	262	174
Net carrying amount	176	57

The intangible assets of the Group consist of computer software and management rights.

Computer software

Computer software consists mainly of development costs and costs that are directly associated with identifiable software systems controlled by the Group, that do not form the integral part of the hardware, and that will generate economic benefits exceeding costs beyond one year.

Management rights

Management rights represent the acquired rights to manage unit trust funds ("the Rights"). Pursuant to the Sale of Business Agreement dated 5 August 2003 between MAAKL Mutual Bhd ("MAAKL"), a 70% owned subsidiary company of MAA Corporation Sdn Bhd which is in turn a wholly owned subsidiary company of the Company, and MBf Unit Trust Management Berhad ("MUTMB"), MAAKL acquired the Rights from MUTMB to manage four unit trust funds ("the Funds") managed by MUTMB. The Funds are MAAKL Equity Index Fund, MAAKL Value Fund, MAAKL Mutual Balanced Fund and MAAKL Syariah Index Fund. The effective date of the transfer of the management of the Funds was on 1 December 2003.

The Rights are amortised over a straight line basis, over a period of 20 years (2010: 20 years), the period over which the Group expects to recognise the related revenue. The remaining expected unamortised period at the date of the statement of financial position is 12 (2010: 13) years.

7 INVESTMENTS

	GROUP		COMPANY	
	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2010 RM'000
Malaysian Government Guaranteed Financing	20,872	10,631	-	-
Corporate debt securities	14,007	46,495	-	-
Islamic debt securities	173,724	164,633	-	-
Equity securities	141,915	128,692	-	4,658
Unit trusts	13,660	20,520	-	-
Investment-linked units	8,246	7,717	-	-
Loans	10,407	30,464	139	192
Fixed and call deposits with licensed banks	44,164	8,009	1,029	5,016
	426,995	417,161	1,168	9,866

The Group's and Company's investments are summarised by categories as follows:

	GROUP		COMPANY	
	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2010 RM'000
Financial assets at fair value through profit or loss	171,333	154,353	-	-
Available-for-sale financial assets	201,091	224,335	-	4,658
Loans and receivables (Note 8)	54,571	38,473	1,168	5,208
	426,995	417,161	1,168	9,866
The following investments mature after 12 months:				
Financial assets at fair value through profit or loss	3,798	3,738	-	-
Available-for-sale financial assets	173,560	188,279	-	-
Loans and receivables (Note 8)	43,928	18,020	88	139
	221,286	210,037	88	139

(a) Financial assets at fair value through profit or loss

Held-for-trading:				
Quoted:				
Equity securities	8,917	27,588	-	-
Unit trusts	2,283	4,737	-	-
Investment-linked units	8,246	5,240	-	-
Corporate debt securities	757	1,055	-	-
Unquoted:				
Investment-linked units	-	2,477	-	-
	20,203	41,097	-	-
Designated at fair value through profit or loss:				
Quoted:				
Equity securities	106,821	71,719	-	-
Corporate debt securities	3,798	3,759	-	-
Unquoted:				
Unit trusts	11,377	15,783	-	-
Islamic debt securities	29,134	21,995	-	-
	151,130	113,256	-	-
	171,333	154,353	-	-

7 INVESTMENTS (CONTINUED)

	GROUP		COMPANY	
	31.12.2011 RM'000	**31.12.2010 RM'000**	**31.12.2011 RM'000**	**31.12.2010 RM'000**
(b) Available-for-sale financial assets				
Quoted:				
Equity securities	3,266	7,337	-	4,658
Corporate debt securities	6,831	40,321	-	-
Unquoted:				
Equity securities	22,911	22,048	-	-
Corporate debt securities	2,621	1,360	-	-
Islamic debt securities	144,590	142,638	-	-
Malaysian Government Guaranteed Financing	20,872	10,631	-	-
	201,091	224,335	-	4,658

Carrying value of financial instruments

The movements in the Group and Company's financial assets (excluding loans and receivables) are summarised in the table below by measurement category:

GROUP

	Fair value through profit or loss RM'000	**Available-for-sale RM'000**	**Total RM'000**
At 1 January 2010	992,225	3,529,988	4,522,213
Purchases	678,287	999,251	1,677,538
Disposals	(643,846)	(1,009,608)	(1,653,454)
Shares reclassified from associated company	-	3,660	3,660
Transferred from non-current assets held for sale	28,692	315,077	343,769
Dividend income capitalised	49	-	49
Fair value gain recorded in:			
Income statement (Note 30)	200,362	-	200,362
Other comprehensive income	-	14,957	14,957
Insurance/takaful contract liabilities (Note 17)	-	128,166	128,166
Movement in impairment allowance (Note 30)	-	(3,803)	(3,803)
Amortisation/interest adjustments	277	40,614	40,891
Currency translation differences	(987)	(3,054)	(4,041)
Transferred to assets classified as held for sale (Note 16)	(1,100,706)	(3,790,913)	(4,891,619)
At 31 December 2010 / 1 January 2011	154,353	224,335	378,688
Purchases	212,523	101,343	313,866
Disposals	(191,786)	(128,887)	(320,673)
Dividend income capitalised	52	-	52
Fair value (loss)/gain recorded in:			
Income statement (Note 30)	(2,342)	-	(2,342)
Other comprehensive income	-	416	416
Insurance/takaful contract liabilities (Note 17)	-	4,446	4,446
Movement in impairment allowance (Note 30)	-	(3,660)	(3,660)
Amortisation/interest adjustments	-	869	869
Currency translation differences	(1,467)	2,229	762
At 31 December 2011	171,333	201,091	372,424

7 INVESTMENTS (CONTINUED)

Carrying value of financial instruments (continued)

COMPANY

	Available-for-sale RM'000	Total RM'000
At 1 January 2010	-	-
Shares reclassified from associated company	3,660	3,660
Fair value gains recorded in other comprehensive income	998	998
At 31 December 2010 / 1 January 2011	4,658	4,658
Fair value loss recorded in other comprehensive income	(998)	(998)
Movement in impairment allowance (Note 30)	(3,660)	(3,660)
At 31 December 2011	-	-

Fair values of investments

The following tables show investments recorded at fair value analysed by the different basis of fair values:

GROUP

	Fair value through profit or loss RM'000	Available-for-sale RM'000	Total RM'000
31 December 2011			
Quoted market price (Level 1)	130,569	12,214	142,783
Valuation techniques – market observable inputs (Level 2)	40,764	165,967	206,731
Valuation techniques – non-market observable inputs (Level 3)	-	22,910	22,910
	171,333	201,091	372,424
31 December 2010			
Quoted market price (Level 1)	113,834	48,529	162,363
Valuation techniques – market observable inputs (Level 2)	40,519	153,759	194,278
Valuation techniques – non-market observable inputs (Level 3)	-	22,047	22,047
	154,353	224,335	378,688
COMPANY			
31 December 2011			
Quoted market price (Level 1)	-	-	-
31 December 2010			
Quoted market price (Level 1)	-	4,658	4,658

Included in the quoted price category are financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency and those prices represent actual and regular occurring market transactions on an arm's length basis. These are considered as Level 1 investments.

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services but where prices have not been determined in an active market, fair values are based on broker quotes and discounted cash flow and fair value of investments in structured products are obtained via investment bankers and/or fund managers. These are considered as Level 2 investments.

Non-market observable inputs means that fair values are determined in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset class in this category is unquoted equity securities. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data. These are considered as Level 3 investments.

8 LOANS AND RECEIVABLES

	GROUP		COMPANY	
	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2010 RM'000
Loans arising from:				
Policy loans	709	710	-	-
Mortgage loans	139	187	139	187
Secured loans	4,101	1,878	-	-
Unsecured loans	365	640	-	5
	5,314	3,415	139	192
Loans from leasing, hire purchase and others	59,819	92,249	-	-
Allowance for impairment	(54,726)	(65,200)	-	-
Net loans	5,093	27,049	-	-
Fixed and call deposits with licensed banks	44,164	8,009	1,029	5,016
	54,571	38,473	1,168	5,208

The fair values of the loans and receivables have been established by comparing current market interest rates for similar financial instruments to the rates offered when the loans and receivables were first recognised together with appropriate market credit adjustments.
The maturity structure of the loans and receivables is as follows:

	GROUP		COMPANY	
	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2010 RM'000
Receivables within 12 months:				
Net loans	9,008	12,444	51	53
Fixed and call deposits with licensed banks	1,635	8,009	1,029	5,016
	10,643	20,453	1,080	5,069
Receivables after 12 months:				
Net loans	1,399	18,020	88	139
Fixed and call deposits with licensed banks	42,529	-	-	-
	43,928	18,020	88	139
	54,571	38,473	1,168	5,208

The total loans portfolio net of allowance for impairment from leasing, hire purchase and others as at 31 December 2011 included non-performing loans ("NPL") amounting to approximately RM4,783,000 (2010: RM25,589,000). The borrowers of these NPL have committed repayments on agreed fixed repayment schedules and certain NPL are collateralised by properties and/or shares. The Group has assessed the value of the collaterals and/or committed cashflow stream based on the methods prescribed in Note 2(n) to the financial statements and made additional allowances for impairment where appropriate.

Should the market value or adjusted value on the collaterals deviate by 10% or the recovery process be delayed by a year, particularly those loans with properties as collaterals, there may be a potential shortfall of approximately RM Nil (2010: RM676,000) to the Group.

The fair value of the collaterals held as at the date of statement of financial position was RM24,843,000 (2010: RM28,201,000).

9 SUBSIDIARY COMPANIES

	COMPANY	
	31.12.2011 RM'000	31.12.2010 RM'000
Cost of investment	255,428	255,428
Less: Accumulated impairment loss	(126,106)	-
	129,322	255,428
Amounts due from subsidiary companies	24,456	28,425
Less: Accumulated impairment loss	(19,051)	-
	5,405	28,425
	134,727	283,853

Amounts due from subsidiary companies of RM24,456,000 (2010: RM28,425,000) are akin to investments in subsidiary companies.

During the current financial year, the Company recognised a total impairment loss of RM145,157,000 (2010: Nil). This impairment loss is included in Note 35 "Other Operating Income/Expenses-Net" to the financial statements, determined based on the Company's assessment of the fair value less cost to sell of those subsidiary companies, with respect to the Group's plans to rationalise its businesses and the unexpected adverse cashflows from its subsidiary company engaged in hire purchase, leasing and other credit facilities. The fair value less cost to sell of those effected subsidiary companies was based on the proposed offer price and/or comparable market values of similar entities and operations.

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Group's effective interest 2011 %	2010 %	Principal activities
Malaysian Assurance Alliance Berhad ("MAA")[(1)]	Malaysia	-	100	General and life insurance businesses
MAA Corporation Sdn Bhd ("MAA Corp")	Malaysia	100	100	Investment holding and general trading
MAA Takaful Berhad	Malaysia	75	75	General takaful and Family takaful businesses
<u>Subsidiary companies of MAA Corp</u>				
MAA-Medicare Sdn Bhd	Malaysia	100	100	Operation of charitable dialysis centres
MAA Credit Berhad	Malaysia	100	100	Hire purchase, leasing and other credit activities
Malaysian Alliance Property Services Sdn Bhd [(1)]	Malaysia	-	100	Property management services
MAA International Assurance Ltd	Labuan, Malaysia	100	100	Offshore insurance and reinsurance businesses

9 SUBSIDIARY COMPANIES (CONTINUED)

	Name of company	Country of incorporation	Group's effective interest 2011 %	Group's effective interest 2010 %	Principal activities
	Subsidiary companies of MAA Corp (continued)				
*	MAAKL Mutual Bhd	Malaysia	55	70	Unit trust funds management
	MAA Holdings (BVI) Ltd	British Virgin Islands	100	100	Providing insurance technical and financial consultancy services
	MAA Corporate Advisory Sdn Bhd	Malaysia	100	100	Providing corporate advisory and consultancy services
	Wira Security Services Sdn Bhd	Malaysia	100	100	Providing security services and trading in security equipment
	Maagnet Systems Sdn Bhd [(1)]	Malaysia	-	100	Providing information technology consultancy services
#	Meridian Asset Management Holdings Sdn Bhd	Malaysia	51	51	Investment holding
	MAA International Corporation Ltd	Labuan, Malaysia	100	100	Investment holding
	Chelsea Parking Services Sdn Bhd	Malaysia	100	100	Operating, maintaining and managing car parks
	Multioto Services Sdn Bhd [(1)]	Malaysia	-	100	Provision of motor breakdown assistance services
	MAA International Investments Ltd	Labuan, Malaysia	100	100	Investment holding
	Menang Bernas Sdn Bhd [(2)]	Malaysia	100	100	Restaurant operator
	MAA Cards Sdn Bhd	Malaysia	100	100	Business of charge cards and other related cards and services
	Subsidiary companies of MAA Corporate Advisory Sdn Bhd				
	MAACA Labuan Ltd	Labuan, Malaysia	51	51	Providing offshore corporate advisory and consultancy services
	MAACA Corporate Services Sdn Bhd	Malaysia	100	100	Providing corporate advisory and consultancy services
	Subsidiary company of Maagnet Systems Sdn Bhd				
	MAAGNET – SSMS Sdn Bhd [(1)]	Malaysia	-	100	Providing information technology consultancy services

9 SUBSIDIARY COMPANIES (CONTINUED)

	Name of company	Country of incorporation	Group's effective interest 2011 %	2010 %	Principal activities
	Subsidiary companies of Meridian Asset Management Holdings Sdn Bhd				
#	Meridian Asset Management Sdn Bhd	Malaysia	51	51	Fund management and investment advisory services
#	Meridian Asset Management (Asia) Ltd	British Virgin Islands	51	51	Fund management and investment advisory services
	Subsidiary companies of MAA International Assurance Ltd				
#	P.T. MAA Life Assurance	Indonesia	99.5	99.5	Life insurance business
#	P.T. MAA General Assurance	Indonesia	83	83	General insurance business
	Subsidiary companies of MAA International Investments Ltd				
#	MAA Mutualife Philippines, Inc	Philippines	100	100	Unit trust funds management
#	Columbus Capital Singapore Pte Ltd	Singapore	100	100	Investment holding
	Subsidiary company of MAA International Corporation Ltd				
#	MAA Corporate & Compliance Phils. Inc.	Philippines	100	100	Investment holding and providing management services

* A company that is 55% owned by the Company, 20% owned by a company controlled by a Director of the Company and the balance 25% owned by certain Directors of the Company.

Subsidiary companies not audited by PricewaterhouseCoopers.

(1) Subsidiary companies that were disposed during the financial year.

(2) Subsidiary company that ceased operations during the financial year.

10 ASSOCIATED COMPANIES

	GROUP 31.12.2011 RM'000	GROUP 31.12.2010 RM'000
Unquoted shares, at cost	64,589	63,121
Less: Accumulated impairment loss	(12,874)	(12,874)
	51,715	50,247
Dividend received	(165)	(165)
Share of post acquisition loss	(1,028)	(678)
	50,522	49,404
The Group's interests in associated companies are as follows:		
Revenue	50,955	59,017
Loss after taxation	(350)	(380)
Non-current assets	201,091	208,711
Current assets	156,412	229,253
Non-current liabilities	(201,518)	(211,401)
Current liabilities	(105,463)	(177,159)
Net assets	50,522	49,404

	COMPANY 31.12.2011 RM'000	COMPANY 31.12.2010 RM'000
Unquoted shares, at cost	100	100

Details of the associated companies are as follows:

Name of company	Country of incorporation	Group's effective interest 2011 %	Group's effective interest 2010 %	Principal activities
*Nishio Rent All (M) Sdn Bhd	Malaysia	30	30	Renting of construction and industrial equipment
MAA Bancwell Trustee Berhad	Malaysia	49	49	Trust fund management and trust services
*Maybach Logistics Sdn Bhd	Malaysia	45	45	Provision of transportation and logistics
Associated company of MAA International Assurance Ltd				
MAA General Assurance Philippines, Inc	Philippines	40	40	General insurance business
Associated company of Columbus Capital Singapore Pte Ltd				
Columbus Capital Pty Limited	Australia	46	48	Retail mortgage lending and loan securitisation

* The financial year-ends of these associated companies are not co-terminus with the Group. However, for purposes of consolidation, these associated companies had prepared financial statements as at the same statement of financial position date as the financial statements of the Group.

11 REINSURANCE ASSETS

	GROUP	
	31.12.2011 RM'000	31.12.2010 RM'000
Reinsurance of insurance/takaful contracts (Note 17)	147,928	123,897

The carrying amounts disclosed above in respect of the reinsurance of insurance/takaful contacts approximate the fair value at the date of the statement of financial position.

12 INSURANCE RECEIVABLES

	GROUP	
	31.12.2011 RM'000	31.12.2010 RM'000
Due premiums/contributions including agents, brokers and co-insurers/co-takaful balances	55,992	42,748
Due from reinsurers/retakaful and cedants	29,532	29,015
	85,524	71,763
Allowance for impairment	(1,394)	(2,956)
	84,130	68,807

13 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2010 RM'000
Trade receivables of non-insurance subsidiaries companies	7,649	5,980	-	-
Other receivables:				
Amounts due from subsidiary companies - net	-	-	18,695	59,945
Amounts due from associated companies	2,753	6,730	196	612
Investment income due and accrued	1,467	2,055	231	53
Qardhul Hassan	8,833	16,644	-	-
Manager's stocks	2,554	2,178	-	-
Outstanding proceeds from disposal of subsidiary companies	86,034	-	85,140	-
Proceeds from disposal of subsidiary companies deposited in escrow account	94,094	-	94,094	-
Other receivables, deposits and prepayments	15,282	22,723	1,359	3,958
	211,017	50,330	199,715	64,568
	218,666	56,310	199,715	64,568

Qardhul Hassan represents a benevolent loan to the General takaful fund and the Family takaful fund to make good the underwriting deficit in the respective funds. The amount is unsecured, not subject to any profit element and has no fixed terms of repayment. As at 31 December 2011, the total Qardhul Hassan payable by the General takaful fund amounted to RM8,403,000 (2010: RM14,519,000) and the Family takaful fund amounted to RM430,000 (2010: RM2,125,000).

Included in amounts due from subsidiary companies are interest-bearing advances to subsidiary companies amounting to RM51,337,000 (net of impairment to RM27,490,000) (2010: RM56,121,000, net of impairment of RM Nil). The interest-bearing advances bear interest rates ranging from 4.35% to 8.0% (2010: 4.35% to 8.0%) per annum and are repayable on demand. The amounts above are also net of an amount due to a subsidiary company of RM5,538,000 (2010: RM Nil).

As at 31 December 2011, the outstanding proceeds from disposal of subsidiary companies of the Group and the Company comprised of an upward adjustment of RM86,034,000 and RM85,140,000 respectively to the sale consideration of RM344,000,000 received from Zurich on 30 December 2011. Under the terms and conditions of the SPA with Zurich, the proceeds from disposal of subsidiary companies deposited into an escrow account of the Group and the Company will remain in the escrow account for two (2) years from the date of completion of the disposal on 30 September 2011.

Included in other receivables, deposits and prepayments of the Group and Company was interest receivable of RM433,000 (2010: RM Nil) on the outstanding proceeds from disposal of subsidiary companies under the escrow account. The deposit in the escrow account bears an interest rate at 2.75% (2010: Nil) per annum.

The fair value of the above approximates the carrying value as at the date of the statement of financial position.

14 DEFERRED TAX

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 taxes relate to the same tax authority.

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

GROUP

	31.12.2011				
	General and Shareholders' fund RM'000	**Life fund RM'000**	**General takaful fund RM'000**	**Family takaful fund RM'000**	**Total RM'000**
Deferred tax assets	482	195	-	-	677
Deferred tax liabilities	(3,574)	-	(568)	(1,013)	(5,155)
	(3,092)	195	(568)	(1,013)	(4,478)
At 1 January 2011	(632)	-	(312)	(776)	(1,720)
(Charged)/credited to income statement (Note 37):					
- property, plant and equipment	(1,200)	5	-	-	(1,195)
- investments and loans	-	-	-	(124)	(124)
- unabsorbed tax losses	(676)	-	-	-	(676)
- unabsorbed capital allowances	(21)	-	-	-	(21)
- receivables, deposits and prepayments	(449)	-	-	-	(449)
- others	8	191	-	-	199
	(2,338)	196	-	(124)	(2,266)
Charged to other comprehensive income:					
- available-for-sale reserves	(268)	-	-	-	(268)
Charged to insurance contract liabilities:					
- available-for-sale reserves	-	-	(256)	(113)	(369)
Arising from disposed subsidiaries	126	-	-	-	126
Currency translation differences	20	(1)	-	-	19
At 31 December 2011	(3,092)	195	(568)	(1,013)	(4,478)
Subject to income tax:					
Deferred tax assets (before offsetting)					
Property, plant and equipment	15	5	-	-	20
Investments and loans	23	-	-	-	23
Unabsorbed tax losses	33	-	-	-	33
Receivable, deposits and prepayments	121	-	-	-	121
Others	332	190	-	-	522
	524	195	-	-	719
Offsetting	(42)	-	-	-	(42)
Deferred tax assets (after offsetting)	482	195	-	-	677
Deferred tax liabilities (before offsetting)					
Available-for-sale reserves	(1,802)	-	(568)	(224)	(2,594)
Property, plant and equipment	(1,803)	-	-	-	(1,803)
Receivable, deposits and prepayments	(11)	-	-	-	(11)
Investments and loans	-	-	-	(789)	(789)
	(3,616)	-	(568)	(1,013)	(5,197)
Offsetting	42	-	-	-	42
Deferred tax liabilities (after offsetting)	(3,574)	-	(568)	(1,013)	(5,155)

14 DEFERRED TAX (CONTINUED)

GROUP

31.12.2011

	General and Shareholders' fund RM'000	Life fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
Deferred tax assets	1,602	-	-	-	1,602
Deferred tax liabilities	(2,234)	-	(312)	(776)	(3,322)
	(632)	-	(312)	(776)	(1,720)
At 1 January 2010	4,620	11,210	7	34	15,871
(Charged)/credited to income statement (Note 37):					
- property, plant and equipment	(358)	379	-	-	21
- investments and loans	6,820	(13,353)	-	(665)	(7,198)
- investment properties	-	1,029	-	-	1,029
- unabsorbed tax losses	(12)	-	-	-	(12)
- receivables, deposits and prepayments	590	-	-	-	590
- others	(287)	(58)	-	-	(345)
	6,753	(12,003)	-	(665)	(5,915)
Charged to other comprehensive income:					
- available-for-sale reserves	(3,324)	-	-	-	(3,324)
(Charged)/credited to insurance contract liabilities:					
- available-for-sale reserves	-	(7,732)	(319)	(145)	(8,196)
- asset revaluation reserves	-	5	-	-	5
	-	(7,727)	(319)	(145)	(8,191)
Transferred (to)/from assets classified as held for sale	(8,771)	8,364	-	-	(407)
Currency translation differences	90	156	-	-	246
At 31 December 2010	(632)	-	(312)	(776)	(1,720)
Subject to income tax:					
Deferred tax assets (before offsetting)					
Property, plant and equipment	6	-	-	-	6
Investments and loans	34	-	-	-	34
Unabsorbed tax losses	708	-	-	-	708
Unabsorbed capital allowances	19	-	-	-	19
Receivable, deposits and prepayments	554	-	-	-	554
Others	317	-	-	-	317
	1,638	-	-	-	1,638
Offsetting	(36)	-	-	-	(36)
Deferred tax assets (after offsetting)	1,602	-	-	-	1,602
Deferred tax liabilities (before offsetting)					
Available-for-sale reserves	(1,534)	-	(312)	(111)	(1,957)
Property, plant and equipment	(736)	-	-	-	(736)
Investments and loans	-	-	-	(665)	(665)
	(2,270)	-	(312)	(776)	(3,358)
Offsetting	36	-	-	-	36
Deferred tax liabilities (after offsetting)	(2,234)	-	(312)	(776)	(3,322)

14 DEFERRED TAX (CONTINUED)

	COMPANY	
	31.12.2011 RM'000	31.12.2010 RM'000
Deferred tax liabilities	(11)	(19)
At 1 January	(19)	(104)
Credited to income statement (Note 37):		
- property, plant and equipment	8	85
At 31 December	(11)	(19)

Subject to income tax:

Deferred tax liabilities (before and after offsetting)

	COMPANY	
	31.12.2011 RM'000	31.12.2010 RM'000
Property, plant and equipment	(11)	(19)

The amount of deductible temporary differences and unused tax losses (both of which have no expiry date) for which no deferred tax assets are recognised in the statement of financial position are as follows:

	GROUP	
	31.12.2011 RM'000	31.12.2010 RM'000
Deductible temporary differences	11,934	13,124
Unabsorbed tax losses	19,071	19,942
Unabsorbed capital allowances	19,133	8,285
	50,138	41,351

15 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2010 RM'000
Fixed and call deposits with licences banks	166,527	192,329	6,420	11,615
Cash and bank balances	10,725	60,250	526	36,319
	177,252	252,579	6,946	47,934
Bank overdraft (Note 21)	(9,232)	(9,905)	-	-
	168,020	242,674	6,946	47,934
Assets classified as held for sale (Note 16)	-	619,275	-	-
	168,020	861,949	6,946	47,934

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

(A) DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 16 December 2010, the Company announced that it had entered into an agreement to negotiate a potential transaction involving the disposal of MAA to Zurich as disclosed in Note 53(a) to the financial statements.

