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 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 events disclosed in Note 54 to the financial statements.

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

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

Registered office

12th Floor, No.566
Jalan Ipoh
51200 Kuala Lumpur

Principal place of business

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

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 24 April 2013.

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.

2.1 Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards, and comply with the requirements of the Companies Act,1965 in Malaysia.

The financial statements of the Group and Company for the financial year ended 31 December 2012 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1, ‘First-time Adoption of MFRS’. Subject to certain transition adjustments as disclosed in Note 43 to the financial statements, the Group and Company have consistently applied the same accounting policies in its opening MFRS statements of financial position at 1 January 2011 (transition date) and throughout all financial years presented, as if these policies had always been in effect. Comparative figures for 2011 in these financial statements have been restated to give effect to these changes. Note 43 to the financial statements discloses the impact of the transition to MFRS on the Group and Company’s reported financial position, financial performance and cash flows. The comparative statements of financial position as at 31 December 2011, comparative statements of income, comprehensive income, changes in equity and cash flows for the financial year then ended have been audited under the previous financial reporting framework, Financial Reporting Standards (“FRS”) in Malaysia.

The financial statements of the Group and Company have been prepared under the historical cost convention, as modified by the valuation of investment properties at fair value, remeasurement at fair value of available-for-sale financial assets, and financial assets held at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting 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. It also requires Directors to exercise their judgment in the process of applying the Group and Company’s accounting policies. Although these estimates and judgment are based on the Directors’ best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment 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)

2.1 Basis of preparation (continued)

Going concern of a subsidiary company

In preparing the financial statements of the Group for the financial year ended 31 December 2012, the Directors of the Company have taken into consideration the financial position of PT MAA General Assurance ("PT MAAG"), an 83% owned subsidiary company in Indonesia.

As at 31 December 2012, PT MAAG reported a shareholders' deficit position of RM55.7 million. In addition, PT MAAG received a letter from the Ministry of Finance of Indonesia ("MOF") on 28 December 2012 requiring it to comply with the minimum solvency margin using the Risk Based Capital basis of at least 120% for risk of loss that might arise from the deviation of assets and liabilities management. PT MAAG also received a sanction from the MOF to restrict it from writing new business until the shortfall in the capital from the minimum requirement of Indonesia Rupiah 70 million (equivalent of RM22 million) is addressed. These factors indicate the existence of a material uncertainty that may cast significant doubt on the ability of PT MAAG to continue as a going concern.

On 23 April 2013, the Directors of the Company discussed and approved in principle the proposed disposal of its entire interest in PT MAAG. The Company has been in discussions with an interested party; however, the terms and conditions of the contemplated sales and purchase agreement have yet to be finalised. In view of the plans to address the going concern status of PT MAAG via the disposal and the ongoing discussions with the third party, the Directors of the Company are of the view that it is appropriate to prepare the financial statements of PT MAAG and the Group on a going concern basis.

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective

The Group and Company will apply the new standards, amendments to standards and interpretations in the following periods:

(i) Financial years beginning on/after 1 January 2013

- MFRS 10, 'Consolidated Financial Statements' (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power in 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'.

- 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.

- 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 revised MFRS 127, 'Consolidated and Separate Financial Statements' (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS10.

- The revised MFRS 128, 'Investment 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.

- Amendment to MFRS 101, 'Presentation of Items of Other Comprehensive Income' (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' ('OCI') 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 OCI.

- 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.

- 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 offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

The Group and Company will apply the new standards, amendments to standards and interpretations in the following periods: (continued)

(ii) Financial years beginning on/after 1 January 2014

- 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 of 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 mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

(iii) Financial years beginning on/after 1 January 2015

- 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 derecognising 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 OCI. There is no subsequent recycling of the amounts in OCI to profit or loss, 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 are presently assessing the implication of adopting the above standards, amendments to published standards and interpretations to existing standards onto the prevailing accounting policies.

2.2 Basis of consolidation

(a) Subsidiary companies

Subsidiary companies are all entities over which the Group and Company has the power to govern the financial and operating policies 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 fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the successive acquisition dates at each stage, and the changes in fair value is taken through the income statement.

Profit or loss and each component of other comprehensive income of the subsidiaries are attributed to the parent and the non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in income statements or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (continued)

(a) Subsidiary companies (continued)

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in income statements.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiary companies are changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiary companies

When the Group ceases to have control over a subsidiary company, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statements.

(d) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associated companies includes goodwill identified on acquisition, net of any accumulated impairment loss (see accounting policy in Note 2.9 on impairment of non-financial assets).

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments in associated companies are recognised in the income statement.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associated company' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated company are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associated companies. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies are changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Investments in subsidiary and associated companies

In the Company's separate financial statements, investments in subsidiary companies and associated companies are carried at cost less accumulated impairment losses. On disposal of investments in subsidiary and associated companies, the difference between disposal proceeds and the carrying amounts of the investments is recognised in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Executive Committee that makes strategic decisions.

2.5 Foreign currencies

(a) 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 environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

For translation differences on financial assets and liabilities held at fair value through profit or loss and available-for-sale financial assets, refer to Note 2.11(c).

(c) 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 statement of comprehensive income or separate income statement presented 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 other comprehensive income.

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. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to the income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in income statements. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment ("PPE")

(a) Cost

PPE are initially stated at cost. Land are subsequently shown at fair value, less subsequent depreciation and impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. 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 PPE are stated at cost less accumulated depreciation and impairment losses.

The cost of an item of PPE initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to accounting policy Note 2.19 on borrowing costs).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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 recognised as expenses in the income statement during the financial period in which they are incurred.

(b) Depreciation and residual value

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 PPE are depreciated on a straight line basis to allocate 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
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, and adjusted if appropriate, at the end of each reporting date.

(c) Impairment

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 2.9 on impairment of non-financial assets).

(d) Gains and losses on disposals

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are credited or charged to the income statements.

(e) Revaluation reserves

When an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income as a revaluation surplus reserve, except that for the life insurance business, such revaluation surplus are reported as a separate component of insurance contract liabilities. When the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in income statement. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus reserve of that asset, 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. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statements, and depreciation based on the asset's original cost is transferred from 'other reserves' to 'retained earnings'.

The revaluation surplus included in equity is transferred directly to retained earnings when the asset is retired or disposed of.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 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.

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.

2.8 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of the value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) 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.

(c) 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 the straight line method over their estimated useful lives, ranging between 5 to 10 years.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying 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.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

2.10 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 when their carrying amounts are to be recoverable principally through a sale transaction and the sale is considered highly probable. They are stated at the lower of carrying amounts and fair values less costs to sell.

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.

2.11 Financial assets

(a) Classification

The Group classifies its financial assets into the following categories: financial assets 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 financial assets were acquired. Management determines the classification at initial recognition.

<u>*Financial assets at fair value through profit or loss*</u>

The Group classifies financial assets 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. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

In addition, certain financial assets are designated at initial recognition at fair value through profit or loss when one of the designation criteria is met:

- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- Its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; and
- The item is a hybrid contract that contains one or more embedded derivatives.

Assets in this category are classified as current assets.

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.

<u>*Loans and receivables*</u>

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. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, they are classified as non-current assets.

<u>*Available-for-sale financial assets*</u>

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. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair values plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair values, and the transaction costs are expensed in the income statement.

(c) Subsequent measurement – Gains and losses

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair values. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in the income statement in the period in which the changes arise.

Changes in the fair values of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 2.11(d)) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in the income statement, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change. However, for general takaful business and family takaful business, such fair value gains or losses are reported as a separate component of insurance contract liabilities until the investment is derecognised.

Interest and dividend income on available-for-sale financial assets are recognised separately in the income statement. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in the income statement. Dividend income on available-for-sale equity instruments are recognised in the income statement when the Group's/Company's right to receive payments is established.

(d) Subsequent measurement – Impairment of financial assets

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/Company first assesses at each reporting date whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group/Company 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/Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 asset's carrying amount 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.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

(d) Subsequent measurement – Impairment of financial assets (continued)

Available-for-sale financial assets

The Group/Company assesses at the end of the 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 is also considered as an indicator that the financial assets are impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised in equity is transferred from equity through the statement of comprehensive income or from insurance contract liabilities to the income statement. The amount of cumulative loss that is reclassified to the income statement is 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 classified as available-for-sale are not subsequently reversed through the income statement.

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.

(e) Derecognition

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

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the income statement.

2.12 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.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.13 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, correlation, 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Fair value of financial instruments (continued)

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.

2.14 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.

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.

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.

2.15 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 2.11(d) on subsequent measurement for impairment of financial assets.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.11(e) on derecognition of financial assets have been met.