Accordingly the related assets and liabilities of MAA identified for disposal were classified under assets and liabilities held for sale as at 31 December 2010. The components of assets and liabilities held for sale and the related net cash flows attributable to the discontinued operations were as follows:

GROUP

	Note	31.12.2010 RM'000
ASSETS CLASSIFIED AS HELD FOR SALE		
Property, plant and equipment (Note 4)	(i)	278,795
Investment properties (Note 5)	(ii)	512,287
Intangible assets (Note 6)		4,595
Investments	(iii)	5,791,497
Available-for-sale financial assets (Note 7)		3,790,913
Financial assets at fair value through profit or loss (Note 7)		1,100,706
Loans and receivables		899,878
Reinsurance assets	(iv)	222,343
Insurance receivables	(v)	77,151
Other receivables	(vi)	49,938
Tax recoverable		26,936
Deferred tax assets		10,647
Cash and cash equivalents (Note 15)	(vii)	619,275
		7,593,464
LIABILITIES CLASSIFIED AS HELD FOR SALE		
Insurance contract liabilities	(viii)	6,228,001
Insurance payables	(ix)	845,548
Trade and other payables	(x)	230,248
Provision for life agents' retirement benefits		2,703
Current tax liabilities		34,140
Deferred tax liabilities		10,240
Available-for-sale reserves (Note 25)		12,334
		7,363,214

COMPANY

Assets classified as held for sale	110,981

The above represents the Company's cost of investment in MAA which was classified as assets held for sale in the previous financial year.

On 30 September 2011, the Company announced that the Proposed Disposal of MAA was completed. The details and the effect of the disposal are disclosed in Note 41 to the financial statements.

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

(A) DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(i) Property, plant and equipment

Certain land and buildings were revalued in the previous financial year by independent valuers where the fair values were determined by reference to observable prices in an active market or recent market transactions on arm's length terms, adjusted if necessary, for any differences in the nature, location or condition of the specific asset.

Had the freehold land and freehold and long term leasehold buildings been carried at historical cost less accumulated depreciation and impairment loss, the carrying amounts that would have been included in the statements of financial position date are as follows:

	31.12.2010 RM'000
Freehold land	57,462
Leasehold lands	4,214
Freehold buildings	187,428
Leasehold buildings	7,219
	256,323

As at 31 December 2010, the titles to certain properties amounting to RM24,905,000 were in the process of being transferred to MAA. Risks, rewards and effective titles to these properties had passed to MAA upon unconditional completion of the acquisition of those properties. MAA had submitted the relevant documents to the authorities for transfer of legal titles to them and was awaiting the process and finalisation of these transfers to be completed.

(ii) Investment properties

Investment properties are stated at fair value, which had been determined based on valuations performed by external independent valuers at the statement of financial position date. Valuations are performed annually based on the properties' fair market values using the direct sale comparison and income approach. The fair value changes (gains/losses) are recorded in the income statement.

As at 31 December 2010, the titles to certain investment properties of MAA amounting to RM80,157,000 were in the process of being transferred to MAA. Risks, rewards and effective titles to these investment properties have been passed to MAA upon unconditional completion of the acquisition of those properties. MAA had submitted the relevant documents to the authorities for transfer of legal titles and was awaiting the process and finalisation of these transfers to be completed.

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

(A) DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(iii) Investments

	GROUP
	31.12.2010 RM'000
Malaysian Government Securities/Government Investment Issues	247,813
Corporate debt securities	3,718,589
Equity securities	876,304
Unit trusts	37,956
Investment-linked units	10,957
Loans	650,254
Fixed and call deposits	249,624
	5,791,497
The financial investments were summarised by measurement category in the following presentations:	
Available-for-sale financial assets (a)	3,790,913
Financial assets at fair value through profit or loss (b)	1,100,706
Loans and receivables (c)	899,878
	5,791,497
The following investments mature after 12 months:	
Available-for-sale financial assets	3,512,610
Financial assets at fair value through profit or loss	167,316
Loans and receivables	23,091
	3,703,017

(a) Available-for-sale financial assets

Quoted:	
Equity securities	3,364
Corporate debt securities	3,551,424
Malaysian Government Securities/Government Investment Issues	236,125
	3,790,913

Included in the above balances as at 31 December 2010 were Malaysian Government Securities, Government Investment Issues and corporate debt securities of RM159 million assigned from the Life Non-participating fund to the Life Participating fund, and RM89 million, consisting of RM18 million from the Life Non-participating and RM71 million from the Shareholders' fund, to the Life Annuity funds to rectify the shortfall of assets over liabilities of the Life Participating fund of RM143 million and the Life Annuity fund of RM81 million respectively of MAA.

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

(A) DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(iii) Investments (continued)

(b) Financial assets at fair value through profit of loss

	GROUP
	31.12.2010 RM'000
Held-for-trading:	
Quoted:	
Equity securities	483,932
Unit trusts	24,456
Corporate debt securities	21,802
Unquoted:	
Investment-linked units	6,245
	536,435
Designated at fair value through profit or loss:	
Quoted:	
Equity securities	389,008
Unit trusts	13,500
Unquoted:	
Corporate debt securities	145,363
Investment-linked units	4,712
Malaysian Government Securities/Government Investment Issues	11,688
	564,271
	1,100,706

(c) Loans and receivables

Loans arising from:	
Policy loans	351,849
Mortgage loans	246,745
Other secured loans	183,629
Unsecured loans	1,144
	783,367
Allowance for impairment	(133,113)
Net loans	650,254
Fixed and call deposits with:	
Licensed banks	28,227
Other corporations	221,397
	249,624
	899,878

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

(A) DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(iii) Investments (continued)

(c) Loans and receivables (continued)

The estimated fair values of the loans and receivables were established by comparing current market interest rates for similar financial instruments to the rates offered when the loans and receivables were first recognised together with appropriate market credit adjustments except for loans which are non-performing, where the estimated value is the discounted amount of estimated future cash flows expected to be received.

	GROUP
	31.12.2010 RM'000
The maturity structure of the loans and receivables was as follows:	
Receivables within 12 months:	
Net loans	633,981
Fixed and call deposits	242,806
	876,787
Receivables after 12 months:	
Net loans	16,273
Fixed and call deposits	6,818
	23,091
	899,878

Included in the total loans portfolio net of allowance for impairment of MAA as at 31 December 2010 were several NPL amounting to approximately RM279,377,000. These NPL were collateralised by properties and/or shares as pledged by the borrowers. MAA had assessed the value of the collaterals or agreed settlement plans in the previous financial year, and had made allowance for doubtful debts where appropriate. Should the market value or adjusted value of the collaterals deviate by 10% or the recovery process be delayed by a year, particularly those loans with properties as collaterals, there may be a potential shortfall of approximately RM21 million between the carrying amount and the present value of the recoverable amount for the NPL.

As at 31 December 2010, the fair value of the collaterals held as at the date of the statement of financial position was RM813 million.

(iv) Reinsurance assets

	GROUP
	31.12.2010 RM'000
Reinsurers' share of insurance contract liabilities (viii)	222,343

The carrying amounts disclosed above in respect of the reinsurance of insurance contracts approximated the fair value at the date of statement of financial position.

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

(A) DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(v) Insurance receivables

	GROUP 31.12.2010 RM'000
Due premiums including agents/brokers and co-insurers balances	74,679
Due from reinsurers and cedants	11,182
	85,861
Allowance for impairment	(8,710)
	77,151

(vi) Other receivables

Outstanding proceeds from disposal of investments	3,153
Assets held under Malaysia Motor Insurance Pool	6,868
Deposits, prepayments and other receivables	39,917
	49,938

The carrying amounts disclosed above approximated the fair value due to the short-term maturity of these balances.

(vii) Cash and cash equivalents

	GROUP 31.12.2010 RM'000
Fixed and call deposits with licensed banks (with maturity less than three months)	606,355
Cash and bank balances	12,920
	619,275

(viii) Insurance contract liabilities

	GROUP		
			31.12.2010
	Gross RM'000	Reinsurance RM'000	Net RM'000
Life insurance (a)	5,500,699	(28,920)	5,471,779
General insurance (b)	727,302	(193,423)	533,879
	6,228,001	(222,343)	6,005,658

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

(A) DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(viii) Insurance contract liabilities (continued)

(a) <u>Life Insurance</u>

The Life insurance contract liabilities and its movements were further analysed as follows:

	GROUP		
			31.12.2010
	Gross RM'000	Reinsurance RM'000	Net RM'000
Actuarial liabilities:			
Liability for future policyholders' benefits	4,494,277	(18,196)	4,476,081
Net asset value attributable to unitholders	747,175	-	747,175
	5,241,452	(18,196)	5,223,256
Claim liabilities	45,561	(10,724)	34,837
Unallocated surplus	28,747	-	28,747
Available-for-sale reserves	183,347	-	183,347
Asset revaluation reserves	1,592	-	1,592
	5,500,699	(28,920)	5,471,779

	GROUP						
	Gross			Reinsurance			
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	Net RM'000
<u>Actuarial liabilities</u>							
Reclassified as liabilities held for sale (Note 17 (a))	3,758,572	1,669,257	5,427,829	(3,956)	(15,640)	(19,596)	5,408,233
Benefit and claims experience variation	(151,037)	(173,129)	(324,166)	934	466	1,400	(322,766)
Change due to valuation basis:							
Model enhancement	5,622	33	5,655	-	-	-	5,655
Yield movement	-	13,354	13,354	-	-	-	13,354
Assumption changes	2,671	10,743	13,414	-	-	-	13,414
Net asset value attributable to unitholders	-	105,366	105,366	-	-	-	105,366
At 31 December 2010	3,615,828	1,625,624	5,241,452	(3,022)	(15,174)	(18,196)	5,223,256
<u>Claim liabilities</u>							
Reclassified as liabilities held for sale (Note 17 (a))	16,332	25,130	41,462	(2,687)	(2,603)	(5,290)	36,172
Movement in claim provisions	4,756	(657)	4,099	(2,182)	(3,252)	(5,434)	(1,335)
At 31 December 2010	21,088	24,473	45,561	(4,869)	(5,855)	(10,724)	34,837

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

(A) DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(viii) Insurance contract liabilities (continued)

(a) Life Insurance (continued)

	GROUP		
	31.12.2010		
	With DPF RM'000	Without DPF RM'000	Total RM'000
Unallocated surplus/(deficit)			
Reclassified as liabilities held for sale (Note 17 (a))	(334,778)	301,033	(33,745)
Premiums received (Note 27)	267,765	709,112	976,877
Payments due to death, surrenders, benefits and claims (Note 33)	(606,313)	(756,438)	(1,362,751)
Net investment income	257,808	214,838	472,646
Management expenses and commissions	(43,066)	(131,707)	(174,773)
Change in life fund actuarial liabilities	141,810	43,167	184,977
Change in claim liabilities	(2,574)	3,909	1,335
Taxation	(20,612)	(15,573)	(36,185)
Net (deficit)/surplus for the financial year	(5,182)	67,308	62,126
Transfer of revaluation surplus on disposal of property, net of tax	366	-	366
At 31 December 2010	(339,594)	368,341	28,747
Available-for-sale reserves			
Reclassified as liabilities held for sale (Note 17 (a))	74,071	20,612	94,683
Net gain arising during the financial year	88,379	35,226	123,605
Net realised gain transferred to Income Statement	(13,608)	(13,601)	(27,209)
	74,771	21,625	96,396
Deferred tax effects	(6,026)	(1,706)	(7,732)
	68,745	19,919	88,664
At 31 December 2010	142,816	40,531	183,347
Asset revaluation reserves			
Reclassified as liabilities held for sale (Note 17 (a))	1,535	423	1,958
Reversal of revaluation surplus on disposal of property	(398)	-	(398)
Deferred tax effects	32	-	32
	(366)	-	(366)
At 31 December 2010	1,169	423	1,592

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

(A) DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(viii) Insurance contract liabilities (continued)

(b) General Insurance

The General insurance contract liabilities and movements were further analysed as follows:

	GROUP		
			31.12.2010
	Gross RM'000	**Reinsurance RM'000**	**Net RM'000**
Provision for claims	342,888	(123,329)	219,559
Provision for incurred but not reported claims ("IBNR")	172,985	(31,188)	141,797
Claim liabilities (i)	515,873	(154,517)	361,356
Premium liabilities (ii)	211,429	(38,906)	172,523
	727,302	(193,423)	533,879
(i) Claim liabilities			
At 1 January 2010	476,601	(169,495)	307,106
Claims incurred in the current accident year	239,735	(48,025)	191,710
Other movements in claims incurred in prior accident years	43,073	10,544	53,617
Claims paid during the financial year (Note 33)	(268,504)	52,974	(215,530)
Movement in IBNR reserves	24,968	(515)	24,453
At 31 December 2010	515,873	(154,517)	361,356
(ii) Premium liabilities			
At 1 January 2010	222,218	(59,574)	162,644
Premiums written in the financial year (Note 27)	510,943	(87,852)	423,091
Premiums earned during the financial year	(521,732)	108,520	(413,212)
At 31 December 2010	211,429	(38,906)	172,523

(ix) Insurance payables

	GROUP
	31.12.2010 RM'000
Due to agents and intermediaries	777,919
Due to reinsurers and cedants	41,363
Reinsures' deposits withheld	12,593
Premium deposits	13,673
	845,548

The carrying amounts disclosed above approximated the fair value at the date of the statement of financial position. All amounts were payable within one year.

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

(A) DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(x) Trade and other payables

	GROUP
	31.12.2010 RM'000
Investment creditors	33,477
Cash collaterals held for performance bond underwritten	45,489
Unclaimed monies	15,334
Rental deposits	5,265
Accrued interest payable	38,330
Accrual for unutilised staff leave	1,666
Other payables and accruals	90,687
	230,248
Repayable within 12 months	205,456
Repayable after 12 months	24,792
	230,248

(B) OTHER ASSET HELD FOR SALE

	GROUP	
	31.12.2011 RM'000	31.12.2010 RM'000
Property, plant and equipment (Note 4):		
Cost	5,625	5,625
Accumulated impairment loss	(4,036)	(1,690)
Net carrying amount	1,589	3,935

The above consists of a yacht owned by an insurance subsidiary company of the Group where construction was completed in the previous financial year. The carrying amount of the yacht represents the fair value as at the statement of financial position date.

17 INSURANCE CONTRACT LIABILITIES

		GROUP					
		31.12.2011			31.12.2010		
	Note	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
Life insurance	(a)	31,212	-	31,212	108,560	-	108,560
General insurance	(b)	69,266	(30,187)	39,079	110,251	(44,517)	65,734
Family takaful	(c)	246,979	(10,049)	236,930	193,610	(17,198)	176,412
General takaful	(d)	148,465	(107,692)	40,773	104,929	(62,182)	42,747
		495,922	(147,928)	347,994	517,350	(123,897)	393,453

(a) Life insurance

The Life insurance contract liabilities and movements are further analysed as follows:

	GROUP					
	31.12.2011			31.12.2010		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
Actuarial liabilities:						
Liability for future policyholders' benefits	29,251	-	29,251	90,644	-	90,644
Net asset value attributable to unitholders	-	-	-	7,892	-	7,892
	29,251	-	29,251	98,536	-	98,536
Claim liabilities	-	-	-	757	-	757
	29,251	-	29,251	99,293	-	99,293
Unallocated surplus	-	-	-	7,312	-	7,312
Available-for-sale reserves	1,961	-	1,961	1,955	-	1,955
	31,212	-	31,212	108,560	-	108,560

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(a) Life insurance (continued)

	GROUP						
	Gross			Reinsurance			
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	Net RM'000
Actuarial liabilities							
At 1 January 2010	3,791,053	1,725,017	5,516,070	(3,956)	(15,640)	(19,596)	5,496,474
Transferred to assets/liabilities classified as held for sale (Note 16)	(3,758,572)	(1,669,257)	(5,427,829)	3,956	15,640	19,596	(5,408,233)
Benefits and claims experience variation	2,646	6,958	9,604	-	-	-	9,604
Currency translation differences	-	691	691	-	-	-	691
At 31 December 2010 / 1 January 2011	35,127	63,409	98,536	-	-	-	98,536
Benefits and claims experience variation	2,282	1,724	4,006	-	-	-	4,006
Benefits and claims commuted during the financial year	(37,409)	(35,807)	(73,216)	-	-	-	(73,216)
Currency translation differences	-	(75)	(75)	-	-	-	(75)
At 31 December 2011	-	29,251	29,251	-	-	-	29,251
Claim liabilities							
At 1 January 2010	16,406	25,901	42,307	(2,687)	(2,603)	(5,290)	37,017
Transferred to assets/liabilities classified as held for sale (Note 16)	(16,332)	(25,130)	(41,462)	2,687	2,603	5,290	(36,172)
Movement in claim provisions	(4)	(84)	(88)	-	-	-	(88)
At 31 December 2010 / 1 January 2011	70	687	757	-	-	-	757
Movement in claim provisions	(15)	(90)	(105)	-	-	-	(105)
Claims commuted during the financial year	(55)	(597)	(652)	-	-	-	(652)
At 31 December 2011	-	-	-	-	-	-	-

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(a) Life insurance (continued)

	GROUP					
	31.12.2011			31.12.2010		
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000
Unallocated surplus/(deficit)						
At 1 January	(2,492)	9,804	7,312	(335,821)	309,137	(26,684)
Transferred to assets/liabilities classified as held for sale (Note 16)	-	-	-	334,778	(301,033)	33,745
Premiums received	-	14,695	14,695	-	19,866	19,866
Payments due to death, surrenders, benefits and claims	106	(17,735)	(17,629)	-	(15,355)	(15,355)
Net investment income	(2,768)	5,033	2,265	2,522	7,537	10,059
Management expenses and commissions	(744)	(9,646)	(10,390)	(231)	(11,698)	(11,929)
Change in life assurance fund actuarial liabilities	3,921	11,775	15,696	(3,744)	6,716	2,972
Change in claims liabilities	15	90	105	4	(5,308)	(5,304)
Tax expenses	-	196	196	-	(58)	(58)
Net surplus/(deficit) for the financial year	530	4,408	4,938	(1,449)	1,700	251
Surplus commuted during the financial year	1,962	(14,212)	(12,250)	-	-	-
At 31 December	-	-	-	(2,492)	9,804	7,312
Available-for-sale reserves						
At 1 January	957	998	1,955	74,340	20,871	95,211
Transferred to assets/liabilities classified as held for sale (Note 16)	-	-	-	(74,071)	(20,612)	(94,683)
Net movement in available-for-sale reserves	(957)	963	6	688	739	1,427
At 31 December	-	1,961	1,961	957	998	1,955
Asset revaluation reserves						
At 1 January	-	-	-	1,535	423	1,958
Transferred to assets/liabilities classified as held for sale (Note 16)	-	-	-	(1,535)	(423)	(1,958)
At 31 December	-	-	-	-	-	-

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(b) General insurance

The General insurance contract liabilities and movements are further analysed as follows:

	GROUP					
	31.12.2011			31.12.2010		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
Provision for claims	11,317	(5,812)	5,505	33,212	(13,348)	19,864
Provision for incurred but not reported claims ("IBNR")	29,456	(11,367)	18,089	52,762	(22,674)	30,088
Claim liabilities (i)	40,773	(17,179)	23,594	85,974	(36,022)	49,952
Premium liabilities (ii)	28,493	(13,008)	15,485	24,277	(8,495)	15,782
	69,266	(30,187)	39,079	110,251	(44,517)	65,734

(i) Claim liabilities

	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
At 1 January	85,974	(36,022)	49,952	95,730	(41,861)	53,869
Claims incurred in the current accident year	41,701	(28,281)	13,420	44,112	(51,923)	(7,811)
Other movements in claims incurred in prior accident years	-	-	-	26,224	(6,541)	19,683
Claims paid during the financial year (Note 33)	(44,448)	31,956	(12,492)	(83,591)	74,508	(9,083)
Claims commuted during the financial year	(35,061)	5,682	(29,379)	-	-	-
Movement in IBNR	(7,610)	9,606	1,996	4,514	(10,971)	(6,457)
	(45,418)	18,963	(26,455)	(8,741)	5,073	(3,668)
Currency translation differences	217	(120)	97	(1,015)	766	(249)
At 31 December	40,773	(17,179)	23,594	85,974	(36,022)	49,952

(ii) Premium liabilities

	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
At 1 January	24,277	(8,495)	15,782	42,043	(15,870)	26,173
Premiums written in the financial year (Note 27)	79,075	(41,150)	37,925	69,756	(46,286)	23,470
Premiums earned during the financial year	(74,135)	35,513	(38,622)	(86,591)	53,251	(33,340)
	4,940	(5,637)	(697)	(16,835)	6,965	(9,870)
Currency translation differences	(724)	1,124	400	(931)	410	(521)
At 31 December	28,493	(13,008)	15,485	24,277	(8,495)	15,782

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(c) Family takaful

The Family takaful contract liabilities and movements are further analysed as follows:

	GROUP					
	31.12.2011			31.12.2010		
	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000
Actuarial liabilities:						
Liability for future certificateholders' benefits	47,108	(8,716)	38,392	43,721	(11,361)	32,360
Net asset value attributable to unitholders	191,558	-	191,558	139,997	-	139,997
	238,666	(8,716)	229,950	83,718	(11,361)	172,357
Claim liabilities	5,281	(1,333)	3,948	8,164	(5,837)	2,327
Available-for-sale reserves	3,032	-	3,032	1,728	-	1,728
	246,979	(10,049)	236,930	193,610	(17,198)	176,412
At 1 January	193,610	(17,198)	176,412	111,173	(1,389)	109,784
Certificates received	163,751	(12,927)	150,824	157,434	(5,332)	152,102
Liabilities paid for death, maturities, surrender, benefits and claims (Note 33)	(51,362)	13,418	(37,944)	(49,484)	5,057	(44,427)
Movement in claim liabilities	2,883	(4,504)	(1,621)	(4,140)	4,965	825
Benefits and claims experience variation	7,740	9,225	16,965	33,887	(21,272)	12,615
Fees deducted	(62,852)	1,937	(60,915)	(55,245)	773	(54,472)
Surplus transferred to Shareholders' fund	(6,400)	-	(6,400)	(3,400)	-	(3,400)
Movement in Qardhul Hassan	(1,695)	-	(1,695)	1,670	-	1,670
Fair value movement arising from available-for-sale investments	1,304	-	1,304	1,715	-	1,715
At 31 December	246,979	(10,049)	236,930	193,610	(17,198)	176,412

Included in the above is the repayment of Qardhul Hassan arising from the surplus in the current financial year of RM1,695,000. In the previous financial year, a transfer of RM1,670,000 was made from the Shareholders' fund to the Family takaful fund under the Qardhul Hassan principle. As at 31 December 2011, the total Qardhul Hassan payable amounted to RM430,000 (2010: RM2,125,000).