2.16 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.17 Operating leases

Leases of assets where a significant portion of the risks and rewards of ownerships 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 lease period.

2.18 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the initial recognised amount (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.

2.20 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, with original maturities 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.

2.21 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/Company 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.

2.22 Contingent liabilities and contingent assets

The Group/Company 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/Company 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/Company. The Group/Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

2.23 Provisions

Provisions are recognised when the Group/Company 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.

2.24 Employee benefits

Short-term employee benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period 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.

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

2.25 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Share capital

(a) Classification

The Company has issued ordinary shares that are classified as equity.

(b) Share issue expenses

Incremental external costs that are directly attributed to the issue of these shares are recognised in equity, net of tax.

(c) Dividend distribution

Dividends on ordinary shares are recognised as liabilities 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.

2.27 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.

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.

Life insurance/family takaful contract 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 respective subsidiary company'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.

Insurance risk is considered to be significant when the 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Reinsurance/Retakaful

The Group cedes insurance risk in the normal course of business for most of its businesses. Reinsurance/retakaful assets represent balances due from reinsurance/retakaful 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/retakaful contracts.

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

Reinsurance/retakaful 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/retakaful 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/retakaful are recognised in the income statement immediately at the date of purchase and are not amortised.

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

2.29 Insurance contracts - Life insurance business

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

Reinsurance/retakaful 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.

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.

<u>Gross premiums</u>

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.

<u>Reinsurance premiums</u>

Gross reinsurance premiums are recognised as expenses when payable or on the date on which the policies are effective.

<u>Benefits, claims and expenses</u>

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Insurance contracts - Life insurance business (continued)

Benefits, claims and expenses (continued)

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 premiums 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.

2.30 Insurance contracts - General insurance business

The general insurance underwriting results are determined for each class of business after taking into account reinsurance premiums, 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.

Premium liabilities

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 expenses 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.

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; 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Insurance contracts - General insurance business (continued)

Claims and expenses

A liability for outstanding claim 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.

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.

2.31 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 surpluses 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 contributions, 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.

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:

- $1/365^{th}$ 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 claim is recognised in respect of both direct takaful and inward retakaful. 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 and incurred but not reported ("IBNR") at the reporting date based on an actuarial valuation by an independent qualified actuary.

Commission and agency expenses

Commission and agency expenses which are costs directly incurred in securing contributions on takaful certificates, net of commission income derived from retakaful in the course of ceding of contributions, are charged to the income statement of the General takaful business as part of Wakalah fees payable to the Shareholders' fund in the financial year in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.32 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 surpluses 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.

<u>Gross contributions</u>

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 payments to increase the amount of those contracts. Net creation of units is recognised on a receipt basis.

<u>Retakaful contributions</u>

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

<u>Provision for outstanding claims</u>

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.

2.33 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 benefit liabilities of participating life policies, and non-unit liabilities of investment-linked policies.

The liability in respect of policies of participating insurance contracts 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.33 Insurance/takaful contract liabilities (continued)

(i) Life actuarial liabilities (continued)

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.

The Group also performs a liability adequacy test assessment in accordance with MFRS 4 Insurance Contracts.

(ii) Surpluses in insurance contracts

Surpluses in DPF insurance contracts are distributable to policyholders and shareholders in accordance with the relevant terms and upon advice and the recommendation of the respective insurance subsidiary company's appointed actuary. The insurance subsidiary companies, however, have 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 appointed actuaries.

(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 and the requirements of MFRS 4 Insurance Contracts. 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.

In the case of yearly renewable term products with no savings elements, the liability for such Family takaful certificate comprises 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 derecognised 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 claim 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 are recognised. The liabilities are derecognised when the contract expires, are discharged or are 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.33 Insurance/takaful contract liabilities (continued)

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

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 claim liabilities estimation. A number of methods are employed initially in the estimation of ultimate claim 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 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 claim estimates. The provision for adverse deviation is set at 75 per cent confidence level Group-wide.

2.34 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 accounting policy in Note 2.11 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.

2.35 Management expenses, commission expenses and wakalah fees

Acquisition costs, commissions and management expenses (collectively known as "wakalah fees") 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.

2.36 Qardhul Hassan

Qardhul Hassan is stated at cost in the Shareholders' fund of the takaful subsidiary company. 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 2.9 to the financial statements.

Takaful payable balances reported by the takaful funds are stated at cost.

2.37 Other revenue recognition

<u>Interest and profit income</u>

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 loan and 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.37 Other revenue recognition (continued)

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 service 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 sale 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.

2.38 Current and deferred income tax

The tax expense for the financial year comprises current and deferred tax. Tax is recognised in the income statements, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity respectively.

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 where the Group's subsidiary and associated companies operate and generate taxable income, and any adjustments to tax payable in respects of prior financial years.

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

Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the carrying amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss. Deferred tax is determined using tax rates (tax laws) that have been enacted or substantively enacted at the end of the reporting date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax loses or unused tax credit can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.38 Current and deferred income tax (continued)

Deferred tax (continued)

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.

2.39 Zakat

Zakat represents tithes payable by the takaful subsidiary company 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 takaful subsidiary company for the financial year.

2.40 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 JUDGMENTS IN APPLYING ACCOUNTING POLICIES

Estimates and judgments 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 general insurance and general takaful contract liabilities

The estimation of claims liabilities or equivalently, the ultimate claims liabilities 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 at 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 is also incorporated into the ultimate claims estimates.

Due to the fact that the ultimate claims liabilities are 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 liabilities. 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 JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(ii) Actuarial liabilities for Family takaful fund

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

a) <u>Investment-Linked Personal Risk Investment Account ("PRIA Investment-Linked")</u>

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. Future deficits are reserved on a present value basis using the risk free spot rates of return and claims assumptions are determined at a 75% sufficiency level.

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 made.

b) <u>Ordinary Personal Risk Investment Account ("PRIA Ordinary Life")</u>

This fund consists of four products, Cancer Care, SmartMedic, Term 80 and Takafulife Series.

Cancer Care is a guaranteed renewable medical takaful product with an additional death benefit. The contribution reserve is calculated at 100% of unearned gross cancer tabarru' using $1/24^{th}$ method. For the death benefit, the valuation reserve is calculated using M9903 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 for funeral expense, which is payable upon death due to all causes. The contribution reserve is calculated at 100% of unearned gross medical tabarru'. Reserve for funeral expense benefit is calculated at 100% of unearned gross funeral expense tabarru' using $1/24^{th}$ method. An additional provision for 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 65% retained portion after retakaful arrangement.

Term 80 and Takafulife Series are ordinary whole life and term plan respectively. The Tabarru' rates are dripped from the Participant Investment Account ("PIA") to the risk fund on a monthly basis. The UCR is calculated by taking half of the 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. Future deficits were reserved on a present value basis using the risk free spot rates of return and claims assumptions were determined at a 75% sufficiency level. In addition, 4 months of average claims are set aside for IBNR.

c) <u>Group Fund Risk Investment Account ("GFRIA")</u>

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 is calculated on Unexpired Risk Reserve ("URR") basis using $1/24^{th}$ 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 $1/24^{th}$ method.

The reserving method used for Group Mortgage Protection Plan is based on GPV. The present value of future benefits is 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 JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(iii) Estimation of gain on disposal of subsidiary companies

In the previous financial year ended 31 December 2011, the Group and Company recognised a gain on disposal of RM83.2 million and RM236.6 million respectively as disclosed in Note 41(a) to the financial statements from sale of the Disposed Subsidiaries as disclosed in Note 54(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 for the Group and RM85.1 million for the Company 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.

During the current financial year ended 31 December 2012, the Group and Company recognised an additional gain of RM56.0 million from the sale of the Disposed Subsidiaries, arising from receipt of a held back sum upon satisfaction of certain conditions precedent in the SPA in respect of Prima Avenue Klang property and Mithril's RCSLS totalling RM50.7 million, and an overstatement of RM5.3 million in the Life fund liabilities of MAA in the draft completion accounts as confirmed by Zurich.

As disclosed in Note 54(a) to the financial statements, 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, the final gain on disposal of the Disposal Subsidiaries may be higher than the amounts presently recognised.

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

In determining and applying accounting policies, judgment 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 judgment 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								
At 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(A), (B))	(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 disposed 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 / 1 January 2012	-	-	-	13,677	9,898	3,553	-	27,128
Additions	-	-	-	11,683	1,282	4,444	-	17,409
Arising from the acquired subsidiary companies	2,187	-	-	10,494	135	217	-	13,033
Arising from the disposed subsidiary companies	-	-	-	(3,544)	(5,593)	(1,371)	-	(10,508)
Revaluation surplus	213	-	-	-	-	-	-	213
Disposals	-	-	-	(68)	(402)	-	-	(470)
Write-off	-	-	-	(1,688)	-	(1,272)	-	(2,960)
Currency translation differences	-	-	-	-	(13)	-	-	(13)
At 31 December 2012	2,400	-	-	30,554	5,307	5,571	-	43,832

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 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(A), (B))	(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 disposed 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 / 1 January 2012	-	-	-	7,754	6,126	2,136	-	16,016
Charge for the financial year	-	-	-	2,289	750	615	-	3,654
Arising from the acquired subsidiary companies	-	-	-	10,299	135	209	-	10,643
Arising from the disposed subsidiary companies	-	-	-	(3,116)	(3,570)	(1,190)	-	(7,876)
Disposals	-	-	-	(10)	(277)	-	-	(287)
Write-off	-	-	-	(1,487)	-	(847)	-	(2,334)
Currency translation differences	-	-	-	47	18	-	-	65
At 31 December 2012	-	-	-	15,776	3,182	923	-	19,881

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
Allowance for the financial year	-	-	-	-	-	-	1,690	1,690
Transferred to assets classified as held for sale (Note 16(A), (B))	(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
Allowance for the financial year	-	-	-	227	-	447	-	674
Disposals	-	-	-			(55)	-	(55)
At 31 December 2011 / 1 January 2012	-	-	-	292	-	447	-	739
Write-back during the financial year	-	-	-	(227)	-	(447)	-	(674)
At 31 December 2012	-	-	-	65	-	-	-	65
Net book value								
At 1 January 2011	-	-	44	2,665	4,279	1,399	-	8,387
At 31 December 2011	-	-	-	5,631	3,772	970	-	10,373
At 31 December 2012	2,400	-	-	14,713	2,125	4,648	-	23,886

As at 31 December 2012, the net book value of assets acquired under hire purchase agreements was Nil (31.12.2011: RM747,000, 1.1.2011: 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 / 1 January 2012	871	2,206	177	3,254
Additions	868	54	770	1,692
Disposals	-	(197)	-	(197)
Write-off	(543)	-	(177)	(720)
At 31 December 2012	1,196	2,063	770	4,029
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 / 1 January 2012	678	1,129	95	1,902
Charge for the financial year	127	206	77	410
Disposals	-	(58)	-	(58)
Write-off	(446)	-	(95)	(541)
At 31 December 2012	359	1,277	77	1,713
Accumulated impairment loss				
At 31 December 2010 / 1 January 2011	-	-	-	-
Allowance for the financial year	94	-	82	176
At 31 December 2011 / 1 January 2012	94	-	82	176
Write-back during the financial year	(94)	-	(82)	(176)
At 31 December 2012	-	-	-	-
Net book value				
At 1 January 2011	253	1,430	101	1,784
At 31 December 2011	99	1,077	-	1,176
At 31 December 2012	837	786	693	2,316

As at 31 December 2012, the net book value of assets acquired under hire purchase agreements was Nil (31.12.2011: Nil, 1.1.2011: RM634,000).

5 INVESTMENT PROPERTIES

	GROUP		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At 1 January	11,175	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 gain/(loss) – net (Note 30)	1,261	-	(22,043)
Currency translation differences	(804)	(1)	(538)
Transferred to assets classified as held for sale (Note 16(A))	-	-	(512,287)
At 31 December	11,632	11,175	11,601
Comprising:			
Leasehold land and buildings	11,632	11,175	11,601

Investment properties are stated at fair value, which have 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.

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 from assets classified as held for sale	-	5,017	5,017
Transferred to assets classified as held for sale (Note 16(A))	-	(18,645)	(18,645)
At 31 December 2010 / 1 January 2011	7,000	7,677	14,677
Additions	-	2,361	2,361
Arising from the disposed subsidiary company	-	(320)	(320)
At 31 December 2011 / 1 January 2012	7,000	9,718	16,718
Additions	-	1,395	1,395
Disposals	-	(6)	(6)
At 31 December 2012	7,000	11,107	18,107

6 INTANGIBLE ASSETS (CONTINUED)

GROUP

	Management rights RM'000	Computer software RM'000	Total RM'000
Accumulated amortisation			
At 1 January 2010	2,199	10,190	12,389
Charge for the financial year	347	4,225	4,572
Transferred from assets classified as held for sale	-	3,495	3,495
Transferred to assets classified as held for sale (Note 16(A))	-	(14,050)	(14,050)
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 disposed subsidiary company	-	(64)	(64)
At 31 December 2011 / 1 January 2012	2,893	5,364	8,257
Charge for the financial year	347	1,649	1,996
Disposals	-	(5)	(5)
At 31 December 2012	3,240	7,008	10,248
Net carrying amount			
At 1 January 2011	4,454	3,817	8,271
At 31 December 2011	4,107	4,354	8,461
At 31 December 2012	3,760	4,099	7,859

COMPANY

	Computer Software		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Cost			
At 1 January	438	231	231
Additions	70	207	-
Disposals	(6)	-	-
At 31 December	502	438	231
Accumulated amortisation			
At 1 January	262	174	128
Charge for the financial year	64	88	46
Disposals	(5)	-	-
At 31 December	321	262	174
Net carrying amount	181	176	57

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

6 INTANGIBLE ASSETS (CONTINUED)

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 then 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 (31.12.2011: 20 years, 1.1.2011: 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 11 (31.12.2011: 12, 1.1.2011: 13) years.

7 INVESTMENTS

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Malaysian Government Guaranteed Financing	54,243	20,872	10,631	-	-	-
Corporate debt securities	4,432	14,007	46,495	-	-	-
Islamic debt securities	177,017	173,724	164,633	-	-	-
Equity securities	173,395	141,915	128,692	1,664	-	4,658
Unit trusts	9,048	13,660	20,520	-	-	-
Investment-linked units	-	8,246	7,717	-	-	-
Loans	9,199	10,407	30,464	96	139	192
Fixed and call deposits with licensed banks	46,287	44,164	8,009	-	1,029	5,016
	473,621	426,995	417,161	1,760	1,168	9,866

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

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Financial assets at fair value through profit or loss	201,800	171,333	154,353	-	-	-
Available-for-sale financial assets	216,335	201,091	224,335	1,664	-	4,658
Loans and receivables (Note 8)	55,486	54,571	38,473	96	1,168	5,208
	473,621	426,995	417,161	1,760	1,168	9,866

The following investments mature after 12 months:

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Financial assets at fair value through profit or loss	3,928	3,798	3,738	-	-	-
Available-for-sale financial assets	188,533	173,560	188,279	-	-	-
Loans and receivables (Note 8)	43,259	43,928	18,020	59	88	139
	235,720	221,286	210,037	59	88	139

7 INVESTMENTS (CONTINUED)

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(a) Financial assets at fair value through profit or loss						
Held-for-trading:						
Quoted:						
Equity securities	-	8,917	27,588	-	-	-
Unit trusts	1,965	2,283	4,737	-	-	-
Investment-linked units	-	8,246	5,240	-	-	-
Corporate debt securities	-	757	1,055	-	-	-
Unquoted:						
Investment-linked units	-	-	2,477	-	-	-
	1,965	20,203	41,097	-	-	-
Designated at fair value through profit or loss:						
Quoted:						
Equity securities	147,672	106,821	71,719	-	-	-
Corporate debt securities	3,928	3,798	3,759	-	-	-
Unquoted:						
Unit trusts	7,083	11,377	15,783	-	-	-
Unquoted:						
Islamic debt securities	41,152	29,134	21,995	-	-	-
	199,835	151,130	113,256	-	-	-
	201,800	171,333	154,353	-	-	-
(b) Available-for-sale financial assets						
Quoted:						
Equity securities	1,684	3,266	7,337	1,664	-	4,658
Corporate debt securities	-	6,831	40,321	-	-	-
Unquoted:						
Equity securities	24,039	22,911	22,048	-	-	-
Corporate debt securities	504	2,621	1,360	-	-	-
Unquoted:						
Islamic debt securities	135,865	144,590	142,638	-	-	-
Malaysian Government Guaranteed Financing	54,243	20,872	10,631	-	-	-
	216,335	201,091	224,335	1,664	-	4,658

7 INVESTMENTS (CONTINUED)

Carrying value of financial assets

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/(loss) recorded in:			
Income statement	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	-	(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(A))	(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 gain/(loss) 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 / 1 January 2012	171,333	201,091	372,424
Purchases	102,466	83,189	185,655
Disposals	(76,406)	(67,327)	(143,733)
Fair value gain/(loss) recorded in:			
Income statement (Note 30)	4,408	-	4,408
Other comprehensive income	-	350	350
Insurance/takaful contract liabilities (Note 17)	-	(1,501)	(1,501)
Movement in impairment allowance (Note 30)	-	857	857
Amortisation/interest adjustments	-	105	105
Arising from disposed subsidiary company	(2)	-	(2)
Currency translation differences	1	(429)	(428)
At 31 December 2012	201,800	216,335	418,135