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(d) General takaful

The General takaful contract liabilities and movements are further analysed as follows:

	GROUP					
	31.12.2011			31.12.2010		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Provision for claims	62,268	(44,802)	17,466	41,040	(25,228)	15,812
Provision for incurred but not reported claims ("IBNR")	18,240	(11,698)	6,542	14,708	(8,076)	6,632
Provision for liability adequacy	12,745	(9,037)	3,708	6,463	(3,938)	2,525
Claim liabilities (i)	93,253	(65,537)	27,716	62,211	(37,242)	24,969
Unearned contribution reserves (ii)	53,508	(42,155)	11,353	41,782	(24,940)	16,842
General takaful fund (iii)	1,704	-	1,704	936	-	936
	148,465	(107,692)	40,773	104,929	(62,182)	42,747

(i) Claim liabilities

	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January	62,211	(37,242)	24,969	25,830	(20,324)	5,506
Claims incurred in the current accident year	57,359	(39,870)	17,489	54,138	(28,948)	25,190
Other movements in claims incurred in prior accident years	(91)	(1,264)	(1,355)	(4,835)	5,068	233
Claims paid during the financial year (Note 33)	(32,508)	17,938	(14,570)	(15,498)	7,794	(7,704)
Provision for liability adequacy	6,282	(5,099)	1,183	2,576	(832)	1,744
	31,042	(28,295)	2,747	36,381	(16,918)	19,463
At 31 December	93,253	(65,537)	27,716	62,211	(37,242)	24,969

(ii) Unearned contribution reserves

	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January	41,782	(24,940)	16,842	30,190	(16,349)	13,841
Contributions written in the financial year (Note 27)	136,197	(109,720)	26,477	111,113	(74,289)	36,824
Contributions earned during the financial year	(124,471)	92,505	(31,966)	(99,521)	65,698	(33,823)
	11,726	(17,215)	(5,489)	11,592	(8,591)	3,001
At 31 December	53,508	(42,155)	11,353	41,782	(24,940)	16,842

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(d) General takaful (continued)

(iii) General takaful fund

	GROUP					
	31.12.2011			31.12.2010		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January	936	-	936	(20)	-	(20)
Surplus/(deficit) arising during the financial year	6,116	-	6,116	(5,845)	-	(5,845)
(Decrease)/increase in Qardhul Hassan	(6,116)	-	(6,116)	5,845	-	5,845
Net gains arising from available-for-sale financial assets	1,024	-	1,024	1,275	-	1,275
Deferred tax effect	(256)	-	(256)	(319)	-	(319)
	768	-	768	956	-	956
At 31 December	1,704	-	1,704	936	-	936

Included in the above is the repayment of Qardhul Hassan arising from the surplus in the current financial year of RM6,116,000. In the previous financial year, a transfer of funds amounting to RM5,845,000 was made from the Shareholders' fund to the General takaful fund under the Qardhul Hassan principle. As at 31 December 2011, the total Qardhul Hassan payable amounted to RM8,403,000 (2010: RM14,519,000).

18 INVESTMENT CONTRACT LIABILITIES

	GROUP	
	31.12.2011 Gross/Net RM'000	31.12.2010 Gross/Net RM'000
Without DPF	17,756	40,538
At 1 January	40,538	53,584
Deposits (creation of units)	38	9,282
Withdrawals	(13,238)	(17,848)
Fees deducted	(1,372)	(968)
Net investment income	740	545
Other operating income/(expenses)-net	(233)	243
Fair value adjustment – Investments	(5,599)	(884)
Changes in insurance liabilities and actuarial assumptions	(2,698)	(88)
Currency translation differences	(420)	(3,328)
	17,756	40,538

Investment contract liabilities without DPF are stated at fair value.

Investment contract liabilities without DPF are further analysed as follows:

Unit-linked liabilities valued using valuation techniques with market observable inputs	17,756	40,538

The fair value of unit-linked liabilities is based upon the fair value of the underlying assets of the funds.

19 MEDIUM TERM NOTES (SECURED)

	GROUP/COMPANY	
	31.12.2011 RM'000	31.12.2010 RM'000
RM200 million Medium Term Notes	-	170,000
Analysis of the MTNs:		
Payable between 1 year to 2 years	-	170,000

In the financial year ended 31 December 2007, the Company issued RM200 million nominal amount of Medium Term Notes ("MTNs") up to a tenure of 5 years in a total of 3 tranches, comprising 2 tranches with a nominal value of RM30 million each and 1 tranche with a nominal value of RM140 million, to the primary subscribers. The tenure of the MTNs ranges from 3 to 5 years from the date of issue and bear interest rates ranging from 4.45% to 4.51% per annum, payable semi-annually in advance, beginning from the date of issue and every 6 months thereafter.

The MTNs are secured by a bank guarantee facility from DBS Bank Ltd, Labuan Branch ("DBS") up to the maximum aggregate principal amount of United States Dollars equivalent of RM200 million. The bank guarantee bears a commission of 1.0% per annum, payable annually in advance, beginning from the date of issue and thereafter annually on each anniversary of the issue date. The Company has further provided undertakings to DBS under the bank guarantee facility, which amongst others include undertakings not to dispose of any part of the business and assets of its wholly-owned insurance subsidiary company, MAA, and not to dilute the Company's interest in MAA without the prior consent of DBS.

The MTNs were constituted by a trust deed dated 13 October 2006 between the Company and the trustee, to act for the benefit of the noteholders. Under the trust deed, the Company provided covenants to the trustee for the benefit of the noteholders. The covenants include amongst others an undertaking not to dispose of the business or assets of MAA except where such disposal is to an investor of good standing and acknowledged reputation in the insurance industry who has the expertise, skills and strategic direction necessary to significantly enhance the value of MAA's business with the Company maintaining control of both the management and Board of Directors of MAA, and also the Company shall at all times remain the legal and beneficial owner of at least 51% interest in MAA, unless the prior consent of the noteholders by way of ordinary resolution or the trustee has been obtained in accordance with the terms of the trust deed.

During the financial year, interest rates of MTNs charged were in the range of 4.48% to 4.51% (2010: 4.48% to 4.51%) per annum.

In the previous financial year, the Company provided 100% of MAA shares as security to the bank guarantee and a new standby letter of credit facility of RM36.3 million was obtained from DBS as disclosed in Note 20 to the financial statements. The bank guarantee has a first fixed charge over MAA shares.

On 30 September 2011, the Company made an early redemption of the remaining outstanding MTNs of RM140 million before the scheduled due date on 6 January 2012 ("Early and Full Redemption"). The Early and Full Redemption was funded by partial sale proceeds received from the disposal of the entire interest held in the capital of the Disposal Subsidiaries to Zurich as disclosed in Note 53(a) to the financial statements.

20 REVOLVING CREDIT (SECURED)

	GROUP/COMPANY	
	31.12.2011 RM'000	31.12.2010 RM'000
Revolving credit:		
- Secured	-	36,300
Payable within 1 year	-	36,300

On 30 December 2010, the Company secured a revolving credit ("RC") facility of RM36.3 million from a licensed bank. The RC facility is secured by a standby letter of credit ("SBLC") from DBS up to the maximum aggregate principal amount of United States Dollars equivalent of RM36.3 million and a pledge of fixed deposit of RM125,000 with the licensed bank.

The tenure of the RC facility was 6 months from the date of first drawdown, subject to availability of the SBLC. The RC bore an interest rate of 0.25% per annum above the licensed bank's cost of fund. The RC interest was payable monthly at the end of the interest period and was to be settled by a bullet repayment on 30 June 2011. During the financial year, the interest rates charged for the RC ranged from 3.40% to 4.02% (2010: 3.40%) per annum.

The SBLC bore an upfront commission of 3.5% flat on the facility amount and was secured by the following:

(a) deposit of RM1.0 million into a bank account to be maintained and operated by DBS; and

(b) second fixed charge over 100% of MAA shares

Both the RC and SBLC facilities were secured to facilitate settlement of second tranche of the MTNs with nominal value of RM30 million and to pre-fund coupon interest of the MTNs due in July 2011 and January 2012 totalling RM6.3 million.

The tenure of the SBLC was 6 months from the date of issue and expired on 30 June 2011. The RC facility was further extended for 2 months and expired on 2 September 2011.

On 30 September 2011, the Company fully settled the RC facility of RM36.3 million which was funded by partial sale proceeds received from the disposal of the entire interest held in the capital of the Disposed Subsidiaries to Zurich as disclosed in Note 53(a) to the financial statements.

21 BANK OVERDRAFT - UNSECURED

The unsecured bank overdraft facility of a subsidiary company has a limit of RM10 million and bears an interest rate of 2.5% (2010: 2.5%) per annum above the prevailing base lending rate. During the financial year, the interest rates charged ranged from 8.05% to 9.30% (2010: 8.05% to 8.8%) per annum.

The subsidiary company shall make progressive repayment of the bank overdraft facility over a period of five (5) years by a scheduled reduction of RM500,000 every half-yearly commencing end January 2012 until it is reduced to RM5 million as at end January 2016.

22 INSURANCE PAYABLES

	GROUP	
	31.12.2011 RM'000	31.12.2010 RM'000
Due to agents, brokers and co-insurers/co-takaful	9,437	5,837
Due to reinsurers/retakaful companies and cedants	64,420	47,440
Reinsurers'/retakaful deposits withheld	3	1,967
Premium/contribution deposits	5,603	3,655
	79,463	58,899

The carrying amounts disclosed above approximate the fair value at the date of the statement of financial position.

All amounts are payable within one year.

23 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	31.12.2011 RM'000	**31.12.2010 RM'000**	**31.12.2011 RM'000**	**31.12.2010 RM'000**
Trade payables from non-insurance subsidiary companies	13,725	14,987	-	-
Other payables:				
Amounts due to a Director	1,950	1,893	-	-
Amounts due to a related company	464	129	-	-
Amounts due to a former related company	14,791	-	-	-
Defined contribution retirement plan payable	1,966	2,102	66	276
Accrual for unutilised staff leave	421	969	157	185
Accrual for MTN interest	-	3,722	-	3,722
Hire purchase creditors	718	636	-	92
Commission payable	6,741	5,438	-	-
Accrual for sale incentive	692	464	-	-
Accrual for EPF services fee	1,092	898	-	-
Accrual for agency golden service award	3,813	2,811	-	-
Service tax payable	581	229	-	-
Other payables and accruals	34,967	45,551	4,860	7,086
	68,196	64,842	5,083	11,361
	81,921	79,829	5,083	11,361

Amounts due to a Director from a subsidiary company are unsecured, interest free and have no fixed terms of repayment.

The hire purchase creditors can be analysed as follows:

	GROUP		COMPANY	
	31.12.2011 RM'000	**31.12.2010 RM'000**	**31.12.2011 RM'000**	**31.12.2010 RM'000**
Payable within 1 year	168	287	-	92
Payable between 2 years to 5 years	550	349	-	-
	718	636	-	92

The hire purchase creditors of the Group bear interest rates ranging from 2.6% to 3.1% (2010: 2.3% to 3.9%) per annum. During the financial year, the Company had fully paid its hire purchase creditors and the interest rates ranged from 2.4% to 2.8% (2010: 2.4% to 2.8%) per annum.

24 SHARE CAPITAL

	GROUP/COMPANY	
	31.12.2011 RM'000	**31.12.2010 RM'000**
Authorised ordinary shares of RM1 each:		
At beginning and end of financial year	500,000	500,000
Issued and fully paid ordinary shares of RM1 each:		
At beginning and end of financial year	304,354	304,354

25 RESERVES

	GROUP		COMPANY	
	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2010 RM'000
Retained earnings/(accumulated losses)	109,041	(16,728)	36,492	(1,048)
Reserves				
- Foreign exchange reserves	(6,414)	(6,630)	-	-
- Available-for-sale reserves	5,798	5,649	-	998
	(616)	(981)	-	998
	108,425	(17,709)	36,492	(50)
Movement in retained earnings/(accumulated losses)				
At 1 January	(16,728)	(44,193)	(1,048)	21,997
Profit/(loss) for the financial year	125,769	27,465	37,540	(23,045)
At 31 December	109,041	(16,728)	36,492	(1,048)
Movement in foreign exchange reserves				
At 1 January	(6,630)	(5,927)	-	-
Currency translation differences arising during the financial year	216	(703)	-	-
At 31 December	(6,414)	(6,630)	-	-
Movement in available-for-sale reserves				
At 1 January	5,649	6,992	998	-
Movement in far value for available-for-sale financial assets, net of tax	149	10,991	(998)	998
Transferred to assets/liabilities classified as held for sale (Note 16)	-	(12,334)	-	-
	149	(1,343)	(998)	998
At 31 December	5,798	5,649	-	998

The available-for-sale reserves represent the fair value gains or losses from available-for-sale financial assets of the Group.

The retained earnings represent the amount available for dividend distribution to the equity shareholders of the Company.

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders. Companies with Section 108 credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013, whichever is earlier, unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act 2007.

As at 31 December 2011, subject to agreement with the tax authorities, the Company has:

(a) tax exempt income of approximately RM18,223,000 (2010: RM18,223,000), arising from tax exempt dividends received and a chargeable income related to the financial year ended 31 December 1999 which was waived in accordance with Section 8 of the Income Tax (Amendment) Act, 1999.

(b) tax credit under Section 108 of the Income Tax Act, 1967 and a balance in the exempt account to declare dividends amounting to RM89,090,000 (2010: RM89,090,000) and RM88,000 (2010: RM88,000) respectively.

26 OPERATING REVENUE

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Gross premiums/contributions (Note 27)	378,230	364,607	-	-
Investment income (Note 28)	20,074	19,587	3,360	3,636
Interest income from hire purchase, leasing and other credit facilities	485	3,879	-	-
Income from unit trust fund management, security services and consultancy services	59,987	54,040	-	-
Management fee income	1,785	1,624	4,325	5,632
	460,561	443,737	7,685	9,268

DISCONTINUED OPERATIONS

	GROUP	
	2011 RM'000	2010 RM'000
Gross premiums (Note 27)	1,028,190	1,517,583
Investment income (Note 28)	236,509	302,744
Other operating revenue from non-insurance businesses (Note 32)	1,334	-
	1,266,033	1,820,327

27 NET EARNED PREMIUMS/CONTRIBUTIONS

CONTINUING OPERATIONS

	GROUP 2011 RM'000	GROUP 2010 RM'000
(a) Gross earned premiums/contributions		
Insurance contracts:		
Life fund	15,873	21,061
General fund	79,075	69,756
Family takaful fund	163,751	157,434
General takaful fund	136,197	111,113
	394,896	359,364
Change in unearned premium/contribution reserves	(16,666)	5,243
	378,230	364,607
(b) Premiums/contributions ceded		
Insurance contracts:		
Life fund	(1,178)	(1,195)
General fund	(41,150)	(46,286)
Family takaful fund	(12,927)	(5,332)
General takaful fund	(109,720)	(74,289)
	(164,975)	(127,102)
Change in unearned premium/contribution reserves	22,852	1,626
	(142,123)	(125,476)
Net earned premiums/contributions	236,107	239,131

DISCONTINUED OPERATIONS

	GROUP 2011 RM'000	GROUP 2010 RM'000
(a) Gross premiums		
Insurance contracts:		
Life fund	681,317	995,851
General fund	382,616	510,943
	1,063,933	1,506,794
Change in premium liabilities	(35,743)	10,789
	1,028,190	1,517,583
(b) Premiums ceded		
Insurance contracts:		
Life fund	(13,893)	(18,974)
General fund	(61,969)	(87,852)
	(75,862)	(106,826)
Change in premium liabilities	23,618	(20,668)
	(52,244)	(127,494)
Net earned premiums	975,946	1,390,089

28 INVESTMENT INCOME

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Rental income from investment properties	264	126	-	-
Financial assets at fair value through profit or loss				
Interest/profit income				
- Islamic debt securities	1,471	1,029	-	-
Dividend income				
- equity securities quoted in Malaysia	3,045	1,798	-	-
- equity securities quoted outside Malaysia	7	341	-	-
	4,523	3,168	-	-
Financial assets at available-for-sale				
Interest/profit income				
- Malaysian Government Securities/Government Investment Issues	3,659	1,731	-	-
- Corporate debt securities	1,174	1,990	-	-
- Islamic debt securities	3,605	3,678	-	-
Dividend income				
- equity securities quoted in Malaysia	61	50	-	-
(Amortisation of premium)/accretion of discounts				
- Corporate debt securities	(4)	9	-	-
- Islamic debt securities	873	419	-	-
	9,368	7,877	-	-
Loans and receivables				
Interest/profit income				
- policy loans	48	-	-	-
- mortgage loans	10	12	10	12
- other secured and unsecured loans	66	17	-	2
- other receivables	-	-	2,293	3,337
	124	29	2,303	3,351
Fixed and call deposits interest/profit income	5,795	8,387	1,057	285
	20,074	19,587	3,360	3,636

28 INVESTMENT INCOME (CONTINUED)

DISCONTINUED OPERATIONS

	GROUP 2011 RM'000	GROUP 2010 RM'000
Gross rental income from investment properties	22,686	30,466
Less: rates and maintenance for investment properties	(13,270)	(19,084)
	9,416	11,382
Financial assets at fair value through profit or loss		
Interest/profit income		
- Malaysian Government Securities/Government Investment Issues	355	604
- Corporate debt securities		
	5,787	7,047
Dividend income		
- Equity securities quoted in Malaysia	26,690	32,455
	32,832	40,106
Financial assets at available-for-sale		
Interest/profit income		
- Malaysian Government Securities/Government Investment Issues	8,012	9,400
- Corporate debt securities	116,957	151,866
Dividend income		
- Equity securities quoted in Malaysia	315	70
(Amortisation of premium)/accretion of discounts		
- Malaysian Government Securities/Government Investment Issues	(1,059)	(1,396)
- Corporate debt securities	29,596	42,525
	153,821	202,465
Loan and receivables		
Interest/profit income		
- policy loans	17,980	24,653
- mortgage loans	3,259	2,095
- other secured and unsecured loans	3,237	712
	24,476	27,460
Fixed and call deposits interest income	15,964	21,331
	236,509	302,744

29 REALISED GAINS AND LOSSES

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Property, plant and equipment				
Realised gains	206	105	3	1
Realised losses	(402)	(90)	(3)	(75)
	(196)	15	-	(74)
Financial assets at fair value through profit or loss				
Realised gains:				
- Equity securities	1,184	389	-	-
- Corporate debt securities	2,363	-	-	-
- Investment-linked units	7	-	-	-
- Unit trust	342	-	-	-
Realised losses:				
- Equity securities	(29)	-	-	-
- Corporate debt securities	-	(79)	-	-
- Unit trust	-	(39)	-	-
	3,867	271	-	-
Available-for-sale financial assets				
Realised gains:				
- Equity securities	5,633	3,310	-	-
- Islamic debt securities	2,944	2,159	-	-
Realised losses:				
- Equity securities	-	-	-	(401)
	8,577	5,469	-	(401)
Investment properties				
Realised gains	25	387	-	-
Realised gain from disposal of subsidiary companies	-	123	-	-
	12,273	6,265	-	(475)

29 REALISED GAINS AND LOSSES (CONTINUED)

DISCONTINUED OPERATIONS

	GROUP	
	2011 RM'000	2010 RM'000
Property, plant and equipment		
Realised gains	17	624
Realised losses	(180)	(90)
	(163)	534
Investment properties		
Realised gains	1,661	1,093
Realised losses	(9)	(547)
	1,652	546
Financial assets at fair value through profit or loss		
Realised gains:		
- Corporate debt securities	-	785
- Equity securities quoted in Malaysia	37	6,524
- Unit trust	24	26
Realised losses:		
- Malaysian Government Securities/Government Investment Issues	-	(7)
- Corporate debt securities	(507)	(33)
- Equity securities quoted in Malaysia	-	(2,414)
- Unit trust	-	(9)
	(446)	4,872
Available-for-sale financial assets		
Realised gains:		
- Malaysian Government Securities/ Government Investment Issues	8	630
- Corporate debt securities	22,089	10,761
Realised losses:		
- Malaysian Government Securities/ Government Investment Issues	(1)	(103)
- Corporate debt securities	-	(2,636)
Amount transferred on disposal of investments from:		
- statement of comprehensive income	-	642
- life insurance contract liabilities		
- available-for-sale reserves	-	27,209
	22,096	36,503
Fixed and call deposits		
Realised gains	173	-
Realised losses	-	(56)
	173	(56)
Realised gain from disposal of subsidiary companies (Note 41)	83,162	-
	106,474	42,399

30 FAIR VALUE GAINS AND LOSSES

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Fair value gain on investment properties	-	2,665	-	-
Financial assets at fair value through profit or loss				
Net fair value gains/(losses):				
- Equity securities quoted in Malaysia	1,059	10,357	-	-
- Corporate debt securities	(18)	124	-	-
- Islamic debt securities	(121)	1,444	-	-
- Unit trusts	199	(2,010)	-	-
- Investment-linked units	(3,461)	366	-	-
	(2,342)	10,281	-	-
Impairment loss on :				
- available-for-sale financial assets	(3,660)	(861)	(3,660)	-
- investment in associated companies	-	(8,310)	-	(4,604)
- property, plant and equipment	(674)	-	(176)	-
- asset classified as held for sale (Note 16 (B))	(2,346)	(1,690)	-	-
	(6,680)	(10,861)	(3,836)	(4,604)
(Allowance for)/write back of impairment loss on :				
- loans from leasing, hire purchase and others – net	(8,723)	1,209	-	-
	(17,745)	3,294	(3,836)	(4,604)

DISCONTINUED OPERATIONS

	GROUP	
	2011 RM'000	2010 RM'000
Financial assets at fair value through profit or loss		
Net fair value gains/(losses):		
- Malaysian Government Securities/Government Investment Issues	159	105
- Corporate debt securities	2,651	4,226
- Equity securities quoted in Malaysia	(73,396)	179,818
- Unit trusts	6,042	5,336
(Amortisation of premium)/accretion of discounts		
- Malaysian Government Securities/Government Investment Issues	(15)	(72)
- Corporate debt securities	518	668
	(64,041)	190,081
Impairment loss on financial assets at available-for-sale	(265)	(2,942)
Loans and receivables		
- write back of impairment	12,450	10,524
- net fair value (loss)/gain on deposits with financial institutions	(306)	793
	12,144	11,317
Net fair value loss on investment properties	-	(24,708)
	(52,162)	173,748

31 FEE AND COMMISSION INCOME

CONTINUING OPERATIONS

	GROUP	
	2011 RM'000	2010 RM'000
Policyholder administration and investment charges	334	247
Reinsurance commission income	32,337	23,889
	32,671	24,136

DISCONTINUED OPERATIONS

	GROUP	
	2011 RM'000	2010 RM'000
Policyholder administration and investment charges	7,659	9,060
Surrender charges and other contract fees	757	2,140
Reinsurance commission income	15,245	21,811
	23,661	33,011

32 OTHER OPERATING REVENUE FROM NON-INSURANCE BUSINESSES

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Revenue from non-insurance businesses:				
- management fee income	1,785	1,624	4,325	5,632
- unit trust fund management fee income	23,666	20,752	-	-
- unit trust fund initial service fee	15,456	12,328	-	-
- interest income from hire purchase, leasing and other credit activities	485	3,879	-	-
- billings for security services	14,843	17,847	-	-
- others	6,022	3,113	-	-
	62,257	59,543	4,325	5,632

DISCONTINUED OPERATIONS

	GROUP	
	2011 RM'000	2010 RM'000
Revenue from non-insurance businesses:		
- others	1,334	-

33 NET BENEFITS AND CLAIMS

CONTINUING OPERATIONS

	GROUP 2011 RM'000	GROUP 2010 RM'000
(a) Gross benefits and claims paid		
Insurance/takaful contracts:		
Life fund	(21,144)	(27,710)
General fund	(44,448)	(83,591)
Family takaful fund	(51,362)	(49,484)
General takaful fund	(32,508)	(15,498)
	(149,462)	(176,283)
(b) Claims ceded to reinsurers		
Insurance/takaful contracts:		
Life fund	3,515	12,355
General fund	31,956	74,508
Family takaful fund	13,418	5,057
General takaful fund	17,938	7,794
	66,827	99,714
(c) Gross change to contract liabilities		
Insurance/takaful contracts:		
Life fund	55,243	(8,363)
General fund	3,989	20,066
General takaful fund	(31,042)	(37,257)
	28,190	(25,554)
(d) Change in contract liabilities ceded to reinsurers		
Insurance/takaful contracts:		
General fund	(8,210)	(16,398)
General takaful fund	28,295	17,795
	20,085	1,397

33 NET BENEFITS AND CLAIMS (CONTINUED)

DISCONTINUED OPERATIONS

		GROUP	
		2011 RM'000	**2010 RM'000**
(a)	Gross benefits and claims paid		
	Insurance contracts:		
	Life fund	(925,034)	(1,360,483)
	General fund	(215,776)	(268,504)
		(1,140,810)	(1,628,987)
(b)	Claims ceded to reinsurers		
	Insurance contracts:		
	Life fund	8,351	(2,268)
	General fund	82,277	52,974
		90,628	50,706
(c)	Gross change to contract liabilities		
	Insurance contracts:		
	Life fund	232,518	182,278
	General fund	(42,388)	(39,272)
		190,130	143,006
(d)	Change in contract liabilities ceded to reinsurers		
	Insurance contracts:		
	Life fund	688	4,034
	General fund	(6,563)	(14,978)
		(5,875)	(10,944)

34 MANAGEMENT EXPENSES

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Staff costs (including Executive Directors):				
- salaries and bonus	58,788	58,752	7,762	8,556
- defined contribution retirement benefits	5,220	4,899	1,869	1,336
	64,008	63,651	9,631	9,892
Depreciation of property, plant and equipment	2,214	2,313	317	348
Amortisation of intangible assets	1,915	1,671	88	46
Auditors' remuneration				
- statutory audit	496	340	90	70
- under provision in prior financial year	29	1	20	-
Auditors' remuneration payable/paid to other audit firms	22	80	-	-
Fees paid to a company in which certain Directors have an interest	150	355	150	150
Write back of doubtful debts on trade and other receivables	(113)	(436)	-	-
(Write back of)/allowance for impairment loss on insurance receivables	(1,562)	570	-	-
Bad debts written off	6	20	-	-
Office rental	1,852	2,091	688	686
Rental of office equipment	133	180	91	96
Training expenses	2,165	2,284	64	109
Repairs and maintenance	926	324	-	-
EDP expenses	828	846	34	24
Advertising, promotional and entertainment expenses	4,330	4,538	783	800
Motor vehicle and travelling expenses	3,532	4,093	798	889
Printing and stationery	2,298	2,341	53	63
Postage, telephone and fax	1,926	1,638	249	147
Professional fees	2,354	1,848	369	285
Amortisation of capitalised MTNs issue expenses	1,949	1,949	1,949	1,949
Realised foreign exchange loss/(gain)	428	(707)	-	-
Unealised foreign exchange loss	664	1,033	-	-
Billboard rental	-	400	-	-
Others	26,462	27,348	2,208	3,742
	117,012	118,771	17,582	19,296

34 **MANAGEMENT EXPENSES** (CONTINUED)

DISCONTINUED OPERATIONS

	GROUP	
	2011 **RM'000**	**2010** **RM'000**
Staff costs (including Executive Directors):		
- salaries and bonus	55,931	61,047
- defined contribution retirement benefits	9,451	12,823
	65,382	73,870
Depreciation of property, plant and equipment	8,459	10,892
Amortisation of intangible assets	1,378	2,901
Auditors' remuneration		
- statutory audit	343	600
Fees paid to a company in which certain Directors have an interest	201	161
Writeback of doubtful debts of insurance receivables	(2,504)	(13,219)
Bad debts written off	-	10,646
Office rental	10,231	12,731
Rental of office equipment	991	1,430
Training expenses	1,293	3,427
Repairs and maintenance	5,696	8,084
EDP expenses	4,869	3,780
Advertising, promotional and entertainment expenses	7,284	10,006
Motor club expenses	2,078	1,435
Motor vehicle and travelling expenses	2,388	3,201
Printing and stationery	4,950	8,768
Postage, telephone and fax	2,991	3,523
Management fees	1,200	4,971
Others	14,944	16,714
	132,174	163,921

34 MANAGEMENT EXPENSES (CONTINUED)

Included in management expenses were emoluments receivable by Directors of the Group during the financial year:

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Executive Directors:				
- salaries	4,675	4,424	3,252	2,508
- bonus	2,231	733	1,796	418
- defined contribution retirement benefits	1,177	750	910	435
- other emoluments	-	1	-	-
Non-executive Directors:				
- fees	969	1,005	311	315
- other emoluments	248	212	120	114
	9,300	7,125	6,389	3,790

DISCONTINUED OPERATIONS

	GROUP	
	2011 RM'000	2010 RM'000
Executive Directors:		
- salaries	388	-
- bonus	182	-
- defined contribution retirement benefits	83	-
- other emoluments	1	-
Non-executive Directors:		
- fees	176	254
- other emoluments	54	67
	884	321

The estimated monetary value of benefits provided to Directors during the financial year by way of usage of the Group's and Company's assets amounted to RM197,000 (2010: RM224,000) and RM102,300 (2010: RM121,600) respectively.

The Directors of the Company in office during the financial year were as follows:

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah
Muhamad Umar Swift
Yeo Took Keat
Major General Datuk Lai Chung Wah (Rtd)
Dato' Sri Iskandar Michael bin Abdullah
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)
Datuk Seri Razman Md Hashim bin Che Din Md Hashim
Tan Sri Ahmad bin Mohd Don
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
Dr Zaha Rina Zahari

35 OTHER OPERATING INCOME/(EXPENSES) – NET

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Property, plant and equipment written off	(253)	(12)	(3)	(4)
Commission paid and payable to unit trust agents	(18,564)	(15,133)	-	-
Bad debts recovered	582	223	-	-
Waiver of debts	598	-	-	-
Impairment loss on investments in subsidiary companies	-	-	(126,106)	-
Impairment loss on amounts due from subsidiary companies	-	-	(46,541)	-
Others	2,957	3,737	914	2,819
	(14,680)	(11,185)	(171,736)	2,815

DISCONTINUED OPERATIONS

	GROUP	
	2011 RM'000	2010 RM'000
Loan and receivables		
- bad debts written off	-	(4,351)
Gain from commutation of general insurance reinsurance treaties	37,708	-
Others	1,045	2,979
	38,753	(1,372)

36 FINANCE COSTS

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Interest on term loan	-	385	-	385
Interest on bank overdrafts	864	968	-	153
Hire purchase interest	38	44	1	10
Interest on Medium Term Notes	5,567	7,717	5,567	7,717
Bank guarantee commission	3,110	1,739	3,110	1,739
Interest on revolving credit	974	7	974	7
Bank guarantee extension fee	-	850	-	850
Restructuring fee	3,800	-	3,800	-
Others	115	151	115	150
	14,468	11,861	13,567	11,011

DISCONTINUED OPERATIONS

	GROUP	
	2011 RM'000	2010 RM'000
Hire purchase interest	2	-

The interest rates charged during the financial year for Medium Term Notes, term loan, revolving credit and bank overdraft are disclosed in Notes 19, 20 and 21 to the financial statements respectively.

37 TAXATION

CONTINUING OPERATIONS

	GROUP 31.12.2011 General and Shareholders' fund RM'000	Life fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
Current tax	2,654	-	699	1,257	4,610
Deferred tax (Note 14)	2,338	(196)	-	124	2,266
Tax expenses/(income)	4,992	(196)	699	1,381	6,876
Current tax					
Current financial year	2,916	-	699	1,257	4,872
Over provision in prior financial years	(262)	-	-	-	(262)
	2,654	-	699	1,257	4,610
Deferred tax					
Origination and reversal of temporary differences	2,373	(196)	-	124	2,301
Over provision in prior financial years	(35)	-	-	-	(35)
	2,338	(196)	-	124	2,266
	4,992	(196)	699	1,381	6,876

	GROUP 31.12.2010 General and Shareholders' fund RM'000	Life fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
Current tax	930	-	-	457	1,387
Deferred tax (Note 14)	(8,533)	58	-	665	(7,810)
Tax (income)/expenses	(7,603)	58	-	1,122	(6,423)
Current tax					
Current financial year	1,397	-	-	457	1,854
Over provision in prior financial years	(467)	-	-	-	(467)
	930	-	-	457	1,387
Deferred tax					
Origination and reversal of temporary differences	(8,458)	58	-	665	(7,735)
Over accrual in prior financial years	(75)	-	-	-	(75)
	(8,533)	58	-	665	(7,810)
	(7,603)	58	-	1,122	(6,423)

37 TAXATION (CONTINUED)

DISCONTINUED OPERATIONS

	GROUP					
	31.12.2011			31.12.2010		
	General and Shareholders' fund RM'000	Life fund RM'000	Total RM'000	General and Shareholders' fund RM'000	Life fund RM'000	Total RM'000
Current tax	25,137	(13,853)	11,284	12,515	24,240	36,755
Deferred tax (Note 14)	(2,202)	(358)	(2,560)	1,780	11,945	13,725
Tax expenses/(income)	22,935	(14,211)	8,724	14,295	36,185	50,480
Current tax						
Current financial year	19,592	18,398	37,990	13,001	26,770	39,771
Under/(over) provision in prior financial years	5,545	(32,251)	(26,706)	(486)	(2,530)	(3,016)
	25,137	(13,853)	11,284	12,515	24,240	36,755
Deferred tax						
Origination and reversal of temporary differences	(2,225)	(358)	(2,583)	1,795	11,981	13,776
Under/(over) provision in prior financial years	23	-	23	(15)	(36)	(51)
	(2,202)	(358)	(2,560)	1,780	11,945	13,725
	22,935	(14,211)	8,724	14,295	36,185	50,480

	COMPANY	
	2011 RM'000	2010 RM'000
Current tax	-	(173)
Deferred tax (Note 14)	(8)	(85)
Tax income	(8)	(258)
Current tax		
Over provision in prior financial years	-	(173)
Deferred tax		
Origination and reversal of temporary differences	(8)	(85)
	(8)	(258)

37 TAXATION (CONTINUED)

Numerical reconciliation between the average effective tax rate and the statutory tax rate:

	GROUP	
	2011 **%**	**2010** **%**
Malaysian tax rate	25	25
Tax effects of:		
- expenses not deductible for tax purposes	1	21
- income not taxable for tax purposes	(13)	(9)
- tax losses not recognised	1	2
- benefit from previously unrecognised deductible temporary differences	-	(28)
- effects of different tax rates in foreign jurisdictions	1	8
- over provision in prior financial year	3	(1)
Average effective tax rate	18	18

Numerical reconciliation between the average effective tax rate and the statutory tax rate:

	COMPANY	
	2011 **%**	**2010** **%**
Malaysian tax rate	25	25
Tax effects of:		
- expenses not deductible for tax purposes	(25)	(25)
- over provision in prior financial year	-	1
Average effective tax rate	-	1

The taxation charge in the income statement of the Group relates to income attributable to the Company and the Group's General and Shareholders' funds.

The taxation charge on the Group's Life fund is based on the method prescribed under the Income Tax Act, 1967 for life business, where the income tax in the Life fund is calculated at 8% on investment income.

38 DISCONTINUED OPERATIONS

GROUP

	Note	2011 RM'000	2010 RM'000
Gross earned premiums	27(a)	1,028,190	1,517,583
Premiums ceded to reinsurers	27(b)	(52,244)	(127,494)
Net earned premiums		975,946	1,390,089
Investment income	28	236,509	302,744
Realised gains and losses	29	106,474	42,399
Fair value gains and losses	30	(52,162)	173,748
Fee and commission income	31	23,661	33,011
Other operating revenue from non-insurance businesses	32	1,334	-
Other revenue		315,816	551,902
Gross benefits and claims paid	33(a)	(1,140,810)	(1,628,987)
Claims ceded to reinsurers	33(b)	90,628	50,706
Gross change to contract liabilities	33(c)	190,130	143,006
Change in contract liabilities ceded to reinsurers	33(d)	(5,875)	(10,944)
Net insurance benefits and claims		(865,927)	(1,446,219)
Fee and commission expense		(122,694)	(170,099)
Management expenses	34	(132,174)	(163,921)
Other operating income/(expenses) – net	35	38,753	(1,372)
Finance cost		(2)	-
Other expenses		(216,117)	(335,392)
Surplus/profit before taxation		209,718	160,380
Taxation of life insurance business	37	14,211	(36,185)
Surplus after taxation/profit before taxation		223,929	124,195
Surplus retained in life insurance business		(82,053)	(62,126)
Profit before taxation		141,876	62,069
Taxation	37	(22,935)	(14,295)
Profit for the financial year		118,941	47,774

COMPANY

The profit of RM236,568,000 for the financial year ended 31 December 2011 comprised of realised gain from disposal of subsidiary company as disclosed in Note 41 to the financial statement.

39 DIVIDENDS

The Board of Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2011.

40 BASIC EARNINGS/(LOSS) PER SHARE - GROUP

The basic earnings/(loss) per ordinary share have been calculated by dividing the Group's net profit or loss from continuing and discontinued operations after non-controlling interest as stated below over the weighted average number of ordinary shares of the Company in issue during the financial year of 304,354,000 shares (2010: 304,354,000 shares).

	2011 RM'000	2010 RM'000
Profit/(loss) for the financial year from continuing operations after non-controlling interest	6,828	(20,309)
Profit for the financial year from discontinued operations	118,941	47,774

41 DISPOSAL OF SUBSIDIARY COMPANIES

On 30 September 2011, the Company and its wholly-owned subsidiary, MAA Corporation Sdn Bhd ("MAA Corp") completed the disposal of MAA, Multioto Services Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd, Maagnet Systems Sdn Bhd and Maagnet-SSMS Sdn Bhd (hereinafter collectively known as the "Disposed Subsidiaries") to Zurich, for a total cash consideration of RM344.0 million ('the Disposal") as further disclosed in Note 53 (a) to the financial statements.

Following the completion of the Disposal, these companies ceased to be subsidiaries of the Group.

Details of the disposal are as follows:

GROUP

	At date of disposal RM'000
Property, plant and equipment	270,853
Investment properties	507,553
Intangible assets	4,669
Investments	5,622,437
Insurance receivables	85,158
Trade and other receivables	166,789
Tax recoverable	415
Cash and cash equivalents	736,146
Insurance contract liabilities – net of reinsurance assets	(5,923,325)
Insurance payables	(996,280)
Trade and other payables	(146,872)
Current tax liabilities	(32,407)
Deferred tax liabilities	(19,875)
Net assets	275,261
Net disposal proceeds[(1)]	(360,344)
Related selling expenses	1,921
Gain on disposal to the Group (Note 29)	(83,162)
The net cash flow on disposal was determined as follows:	
Net cash received less related selling expenses	178,295
Cash and cash equivalents of disposed subsidiary companies	(736,146)
Cash outflow to the Group on disposal	(557,851)

41 DISPOSAL OF SUBSIDIARY COMPANIES (CONTINUED)

[(1)]The net disposal proceeds of the Group are derived from total consideration of RM430,034,000 million comprised of the sale consideration of RM344,000,000 million, and an upward adjustment of RM86,034,000 million being the difference between the aggregate value of the Disposed Subsidiaries as at 30 September 2010 and the final aggregate value as at 30 September 2011 based on the draft completion accounts and statement of aggregate net assets value of the Disposed Subsidiaries received from Zurich on 30 December 2011, less an amount of RM69,690,000 million held back to address certain issues relating to the satisfaction and fulfillment of certain condition precedents in the SPA with Zurich.

COMPANY

	At date of disposal RM'000
Cost of investment	110,981
Net disposal proceeds	(356,231)
Related selling expenses	8,682
Gain on disposal to the Company (Note 29)	(236,568)

The net cash flow on disposal was determined as follows:

Net cash received less related selling expenses	168,315

42 CAPITAL AND OTHER COMMITMENTS

Capital expenditure not provided for in the financial statements is as follows:

	GROUP	
	31.12.2011 RM'000	31.12.2010 RM'000
Authorised and contracted for:		
- property, plant and equipment	4,197	2,444
- investment properties	-	13,531
	4,197	15,975
Approved and not contracted for:		
- property, plant and equipment	3,251	-
	7,448	15,975

43 CONTINGENT LIABILITIES

During the financial year ended 31 December 2005 ("FY 2005"), Meridian Asset Management Sdn Bhd ("MAM"), a subsidiary company of MAA Corp, had commenced legal proceedings against a custodian of its fund to recover, inter alia, the loss of investment moneys of its clients, MAA and Kumpulan Wang Amanah Pencen ("KWAP") of RM19.6 million and RM7.3 million respectively placed with the custodian ("Custodian") ("MAM Suit").

MAA had during the financial year ended 31 December 2006 commenced legal proceedings against the Custodian for negligence to recover, inter alia, its loss of investment moneys amounting to RM19.6 million ("MAA Suit"). MAM was subsequently brought in as a Third Party to the legal proceedings by the Custodian in MAA Suit.

On 16 September 2008, the High Court exercised its power pursuant to Order 4 Rule 1 of the Rules of the High Court 1980 and ordered MAM Suit to be heard with MAA Suit. The cases are fixed for pre trial case management on 31 May 2012.

In November 2007, KWAP had commenced legal proceedings against MAM to recover, inter alia, its loss of investment moneys amounting to RM7.3 million together with interest. The matter is now fixed for trial on 23 April 2012 and 24 April 2012.

The solicitors are of the opinion that MAM has a good case against the Custodian and that the Custodian does not have a favorable case against MAM in MAA Suit. The solicitors are also of the opinion that MAM has a good defence to the case taken by KWAP against MAM.

44 SIGNIFICANT RELATED PARTY DISCLOSURES

Related parties and relationships

The subsidiary and associated companies of the Company are disclosed in Notes 9 and 10 to the financial statements respectively. The other related parties of, and their relationships with the Group and the Company are as follows:

Related party	Relationship
Melewar Equities Sdn Bhd	Substantial shareholder of the Company
Melewar Khyra Sdn Bhd	Substantial shareholder of the Company
Trace Management Services Sdn Bhd	Company controlled by certain Directors of the Company
Melewar Group Berhad	Company controlled by certain Directors of the Company
Melewar Industrial Group Berhad ("MIG")	Company controlled by certain Directors of the Company
* Mitra Malaysia Sdn Bhd	Company controlled by person connected to certain Directors of the Company
Melewar Apex Sdn Bhd	Company controlled by certain Directors of the Company
Mycron Steel Berhad	A subsidiary company of MIG
Melewar Integrated Engineering Sdn Bhd	A subsidiary company of MIG
Melewar Steel Tube Sdn Bhd	A subsidiary company of MIG
Maybach Logistics Sdn Bhd	An associated company of the Company
MAA Bancwell Trustee Berhad ("MAA Bancwell")	An associated company of the Group
MAA Key Executive Retirement Scheme ("MAAKER")	Retirement fund for the benefits of employees of the Group

* Ceased to be a related party on 8 June 2011.

44 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions

During the financial year, the Group and the Company undertook various transactions based on agreed terms and conditions with its subsidiary companies, associated companies and other companies deemed related parties as disclosed above.

The significant related party transactions during the financial year are as follows:

	GROUP		COMPANY	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Transactions with subsidiary companies:				
Interest income from advances to subsidiary companies	-	-	2,293	3,337
Management fee income from subsidiary companies	-	-	3,136	4,108
Rental expense payable to a subsidiary company – MAA [(1)]	-	-	(520)	(686)
Transactions with related parties:				
Rental income receivable by MAA [(1)] from:				
Trace Management Services Sdn Bhd	105	135	-	-
Melewar Group Berhad	45	80	-	-
Melewar Integrated Engineering Sdn Bhd	98	410	-	-
Melewar Industrial Group Berhad	207	299	-	-
Melewar Equities Sdn Bhd	75	108	-	-
Retirement benefit fund contributed to MAAKER	(749)	(587)	(732)	(97)
Security services fee receivable from:				
Mycron Steel Berhad	175	162	-	-
Melewar Steel Tube Sdn Bhd	141	114	-	-
Purchase of air tickets and travel packages from Mitra Malaysia Sdn Bhd	(1,736)	(4,458)	(33)	(28)
Company secretarial and related fees payable to Trace Management Services Sdn Bhd	(490)	(516)	(150)	(150)
Transactions with associated companies:				
Trustee fee payable by MAAKER to MAA Bancwell	(150)	(173)	-	-
Management fee income receivable from MAA Bancwell	1,189	1,524	1,189	1,524
Transportation charges refundable by Maybach Logistics Sdn Bhd	-	315	-	315
Rental income receivable by MAA from MAA Bancwell	39	51	-	-

[(1)]MAA ceased to be a subsidiary company subsequent to its disposal to Zurich on 30 September 2011.