7 INVESTMENTS (CONTINUED)

Carrying value of financial assets (continued)

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

COMPANY

	Available-for-sale RM'000	Total RM'000
At 1 January 2010	-	-
Shares reclassified from associated company	3,660	3,660
Fair value loss 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 / 1 January 2012	-	-
Fair value gain recorded in other comprehensive income	1,664	1,664
At 31 December 2012	1,664	1,664

Fair values of investments

The following tables show investments recorded at fair values 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 2012			
Quoted market price (Level 1)	165,330	1,684	167,014
Valuation techniques – market observable inputs (Level 2)	36,470	191,313	227,783
Valuation techniques – non-market observable inputs (Level 3)	-	23,338	23,338
	201,800	216,335	418,135
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
1 January 2011			
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

7 **INVESTMENTS** (CONTINUED)

Fair values of investments (continued)

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

COMPANY

	Available-for-sale RM'000	Total RM'000
Quoted market price (Level 1)		
31 December 2012	1,664	1,664
31 December 2011	-	-
1 January 2011	4,658	4,658

Included in the quoted market 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 the fair values of investments in structured products are obtained via investment bankers and/or fund managers 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, there 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		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Loans arising from:						
Policy loans	-	709	710	-	-	-
Mortgage loans	96	139	187	96	139	187
Secured loans	4,406	4,101	1,878	-	-	-
Unsecured loans	3,371	365	640	-	-	5
	7,873	5,314	3,415	96	139	192
Loans from leasing, hire purchase and others	56,791	59,819	92,249	-	-	-
Less: Allowance for impairment	(55,465)	(54,726)	(65,200)	-	-	-
	1,326	5,093	27,049	-	-	-
Fixed and call deposits with licensed banks	46,287	44,164	8,009	-	1,029	5,016
	55,486	54,571	38,473	96	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		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Receivables within 12 months:						
Net loans	8,846	9,008	12,444	37	51	53
Fixed and call deposits with licensed banks	3,381	1,635	8,009	-	1,029	5,016
	12,227	10,643	20,453	37	1,080	5,069
Receivables after 12 months:						
Net loans	353	1,399	18,020	59	88	139
Fixed and call deposits with licensed banks	42,906	42,529	-	-	-	-
	43,259	43,928	18,020	59	88	139
	55,486	54,571	38,473	96	1,168	5,208

The total loans portfolio net of allowance for impairment from leasing, hire purchase and others as at 31 December 2012 included non-performing loans ("NPL") amounting to approximately RM1,110,000 (31.12.2011: RM4,783,000, 1.1.2011: 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 2.14 to the financial statements and made additional allowance for impairment where appropriate.

The fair values of the collaterals held as at the statement of financial position date was RM4,367,000 (31.12.2011: RM24,843,000, 1.1.2011: RM28,201,000).

9 SUBSIDIARY COMPANIES

	COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Investment in subsidiary companies, at cost	255,428	255,428	255,428
Less: Accumulated impairment loss	(128,456)	(126,106)	-
	126,972	129,322	255,428
Amounts due from subsidiary companies	18,696	24,456	28,425
Less: Accumulated impairment loss	(18,696)	(19,051)	-
	-	5,405	28,425
	126,972	134,727	283,853

Amounts due from subsidiary companies of RM18,696,000 (31.12.2011: RM24,456,000, 1.1.2011: RM28,425,000) are akin to investments in subsidiary companies.

During the financial year, the Company recognised an additional impairment loss of RM1,995,000 (net of write-back of impairment loss of RM355,000) (31.12.2011: RM145,157,000, 1.1.2011: 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 under the Group's business rationalisation plans and the unexpected adverse cashflows from the subsidiary company engaged in investment holding, business of charge cards and other related cards and services. 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:

		Group's effective interest		
Name of company	Country of incorporation	31.12.2012 %	31.12.2011 %	Principal activities
MAA Corporation Sdn Bhd ("MAA Corp")	Malaysia	100	100	Investment holding and property management
MAA Takaful Berhad	Malaysia	75	75	General takaful and Family takaful businesses
Subsidiary companies of MAA Corp				
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
MAA International Assurance Ltd	Labuan, Malaysia	100	100	Offshore insurance and reinsurance business
* MAAKL Mutual Bhd ("MAAKL")	Malaysia	55	55	Unit trust funds management
MAA Holdings (BVI) Ltd	British Virgin Islands	100	100	Providing insurance technical and financial consultancy services

9 SUBSIDIARY COMPANIES (CONTINUED)

Details of the subsidiary companies are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest 31.12.2012 %	Group's effective interest 31.12.2011 %	Principal activities
Subsidiary companies of MAA Corp (continued)				
MAA Corporate Advisory Sdn Bhd	Malaysia	100	100	Providing corporate advisory and consultancy services
Wira Security Services Sdn Bhd (1)	Malaysia	-	100	Providing security services and trading in security equipment
# Meridian Asset Management Holdings Sdn Bhd (2)	Malaysia	-	51	Investment holding
MAA International Corporation Ltd	Malaysia	100	100	Investment holding
Chelsea Parking Services Sdn Bhd (3)	Malaysia	100	100	Operating, maintaining and managing car parks
MAA International Investments Ltd	Malaysia	100	100	Investment holding
Menang Bernas Sdn Bhd (4)	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 ("MAACAL")	Labuan, Malaysia	51	51	Providing offshore corporate advisory and consultancy services
MAACA Corporate Services Sdn Bhd	Malaysia	100	100	Providing offshore corporate advisory and consultancy services
Subsidiary companies of Meridian Asset Management Holdings Sdn Bhd				
# Meridian Asset Management Sdn Bhd (2)	Malaysia	-	51	Fund management and investment and advisory services
# Meridian Asset Management (Asia) Ltd (2)	Malaysia	-	51	Fund management and investment and advisory services
Subsidiary companies of MAA International Assurance Ltd				
# P.T. MAA Life Assurance (1)	Indonesia	-	99.5	Life insurance business
# P.T. MAA General Assurance	Indonesia	83	83	General insurance business

9 SUBSIDIARY COMPANIES (CONTINUED)

Details of the subsidiary companies are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest 31.12.2012 %	Group's effective interest 31.12.2011 %	Principal activities
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 companies of MAA International Corporation Ltd				
# MAA Corporate & Compliance Phils. Inc.	Philippines	100	100	Investment holding and providing management services
Subsidiary companies of MAA Credit Berhad				
# Pusat Tuisyen Kasturi Sdn Bhd (5)	Malaysia	70	-	Provision of education services and operations education tuition centres
# Keris Murni Sdn Bhd (5)	Malaysia	70	-	Provision of education services and operations education tuition centres
# Nilam Timur Sdn Bhd (5)	Malaysia	100	-	Dormant

* MAAKL 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 MAAKL.

** MAACAL is 51% owned by the Company, 49% owned by a company controlled by a Director of the Company and a director of MAACAL and the immediate holding company, MAA Corporate Advisory Sdn Bhd.

Subsidiary companies not audited by PricewaterhouseCoopers.

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

(2) Subsidiary companies that ceased to be subsidiaries and became associated companies during the financial year.

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

(4) Subsidiary company that ceased operations in the previous financial year.

(5) Subsidiary companies that were acquired during the financial year.

10 ASSOCIATED COMPANIES

	GROUP		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unquoted shares, at cost	72,027	64,589	63,121
Less: Accumulated impairment loss	(13,834)	(12,874)	(12,874)
	58,193	51,715	50,247
Dividend received	(186)	(165)	(165)
Share of post acquisition loss	(1,693)	(1,028)	(678)
	56,314	50,522	49,404

The Group's share of revenue, profit, assets and liabilities of associated companies are as follows:

	GROUP		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Revenue	194,760	50,955	59,017
Loss after taxation	(665)	(355)	(380)
Non-current assets	3,102,669	201,091	208,711
Current assets	293,797	156,412	229,253
Non-current liabilities	(3,145,392)	(201,518)	(211,401)
Current liabilities	(194,760)	(105,463)	(177,159)
Net assets	56,314	50,522	49,404

	COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unquoted shares, at cost	100	100	100

The details of the associated companies are as follows:

Name of company	Country of incorporation	Group's effective interest 31.12.2012 %	Group's effective interest 31.12.2011 %	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 [(1)]	Malaysia	-	45	Provision of transportation and logistics
Meridian Asset Management Holdings Sdn Bhd [(2)]	Malaysia	40	-	Investment holding
<u>Associated company of MAA International Assurance Ltd</u>				
MAA General Assurance Philippines, Inc	Philippines	40	40	General insurance business

10 ASSOCIATED COMPANIES (CONTINUED)

The details of the associated companies are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest 31.12.2012 %	Group's effective interest 31.12.2011 %	Principal activities
Associated company of Columbus Capital Singapore Pte Ltd				
Columbus Capital Pty Limited	Australia	48	46	Retail mortgage lending and loan securitisation
Subsidiary companies of Meridian Asset Management Holdings Sdn Bhd				
Meridian Asset Management Sdn Bhd (2)	Malaysia	40	-	Fund management and investment and advisory services
Meridian Asset Management (Asia) Ltd (2)	Malaysia	40	-	Fund management and investment and advisory services

* 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.