44 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Related party receivables/payables

The balances with related parties at the financial year end are disclosed in Note 13 to the financial statements. Other significant balances with other related parties at the financial year end are as disclosed below.

Investments in related parties, namely MIG and Mycron Steel Berhad's quoted equity securities (included in Note 7 to the financial statements):

	GROUP	
	2011 RM'000	**2010 RM'000**
At carrying value:		
- Quoted equity securities	-	5,913

In addition, Executive Directors and key management personnel received remuneration for services rendered during the financial year. The total compensation paid to the Group and the Company's Executive Directors and key management personnel as well as fees paid to Directors were as follows:

	GROUP		COMPANY	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Salaries and other short-term employee benefits	13,671	12,599	5,581	3,477
Defined contribution retirement benefits	4,201	1,498	910	435
	17,872	14,097	6,491	3,912

The financial year end balances with key management personnel were as follows:

	GROUP		COMPANY	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Amounts receivable from mortgage loans	139	508	139	187
Amounts payable to a Director	1,950	1,893	-	-

The amounts receivable from mortgage loans are secured against the properties pledged, with fixed repayment terms and bearing interest at the rates ranging from 5% to 8.5% per annum (2010: 5% to 8.5% per annum).

The amounts payable to a Director are unsecured, interest free and with no fixed terms of repayment.

45 SEGMENTAL INFORMATION

The following segment information has been prepared in accordance with FRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments. It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance.

The Group has six (6) operating segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they employ different technology and marketing strategies. The operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee of the Company (the chief operating decision maker). The following summary describes the operations in each of the Group's operating segments:

- Life insurance – underwriting life insurance business, including investment-linked business
- General insurance – underwriting all classes of general insurance business
- Family takaful business – underwriting family takaful business
- General takaful business – underwriting general takaful business
- Unit trust fund management – management of unit trust funds
- Shareholders' fund of the insurance and takaful businesses

Other segments comprise investment holding, hire purchase, leasing and other credit activities, property management and investment advising, security and consultancy services.

There are no changes in the operating segments during the financial year.

Measurement and Evaluation of Segment Performance

The Executive Committee evaluates operating segments' performance on the basis of revenue and profit. Expenses directly associated with each operating segment are included in determining their respective profit. Transactions between operating segments are based on mutually agreed allocation bases. In addition to the operating segments, the segment information also discloses non inter-segment eliminations.

45 SEGMENTAL INFORMATION (CONTINUED)

2011	Insurance: Life insurance Conti-nuing RM'000	Insurance: Life insurance Disconti-nued RM'000	Insurance: General insurance Conti-nuing RM'000	Insurance: General insurance Disconti nued RM'000	Insurance: Shareholders' fund Conti-nuing RM'000	Insurance: Shareholders' fund Disconti nued RM'000	Takaful: General takaful fund RM'000	Takaful: Family takaful fund RM'000	Takaful: Share-holders' fund RM'000	Unit trust fund mana-gement RM'000	Other segments Conti-nuing RM'000	Other segments Disconti nued RM'000	Total RM'000	Inter-segment elimination RM'000	Group total RM'000
External revenue	18,630	892,019	74,817	365,343	770	7,300	126,879	170,343	4,252	40,086	24,784	1,371	1,726,594	-	1,726,594
Revenue from other segments	-	3,167	-	259	-	-	-	-	-	-	5,118	9,932	18,476	(18,476)	-
Total operating revenue	18,630	895,186	74,817	365,602	770	7,300	126,879	170,343	4,252	40,086	29,902	11,303	1,745,070	(18,476)	1,726,594
Net earned premiums/ contributions	14,695	667,424	38,622	308,522	-	-	31,966	150,824	-	-	-	-	1,212,053	-	1,212,053
Interest income	2,003	150,929	679	16,655	305	3,929	2,237	4,491	3,731	837	1,545	38	187,379	-	187,379
Other revenue	616	35,439	6,804	24,035	(2,103)	3,704	23,760	11,102	94,564	39,250	10,422	84,513	332,106	(94,139)	237,967
Net insurance/takaful benefits and claims	37,614	(683,477)	(16,713)	(182,450)	-	-	(17,317)	(37,944)	-	-	-	-	(900,287)	-	(900,287)
Other expenses	(10,473)	(96,399)	(28,429)	(110,055)	(5,563)	(2,031)	(33,831)	(65,215)	(95,416)	(32,605)	(33,599)	(7,825)	(521,441)	100,745	(420,696)
Depreciation	(270)	(6,038)	(188)	(1,263)	(102)	(921)	-	-	(446)	(335)	(873)	(237)	(10,673)	-	(10,673)
Amortisation	-	(1,330)	-	-	-	-	-	-	(1,322)	(503)	(90)	(48)	(3,293)	-	(3,293)
Finance cost	-	-	-	-	-	-	-	-	-	-	(14,468)	(2)	(14,470)	-	(14,470)
Profit/(loss) by segments	44,185	66,548	775	55,444	(7,463)	4,681	6,815	63,258	1,111	6,644	(37,063)	76,439	281,374	6,606	287,980
Taxation of life insurance, general takaful and family takaful businesses	196	14,211	-	-	-	-	(699)	(1,381)	-	-	-	-	12,327	-	12,327
Surplus retained in life insurance, general takaful and family takaful businesses	(1,453)	(80,759)	-	-	-	-	(6,116)	(55,477)	-	-	-	-	(143,805)	(1,294)	(145,099)
	42,928	-	775	55,444	(7,463)	4,681	-	6,400	1,111	6,644	(37,063)	76,439	149,896	5,312	155,208
Share of loss of associated companies not included in reportable segments													(350)	-	(350)
Profit before taxation													149,546	5,312	154,858

45 SEGMENTAL INFORMATION (CONTINUED)

2010	Insurance						Takaful			Unit trust fund mana-gement	Other segments		Total	Inter-segment elimination	Group total
	Life insurance		General insurance		Shareholders' fund		General takaful fund	Family takaful fund	Share-holders' fund						
	Conti-nuing RM'000	Disconti-nued RM'000	Conti-nuing RM'000	Disconti nued RM'000	Conti-nuing RM'000	Disconti nued RM'000	RM'000	RM'000	RM'000	RM'000	Conti-nuing RM'000	Disconti nued RM'000	RM'000	RM'000	RM'000
External revenue	28,924	1,264,641	87,179	547,633	128	8,053	100,762	161,243	4,372	33,709	27,420	-	2,264,064	-	2,264,064
Revenue from other segments	-	3,882	-	268	-	-	-	-	-	-	20,302	-	24,452	(24,452)	-
Total operating revenue	28,924	1,268,523	87,179	547,901	128	8,053	100,762	161,243	4,372	33,709	47,722	-	2,288,516	(24,452)	2,264,064
Net earned premiums/ contributions	19,866	976,877	33,340	413,212	-	-	33,823	152,102	-	-	-	-	1,629,220	-	1,629,220
Interest income	7,029	189,847	585	24,358	5	3,502	1,241	2,561	4,015	551	858	-	234,552	-	234,552
Other revenue	2,936	299,684	8,723	32,465	666	6,196	15,187	13,461	82,565	33,160	19,091	-	514,134	(83,959)	430,175
Net insurance/takaful benefits and claims	(23,718)	(1,176,439)	(5,415)	(269,780)	-	-	(27,166)	(44,427)	-	-	-	-	(1,546,945)	-	(1,546,945)
Other expenses	(13,524)	(183,970)	(23,148)	(148,362)	(984)	(1,902)	(28,930)	(56,624)	(80,359)	(27,569)	(52,005)	-	(617,377)	93,730	(523,647)
Depreciation	(187)	(8,431)	(168)	(1,234)	(123)	(1,227)	-	-	(210)	(311)	(1,314)	-	(13,205)	-	(13,205)
Amortisation	-	(1,944)	-	(957)	-	-	-	-	(1,070)	(490)	(111)	-	(4,572)	-	(4,572)
Finance cost	-	-	-	-	-	-	-	-	-	-	(11,861)	-	(11,861)	-	(11,861)
Profit/(loss) by segments	(7,598)	95,624	13,917	49,702	(436)	6,569	(5,845)	67,073	4,941	5,341	(45,342)	-	183,946	9,771	193,717
Taxation of life insurance, general takaful and family takaful businesses	(58)	(36,185)	-	-	-	-	-	(1,122)	-	-	-	-	(37,365)	-	(37,365)
(Surplus)/deficit retained in life insurance, general takaful and family takaful businesses	(251)	(59,439)	-	-	-	-	5,845	(62,551)	-	-	-	-	(116,396)	(2,687)	(119,083)
	(7,907)	-	13,917	49,702	(436)	6,569	-	3,400	4,941	5,341	(45,342)	-	30,185	7,084	37,269
Share of loss of associated companies not included in reportable segments													(380)	-	(380)
Profit before taxation													29,805	7,084	36,889

45 SEGMENTAL INFORMATION (CONTINUED)

	Insurance						Takaful			Unit trust fund mana-gement	Other segments		Total	Inter-segment elimination	Group total
	Life insurance		General insurance		Shareholders' fund		General takaful fund	Family takaful fund	Share-holders' fund						
	Conti-nuing RM'000	Disconti-nued RM'000	Conti-nuing RM'000	Disconti nued RM'000	Conti-nuing RM'000	Disconti nued RM'000	RM'000	RM'000	RM'000	RM'000	Conti-nuing RM'000	Disconti nued RM'000	RM'000	RM'000	RM'000
31.12.2011															
Segment assets	51,343	-	73,481	-	66,016	-	214,438	289,305	103,665	44,171	248,219	-	1,090,638	13	1,090,651
Investment in associated companies															50,522
Total assets															1,141,173
31.12.2010															
Segment assets	156,740	6,431,341	103,417	933,708	66,003	227,822	144,095	201,829	133,024	41,679	103,417	-	8,543,075	7,493	8,550,568
Investment in associated companies															49,404
Total assets															8,599,972

45 SEGMENTAL INFORMATION (CONTINUED)

Geographical segments

The Group operates mainly in Malaysia, Indonesia, the Philippines and Australia. In determining the geographical segments of the Group, revenues and non-current assets are based on the geographical location of customers.

	External revenue		Non-current assets	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Malaysia				
- Continuing operations	380,320	353,616	195,970	31,233
- Discontinued operations	1,264,662	1,821,324	-	795,677
	1,644,982	2,174,940	195,970	826,910
Indonesia	81,492	88,984	1,189	961
Others	120	140	-	-
	1,726,594	2,264,064	197,159	827,871

46 CAPITAL MANAGEMENT

The Group's capital management underlying objective is to manage capital and to allocate capital efficiently for business growth taking into account the associated business risks to meet regulatory requirements, obligations to policyholders and the expectation of stakeholders.

The Company manages the capital of the Group to ensure that source of capital and the related costs meet the overall objectives of the capital plan. Excess capital generated from profits at the subsidiary level exceeding planned requirements is returned to the Company in the form of dividends under the Group's capital management plan.

For the core insurance subsidiary companies, the performance of internal capital levels against the regulatory requirements are reviewed at least quarterly by their respective management and reported to their respective Risk Management Committees and the Boards as part of capital budgeting, planning and monitoring process. This measure is also implemented ahead at the takaful subsidiary company to ensure the takaful subsidiary company is RBC ready.

47 RISK MANAGEMENT FRAMEWORK

Risk Governance Structure

The Group's risk governance structure and risk reporting requirement is incorporated in the Group Risk Management Framework. The Framework explains the underlying approach and defined an on-going and consistent process for identifying, analysing, evaluating, monitoring, reporting and managing significant risks faced by the business units in the Group. It also outlines the key aspects of the risks management process and identifies the main reporting procedures.

The Board through the Group Risk Management Committee is ultimately responsible for effective risk oversight and framework within the Group. The Group Risk Management Committee determines the remit, roles, resources and structure for risk management functions to operate effectively and efficiently. The core insurance and takaful subsidiary companies in the Group have their respective dedicated Risk Management teams to manage the risk management functions to comply with the applicable regulatory requirements. The Heads of Risk Management of the insurance subsidiary companies report directly to their respective Risk Management Committees, and indirectly to the Group Risk Management Committee.

The Group Risk Management Framework is premised with three lines of defence that serves as the guiding principles within the Group:

1. The Business Units acting as the "first line of defence" is primarily responsible for identifying, evaluating and managing risks within their Units. The Head of Business Units are responsible to implement and execute appropriate risk mitigation action plan on a timely manner. The Business Units are responsible to ensure the execution of appropriate risk reduction action plans on a timely manner. The priority should be accorded to mitigate high and significant risks in order to ensure that their day-to-day business activities are carried out within acceptable risk level.

2. The Risk Management teams acting as the "second line of defence" conducts risk oversight and supports the risk policies and framework that is approved by the Group Risk Management Committee. The Risk Management teams facilitates in assessing the adequacy of the internal control systems.

3. The Audit Committee's key role, supported by the Internal Audit Department, as the "third line of defence" provides an independent assessment of the adequacy and reliability of the risk management processes and compliance among the Business Units with the risk policies, regulatory guidelines and Group's procedures.

47 RISK MANAGEMENT FRAMEWORK (CONTINUED)

Risk Governance Structure (continued)

The Group has established within its risk management framework a structured approach to enterprise-wide risk management with risk management process which encompasses risk identification, risk evaluation, risk treatment and risk monitoring.

The Group has also established management committees in the subsidiary companies where applicable to act as platform for two-way communication between the Management and the Board. The Committees are Investment Committee, Risk Based Capital Committee, IT Steering Committee, Credit Control Committee, Human Resource Committee, Syariah Committee and Executive Committee. These committees are responsible for overseeing the development and assessing the effectiveness of risk management policies, reviewing risk exposure and portfolio composition and ensuring that infrastructure, resources and systems are put in place for effective risk management activities.

48 INSURANCE RISK

The risk underlying any insurance contract is the likelihood of the insured event occurring and the uncertainty in the amount of the resulting claims. This risk is random and therefore unpredictable.

For a portfolio of insurance contracts, the principal risk that the Group faces is that claims and benefit payments exceed the amount of insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. The actual number and amount of claims and benefits will vary from year to year from the level established using statistical estimation techniques.

(I) Life Insurance and Family Takaful Contracts

Life insurance contracts offered by the Group include whole life, term assurance, endowments, annuity contracts, investment-link contracts and medical and health riders. Family takaful contracts offered by the Group include health, group family, mortgage and investment-linked. The Group currently does not offer any investment contracts with DPF.

The main risks that the Group is exposed to are the following:
- Mortality risk – risk of loss arising due to policyholder's death experience being different than expected
- Morbidity risk – risk of loss arising due to policyholder's health experience being different than expected
- Longevity risk – risk of loss arising due to the annuitants' living longer than expected
- Investment return/Interest rate risk – risk of loss arising from actual returns being different than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Lapse risk – risk of loss arising due to policyholder surrender experience being different than expected

These risks vary in relation to the location of the risk insured by the Group, type of risk insured or by industry.

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is broadly achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that product pricing reflects policyholders' health conditions and family medical history, regular review of actual claims experience, as well as detailed claims procedures.

Life Insurance Contracts

The table below shows the concentration of life insurance contract liabilities held by the Group by type of product for the overseas insurance subsidiary company:

	Gross Without DPF	
	31.12.2011 RM'000	**31.12.2010 RM'000**
Life Contracts		
Whole life and endowment	10,404	8,585
Term – Mortgage	1,738	1,279
Term – Other plans	11,302	9,367
Term – Medical & Health	473	809
Total life insurance contract liabilities	23,917	20,040

The above business is derived from Indonesia. Accordingly the entire life liabilities are in Indonesia.

The above is shown gross-of-reinsurance basis as it assumed that reinsurance is neutral with respect to cash flows.

48 INSURANCE RISK (CONTINUED)

(I) Life Insurance and Family Takaful Contracts (continued)

Life Insurance Contracts (continued)

Key assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are 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 table below shows the key underlying assumptions used for valuation of life insurance contract liabilities as at 31 December 2011 which is primarily contributed by the overseas insurance subsidiary company.

Assumptions	Description
Valuation Method	Gross Premium Valuation For guaranteed cash flows, weighted average of coupon spot yields as outlined below.
Interest Rate	Net-of tax expected return based on typical asset mix and expected rate of return in each major type of assets; also reflects last 5 years average return of the company.
Mortality, Disability, Dread disease, Expense, Lapse and Surrenders	Best estimates based on the company's experience, industry statistics and typical pricing assumption in the market. (Data source: Internal experience studies)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed 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.

	Impact on life insurance contract liabilities	
	Change in assumption %	**Gross/Net RM'000**
31 December 2011		
Mortality & morbidity rates	-10	(590)
Mortality & morbidity rates	+10	572
Expenses	-10	(580)
Expenses	+10	682
Lapse rates	-10	(190)
Lapse rates	+10	483
Investment rates	-1	430
Investment rates	+1	(421)
Discount rates	-1	1,021
Discount rates	+1	(828)
31 December 2010		
Mortality & morbidity rates	-10	(643)
Mortality & morbidity rates	+10	379
Expenses	-10	(752)
Expenses	+10	622
Lapse rates	-10	(343)
Lapse rates	+10	741
Investment rates	-1	308
Investment rates	+1	(331)
Discount rates	-1	528
Discount rates	+1	(459)

The above is shown gross-of-reinsurance as it assumed that reinsurance is neutral with respect to cash flows.

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

48 INSURANCE RISK (CONTINUED)

(I) Life Insurance and Family Takaful Contracts (continued)

Family Takaful Contracts

The table below shows the concentration of Family takaful contract liabilities, excluding available-for-sale reserve, by type of contract:

	31.12.2011			31.12.2010		
	Gross RM'000	**Retakaful RM'000**	**Net RM'000**	**Gross RM'000**	**Retakaful RM'000**	**Net RM'000**
Family takaful contract liabilities						
Whole life	97	-	97	13	-	13
Endowment	203,527	-	203,527	153,108	-	153,108
Term	40,323	(10,049)	30,274	38,761	(17,198)	21,563
	243,947	(10,049)	233,898	191,882	(17,198)	174,684

As all of the business is derived from Malaysia, the entire Family takaful contract liabilities are in Malaysia.

Key assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are 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:

a) Mortality Rates
Assumption is based on industry standard table – M9903 (2010: M8388)

b) Morbidity Rates
Assumption is mainly based on reinsurer rates

c) Investment Return
8.4% p.a. for participant Investment Account (PIA) and 4% p.a for Participant Risk Investment Account (PRIA)

d) Expenses

Assumption varies by product type as follow:

Product Type	RM per certificate
Investment –linked	84
Ordinary Family	70
Group Family	4

e) Lapse and Surrender Rates
2% p.a. for Single Contribution certificates

For regular contribution certificates, lapse rate varies by Certificate Year as follows:

Certificate year	Lapse %
1	25.0
2	20.0
3	10.0
4+	3.5

f) Discount Rate
GII Spot rate as at date of statement of financial position.

48 INSURANCE RISK (CONTINUED)

(I) Life Insurance and Family Takaful Contracts (continued)

Family Takaful Contracts (continued)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed 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.

	Impact on Family takaful contract liabilities			
	Change in assumptions %	**Gross RM'000**	**Net RM'000**	**Profit before tax RM'000**
31 December 2011				
Mortality/morbidity	+10	1,606	98	98
Lapse and surrender rates	+10	(167)	-	-
Discount rate	+1	(74)	(564)	(564)
Expenses	+1	573	573	573
31 December 2010				
Mortality/morbidity	+10	5,396	5,301	5,301
Lapse and surrender rates	+10	174	174	174
Discount rate	+1	(13)	(13)	(13)

The method used and significant assumptions made for deriving sensitivity information did not change from the previous period. There is minimal impact on the Family takaful contract liabilities in relation to changes made to longevity, expenses and investment return.

(II) General Insurance and General Takaful Contracts

Risks under general insurance and general takaful contracts usually cover a twelve-month duration. The risks inherent in general insurance and general takaful contracts are reflected in the insurance and takaful contract liabilities which include the premiums/ contributions and claims liabilities, as set out under Notes 17 (b) and 17 (d) of the financial statements. Premiums/contributions liabilities comprise of reserves for unexpired risks, while the claims liabilities comprise of loss reserves which include provision for both outstanding claims notified and outstanding claims incurred but not reported.

The Group manages its insurance risks for general insurance and general takaful contracts by having a clearly defined framework as follow:

- Writing a balanced mix and spread of business, geographically and between classes of business;
- Underwriting strategies focused on profitable lines of business are clearly articulated to stakeholders;
- Underwriting authority limits for capacity are in place according to individual's capacity in the underwriting process;
- Mitigating insurance risks through purchase of both proportional and non-proportional reinsurance and retakaful treaties; and
- Regular monitoring of claim experience and comparing actual experience against that implied in pricing.

General Insurance Contracts

The concentration of the general insurance contracts in relation to the type of insurance contracts accepted by the Group is as summarised below:

	31.12.2011			31.12.2010		
	Gross RM'000	**Re-insurance RM'000**	**Net RM'000**	**Gross RM'000**	**Re-insurance RM'000**	**Net RM'000**
Fire	13,409	(4,820)	8,589	15,906	(9,352)	6,554
Motor Vehicle	1,086	(13)	1,073	2,351	(30)	2,321
Marine Cargo, Aviation Cargo & Transit	9,580	(6,061)	3,519	13,359	(10,291)	3,068
Miscellaneous	16,481	(6,165)	10,316	12,601	(5,578)	7,023
	40,556	(17,059)	23,497	44,217	(25,251)	18,966
Currency translation differences	217	(120)	97	(1,124)	874	(250)
	40,773	(17,179)	23,594	43,093	(24,377)	18,716

48 INSURANCE RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Insurance Contracts (continued)

Key assumptions

The risk inherent in general insurance contracts are reflected in the insurance contract liabilities which include the premium and claims liabilities, as set out under Note 17 (b) of the financial statements. Premium liabilities comprise of reserves for unexpired risks, whilst claims liabilities comprise of loss reserves which include provisions for both outstanding claims notified and outstanding claims incurred but not reported.

Outstanding claims provisions are usually established by skilled claims personnel based upon their experience and knowledge, and known facts of individual claims at hand. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson (BF) methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses based upon past development patterns including the implicit underlying trends. The BF methods which tend to be more stable and the more preferred methods also require the input of initial expected loss ratios ("IELRs") which usually are based upon past claims experience.

Thus, General insurance contract liabilities are normally determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, historical claims development trends, legislation changes, judicial decisions, economic conditions and claims handling procedure.

However, additional qualitative judgments are also used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates. The estimates of the general insurance contract liabilities are therefore sensitive to various factors and uncertainties and the actual future premium and claims liabilities may not develop exactly as projected and could vary significantly from initial estimates. To increase the probability that the estimates would ultimately be adequate, provisions for adverse deviations are also included in the estimates.

The Group further reduced its risk exposure through strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims. In addition, the Group enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

Sensitivities

The general insurance claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

Motor Third Party Bodily Injury ("TPBI") claims are one of the main components contributing to the Group's general insurance claims liabilities for disposal group classified as discontinued operations. TPBI has a longer risk exposure compares to other classes which will result in volatile impact to the change in key assumptions.

The analysis below is performed on the Group's TPBI portfolio for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on Gross and Net liabilities, Profit before Tax and Equity. The correlation among assumptions could have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

For the Group's continuing operations, the initial expected loss ratio is an important assumption in the BF estimation techniques.

Increasing the IELRs by 10% yields the following impact:

	Impact on Change in assumptions	Impact on Gross Liabilities RM'000	Impact on Net Liabilities RM'000	Profit before Tax RM'000	Impact on Equity RM'000
31 December 2011					
Initial expected loss ratios	+10%	20,991	13,557	(1,232)	(924)
31 December 2010					
Initial expected loss ratios	+10%	37,321	30,788	(2,799)	(2,099)

The method used in deriving sensitivity information and significant assumptions did not change from the previous period.

48 INSURANCE RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Insurance Contracts (continued)

Claims Development Table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each statement of financial position date, together with cumulative payments to-date.

In setting provisions for claims, the Group 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. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

Gross General Insurance Contract Liabilities for 2011

	Before 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
Accident year									
At end of accident year	-	4,731	3,277	735	2,062	17,540	29,547	38,819	
One year later	4,710	17,506	19,168	9,244	24,250	24,220	41,321	-	
Two years later	6,627	28,599	34,477	17,409	31,733	56,059	-	-	
Three years later	10,649	28,933	37,138	18,606	29,422	-	-	-	
Four years later	10,635	29,070	36,799	28,833	-	-	-	-	
Five years later	11,555	28,976	21,681	-	-	-	-	-	
Six years later	11,515	16,510	-	-	-	-	-	-	
Seven years later	1,503	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	1,053	16,510	21,681	28,833	29,422	56,059	41,321	38,819	
At end of accident year	-	(4,731)	(3,277)	(195)	(703)	-	(5,875)	(8,791)	
One year later	(4,710)	(17,506)	(17,911)	(8,014)	(22,783)	(8,430)	(32,641)	-	
Two years later	(6,627)	(27,801)	(32,534)	(13,264)	(29,073)	(54,501)	-	-	
Three years later	(10,544)	(28,758)	(36,424)	(18,440)	(29,392)	-	-	-	
Four years later	(10,641)	(28,974)	(36,782)	(28,824)	-	-	-	-	
Five years later	(11,515)	(28,976)	(21,663)	-	-	-	-	-	
Six years later	(11,515)	(16,510)	-	-	-	-	-	-	
Seven years later	(1,503)	-	-	-	-	-	-	-	
Cumulative payments to-date	(1,503)	(16,510)	(21,663)	(28,824)	(29,392)	(54,501)	(32,641)	(8,791)	
Gross General insurance contract liabilities	-	-	18	9	30	1,558	8,680	30,028	40,323
Currency translation differences									450
Gross General insurance contract liabilities									40,773

The Group used an annual average exchange rate to translate the foreign currency Indonesia Rupiah to Ringgit Malaysia.

48 INSURANCE RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Insurance Contracts (continued)

Claims Development Table (continued)

Net General Insurance Contract Liabilities for 2011

	Before 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
Accident year									
At end of accident year	-	2,652	1,643	2,914	2,720	5,529	14,076	23,572	
One year later	3,030	5,932	7,559	7,968	7,781	15,634	21,206	-	
Two years later	4,565	6,797	9,495	9,394	13,609	29,534	-	-	
Three years later	5,162	6,965	10,419	9,440	14,808	-	-	-	
Four years later	5,199	7,124	10,877	14,409	-	-	-	-	
Five years later	5,191	7,087	10,456	-	-	-	-	-	
Six years later	5,184	7,750	-	-	-	-	-	-	
Seven years later	848	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	848	7,750	10,456	14,409	14,808	29,534	21,206	23,572	
At end of accident year	-	(2,652)	(1,643)	-	(660)	-	(3,353)	(5,780)	
One year later	(3,030)	(5,932)	(7,375)	(4,830)	(5,023)	(6,625)	(15,780)	-	
Two years later	(4,565)	(6,980)	(8,910)	(6,213)	(15,569)	(28,874)	-	-	
Three years later	(5,147)	(7,115)	(9,984)	(8,410)	(14,786)	-	-	-	
Four years later	(5,182)	(7,294)	(10,845)	(14,934)	-	-	-	-	
Five years later	(5,183)	(7,300)	(10,449)	-	-	-	-	-	
Six years later	(5,184)	(7,750)	-	-	-	-	-	-	
Seven years later	(848)	-	-	-	-	-	-	-	
Cumulative payments to-date	(848)	(7,750)	(10,449)	(14,934)	(14,786)	(28,874)	(15,780)	(5,780)	
Net General insurance contract liabilities	-	-	7	(525)	22	660	5,426	17,792	23,382
Currency translation differences									212
Net General insurance contract liabilities									23,594

The Group used an annual average exchange rate to translate the foreign currency Indonesia Rupiah to Ringgit Malaysia.

48 INSURANCE RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Insurance Contracts (continued)

Claims Development Table (continued)

Gross General Insurance Contract Liabilities for 2010

	Before 2004 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Total RM'000
Accident year									
At end of accident year	-	-	4,731	3,277	735	2,062	17,540	29,547	
One year later	-	4,710	17,506	19,168	9,244	24,250	24,220	-	
Two years later	746	5,881	28,599	34,477	17,409	31,733	-	-	
Three years later	1,465	9,185	28,933	37,138	18,606	-	-	-	
Four years later	1,489	9,345	29,070	36,799	-	-	-	-	
Five years later	1,503	10,052	28,976	-	-	-	-	-	
Six years later	1,503	10,012	-	-	-	-	-	-	
Seven years later	1,503	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	1,503	10,012	28,976	36,799	18,606	31,733	24,220	29,547	
At end of accident year	-	-	(4,731)	(3,277)	(195)	(703)	-	(5,875)	
One year later	-	(4,710)	(17,506)	(17,911)	(8,014)	(22,783)	(8,430)	-	
Two years later	(746)	(5,881)	(27,801)	(32,534)	(13,264)	(29,073)	-	-	
Three years later	(1,465)	(9,079)	(28,758)	(36,424)	(18,440)	-	-	-	
Four years later	(1,489)	(9,151)	(28,974)	(36,782)	-	-	-	-	
Five years later	(1,503)	(10,012)	(28,976)	-	-	-	-	-	
Six years later	(1,503)	(10,012)	-	-	-	-	-	-	
Seven years later	(1,503)	-	-	-	-	-	-	-	
Cumulative payments to-date	(1,503)	(10,012)	(28,976)	(36,782)	(18,440)	(29,073)	(8,430)	(5,875)	
Gross General insurance contract liabilities	-	-	-	17	166	2,660	15,790	23,672	42,305
Currency translation differences									788
Gross General insurance contract liabilities									43,093

The Group used an annual average exchange rate to translate the foreign currency Indonesia Rupiah to Ringgit Malaysia.

48 INSURANCE RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Insurance Contracts (continued)

Claims Development Table (continued)

Net General Insurance Contract Liabilities for 2010

	Before 2004 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Total RM'000
Accident year									
At end of accident year	-	-	2,652	1,643	2,914	2,720	5,529	14,076	
One year later	-	3,030	5,932	7,559	7,968	7,781	15,634	-	
Two years later	436	4,128	6,797	9,495	9,394	13,609	-	-	
Three years later	823	4,339	6,965	10,419	9,440	-	-	-	
Four years later	838	4,361	7,124	10,877	-	-	-	-	
Five years later	848	4,342	7,087	-	-	-	-	-	
Six years later	848	4,336	-	-	-	-	-	-	
Seven years later	848	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	848	4,336	7,087	10,877	9,440	13,609	15,634	14,076	
At end of accident year	-	-	(2,652)	(1,643)	-	(660)	-	(3,353)	
One year later	-	(3,030)	(5,932)	(7,375)	(4,830)	(5,023)	(6,625)	-	
Two years later	(436)	(4,128)	(6,980)	(8,910)	(6,213)	(15,569)	-	-	
Three years later	(823)	(4,324)	(7,115)	(9,984)	(8,410)	-	-	-	
Four years later	(838)	(4,343)	(7,294)	(10,845)	-	-	-	-	
Five years later	(848)	(4,334)	(7,300)	-	-	-	-	-	
Six years later	(848)	(4,336)	-	-	-	-	-	-	
Seven years later	(848)	-	-	-	-	-	-	-	
Cumulative payments to-date	(848)	(4,336)	(7,300)	(10,845)	(8,410)	(15,569)	(6,625)	(3,353)	
Net General insurance contract liabilities	-	-	(213)	32	1,030	(1,960)	9,009	10,723	18,621
Currency translation differences									95
Net General insurance contract liabilities									18,716

The Group used an annual average exchange rate to translate the foreign currency Indonesia Rupiah to Ringgit Malaysia.

48 INSURANCE RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Takaful Contracts

The concentration of the general takaful contracts in relation to claims liabilities by the type of takaful contracts accepted is as summarised below:

	31.12.2011			31.12.2010		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Fire	17,190	(13,829)	3,361	17,763	(14,221)	3,542
Motor	28,396	(16,067)	12,329	14,283	(2,871)	11,412
Marine Cargo, Aviation Cargo & Transit	5,018	(4,576)	442	6,829	(6,258)	571
Miscellaneous	42,649	(31,065)	11,584	23,336	(13,892)	9,444
	93,253	(65,537)	27,716	62,211	(37,242)	24,969

Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of development of claims paid, development of claims reported amount and a seed loss ratio (for Bornhuetter-Ferguson method) for each accident year.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include delays in settlement, claims handling cost and policy management cost.

Sensitivities

The General takaful claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on Gross and Net liabilities and Profit before Tax. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

		Impact on General takaful contract liabilities			
	Change in assumptions %	Gross RM'000	Net RM'000	Surplus before tax RM'000	Surplus after tax RM'000
31 December 2011					
Average open claims	+10	9,325	2,771	2,771	2,079
Number of claims open	+10	9,325	2,771	2,771	2,079
Loss ratio	+10	12,447	3,212	3,212	2,409
Claims handling expenses	+10	96	94	94	70
Provision for liability adequacy	+1	651	199	199	149
31 December 2010					
Average open claims	+10	6,221	2,497	2,497	1,873
Number of claims open	+10	6,221	2,497	2,497	1,873
Loss ratio	+10	9,952	4,034	4,034	3,026
Claims handling expenses	-	-	-	-	-
Provision for liability adequacy	+1	446	180	180	135

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

48 INSURANCE RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Takaful Contracts (continued)

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each statement of financial position date, together with cumulative payments to-date.

In setting provisions for claims, the Group 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. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

Gross General Takaful Contract Liabilities for 2011

	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
Accident year						
At end of accident year	96	6,816	24,168	54,138	57,359	
One year later	78	4,592	20,219	58,203	-	
Two years later	50	3,714	16,567	-	-	
Three years later	42	3,214	-	-	-	
Four years later	39	-	-	-	-	
Five years later	-	-	-	-	-	
Six years later	-	-	-	-	-	
Seven years later	-	-	-	-	-	
Current estimate of cumulative claims incurred	39	3,214	16,567	58,203	57,359	
At end of accident year	-	1,100	4,021	10,114	12,429	
One year later	39	2,807	9,177	29,052	-	
Two years later	39	3,035	10,278	-	-	
Three years later	39	3,076	-	-	-	
Four years later	39	-	-	-	-	
Five years later	-	-	-	-	-	
Six years later	-	-	-	-	-	
Seven years later	-	-	-	-	-	
Cumulative payments to-date	39	3,076	10,278	29,052	12,429	
Gross General takaful contract liabilities	-	138	6,289	29,151	44,930	80,508
Claims handling expenses						840
Provision for liability adequacy						11,905
Gross General takaful contract liabilities						93,253

48 INSURANCE RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Takaful Contracts (continued)

Claims Development Table (continued)

Net General Takaful Contract Liabilities for 2011

	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
Accident year						
At end of accident year	39	1,640	5,655	25,190	17,488	
One year later	48	1,642	6,165	24,835	-	
Two years later	32	1,370	5,340	-	-	
Three years later	26	1,198	-	-	-	
Four years later	24	-	-	-	-	
Five years later	-	-	-	-	-	
Six years later	-	-	-	-	-	
Seven years later	-	-	-	-	-	
Current estimate of cumulative claims incurred	24	1,198	5,340	24,835	17,488	
At end of accident year	-	339	1,548	5,284	4,926	
One year later	23	1,032	3,831	14,461	-	
Two years later	23	1,169	4,285	-	-	
Three years later	23	1,182	-	-	-	
Four years later	23	-	-	-	-	
Five years later	-	-	-	-	-	
Six years later	-	-	-	-	-	
Seven years later	-	-	-	-	-	
Cumulative payments to-date	23	1,182	4,285	14,461	4,926	
Net General takaful contract liabilities	1	16	1,055	10,374	12,562	24,008
Claims handling expenses						840
Provision for liability adequacy						2,868
Net General takaful contract liabilities						27,716

48 INSURANCE RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Takaful Contracts (continued)

Claims Development table (continued)

Gross General Takaful Contract Liabilities for 2010

	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Total RM'000
Accident year					
At end of accident year	96	6,816	24,168	54,138	
One year later	78	4,592	20,219	-	
Two years later	50	3,714	-	-	
Three years later	42	-	-	-	
Four years later	-	-	-	-	
Five years later	-	-	-	-	
Six years later	-	-	-	-	
Seven years later	-	-	-	-	
Current estimate of cumulative claims incurred	42	3,714	20,219	54,138	
At end of accident year	-	1,100	4,021	10,114	
One year later	39	2,807	9,177	-	
Two years later	39	3,035	-	-	
Three years later	39	-	-	-	
Four years later	-	-	-	-	
Five years later	-	-	-	-	
Six years later	-	-	-	-	
Seven years later	-	-	-	-	
Cumulative payments to-date	39	3,035	9,177	10,114	
Gross General takaful contract liabilities	3	679	11,042	44,024	55,748
Provision for liability adequacy					6,463
Gross General takaful contract liabilities					62,211

48 INSURANCE RISK (CONTINUED)

(II) General Insurance and General Takaful Contracts (continued)

General Takaful Contracts (continued)

Claims Development table (continued)

Net General Takaful contract liabilities for 2010

	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Total RM'000
Accident year					
At end of accident year	39	1,640	5,655	25,190	
One year later	48	1,642	6,165	-	
Two years later	32	1,370	-	-	
Three years later	26	-	-	-	
Four years later	-	-	-	-	
Five years later	-	-	-	-	
Six years later	-	-	-	-	
Seven years later	-	-	-	-	
Current estimate of cumulative claims incurred	26	1,370	6,165	25,190	
At end of accident year	-	339	1,548	5,284	
One year later	23	1,032	3,831	-	
Two years later	23	1,169	-	-	
Three years later	23	-	-	-	
Four years later	-	-	-	-	
Five years later	-	-	-	-	
Six years later	-	-	-	-	
Seven years later	-	-	-	-	
Cumulative payments to-date	23	1,169	3,831	5,284	
Net General takaful contract liabilities	3	201	2,334	19,906	22,444
Provision for liability adequacy					2,525
Net General takaful contract liabilities					24,969

49 FINANCIAL RISK

The Group is exposed to a range of financial risks through its assets, financial liabilities and insurance liabilities. In particular, the key financial risk is that in the long term the investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk, market risk which comprise of currency risk, interest rate/profit yield risk and price risk.

The Group manages these positions within an Asset Liability Management ("ALM") framework that has been developed for the insurance subsidiary companies to achieve long term investment returns in excess its obligations under insurance contracts. The key principle of the framework is to match assets to the liabilities by reference to the type of benefits payable to contract holders. For each distinct class of liabilities, a separate portfolio of assets is maintained and monitored. The Group has not changed the processes used to manage its risks from previous periods.

The Group's ALM is integrated with the management of the financial risks associated with the Group's other classes of financial assets and liabilities not directly associated with insurance liabilities. The note below explain how financial risks are managed using the categories in the Group's ALM framework. In particular, the ALM framework requires the management of interest rate risk, equity price risk and liquidity risk at the portfolio level. Credit risk is managed on a group-wide basis. The following notes are in relation to the Group's management disclosure with respect to credit risk, liquidity risk, interest rate risk, and price risk.

Credit Risk

The Group has exposure in credit risk, which is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Group is exposed to credit risk through (i) investment in cash and private debt securities, (ii) corporate and mortgage lending activities and (iii) exposure to counterparty's reinsurance contracts. For investments in private debt securities, a downgrade of credit rating or widening of credit spread may also incur financial loss. Qardhul Hassan is not financial instrument and hence is not exposed to credit risk.

Minimum credit quality only applies to investments in private debt securities/bonds with a minimum rating of BBB-/BBB3 (at date of investment) provided by Malaysian Credit Rating Corporation ("MARC") and Rating Agency of Malaysia ("RAM"), respectively. The Group however intends to maintain a minimum rating of A/A2 in the overall bond portfolio under current returns objectives. The Group does not solely depend on the rating report provided but as in all credit assessments/reviews are based on publicly available issuer information together with in-house analysis based on information provided by the borrower/ issuer, peer group comparisons, industry comparisons and other quantitative tools.

Reinsurance/retakaful is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a participant reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholders/participants. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Group issues unit-linked investment contracts. In the unit-linked business, the holders of these contract bear the investment risks on the assets held in the unit-linked funds as the contract benefits are directly linked to the value of the assets in the fund. Therefore, the Group has no material credit risk on unit-linked financial assets.

Debtor recoverability and risk concentration monitoring are part of credit risk management which is reviewed regularly. The management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation. Allowance of doubtful debts/specific provision in made on those securities/loans (or part of remaining amount) where the level of security has been impaired.

49 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure

The table below shows the maximum exposure to credit risk for the components on the Statement of Financial Position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

	Insurance and Shareholders' Funds			Investment-linked			
GROUP	Continuing Operations RM'000	Discontinued Operations RM'000	Total RM'000	Continuing Operations RM'000	Discontinued Operations RM'000	Total RM'000	Total RM'000
31 December 2011							
Available-for-sale financial assets:							
Corporate debt securities	9,452	-	9,452	-	-	-	9,452
Islamic debt securities	144,590	-	144,590	-	-	-	144,590
Malaysian Government Guarantee Financing	20,872	-	20,872	-	-	-	20,872
Financial assets at fair value through profit or loss:							
Corporate debt securities	-	-	-	4,555	-	4,555	4,555
Islamic debt securities	-	-	-	29,134	-	29,134	29,134
Loans and receivables:							
Loans	10,407	-	10,407	-	-	-	10,407
Fixed and call deposits	2,252	-	2,252	41,912	-	41,912	44,164
Reinsurance assets	147,928	-	147,928	-	-	-	147,928
Insurance receivables	84,130	-	84,130	-	-	-	84,130
Trade and receivables	217,177	-	217,177	1,489	-	1,489	218,666
Cash and cash equivalents	145,403	-	145,403	31,849	-	31,849	177,252
	782,211	-	782,211	108,939	-	108,939	891,150
31 December 2010							
Available-for-sale financial assets:							
Corporate debt securities	41,681	3,551,424	3,593,105	-	-	-	3,593,105
Islamic debt securities	142,638	-	142,638	-	-	-	142,638
Malaysian Government Guarantee Financing	10,631	-	10,631	-	-	-	10,631
Malaysian Government Securities/ Government Investment Issues	-	236,125	236,125	-	-	-	236,125
Financial assets at fair value through profit or loss:							
Corporate debt securities	-	21,802	21,802	4,814	145,363	150,177	171,979
Islamic debt securities	-	-	-	21,995	-	21,995	21,995
Malaysian Government Securities/ Government Investment Issues	-	11,688	11,688	-	-	-	11,688
Loans and receivables:							
Loans	30,464	650,254	680,718	-	-	-	680,718
Fixed and call deposits	8,009	199,424	207,433	-	50,200	50,200	257,633
Reinsurance assets	123,897	222,343	346,240	-	-	-	346,240
Insurance receivables	68,807	77,151	145,958	-	-	-	145,958
Trade and receivables	53,088	45,559	98,647	3,222	4,379	7,601	106,248
Cash and cash equivalents	183,723	480,188	663,911	68,856	139,087	207,943	871,854
	662,938	5,495,958	6,158,896	98,887	339,029	437,916	6,596,812

COMPANY	31.12.2011 RM'000	31.12.2010 RM'000
Loans and receivables:		
Loans	139	192
Fixed and call deposits	1,029	5,016
Trade and other receivables	199,715	64,568
Cash and cash equivalents	6,946	47,934
	207,829	117,710

49 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit rating of counterparties.