(1) Associated company that was disposed during the financial year.

(2) Held as subsidiary companies in the previous financial year.

11 REINSURANCE/RETAKAFUL ASSETS

	GROUP 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Reinsurance/retakaful of insurance/takaful contracts (Note 17)	212,743	147,928	123,897

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

12 INSURANCE/TAKAFUL RECEIVABLES

	GROUP 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Due premiums/contributions including agents, brokers and co-insurers/co-takaful balances	27,411	52,170	41,918
Due from reinsurers/retakaful and cedants	44,333	30,780	29,613
	71,744	82,950	71,531
Allowance for impairment	(2,940)	(1,394)	(2,956)
	68,804	81,556	68,575

13 TRADE AND OTHER RECEIVABLES

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Trade receivables of non-insurance subsidiary companies	2,346	7,649	5,980	-	-	-
Other receivables:						
Amounts due from subsidiary companies	-	-	-	23,323	18,695	59,945
Amounts due from associated companies	2,508	2,753	6,730	-	196	612
Investment income due and accrued	3,203	1,467	2,055	-	231	53
Manager's stocks	3,250	2,554	2,178	-	-	-
Outstanding proceeds from disposal of subsidiary companies	94,395	86,034	-	90,489	85,140	-
Proceeds from disposal of subsidiary companies deposited in escrow account	129,754	94,094	-	129,754	94,094	-
Other receivables, deposits and prepayments	22,134	15,282	22,723	7,463	1,359	3,958
	255,244	202,184	33,686	251,029	199,715	64,568
	257,590	209,833	39,666	251,029	199,715	64,568

Included in amounts due from subsidiary companies are interest-bearing advances to subsidiary companies amounting to RM23,323,000 (net of impairment of RM25,451,000) (31.12.2011: RM23,893,000, net of impairment of RM27,490,000. 1.1.2011: RM56,121,000, net of impairment of RM Nil). The interest-bearing advances bear interest rates ranging from 4.35% to 8.0% (31.12.2011: 4.35% to 8.0%, 1.1.2011: 4.35% to 8.0%) per annum and are repayable on demand. In the previous financial year ended 31 December 2011, the amounts were net of an amount due to a subsidiary company of RM5,538,000 (1.1.2011: RM Nil).

The outstanding proceeds from disposal of subsidiary companies of the Group and Company comprise of :

(i) an upward adjustment of RM91,383,000 (31.12.2011: RM86,034,000) and RM90,489,000 (31.12.2011: RM85,140,000) respectively to the sale consideration of RM344,000,000 as disclosed in Note 3(a)(iii) to the financial statements;

(ii) outstanding proceeds of RM3,012,000 from disposal of a subsidiary company as disclosed in Note 54(d) to the financial statements.

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 RM3,775,000 (31.12.2011: RM661,000) on the proceeds from disposal of subsidiary companies deposited in the escrow account. The deposit in the escrow account bears an interest rate at 2.75% (31.12.2011: 2.75%) 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

	31.12.2012					
	Share-holders' fund RM'000	**General fund RM'000**	**Life fund RM'000**	**General takaful fund RM'000**	**Family takaful fund RM'000**	**Total RM'000**
Deferred tax assets	-	558	-	-	-	558
Deferred tax liabilities	(3,978)	-	-	(627)	(1,505)	(6,110)
	(3,978)	558	-	(627)	(1,505)	(5,552)
At 1 January 2012						
- as previously stated	(3,511)	419	195	(568)	(1,013)	(4,478)
- prior year adjustments (Note 43)	107	-	-	-	-	107
- as restated	(3,404)	419	195	(568)	(1,013)	(4,371)
(Charged)/credited to income statement (Note 37):						
- property, plant and equipment	(832)	5	-	-	-	(827)
- investments and loans	-	-	-	-	(475)	(475)
- receivables, deposits and prepayments	-	109	-	-	-	109
- Qardhul Hassan	(107)	-	-	-	-	(107)
- others	-	67	-	-	-	67
	(939)	181	-	-	(475)	(1,233)
Credited to other comprehensive income:						
- available-for-sale reserves	417	-	-	-	-	417
Charged to insurance contract liabilities:						
- available-for-sale reserves	-	-	-	(59)	(17)	(76)
Arising for acquired subsidiary companies	(39)	-	-	-	-	(39)
Arising from disposed subsidiary companies	(14)	-	(195)	-	-	(209)
Currency translation differences	1	(42)	-	-	-	(41)
At 31 December 2012	(3,978)	558	-	(627)	(1,505)	(5,552)
Subject to income tax:						
<u>Deferred tax assets (before offsetting)</u>						
Property, plant and equipment	-	18	-	-	-	18
Investments and loans	-	20	-	-	-	20
Receivable, deposits and prepayments	-	217	-	-	-	217
Others	-	303	-	-	-	303
	-	558	-	-	-	558
Offsetting	-	-	-	-	-	-
Deferred tax assets (after offsetting)	-	558	-	-	-	558
<u>Deferred tax liabilities (before offsetting)</u>						
Available-for-sale reserves	(1,385)	-	-	(627)	(241)	(2,253)
Property, plant and equipment	(2,593)	-	-	-	-	(2,593)
Investments and loans	-	-	-	-	(1,264)	(1,264)
	(3,978)	-	-	(627)	(1,505)	(6,110)
Offsetting	-	-	-	-	-	-
Deferred tax liabilities (after offsetting)	(3,978)	-	-	(627)	(1,505)	(6,110)

14 DEFERRED TAX (CONTINUED)

GROUP

						31.12.2011
	Share-holders' fund RM'000	General fund RM'000	Life fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
Deferred tax assets	170	419	195	-	-	784
Deferred tax liabilities	(3,574)	-	-	(568)	(1,013)	(5,155)
	(3,404)	419	195	(568)	(1,013)	(4,371)
At 1 January 2011						
- as previously stated	(1,459)	827	-	(312)	(776)	(1,720)
- prior year adjustments (Note 43)	531	-	-	-	-	531
- as restated	(928)	827	-	(312)	(776)	(1,189)
(Charged)/credited to income statement (Note 37):						
- property, plant and equipment	(1,264)	9	-	-	-	(1,255)
- investments and loans	-	-	-	-	(124)	(124)
- unabsorbed tax losses	(676)	-	-	-	-	(676)
- unabsorbed capital allowances	(21)	-	-	-	-	(21)
- receivables, deposits and prepayments	22	(447)	-	-	-	(425)
- others	(18)	10	-	-	-	(8)
	(1,957)	(428)	-	-	(124)	(2,509)
- prior year adjustments (Note 43)	(424)	-	-	-	-	(424)
- as restated	(2,381)	(428)	-	-	(124)	(2,933)
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 subsidiary companies	173	-	196	-	-	369
Currency translation differences	-	20	(1)	-	-	19
At 31 December 2011	(3,404)	419	195	(568)	(1,013)	(4,371)
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
Qardhul Hassan	107	-	-	-	-	107
Others	72	260	190	-	-	522
	212	419	195	-	-	826
Offsetting	(42)	-	-	-	-	(42)
Deferred tax assets (after offsetting)	170	419	195	-	-	784
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

	1.1.2011					
	Share-holders' fund RM'000	**General fund RM'000**	**Life fund RM'000**	**General takaful fund RM'000**	**Family takaful fund RM'000**	**Total RM'000**
Deferred tax assets	1,306	827	-	-	-	2,133
Deferred tax liabilities	(2,234)	-	-	(312)	(776)	(3,322)
	(928)	827	-	(312)	(776)	(1,189)
At 1 January 2010	3,959	661	11,210	7	34	15,871
(Charged)/credited to income statement:						
- property, plant and equipment	(358)	-	379	-	-	21
- investments and loans	7,243	(423)	(13,353)	-	(665)	(7,198)
- unabsorbed tax losses	-	-	1,029	-	-	1,029
- unabsorbed capital allowances	(12)	-	-	-	-	(12)
- receivables, deposits and prepayments	14	576	-	-	-	590
- others	(355)	68	(58)	-	-	(345)
	6,532	221	(12,003)	-	(665)	(5,915)
- prior year adjustments (Note 43)	531	-	-	-	-	531
- as restated	7,063	221	(12,003)	-	(665)	(5,384)
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	145	(55)	156	-	-	246
At 31 December 2010 / 1 January 2011	(928)	827	-	(312)	(776)	(1,189)
Subject to income tax:						
<u>Deferred tax assets (before offsetting)</u>						
Property, plant and equipment	-	6	-	-	-	6
Investments and loans	11	23	-	-	-	34
Unabsorbed tax losses	708	-	-	-	-	708
Unabsorbed capital allowances	19	-	-	-	-	19
Receivable, deposits and prepayments	-	554	-	-	-	554
Qardhul Hassan	531	-	-	-	-	531
Others	73	244	-	-	-	317
	1,342	827	-	-	-	2,169
Offsetting	(36)	-	-	-	-	(36)
Deferred tax assets (after offsetting)	1,306	827	-	-	-	2,133
<u>Deferred tax liabilities (before offsetting)</u>						
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		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Deferred tax liabilities	(131)	(11)	(19)
At 1 January	(11)	(19)	(104)
(Charged)/credited to income statement (Note 37):			
- property, plant and equipment	(120)	8	85
At 31 December	(131)	(11)	(19)
Subject to income tax:			
Deferred tax liabilities (before and after offsetting)			
Property, plant and equipment	(131)	(11)	(19)

The amounts of deductible temporary differences, unabsorbed tax losses and unabsorbed capital allowances (all of which have no expiry date) for which no deferred tax assets are recognised in the statement of financial position as it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised, are as follows:

	GROUP		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Deductible temporary differences	12,716	11,934	13,124
Unabsorbed tax losses	17,566	23,984	19,942
Unabsorbed capital allowances	8,357	19,133	8,285
	38,639	55,051	41,351

15 CASH AND CASH EQUIVALENTS

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Fixed and call deposits with licences banks	129,828	166,527	192,329	1,807	6,420	11,615
Cash and bank balances	11,889	10,725	60,250	4,334	526	36,319
	141,717	177,252	252,579	6,141	6,946	47,934
Bank overdrafts (Note 21)	(4,335)	(9,232)	(9,905)	-	-	-
	137,382	168,020	242,674	6,141	6,946	47,934
Assets classified as held for sale (Note 16(A))	-	-	619,275	-	-	-
	137,382	168,020	861,949	6,141	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 entered into an agreement to negotiate a potential transaction involving the disposal of MAA to Zurich as disclosed in Note 54(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 2010/1 January 2011. 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**	**1.1.2011 RM'000**
ASSETS CLASSIFIED AS HELD FOR SALE		
Property, plant and equipment	4	278,795
Investment properties	5	512,287
Intangible assets	6	4,595
Investments		5,791,497
Available-for-sale financial assets	7	3,790,913
Financial assets at fair value through profit or loss	7	1,100,706
Loans and receivables		899,878
Reinsurance assets		222,343
Insurance receivables		77,151
Other receivables		49,938
Tax recoverable		26,936
Deferred tax assets		10,647
Cash and cash equivalents	15	619,275
		7,593,464
LIABILITIES CLASSIFIED AS HELD FOR SALE		
Insurance contract liabilities		6,228,001
Insurance payables		845,548
Trade and other payables		230,248
Provision for life agents' retirement benefits		2,703
Current tax liabilities		34,140
Deferred tax liabilities		10,240
Available-for-sale reserves		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 as at 31 December 2010/1 January 2011.

On 30 September 2011, the Company completed the disposal of MAA to Zurich. The details and the effects of the disposal are disclosed in Note 41(a) to the financial statements.

(B) OTHER ASSETS HELD FOR SALE

	GROUP		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Property, plant and equipment (Note 4) :			
Cost	5,625	5,625	5,625
Accumulated impairment loss	(4,525)	(4,036)	(1,690)
Currency translation differences	(85)	-	-
Net carrying amount	1,015	1,589	3,935

The above consists of a yacht owned by an insurance subsidiary company of the Group. The carrying amount of the yacht represents the fair value as at the statement of financial position date.

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES

GROUP

	Note	31.12.2012			31.12.2011			1.1.2011		
		Gross RM'000	Re-insurance/ retakaful RM'000	Net RM'000	Gross RM'000	Re-insurance/ retakaful RM'000	Net RM'000	Gross RM'000	Re-insurance/ retakaful RM'000	Net RM'000
Life insurance	(a)	-	-	-	31,212	-	31,212	108,560	-	108,560
General insurance	(b)	116,990	(66,812)	50,178	81,834	(30,187)	51,647	115,311	(44,517)	70,794
Family takaful	(c)	310,882	(13,792)	297,090	246,979	(10,049)	236,930	193,610	(17,198)	176,412
General takaful	(d)	173,057	(132,139)	40,918	148,465	(107,692)	40,773	104,929	(62,182)	42,747
		600,929	(212,743)	388,186	508,490	(147,928)	360,562	522,410	(123,897)	398,513

(a) Life insurance

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

GROUP

	31.12.2012			31.12.2011			1.1.2011		
	Gross RM'000	Re-insurance RM'000	Net RM'000	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/TAKAFUL 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	(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 / 1 January 2012	-	29,251	29,251	-	-	-	29,251
Benefits and claims experience variation	-	(8,682)	(8,682)	-	-	-	(8,682)
Arising from disposed subsidiary company	-	(20,569)	(20,569)	-	-	-	(20,569)
At 31 December 2012	-	-	-	-	-	-	-
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	(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 liabilities	(15)	(90)	(105)	-	-	-	(105)
Claims commuted during the financial year	(55)	(597)	(652)	-	-	-	(652)
At 31 December 2011 / 31 December 2012	-	-	-	-	-	-	-

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Life insurance (continued)

	GROUP								
	31.12.2012			31.12.2011			1.1.2011		
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000
Unallocated surplus									
At 1 January	-	-	-	(2,492)	9,804	7,312	(335,821)	309,137	(26,684)
Transferred to assets/liabilities classified as held for sale	-	-	-	-	-	-	334,778	(301,033)	33,745
Premiums received	-	3,195	3,195	-	14,695	14,695	-	19,866	19,866
Payments due to death, surrenders, benefits and claims	-	(3,749)	(3,749)	106	(17,735)	(17,629)	-	(15,355)	(15,355)
Net investment income	(2,568)	(434)	(3,002)	(2,768)	5,033	2,265	2,522	7,537	10,059
Management expenses and commissions	(843)	(3,769)	(4,612)	(744)	(9,646)	(10,390)	(231)	(11,698)	(11,929)
Change in life fund actuarial liabilities	128	3,170	3,298	3,921	11,775	15,696	(3,744)	6,716	2,972
Change in claims liabilities	3,283	1,587	4,870	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	-	1,961	1,961	957	998	1,955	74,340	20,871	95,211
Transferred to assets/liabilities classified as held for sale	-	-	-	-	-	-	(74,071)	(20,612)	(94,683)
Net movement in available-for-sale reserves	-	(1,688)	(1,688)	(957)	963	6	688	739	1,427
Arising from disposed subsidiary company	-	(273)	(273)	-	-	-	-	-	-
At 31 December	-	-	-	-	1,961	1,961	957	998	1,955

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General insurance

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

									GROUP
	31.12.2012			**31.12.2011**			**1.1.2011**		
	Gross RM'000	**Re-insurance RM'000**	**Net RM'000**	**Gross RM'000**	**Re-insurance RM'000**	**Net RM'000**	**Gross RM'000**	**Re-insurance RM'000**	**Net RM'000**
Provision for claims	67,077	(44,007)	23,070	23,885	(5,812)	18,073	38,272	(13,348)	24,924
Provision for incurred but not reported claims ("IBNR")	28,997	(11,075)	17,922	29,456	(11,367)	18,089	52,762	(22,674)	30,088
Claim liabilities (i)	96,074	(55,082)	40,992	53,341	(17,179)	36,162	91,034	(36,022)	55,012
Premium liabilities (ii)	20,916	(11,730)	9,186	28,493	(13,008)	15,485	24,277	(8,495)	15,782
	116,990	(66,812)	50,178	81,834	(30,187)	51,647	115,311	(44,517)	70,794