	Neither past-due nor impaired							
		Investment grade	Non-investment grade	Not Rated	Investment-linked	Past due but not impaired	Impaired	Total
	Government Guaranteed RM'000	(AAA to to BBB) RM'000	(BB to C) RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
GROUP								
31 December 2011								
Available-for-sale financial assets:								
Corporate debt securities	-	8,948	-	504	-	-	-	9,452
Islamic debt securities	-	137,328	-	7,262	-	-	-	144,590
Malaysian Government Guarantee Financing	20,872	-	-	-	-	-	-	20,872
Financial assets at fair value through profit or loss:								
Corporate debt securities	-	-	-	-	4,555	-	-	4,555
Islamic debt securities	-	-	-	-	29,134	-	-	29,134
Loans and receivables:								
Loans	-	-	-	5,624	-	-	4,783	10,407
Fixed and call deposits	-	2,252	-	-	41,912	-	-	44,164
Reinsurance assets	-	51,885	-	96,043	-	-	-	147,928
Insurance receivables	-	17,882	-	66,248	-	-	-	84,130
Trade and other receivables	-	180,561	-	36,616	1,489	-	-	218,666
Cash and cash equivalents	-	145,337	-	66	31,849	-	-	177,252
	20,872	544,193	-	212,363	108,939	-	4,783	891,150
31 December 2010								
Available-for-sale financial assets:								
Corporate debt securities	676,075	2,882,536	694	490	-	-	33,310	3,593,105
Islamic debt securities	6,731	135,907	-	-	-	-	-	142,638
Malaysian Government Guarantee Financing	10,631	-	-	-	-	-	-	10,631
Malaysian Government Securities/ Government Investment Issues	236,125	-	-	-	-	-	-	236,125
Financial assets at fair value through profit or loss:								
Corporate debt securities	-	21,802	-	-	150,177	-	-	171,979
Islamic debt securities	-	-	-	-	21,995	-	-	21,995
Malaysian Government Securities/ Government Investment Issues	11,688	-	-	-	-	-	-	11,688
Loans and receivables:								
Loans	-	-	-	375,752	-	4,529	300,437	680,718
Fixed and call deposits	-	207,433	-	-	50,200	-	-	257,633
Reinsurance assets	-	112,602	1,013	232,625	-	-	-	346,240
Insurance receivables	-	14,998	-	88,399	-	42,561	-	145,958
Trade and other receivables	-	-	-	98,647	7,601	-	-	106,248
Cash and cash equivalents	-	663,911	-	-	207,943	-	-	871,854
	941,250	4,039,189	1,707	795,913	437,916	47,090	333,747	6,596,812

49 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the RAM and MARC credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

GROUP	Government Guaranteed RM'000	AAA to AA RM'000	A1 to A3 RM'000	BBB1 to BBB3 RM'000	BB & below RM'000	Not Rated RM'000	Investment -linked RM'000	Impaired RM'000	Total RM'000
31 December 2011									
Available-for-sale financial assets:									
Corporate debt securities	-	7,543	1,405	-	-	504	-	-	9,452
Islamic debt securities	-	137,328	-	-	-	7,262	-	-	144,590
Malaysian Government Guarantee Financing	20,872	-	-	-	-	-	-	-	20,872
Financial assets at fair value to profit or loss:									
Corporate debt securities	-	-	-	-	-	-	4,555	-	4,555
Islamic debt securities	-	-	-	-	-	-	29,134	-	29,134
Loans and receivables:									
Loans	-	-	-	-	-	5,624	-	4,783	10,407
Fixed and call deposits	-	2,252	-	-	-	-	41,912	-	44,164
Reinsurance assets	-	51,885	-	-	-	96,043	-	-	147,928
Insurance receivables	-	17,882	-	-	-	66,248	-	-	84,130
Trade and other receivables	-	180,561	-	-	-	36,616	1,489	-	218,666
Cash and cash equivalents	-	145,337	-	-	-	66	31,849	-	177,252
	20,872	542,788	1,405	-	-	212,363	108,939	4,783	891,150
31 December 2010									
Available-for-sale financial assets:									
Corporate debt securities	676,075	2,332,384	550,152	-	694	490	-	33,310	3,593,105
Islamic debt securities	6,731	131,795	4,112	-	-	-	-	-	142,638
Malaysian Government Guarantee Financing	10,631	-	-	-	-	-	-	-	10,631
Malaysian Government Securities/Government Investment Issues	236,125	-	-	-	-	-	-	-	236,125
Financial assets at fair value to profit or loss:									
Corporate debt securities	-	-	21,802	-	-	-	150,177	-	171,979
Islamic debt securities	-	-	-	-	-	-	21,995	-	21,995
Malaysian Government Securities/Government Investment Issues	11,688	-	-	-	-	-	-	-	11,688
Loans and receivables:									
Loans	-	-	-	-	-	380,281	-	300,437	680,718
Fixed and call deposits	-	207,433	-	-	-	-	50,200	-	257,633
Reinsurance assets	-	99,355	8,248	4,999	1,013	232,625	-	-	346,240
Insurance receivables	-	2,369	879	12,753	-	129,957	-	-	145,958
Trade and other receivables	-	-	-	-	-	98,647	7,601	-	106,248
Cash and cash equivalents	-	663,911	-	-	-	-	207,943	-	871,854
	941,250	3,437,247	585,193	17,752	1,707	842,000	437,916	333,747	6,596,812

The credit risk analysis for the unit-linked business was not provided as the Group has no direct exposure to any credit risk in those assets.

The ratings shown for fixed and call deposits are based on the rating assigned to the respective financial institution issuing the financial instruments.

49 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties.

	31.12.2011			31.12.2010		
	Investment grade		Total	Investment grade		Total
	(AAA to AA) RM'000	Not rated RM'000	RM'000	(AAA to AA) RM'000	Not rated RM'000	RM'000
COMPANY						
Loan and receivables						
- Loans	-	139	139	-	192	192
- Fixed and call deposits	1,029	-	1,029	5,016	-	5,016
Trade and other receivables	179,667	20,048	199,715	-	64,568	64,568
Cash and cash equivalents	6,946	-	6,946	47,934	-	47,934
	187,642	20,187	207,829	52,950	64,760	117,710

During the financial year, no credit exposure limits were exceeded.

The Group actively manages its product mix to ensure that there is no significant concentration of credit risk.

Age Analysis of Financial Assets Past-Due But Not Impaired

	Up to 3 Months RM'000	3 Months to 6 Months RM'000	7 Months to 12 Months RM'000	> 12 Months RM'000	Total RM'000
GROUP					
31 December 2011					
Loans and receivables	-	-	-	-	-
Insurance receivables	-	-	-	-	-
	-	-	-	-	-
31 December 2010					
Loans and receivables	-	736	41	3,752	4,529
Insurance receivables	24,884	13,995	3,682	-	42,561
	24,884	14,731	3,723	3,752	47,090

49 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impaired Financial Assets

At 31 December 2011, based on an individual assessment of receivables, there are impaired insurance receivables of RM1,394,000 (2010: RM11,666,000). For assets to be classified as "past-due and impaired", contractual payments must be in arrears for more than six (6) months for loans, and more than 90 days for insurance receivables. In addition, full impairment was made on outstanding debts exceeding twelve months, outstanding debts with terminated status, closed accounts, commuted, winding-up under legal action, accounts written off or those served with letter of demand. This applies similarly to reinsurance assets, particularly reinsurance recoverable on outstanding claims. No collateral is held as security for any past due or impaired assets. The Group records impairment allowance for loans and receivables and insurance receivables in a separate allowance for impairment accounts.

A reconciliation of the allowance for impairment losses for insurance receivables and loans is as follows:

	GROUP	
	31.12.2011 RM'000	31.12.2010 RM'000
Insurance receivables		
At 1 January	11,666	24,315
Related to disposed insurance subsidiary company	(8,710)	-
	2,956	24,315
Write back of allowance for impairment	(1,562)	(12,649)
At 31 December	1,394	11,666
Loans		
At 1 January	198,313	253,063
Related to disposed insurance subsidiary company	(133,113)	-
	65,200	253,063
Balance offset against gross outstanding	-	(46,660)
Allowance made during the financial year	8,796	12,542
Amounts written back in respect of recoveries	(73)	(19,906)
Bad debts written off	(19,197)	(726)
At 31 December	54,726	198,313

The outstanding loans before allowance for impairment analysed by economic purpose are as follows:

	31.12.2011 RM'000	31.12.2010 RM'000
Policy loans	709	352,559
Constructions	13,136	94,906
Purchase of landed properties/ securities	4,950	301,560
Purchase of property, plant and equipment other than land and buildings	1,521	13,219
Personal use	8,030	4,312
Working capital	21,546	94,343
Others	15,241	16,255
	65,133	877,154

49 FINANCIAL RISK (CONTINUED)

Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations when due. This situation arises when the Group is unable to convert its financial assets into cash when needed. Demands for funds can usually be met through ongoing normal operations, premiums/contributions received, sale of assets or borrowings through committed credit facilities from bankers. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and an adequate cushion in the form of cash and very liquid investments are maintained at all times. The projected cash flow from the in-force insurance/takaful contract liabilities consist of renewal premiums/contributions, commissions, claims, maturities and surrenders. Renewal premiums/contributions, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain.

Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existing of surrender penalty in life insurance/family takaful contracts also protects the Group from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates.

In addition, for general insurance/general takaful contracts, the Group's catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate drawdown of funds to meet claims payments should claims events exceed a certain amount.

Maturity Profile

The table below summarises the maturity profile of the Group's financial liabilities based on outstanding terms to maturity still remaining.

The insurance contract liabilities below are gross of reinsurance (no reinsurance credit is taken into account). Unit-linked liabilities are repayable or transferrable 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. Products which have no maturity benefits such as term assurance and yearly renewable plans are excluded as there carry no maturity values. Products with no maturity dates are annuity and whole life plans.

Unearned premiums/contributions and the reinsurers' share of unearned premiums/contributions have been excluded from the analysis as they are not contractual obligations.

	Carrying value RM'000	Up to a year RM'000	1 to 3 years RM'000	3 to 5 years RM'000	5 to 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
GROUP								
31 December 2011								
Investments:								
Financial assets at fair value through profit or loss	171,333	35,514	10,868	12,320	13,483	6,284	102,887	181,356
Available-for-sale financial assets	201,091	27,531	8,970	6,048	178,894	67,449	-	288,892
Loans and receivables	54,571	13,649	45,256	-	-	-	-	58,905
Reinsurance assets	97,058	82,784	13,779	495	-	-	-	97,058
Insurance receivables	84,130	84,130	-	-	-	-	-	84,130
Trade and other receivables	209,833	209,833	-	-	-	-	-	209,833
Cash and cash equivalents	177,252	177,252	-	-	-	-	-	177,252
	995,268	630,693	78,873	18,863	192,377	73,733	102,887	1,097,426
Insurance contract liabilities:								
With DPF	75,838	75,838	-	-	-	-	-	75,838
Without DPF	24,640	24,640	-	-	-	-	-	24,640
Takaful contract liabilities	390,708	331,845	21,153	870	330	36,080	430	390,708
Financial liabilities	91,153	90,603	304	167	79	-	-	91,153
Insurance payables	79,463	79,463	-	-	-	-	-	79,463
	661,802	602,389	21,457	1,037	409	36,080	430	661,802

49 FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity Profile (continued)

	Carrying value RM'000	Up to a year RM'000	1 to 3 years RM'000	3 to 5 years RM'000	5 to 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
31 December 2010								
Investments:								
Financial assets at fair value through profit or loss	1,255,059	77,791	49,207	50,667	93,179	-	987,286	1,258,130
Available-for-sale financial assets	4,015,248	342,864	503,190	637,855	2,455,919	156,979	3,365	4,100,172
Loans and receivables	938,351	915,260	8,746	1,788	3,174	9,383	-	938,351
Reinsurance assets	309,939	216,806	56,381	25,192	11,560	-	-	309,939
Insurance receivables	145,958	145,958	-	-	-	-	-	145,958
Trade and other receivables	106,248	106,248	-	-	-	-	-	106,248
Cash and cash equivalents	871,854	871,854	-	-	-	-	-	871,854
	7,642,657	2,676,781	617,524	715,502	2,563,832	166,362	990,651	7,730,652
Insurance contract liabilities:								
With DPF	3,231,177	19,546	31,851	43,440	368,618	17,920	2,749,802	3,231,177
Without DPF	1,401,609	1,101,150	59,691	26,422	28,201	123,577	62,568	1,401,609
Takaful contract liabilities	295,876	246,827	11,367	1,480	998	33,079	2,125	295,876
Provision for agents' retirement	2,703	478	508	666	948	103	-	2,703
Financial liabilities	553,117	395,032	163,510	1,590	41	-	-	560,173
Insurance payables	904,447	904,447	-	-	-	-	-	904,447
	6,388,929	2,667,480	266,927	73,598	398,806	174,679	2,814,495	6,395,985
COMPANY								
31 December 2011								
Investments:								
Loans and receivables	1,168	1,080	88	-	-	-	-	1,168
Trade and other receivables	199,715	35,048	164,667	-	-	-	-	199,715
Cash and cash equivalents	6,946	6,946	-	-	-	-	-	6,946
	207,829	43,074	164,755	-	-	-	-	207,829
Financial liabilities	5,083	5,083	-	-	-	-	-	5,083
31 December 2010								
Investments:								
Available-for-sale financial assets	4,658	4,658	-	-	-	-	-	4,658
Loans and receivables	5,208	5,069	139	-	-	-	-	5,208
Trade and other receivables	64,568	64,568	-	-	-	-	-	64,568
Cash and cash equivalents	47,934	47,934	-	-	-	-	-	47,934
	122,368	122,229	139	-	-	-	-	122,368
Financial liabilities	210,114	77,170	140,000	-	-	-	-	217,170

49 FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

The table below summarises the current/non-current classification of assets:

	Current* RM'000	Non-current RM'000	Unit-linked RM'000	Total RM'000
GROUP				
31 December 2011				
Property, plant and equipment	-	11,962	-	11,962
Investment properties	-	11,175	-	11,175
Intangible assets	-	8,461	-	8,461
Investments				
Financial assets at fair value through profit or loss	24,243	-	147,090	171,333
Available-for-sale financial assets	27,531	173,560	-	201,091
Loans and receivables	10,643	2,016	41,912	54,571
Associated companies	-	50,522	-	50,522
Reinsurance assets	147,928	-	-	147,928
Insurance receivables	84,130	-	-	84,130
Trade and other receivables	51,616	165,561	1,489	218,666
Tax recoverable	3,405	-	-	3,405
Deferred tax assets	677	-	-	677
Cash and cash equivalents	145,403	-	31,849	177,252
	495,576	423,257	222,340	1,141,173
31 December 2010				
Property, plant and equipment	-	291,117	-	291,117
Investment properties	-	523,888	-	523,888
Intangible assets	-	12,866	-	12,866
Investments				
Financial assets at fair value through profit or loss	570,299	-	684,760	1,255,059
Available-for- sale financial assets	304,557	3,710,691	-	4,015,248
Loans and receivables	853,858	34,293	50,200	938,351
Associated companies	-	49,404	-	49,404
Reinsurance assets	346,240	-	-	346,240
Insurance receivables	145,958	-	-	145,958
Trade and other receivables	98,647	-	7,601	106,248
Tax recoverable	29,688	-	1,802	31,490
Deferred tax assets	12,249	-	-	12,249
Cash and cash equivalents	663,911	-	207,943	871,854
	3,025,407	4,622,259	952,306	8,599,972

***** Expected recovery or settlement within 12 months from the statement of financial position date.

49 FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity Profile (continued)

	Current* RM'000	Non-current RM'000	Total RM'000
COMPANY			
31 December 2011			
Property, plant and equipment	-	1,176	1,176
Intangible assets	-	176	176
Investments			
Loans and receivables	1,080	88	1,168
Subsidiary companies	5,405	129,322	134,727
Associated companies	-	100	100
Trade and other receivables	35,048	164,667	199,715
Tax recoverable	1,932	-	1,932
Cash and cash equivalents	6,946	-	6,946
	50,411	295,529	345,940
31 December 2010			
Property, plant and equipment	-	1,784	1,784
Intangible assets	-	57	57
Investments			
Available-for-sale financial assets	4,658	-	4,658
Loans and receivables	5,069	139	5,208
Subsidiary companies	28,425	255,428	283,853
Associated companies	-	100	100
Trade and other receivables	64,568	-	64,568
Tax recoverable	2,841	-	2,841
Cash and cash equivalents	47,934	-	47,934
Asset classified as held for sale	110,981	-	110,981
	264,476	257,508	521,984

***** Expected recovery or settlement within 12 months from the statement of financial position date.

Market Risk

Market risk is the risk of loss in the valuation of the Group's investments due to adverse changes or volatility of prices in economic and financial markets. Market risk comprises three (3) types of risk i.e. currency risk, market interest rates/profit yields and price risk.

The Group manages market risks through setting of investment policy and asset allocation, approving portfolio limit structure and risk management methodologies, approving hedging and alternative risk transfer strategies. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Group's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework.

The Group also issues unit-linked investment policies in a number of its products. In unit-linked business, the policyholders bear the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the funds. The Group'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.

49 FINANCIAL RISK (CONTINUED)

Market Risk (continued)

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 Group has overseas subsidiary and associated companies that operate in Indonesia, Philippines and Australia whose revenue and expenses are denominated in Indonesian Rupiah, United States Dollar, Peso and Australia Dollar respectively. It also has subsidiary companies that operate in Labuan whose revenue and expenses are denominated mainly in United States Dollar. In order to protect the Group's exposure to the exchange rate movements of the foreign currencies against Ringgit Malaysia, the Group finances its net investments in the foreign subsidiary and associated companies by means of composition of Ringgit Malaysia and United States Dollar denominated funds based on assessment of the exchange rate exposure.

The Group's exposure to transactional foreign exchange risk is monitored on an ongoing basis through regular stress testing. The Group does not hedge its foreign currency risk.

The Group's financial assets are also primarily denominated in the same currency as its insurance/takaful contract liabilities as required under the applicable regulatory requirements. Thus, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which insurance/takaful contract liabilities are expected to be settled.

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

Interest Rate/Profit Yield Risk

Interest rate risk is part of market risk as any adverse movements in interest rates may affect the Group's investment fair valuation and reinvestment issues. The Group's Investment Committees of the insurance subsidiary companies actively monitor such developments as well as discuss changes in maturity profiles of the assets and liabilities to minimise overall mismatch given the long duration of policy liabilities and the uncertainty of cash flows, it is not possible to hold assets that will perfectly match the policy liabilities.

The Group has no significant concentration of interest rate/profit yield risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on Equity (that reflects adjustments to Profit before Tax and re-valuing fixed rate/yield AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on interest rate/profit yield risk but to demonstrate the impact due to changes in variables, variables had to be changed in an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on Equity*	
	31.12.2011 RM'000	**31.12.2010 RM'000**
GROUP		
Interest Rate		
+ 100 basis points	(13,516)	(30,514)
- 100 basis points	10,879	31,969

* Impact on Equity reflects adjustments for tax, when applicable.

The above excluded the potential impacts from overseas subsidiary companies which are deemed insignificant as the said subsidiary companies' AFS financial assets are not material.

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

49 FINANCIAL RISK (CONTINUED)

Market Risk (continued)

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 interest 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 equity investment portfolio of the Group is exposed to movements in equity markets. The Group monitors its equity price risk through regular stress testing. In addition, the Group monitors and manages the equity exposure against policies set and agreed by the Investment Committees of the insurance subsidiary companies. These policies include monitoring the equity exposure against benchmark set and also single security exposure of the portfolio against the limits set. The Group uses historical stock betas, index levels and equity prices and estimates the volatility and correlation of each of these share prices and index levels to calculate the gains and losses that could occur over a period of time, given a certain index level.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on Profit before Tax (due to changes in fair value of financial assets and liabilities whose changes in fair values are recorded in Income Statement) and Equity (that reflects adjustments to Profit before Tax and changes in fair value of AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on Profit before Tax		**Impact on Equity***	
	31.12.2011 RM'000	**31.12.2010 RM'000**	**31.12.2011 RM'000**	**31.12.2010 RM'000**
GROUP				
Change in variables				
FTSE Bursa Malaysia				
- FBM KLCI +15% - gain	2,957	9,097	2,218	6,823
- FBM KLCI -15% - loss	(2,957)	(9,097)	(2,218)	(6,823)

The potential impacts arising from other market indices and overseas subsidiary companies are deemed insignificant as the Group's holdings in equity securities listed in other bourses are not material.

* Impact on Equity reflects adjustments for tax, when applicable.

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

Price risk is deemed insignificant to the Company as its holdings in quoted equity securities are not material.

50 OPERATIONS RISK

Operational risk arises from inadequate or failed performance of business functions or internal processes. Exposure to this risk can cause deficiencies or breakdowns in internal controls or processes, technology and external events such as interruption of business operations due to a breakdown of IT systems, landslide or flood.

The Group has developed comprehensive operating policies and procedures manuals to enable all business units to implement, measure, monitor and control the risks in order to avoid or reduce future losses. Further the Group has established Risk Management Department and Internal Audit Department which are assigned to facilitate business units to review and check the current procedures adhere to all rules and regulations and the procedures manuals.

51 COMPLIANCE RISK

Compliance risk is the risk arising from violations of, or non conformance with business principles, internal policies and procedures, related laws, rules and regulations governing the Group's products and activities.

Consequently, the exposure to this risk can damage the Group's reputation, lead to legal or regulatory sanctions and/or financial loss.

The Group has established a Compliance and Governance Department to look into all compliance aspects in observing the regulatory requirements. In this respect, it has developed internal policies and procedures to ensure compliance with all applicable law and guidelines issued by the regulatory authorities.