(i) Claim liabilities

At 1 January									
- as previously stated	40,773	(17,179)	23,594	85,974	(36,022)	49,952	95,730	(41,861)	53,869
- prior year adjustments (Note 43)	12,568	-	12,568	5,060	-	5,060	1,566	-	1,566
- restated	53,341	(17,179)	36,162	91,034	(36,022)	55,012	97,296	(41,861)	55,435
Claims incurred in the current accident year	100,812	(72,246)	28,566	50,793	(28,931)	21,862	47,606	(52,242)	(4,636)
Other movements in claims incurred in prior accident years	-	-	-	-	-	-	26,224	(6,541)	19,683
Claims paid during the financial year (Note 33)	(51,055)	28,451	(22,604)	(46,032)	32,606	(13,426)	(83,591)	74,827	(8,764)
Claims commuted during the financial year	-	-	-	(35,061)	5,682	(29,379)	-	-	-
Movement in IBNR	(459)	292	(167)	(7,610)	9,606	1,996	4,514	(10,971)	(6,457)
	49,298	(43,503)	5,795	(37,910)	18,963	(18,947)	(5,247)	5,073	(174)
Currency translation differences	(6,565)	5,600	(965)	217	(120)	97	(1,015)	766	(249)
At 31 December	96,074	(55,082)	40,992	53,341	(17,179)	36,162	91,034	(36,022)	55,012

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General insurance (continued)

	GROUP								
	31.12.2012			31.12.2011			1.1.2011		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
(ii) Premium liabilities									
At 1 January	28,493	(13,008)	15,485	24,277	(8,495)	15,782	42,043	(15,870)	26,173
Premiums written during the financial year (Note 27)	64,141	(48,572)	15,569	79,075	(51,290)	27,785	69,756	(46,286)	23,470
Premiums earned during the financial year	(69,412)	48,466	(20,946)	(73,975)	45,653	(28,322)	(86,591)	53,251	(33,340)
	(5,271)	(106)	(5,377)	5,100	(5,637)	(537)	(16,835)	6,965	(9,870)
Currency translation differences	(2,306)	1,384	(922)	(884)	1,124	240	(931)	410	(521)
At 31 December	20,916	(11,730)	9,186	28,493	(13,008)	15,485	24,277	(8,495)	15,782

(c) Family takaful

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

	GROUP								
	31.12.2012			31.12.2011			1.1.2011		
	Gross RM'000	Re-takaful RM'000	Net RM'000	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 policyholders' benefits	58,636	(13,202)	45,434	47,108	(8,716)	38,392	43,721	(11,361)	32,360
Net asset value attributable to unitholders	246,482	-	246,482	191,558	-	191,558	139,997	-	139,997
	305,118	(13,202)	291,916	238,666	(8,716)	229,950	183,718	(11,361)	172,357
Claim liabilities	2,526	(590)	1,936	5,281	(1,333)	3,948	8,164	(5,837)	2,327
Available-for-sale reserves	3,238	-	3,238	3,032	-	3,032	1,728	-	1,728
	310,882	(13,792)	297,090	246,979	(10,049)	236,930	193,610	(17,198)	176,412

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(c) Family takaful (continued)

	GROUP								
	31.12.2012			31.12.2011			1.1.2011		
	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000
At 1 January	246,979	(10,049)	236,930	193,610	(17,198)	176,412	111,173	(1,389)	109,784
Contributions received	209,099	(18,709)	190,390	163,751	(12,927)	150,824	157,434	(5,332)	152,102
Liabilities paid death, maturities, surrenders, benefits and claims	(84,879)	20,634	(64,245)	(51,362)	13,418	(37,944)	(49,484)	5,057	(44,427)
Movement in claim liabilities	2,755	(743)	2,012	2,883	(4,504)	(1,621)	(4,140)	4,965	825
Benefits and claims experience variation	24,237	(4,925)	19,312	7,740	9,225	16,965	37,682	(21,272)	16,410
Fees deducted	(77,685)	-	(77,685)	(62,852)	1,937	(60,915)	(55,245)	773	(54,472)
Surplus distributed to shareholders' fund	(9,400)	-	(9,400)	(6,400)	-	(6,400)	(3,400)	-	(3,400)
Repayment of Qardhul Hassan	(430)	-	(430)	(1,695)	-	(1,695)	(2,125)	-	(2,125)
Fair value movement arising from available-for-sale investments	206	-	206	1,304	-	1,304	1,715	-	1,715
At 31 December	310,882	(13,792)	297,090	246,979	(10,049)	236,930	193,610	(17,198)	176,412

(d) General takaful

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

	GROUP								
	31.12.2012			31.12.2011			1.1.2011		
	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000
Provision for claims	72,521	(55,958)	16,563	62,268	(44,802)	17,466	41,040	(25,228)	15,812
Provision for incurred but not reported claims ("IBNR")	24,359	(18,672)	5,687	18,240	(11,698)	6,542	14,708	(8,076)	6,632
Provision for risk of adverse deviation ("PRAD")	11,721	(9,508)	2,213	12,745	(9,037)	3,708	6,463	(3,938)	2,525
Claim liabilities (i)	108,601	(84,138)	24,463	93,253	(65,537)	27,716	62,211	(37,242)	24,969
Unearned contribution reserves (ii)	62,574	(48,001)	14,573	53,508	(42,155)	11,353	41,782	(24,940)	16,842
Available-for-sale reserves (iii)	1,882	-	1,882	1,704	-	1,704	936	-	936
	173,057	(132,139)	40,918	148,465	(107,692)	40,773	104,929	(62,182)	42,747

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(d) General takaful (continued)

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

	GROUP								
	31.12.2012			31.12.2011			1.1.2011		
	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net Net RM'000
(i) Claim liabilities									
At 1 January	93,253	(65,537)	27,716	62,211	(37,242)	24,969	25,830	(20,324)	5,506
Claims incurred in the current accident year	75,800	(58,139)	17,661	57,359	(39,870)	17,489	54,138	(28,948)	25,190
Other movements in claims incurred in prior accident years	(10,618)	7,201	(3,417)	(91)	(1,264)	(1,355)	(4,835)	5,068	233
Claims paid during the financial year (Note 33)	(48,810)	32,808	(16,002)	(32,508)	17,938	(14,570)	(15,498)	7,794	(7,704)
Movement in PRAD	(1,024)	(471)	(1,495)	6,282	(5,099)	1,183	2,576	(832)	1,744
	15,348	(18,601)	(3,253)	31,042	(28,295)	2,747	36,381	(16,918)	19,463
At 31 December	108,601	(84,138)	24,463	93,253	(65,537)	27,716	62,211	(37,242)	24,969
(ii) Unearned contribution reserves									
At 1 January	53,508	(42,155)	11,353	41,782	(24,940)	16,842	30,190	(16,349)	13,841
Contributions written during the financial year (Note 27)	161,973	(127,368)	34,605	136,197	(109,720)	26,477	111,113	(74,289)	36,824
Contributions earned during the financial year	(152,907)	121,522	(31,385)	(124,471)	92,505	(31,966)	(99,521)	65,698	(33,823)
	9,066	(5,846)	3,220	11,726	(17,215)	(5,489)	11,592	(8,591)	3,001
At 31 December	62,574	(48,001)	14,573	53,508	(42,155)	11,353	41,782	(24,940)	16,842

	GROUP		
	31.12.2012	31.12.2011	1.1.2011
	Gross/Net RM'000	Gross/Net RM'000	Gross/Net RM'000
(iii) Available-for-sale reserves			
At 1 January	1,704	936	(20)
Net gains arising from available-for-sale financial assets	237	1,024	1,275
Deferred tax effect	(59)	(256)	(319)
	178	768	956
	1,882	1,704	936

18 INVESTMENT CONTRACT LIABILITIES

	GROUP		
	31.12.2012	31.12.2011	1.1.2011
	Gross/Net RM'000	Gross/Net RM'000	Gross/Net RM'000
Without DPF	11,289	17,756	40,538
At 1 January	17,756	40,538	53,584
Deposits (creation of units)	-	38	9,282
Withdrawals	(2,449)	(13,238)	(17,848)
Fees deducted	(713)	(1,372)	(968)
Net investment income	177	740	545
Other operating income/(expenses)-net	83	(233)	243
Fair value adjustment – Investments	(2,828)	(5,599)	(884)
Changes in insurance liabilities and actuarial assumptions	1	(2,698)	(88)
Arising from disposal of subsidiary company	(620)	-	-
Currency translation differences	(118)	(420)	(3,328)
	11,289	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	11,289	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		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 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 ranged from 3 to 5 years from the date of issue and bore 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 were 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 bore 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 had further provided undertakings to DBS under the bank guarantee facility, which amongst others included 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 included amongst others an undertaking not to dispose of the business or assets of MAA except where such disposal was to an investor of good standing and acknowledged reputation in the insurance industry who had 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 had been obtained in accordance with the terms of the trust deed.

In the financial year ended 31 December 2010, the Company provided 100% of MAA shares as security to the bank guarantee and a 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 had a first fixed charge over MAA shares.