52 INSURANCE FUNDS

Statement of Financial Position by Funds
As at 31 December 2011

	Shareholders' fund RM'000	General fund RM'000	Life fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
Assets						
Property, plant and equipment	9,184	492	697	-	-	10,373
Investment properties	11,175	-	-	-	-	11,175
Intangible assets	8,461	-	-	-	-	8,461
Investments	115,278	4,330	36,226	55,418	215,743	426,995
Financial assets at fair value through profit of loss	21,599	-	26,921	-	122,813	171,333
Available-for-sale financial assets	82,441	3,724	8,490	55,418	51,018	201,091
Loans and receivables	11,238	606	815	-	41,912	54,571
Associated companies	50,522	-	-	-	-	50,522
Reinsurance assets	-	30,187	-	107,692	10,049	147,928
Insurance receivables	-	20,608	766	43,996	18,760	84,130
Trade and other receivables	211,999	1,209	3,542	423	1,493	218,666
Tax recoverable	2,822	583	-	-	-	3,405
Deferred tax assets	63	419	195	-	-	677
Cash and cash equivalents	101,500	15,653	9,930	6,909	43,260	177,252
Asset classified as held for sale	1,589	-	-	-	-	1,589
Total assets	512,593	73,481	51,356	214,438	289,305	1,141,173
Equity, policyholders' funds and liabilities						
Liabilities						
Insurance contract liabilities	-	69,266	31,212	148,465	246,979	495,922
Investment contract liabilities	-	-	17,756	-	-	17,756
Borrowings						
- Bank overdraft (unsecured)	9,232	-	-	-	-	9,232
Insurance payables	-	7,858	149	51,935	19,521	79,463
Trade and other payables	49,786	16,517	5,381	7,748	2,489	81,921
Current tax liabilities	1,344	92	35	698	1,249	3,418
Deferred tax liabilities	3,574	-	-	568	1,013	5,155
Total liabilities	63,936	93,733	54,533	209,414	271,251	692,867
Equity						
Share capital	304,354	-	-	-	-	304,354
Retained earnings	109,041	-	-	-	-	109,041
Reserves	(616)	-	-	-	-	(616)
Total equity attributable to the owners of the Company	412,779	-	-	-	-	412,779
Non-controlling interest	35,527	-	-	-	-	35,527
Total equity	448,306	-	-	-	-	448,306
Total equity, policyholders' funds and liabilities	512,242	93,733	54,533	209,414	271,251	1,141,173
Inter-fund balances	351	(20,252)	(3,177)	5,024	18,054	-

52 INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds
As at 31 December 2010

	Shareholders' fund RM'000	General fund RM'000	Life fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
Assets						
Property, plant and equipment	7,426	480	481	-	-	8,387
Investment properties	6,496	5,105	-	-	-	11,601
Intangible assets	8,271	-	-	-	-	8,271
Investments	160,319	6,456	105,779	33,268	111,339	417,161
Financial assets at fair value through profit of loss	7,057	2,477	62,631	-	82,188	154,353
Available-for-sale financial assets	118,045	1,602	42,269	33,268	29,151	224,335
Loans and receivables	35,217	2,377	879	-	-	38,473
Associated companies	49,404	-	-	-	-	49,404
Reinsurance assets	-	44,517	-	62,182	17,198	123,897
Insurance receivables	-	30,791	790	37,226	-	68,807
Trade and other receivables	42,094	7,395	4,690	325	1,806	56,310
Tax recoverable	4,292	262	-	-	-	4,554
Deferred tax assets	775	827	-	-	-	1,602
Cash and cash equivalents	110,515	14,094	45,390	11,094	71,486	252,579
Assets classified as held for sale	231,757	935,510	6,430,132	-	-	7,597,399
Total assets	621,349	1,045,437	6,587,262	144,095	201,829	8,599,972
Equity, policyholders' funds and liabilities						
Liabilities						
Insurance contract liabilities	-	110,251	108,560	104,929	193,610	517,350
Investment contract liabilities	-	-	40,538	-	-	40,538
Borrowings						
- Medium Term Notes (secured)	170,000	-	-	-	-	170,000
- Revolving credit (secured)	36,300	-	-	-	-	36,300
- Bank overdraft (unsecured)	9,905	-	-	-	-	9,905
Insurance payables	-	8,579	103	41,612	8,605	58,899
Trade and other payables	51,447	6,302	12,586	5,380	4,114	79,829
Current tax liabilities	168	77	38	-	348	631
Deferred tax liabilities	2,234	-	-	312	776	3,322
Liabilities classified as held for sale	(2,428)	935,510	6,430,132	-	-	7,363,214
Total liabilities	267,626	1,060,719	6,591,957	152,233	207,453	8,279,988
Equity						
Share capital	304,354	-	-	-	-	304,354
Accumulated losses	(16,728)	-	-	-	-	(16,728)
Reserves	(981)	-	-	-	-	(981)
Total equity attributable to the owners of the Company	286,645	-	-	-	-	286,645
Non-controlling interest	33,339	-	-	-	-	33,339
Total equity	319,984	-	-	-	-	319,984
Total equity, policyholders' funds and liabilities	587,610	1,060,719	6,591,957	152,233	207,453	8,599,972
Inter-fund balances	33,739	(15,282)	(4,695)	(8,138)	(5,624)	-

52 INSURANCE FUNDS (CONTINUED)

Income Statement by Funds
For the financial year ended 31 December 2011

Continuing operations

	Share-holders' fund RM'000	General fund RM'000	Life fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Inter-fund elimination RM'000	Total RM'000
Gross earned premiums/contributions	-	74,135	15,873	124,471	163,751	-	378,230
Premiums/contributions ceded to reinsurers	-	(35,513)	(1,178)	(92,505)	(12,927)	-	(142,123)
Net earned premiums/contributions	-	38,622	14,695	31,966	150,824	-	236,107
Investment income	7,635	682	2,757	2,408	6,592	-	20,074
Realised gains and losses	2,858	(29)	3,761	50	5,633	-	12,273
Fair value gains and losses	(14,912)	(11)	(4,252)	-	1,430	-	(17,745)
Fee and commission income	-	6,841	353	23,539	1,938	-	32,671
Other operating revenue from non-insurance businesses	62,257	-	-	-	-	-	62,257
Wakalah fee from takaful business	90,713	-	-	-	-	(90,713)	-
Other revenue	148,551	7,483	2,619	25,997	15,593	(90,713)	109,530
Gross benefits and claims paid	-	(44,448)	(21,144)	(32,508)	(51,362)	-	(149,462)
Claims ceded to reinsurers	-	31,956	3,515	17,938	13,418	-	66,827
Gross change to contract liabilities	-	3,989	55,243	(31,042)	-	-	28,190
Change in contract liabilities ceded to reinsurers	-	(8,210)	-	28,295	-	-	20,085
Net insurance/takaful benefits and claims	-	(16,713)	37,614	(17,317)	(37,944)	-	(34,360)
Fee and commission expense	(67,347)	(17,434)	(2,074)	-	-	-	(86,855)
Management expenses	(96,122)	(11,217)	(9,505)	(168)	-	-	(117,012)
Other operating income/(expenses) - net	(7,385)	34	836	-	(8,165)	-	(14,680)
Wakalah fee payable to Shareholders' fund	-	-	-	(33,663)	(57,050)	90,713	-
Finance cost	(14,468)	-	-	-	-	-	(14,468)
Other expenses	(185,322)	(28,617)	(10,743)	(33,831)	(65,215)	90,713	(233,015)
Share of loss of associate companies, net of tax	(350)	-	-	-	-	-	(350)
Profit/(loss) before taxation	(37,121)	775	44,185	6,815	63,258	-	77,912
Taxation of life insurance, general takaful and family takaful businesses	-	-	196	(699)	(1,381)	-	(1,884)
Surplus after taxation/ profit/(loss) before taxation	(37,121)	775	44,381	6,116	61,877	-	76,028
Surplus retained in life insurance, general takaful and family takaful businesses	-	-	(1,453)	(6,116)	(55,477)	-	(63,046)
Profit/(loss) before taxation	(37,121)	775	42,928	-	6,400	-	12,982
Taxation	(4,651)	(341)	-	-	-	-	(4,992)
Zakat	(188)	-	-	-	-	-	(188)
Profit/(loss) for the financial year	(41,960)	434	42,928	-	6,400	-	7,802

52 INSURANCE FUNDS (CONTINUED)

Income Statement by Funds
For the financial year ended 31 December 2010

Continuing operations

	Share-holders' fund RM'000	General fund RM'000	Life fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Inter-fund elimination RM'000	Total RM'000
Gross earned premiums/contributions	-	86,591	21,061	99,521	157,434	-	364,607
Premiums/contributions ceded to reinsurers	-	(53,251)	(1,195)	(65,698)	(5,332)	-	(125,476)
Net earned premiums/contributions	-	33,340	19,866	33,823	152,102	-	239,131
Investment income	6,086	588	7,863	1,241	3,809	-	19,587
Realised gains and losses	2,659	-	428	-	3,178	-	6,265
Fair value gains and losses	(7,186)	544	1,674	-	8,262	-	3,294
Fee and commission income	-	8,176	-	15,187	773	-	24,136
Other operating revenue from non-insurance businesses	59,543	-	-	-	-	-	59,543
Wakalah fee from takaful business	79,809	-	-	-	-	(79,809)	-
Other revenue	140,911	9,308	9,965	16,428	16,022	(79,809)	112,825
Gross benefits and claims paid	-	(83,591)	(27,710)	(15,498)	(49,484)	-	(176,283)
Claims ceded to reinsurers	-	74,508	12,355	7,794	5,057	-	99,714
Gross change to contract liabilities	-	20,066	(8,363)	(37,257)	-	-	(25,554)
Change in contract liabilities ceded to reinsurers	-	(16,398)	-	17,795	-	-	1,397
Net insurance/takaful benefits and claims	-	(5,415)	(23,718)	(27,166)	(44,427)	-	(100,726)
Fee and commission expense	(57,815)	(14,239)	(4,022)	-	-	-	(76,076)
Management expenses	(100,007)	(8,991)	(9,664)	(109)	-	-	(118,771)
Other operating income/(expenses) - net	(6,724)	386	789	-	(5,636)	-	(11,185)
Wakalah fee payable to Shareholders' fund	-	-	-	(28,821)	(50,988)	79,809	-
Finance cost	(11,861)	-	-	-	-	-	(11,861)
Other expenses	(176,407)	(22,844)	(12,897)	(28,930)	(56,624)	79,809	(217,893)
Share of loss of associate companies, net of tax	(380)	-	-	-	-	-	(380)
Profit/(loss) before taxation	(35,876)	14,389	(6,784)	(5,845)	67,073	-	32,957
Taxation of life insurance, general takaful and family takaful businesses	-	-	(58)	-	(1,122)	-	(1,180)
Surplus after taxation/ profit/(loss) before taxation	(35,876)	14,389	(6,842)	(5,845)	65,951	-	31,777
(Surplus)/deficit retained in life insurance business/general takaful and family takaful business	-	-	(251)	5,845	(62,551)	-	(56,957)
Profit/(loss) before taxation	(35,876)	14,389	(7,093)	-	3,400	-	(25,180)
Taxation	7,642	(39)	-	-	-	-	7,603
Zakat	(180)	-	-	-	-	-	(180)
Profit/(loss) for the financial year	(28,414)	14,350	(7,093)	-	3,400	-	(17,757)

52 INSURANCE FUNDS (CONTINUED)

Income Statement by Funds
For the financial year ended 31 December 2011

Discontinued operations

	Shareholders' fund RM'000	General fund RM'000	Life fund RM'000	Total RM'000
Gross earned premiums	-	346,873	681,317	1,028,190
Premiums ceded to reinsurers	-	(38,351)	(13,893)	(52,244)
Net earned premiums	-	308,522	667,424	975,946
Investment income	7,337	18,470	210,702	236,509
Realised gains and losses	83,290	2,867	20,317	106,474
Fair value gains and losses	223	4,093	(56,478)	(52,162)
Fee and commission income	-	15,001	8,660	23,661
Other operating revenue from non-insurance businesses	1,334	-	-	1,334
Other revenue	92,184	40,431	183,201	315,816
Gross benefits and claims paid	-	(215,776)	(925,034)	(1,140,810)
Claims ceded to reinsurers	-	82,277	8,351	90,628
Gross change to contract liabilities	-	(42,388)	232,518	190,130
Change in contract liabilities ceded to reinsurers	-	(6,563)	688	(5,875)
Net insurance benefits and claims	-	(182,450)	(683,477)	(865,927)
Fee and commission expense	-	(52,623)	(70,071)	(122,694)
Management expenses	(10,771)	(55,456)	(65,947)	(132,174)
Other operating income/(expenses) - net	(291)	2,332	36,712	38,753
Finance cost	(2)	-	-	(2)
Other expenses	(11,064)	(105,747)	(99,306)	(216,117)
Profit/surplus before taxation	81,120	60,756	67,842	209,718
Taxation of life insurance business	-	-	14,211	14,211
Profit/surplus after taxation	81,120	60,756	82,053	223,929
Surplus retained in life insurance business	-	-	(82,053)	(82,053)
Profit before taxation	81,120	60,756	-	141,876
Taxation	(3,364)	(19,571)	-	(22,935)
Profit for the financial year	77,756	41,185	-	118,941

52 INSURANCE FUNDS (CONTINUED)

Income Statement by Funds
For the financial year ended 31 December 2010

Discontinued operations

	Shareholders' fund RM'000	General fund RM'000	Life fund RM'000	Total RM'000
Gross earned premiums	-	521,732	995,851	1,517,583
Premiums ceded to reinsurers	-	(108,520)	(18,974)	(127,494)
Net earned premiums	-	413,212	976,877	1,390,089
Investment income	8,053	25,901	268,790	302,744
Realised gains and losses	717	1,895	39,787	42,399
Fair value gains and losses	928	8,751	164,069	173,748
Fee and commission income	-	20,008	13,003	33,011
Other revenue	9,698	56,555	485,649	551,902
Gross benefits and claims paid	-	(268,504)	(1,360,483)	(1,628,987)
Claims ceded to reinsurers	-	52,974	(2,268)	50,706
Gross change to contract liabilities	-	(39,272)	182,278	143,006
Change in contract liabilities ceded to reinsurers	-	(14,978)	4,034	(10,944)
Net insurance benefits and claims	-	(269,780)	(1,176,439)	(1,446,219)
Fee and commission expense	-	(71,991)	(98,108)	(170,099)
Management expenses	(1,970)	(77,637)	(84,314)	(163,921)
Other operating income/(expenses) - net	(1,159)	5,141	(5,354)	(1,372)
Other expenses	(3,129)	(144,487)	(187,776)	(335,392)
Profit/surplus before taxation	6,569	55,500	98,311	160,380
Taxation of life insurance business	-	-	(36,185)	(36,185)
Profit before taxation/surplus after taxation	6,569	55,500	62,126	124,195
Surplus retained in life insurance business	-	-	(62,126)	(62,126)
Profit before taxation	6,569	55,500	-	62,069
Taxation	(990)	(13,305)	-	(14,295)
Profit for the financial year	5,579	42,195	-	47,774

52 INSURANCE FUNDS (CONTINUED)

Investment-linked Fund

Statement of Financial Position by Funds
As at 31 December 2011

	2011 RM'000	2010 RM'000
Assets		
Investments	189,002	120,489
Financial assets at fair value through profit or loss	147,090	120,489
Loans and receivables	41,912	-
Trade and other receivables	1,489	3,222
Cash and cash equivalents	31,849	68,856
Assets classified as held for sale (a)	-	759,739
Total assets	222,340	952,306
Liabilities		
Insurance contract liabilities	200,301	147,889
Investment contract liabilities	17,756	40,538
Trade and other payables	2,508	5,269
Current tax liabilities	1,049	348
Deferred tax liabilities	749	625
Liabilities classified as held for sale (a)	-	759,739
Total liabilities	222,363	954,408
Inter-fund balances	(23)	(2,102)
Net assets value of funds	222,340	952,306

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	2011 RM'000	2010 RM'000
Continuing operations		
Investment income	4,926	5,414
Realised gains and losses	5,400	3,421
Fair value gains and losses	(4,048)	7,378
	6,278	16,213
Other operating expenses - net	(3,263)	(2,563)
Profit before taxation	3,015	13,650
Taxation	(909)	(1,122)
Net profit for the financial year from continuing operations	2,106	12,528
Discontinued operations		
(Loss)/profit before taxation	(21,991)	118,521
Taxation	1,715	(9,640)
Net (loss)/profit for the financial year from discontinued operations	(20,276)	108,881
Net (loss)/profit for the financial year	(18,170)	121,409

52 INSURANCE FUNDS (CONTINUED)

(a) DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Investment-linked Fund

Statement of Financial Position by Funds
As at 31 December 2011

	2011 RM'000	2010 RM'000
Assets		
Investments	-	614,471
Financial assets at fair value through profit or loss	-	564,271
Loans and receivables	-	50,200
Trade and other receivables	-	4,379
Tax recoverable	-	1,802
Cash and cash equivalents	-	139,087
Total assets	-	759,739
Liabilities		
Insurance contract liabilities	-	747,175
Trade and other payables	-	8,638
Current tax liabilities	-	4,974
Deferred tax liabilities	-	1,681
Total liabilities	-	762,468
Inter-fund balances	-	(2,729)
Net assets value of funds	-	759,739

(b) DISCONTINUED OPERATIONS

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	2011 RM'000	2010 RM'000
Investment income	21,113	25,169
Realised gains and losses	3,316	1,391
Fair value gains and losses	(38,770)	98,288
	(14,341)	124,848
Fees and commission expenses	(8,224)	(9,060)
Management expenses	(24)	(30)
Other operating income - net	598	2,763
(Loss)/profit before taxation	(21,991)	118,521
Taxation	1,715	(9,640)
Net (loss)/profit for the financial year	(20,276)	108,881

52 INSURANCE FUNDS (CONTINUED)

Information on cash Flow by Funds
As at 31 December 2011

	Shareholders' fund RM'000	General fund RM'000	Life fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
31 December 2011						
Cash flows from:						
Operating activities	728,107	(105,218)	(508,072)	(64,577)	32,166	82,406
Investing activities	(566,006)	(1,151)	(2,878)	-	-	(570,035)
Financing activities	(206,300)	-	-	-	-	(206,300)
Net increase/(decrease) in cash and cash equivalents	(44,199)	(106,369)	(510,950)	(64,577)	32,166	(693,929)
Cash and cash equivalents at beginning of financial year	136,467	122,022	520,880	71,486	11,094	861,949
Cash and cash equivalents at end of financial year	92,268	15,653	9,930	6,909	43,260	168,020
31 December 2010						
Cash flows from:						
Operating activities	56,291	(54,864)	107,156	2,369	5,023	115,975
Investing activities	(67,239)	62,455	(4,406)	-	-	(9,190)
Financing activities	(3,700)	-	-	-	-	(3,700)
Net increase/(decrease) in cash and cash equivalents	(14,648)	7,591	102,750	2,369	5,023	103,085
Cash and cash equivalents at beginning of financial year	151,115	114,431	418,130	69,117	6,071	758,864
Cash and cash equivalents at end of financial year	136,467	122,022	520,880	71,486	11,094	861,949

53 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END

(a) On 11 April 2011, the Company announced that it had submitted an application to Bank Negara Malaysia ("BNM") to seek approval of the Minister of Finance ("MOF") pursuant to Section 67 of the Insurance Act, 1996 to enter into an agreement with Zurich Insurance Company Ltd ("Zurich") for the proposed disposal of the Company's entire 100% equity interest in Malaysian Assurance Alliance Berhad ("MAA") and other identified subsidiary companies, namely Multioto Services Sdn Bhd, Maagnet Systems Sdn Bhd, Malaysian Alliance Property Services Sdn Bhd and Maagnet-SSMS Sdn Bhd (hereinafter collectively known as the ("Disposed Subsidiaries") for a total cash consideration of RM344.0 million ("Proposed Disposal").

MOF through BNM vide its letter dated 8 June 2011 had approved the Proposed Disposal.

On 22 September 2011, the Company announced that the Shareholders at the Extraordinary General meeting which was held on the same day had approved the Proposed Disposal. The Shareholders had also approved the proposed change of name of MAA Holdings Berhad to MAA Group Berhad.

On 30 September 2011, the Company announced that the Proposed Disposal had been completed.

Under the terms of the Conditional Sale and Purchase Agreement ("SPA") with Zurich in relation to the Proposed Disposal, there is an adjustment to the sale consideration of RM344.0 million equal to the difference between the aggregate net asset value of Disposed Subsidiaries as at 30 September 2010 and the final aggregate net asset value as at 30 September 2011 ("Adjustment to Consideration"). The Adjustment to Consideration shall be finalised within one hundred and twenty (120) days from the completion of the sale of the Disposed Subsidiaries, unless dispute arises which shall be resolved in accordance to the relevant terms and conditions stipulated in the SPA. The Adjustment to Consideration conditions had been stated accordingly in the Circular to Shareholders dated 29 August 2011.

On 30 December 2011, based on the draft completion accounts and statement of aggregate net assets value of the Disposed Subsidiaries prepared by and received from Zurich, there is an upward adjustment of RM86.0 million to the sale consideration of RM344.0 million. The upward adjustment of RM86.0 million equals to the difference between the aggregate net asset value of Disposed Subsidiaries as at 30 September 2010 and the final aggregate net asset value as at 30 September 2011 prepared by Zurich as provided under the terms of the SPA.

On 17 February 2012 and 12 April 2012, the Company submitted notifications of disputes ("Dispute Notifications") to Zurich to disagree certain downward adjustments made to the draft completion accounts and statement of aggregate net assets value of the Disposed Subsidiaries. Should there be positive adjustments to the draft completion accounts and statement of aggregate net assets of the Disposed Subsidiaries arising from the Dispute Notifications, there will be further upward adjustment to the sale consideration in addition to the above mentioned RM86.0 million.

(b) On 30 September 2011, the Company also announced that it became an affected listed issuer pursuant to Practice Note 17 ("PN17") of the Listing Requirements of Bursa Malaysia Securities Berhad whereby a listed issuer has suspended or ceased its major business, i.e. in this case the disposal of MAA.

Nonetheless, the Company did not trigger any of the other prescribed criteria under PN17 of the Listing Requirements, such as consolidated shareholders' equity of 25% or less of the issued and paid up share capital, a default in payment by the Group, the auditors having expressed adverse or disclaimer opinion on the Company's latest audited financial statements etc.

As an affected listed issuer, the Company is required pursuant to paragraph 4.1 of the PN17 of the Listing Requirements to announce details of the regularisation plan.

On 31 October 2011, 30 November 2011, 30 December 2011, 2 February 2012, 1 March 2012 and 2 April 2012, the Company announced that it is still in the midst of formulating a regularisation plan to regularise its financial condition ("Regularisation Plan") and that an announcement will be made once the Regularisation plan has been finalised. On 10 February 2012, the Company further clarified the Company's intention to undertake and formulate a self regularisation plan which will not result in a significant change in the business direction or policies of the Group. The Company has approximately five (5) months to submit its Regularisation Plan to the authorities for approval from the date of this report.

53 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END (CONTINUED)

(c) On 5 October 2011, the Company changed its name to "MAA Group Berhad".

(d) On 27 February 2012, the Company announced that it and MAA International Assurance Ltd ("MAAIA"), wholly owned subsidiary company of MAA Corporation Sdn Bhd ("MAA Corp") which in turn is a wholly owned subsidiary company of the Company, had entered into a conditional sale and purchase agreement ("SPA") with Tokio Marine Holdings, Inc ("TM"), for the disposal of 43.3% of the enlarged share capital in PT MAA Life Assurance ("PT MAAL") for a sale consideration of IDR27.4 billion (approximately RM9.1 million) arrived at on a "willing buyer-willing seller" basis, and after taking into account the unaudited net assets of PT MAAL of IDR 5.1 billion (approximately RM1.7 million) as at 31 December 2011 ("Proposed Disposal of PT MAAL").

On even date, PT MAAL had also entered into a conditional share subscription agreement ("SSA") with TM for the subscription of 65.0 million ordinary shares in PT MAAL, representing approximately 36.7% of the enlarged share capital in PT MAAL for IDR65.0 billion (approximately RM21.7 million) in total or IDR1,000 per share ("Proposed Subscription").

On 27 March 2012, the Company, MAAIA and TM, entered into a Supplemental Share Purchase Agreement ("Supplemental SPA") and a Supplemental Subscription Agreement ("Supplemental SSA") whereby all parties had mutually agreed inter-alia to revise the cut-off date to 5 April 2012 or such other date as may be mutually agreed by the parties to complete certain condition precedents for the Proposed Disposal of PT MAAL and the Proposed Subscription.

On 9 April 2012, the Company announced that MAAIA/PT MAAL had received an approval letter dated 5 April 2012 from the Ministry of Finance of Indonesia for the Proposed Disposal of PT MAAL.

In accordance with FRS5, the Proposed Disposal will be classified as held for sale and presented as discontinued operations subsequent to the financial year end.

Details of the net assets disposed and the impact of the Proposed Disposal of PT MAAL to the Group estimated as at 31 December 2011 are as follows:

	RM'000
Expected proceeds from disposal	9,122
Share of net liabilities of PT MAAL disposed	527
Gain on disposal	9,649

The expected gain arising from the above has not been included in the current financial year and may be subject to variation at the completion of the transaction.

The financial results and net assets of PT MAAL are classified as part of the continuing life insurance business in the segmental information, as disclosed in Note 45 to the financial statements.

54 DISCLOSURE OF REALISED AND UNREALISED PROFITS

Bursa Malaysia Securities Berhad ("Bursa Securities") had on 25 March 2010 and 20 December 2010, issued directives to all listed corporations to disclose the breakdown of unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

The determination of realised and unrealised profits/losses is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

Disclosure of realised and unrealised profits/losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

The breakdown of the retained earnings of the Group and the Company, into realised and unrealised profits or losses are as follows:

	GROUP		COMPANY	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Total retained earnings:				
- Realised	107,497	(19,313)	36,503	(1,029)
- Unrealised	5,577	13,463	(11)	(19)
	113,074	(5,850)	36,492	(1,048)
Total share of accumulated losses from associated companies:				
- Realised	(5,644)	(3,692)	-	-
- Unrealised	4,616	3,014	-	-
	(1,028)	(678)	-	-
	112,046	(6,528)	36,492	(1,048)
Less: Consolidation adjustments	(3,005)	(10,200)	-	-
	109,041	(16,728)	36,492	(1,048)