In the previous financial year ended 31 December 2011, interest rates of MTNs charged were in the range of 4.48% to 4.51% (1.1.2011: 4.48% to 4.51%) per annum.

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 54(a) to the financial statements.

20 REVOLVING CREDIT (SECURED)

	GROUP/COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 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 was 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 previous financial year, the interest rates charged for the RC ranged from 3.40% to 4.02% (1.1.2011: 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) a deposit of RM1.0 million into a bank account to be maintained and operated by DBS; and

(b) a 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 54(a) to the financial statements.

21 BANK OVERDRAFTS (UNSECURED)

The unsecured bank overdraft facility of a subsidiary company has a limit of RM8.5 million (31.12.2011 and 1.1.2011: RM10 million) and bears an interest rate of 2.5% (31.12.2011 and 1.1.2011: 2.5%) per annum above the prevailing base lending rate. During the financial year, the interest rates charged ranged from 9.10% (31.12.2011: 8.05% to 9.30%, 1.1.2011: 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/TAKAFUL PAYABLES

	GROUP		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Due to agents, brokers and co-insurers/co-takaful	6,699	9,437	5,836
Due to reinsurers/retakaful companies and cedants	88,340	81,049	53,929
Reinsurers'/retakaful deposits withheld	456	3	1,968
Premium/contribution deposits	6,048	5,603	3,655
	101,543	96,092	65,388

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		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Trade payables from non-insurance subsidiary companies	6,902	13,725	14,987	-	-	-
Other payables:						
Amounts due to associated company	500	-	-	500	-	-
Amounts due to a Director	1,909	1,950	1,893	-	-	-
Amounts due to related companies	140	134	129	-	-	-
Amounts due to a former related company	-	14,791	-	-	-	-
Defined contribution retirement plan payable	1,381	1,966	2,102	64	66	276
Accrual for unutilised staff leave	509	421	969	298	157	185
Accrual for MTN interest	-	-	3,722	-	-	3,722
Hire purchase creditors	-	718	636	-	-	92
Commissions payable	9,225	6,741	5,438	-	-	-
Accrual for sale incentive	781	692	464	-	-	-
Accrual for EPF services fee	1,295	1,092	898	-	-	-
Accrual for agency golden service awards	4,899	3,813	2,811	-	-	-
Service tax payable	13	581	229	-	-	-
Provision for staff costs	2,288	4,124	5,671	293	330	2,148
Accrual for office renovation	2,054	-	-	430	-	-
Accrual for fair value loss on interest rate swap transaction	-	2,818	3,682	-	2,818	3,682
Other payables and accruals	42,763	28,355	36,198	2,942	1,712	1,256
	67,757	68,196	64,842	4,527	5,083	11,361
	74,659	81,921	79,829	4,527	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		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 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% (31.12.2011: 2.6% to 3.1%, 1.1.2011: 2.3% to 3.9%) per annum. During the previous financial year, the Company had fully paid its hire purchase creditors and the interest rates charged ranged from 2.4% to 2.8% (1.1.2011: 2.4% to 2.8%) per annum.

24 SHARE CAPITAL

	GROUP/COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Authorised ordinary shares of RM1 each:			
At beginning and end of financial year	500,000	500,000	500,000
Issued and fully paid ordinary shares of RM1 each:			
At beginning and end of financial year	304,354	304,354	304,354

25 RESERVES

	GROUP		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Retained earnings/(accumulated losses)	118,734	76,257	(38,460)
Reserves			
- Foreign exchange reserves	(2,464)	(6,414)	(6,630)
- Available-for-sale reserves	6,565	5,798	5,649
- Revaluation reserves	215	-	-
	4,316	(616)	(981)
	123,050	75,641	(39,441)
Movement in retained earnings/(accumulated losses)			
At 1 January			
- as previously stated	109,041	(16,728)	(44,193)
- prior year adjustments (Note 43)	(32,784)	(21,732)	(5,784)
	76,257	(38,460)	(49,977)
Profit for the financial year			
- as previously stated	42,477	125,769	27,465
- prior year adjustments (Note 43)	-	(11,052)	(15,948)
	42,477	114,717	11,517
At 31 December	118,734	76,257	(38,460)
Movement in foreign exchange reserves			
At 1 January	(6,414)	(6,630)	(5,927)
Currency translation differences arising during the financial year	3,950	216	(703)
At 31 December	(2,464)	(6,414)	(6,630)
Movement in available-for-sale reserves			
At 1 January	5,798	5,649	6,992
Movement in fair value of available-for-sale financial assets, net of tax	767	149	10,991
Transferred to assets/liabilities classified as held for sale	-	-	(12,334)
	767	149	(1,343)
At 31 December	6,565	5,798	5,649
Movement in revaluation reserves			
At 1 January	-	-	-
Movement in fair value of leasehold lands	215	-	-
At 31 December	215	-	-

25 RESERVES (CONTINUED)

	GROUP		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Retained earnings/(accumulated losses)	79,756	36,492	(1,048)
Reserves - Available-for-sale reserves	1,664	-	998
	81,420	36,492	(50)
<u>Movement in retained earnings/(accumulated losses)</u>			
At 1 January	36,492	(1,048)	21,997
Profit for the financial year	43,264	37,540	(23,045)
At 31 December	79,756	36,492	(1,048)
<u>Movement in available-for-sale reserves</u>			
At 1 January	-	998	-
Movement in fair value of available-for-sale financial assets, net of tax	1,664	(998)	998
At 31 December	1,664	-	998

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

The revaluation reserves represent the surplus arising from the revaluation of leasehold lands of a subsidiary company.

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 tax credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 tax credits are exhausted or 31 December 2013, whichever is earlier, unless they opt to disregard the Section 108 tax credits to pay single-tier dividends under the special transitional provisions of the Finance Act 2007.

As at 31 December 2012, subject to agreement with the tax authorities, the Company has:

(a) tax exempt income of approximately RM18,223,000 (31.12.2011: 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 (31.12.2011: RM89,090,000) and RM88,000 (31.12.2011: RM88,000) respectively.

26 OPERATING REVENUE

CONTINUING OPERATIONS

	GROUP		COMPANY	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Gross earned premiums/contributions (Note 27)	431,418	362,203	-	-
Investment income (Note 28)	22,416	19,471	5,249	3,360
Interest income from hire purchase, leasing and other credit facilities	3,116	485	-	-
Income from unit trust fund management, consultancy services and education services	40,422	41,227	-	-
Management fee income	370	1,785	1,866	4,325
	497,742	425,171	7,115	7,685

DISCONTINUED OPERATIONS

	GROUP	
	31.12.2012 RM'000	31.12.2011 RM'000
Gross earned premiums (Note 27)	3,453	1,044,057
Investment income (Note 28)	563	237,112
Other operating revenue from non-insurance businesses (Note 32)	11,286	20,094
	15,302	1,301,263

27 NET EARNED PREMIUMS/CONTRIBUTIONS

	GROUP	
	31.12.2012 RM'000	31.12.2011 RM'000
CONTINUING OPERATIONS		
(a) Gross earned premiums/contributions		
Insurance/takaful contracts:		
General fund (Note 17(b)(ii))	64,141	79,075
Life fund	-	6
General takaful fund (Note 17(d)(ii))	161,973	136,197
Family takaful fund	209,099	163,751
	435,213	379,029
Change in unearned premium/contribution reserves	(3,795)	(16,826)
	431,418	362,203
(b) Premiums/contributions ceded to reinsurers/retakaful		
Insurance/takaful contracts:		
General fund (Note 17(b)(ii))	(48,572)	(51,290)
Life fund	-	-
General takaful fund (Note 17(d)(ii))	(127,368)	(109,720)
Family takaful fund	(18,709)	(12,927)
	(194,649)	(173,937)
Change in unearned premium/contribution reserves	5,952	22,852
	(188,697)	(151,085)
Net earned premiums/contributions	242,721	211,118
DISCONTINUED OPERATIONS		
(a) Gross earned premiums (Note 38)		
Insurance contracts:		
General fund	-	382,616
Life fund	3,453	697,184
	3,453	1,079,800
Change in premium liabilities	-	(35,743)
	3,453	1,044,057
(b) Premiums ceded to reinsurers (Note 38)		
Insurance contracts:		
General fund	-	(61,969)
Life fund	(258)	(15,071)
	(258)	(77,040)
Change in premium liabilities	-	23,618
	(258)	(53,422)
	3,195	990,635

28 INVESTMENT INCOME

CONTINUING OPERATIONS

	GROUP		COMPANY	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Rental income from investment properties	77	264	-	-
Financial assets at fair value through profit or loss				
Interest/profit income				
- Islamic debt securities	1,854	1,471	-	-
Dividend income				
- Equity securities quoted in Malaysia	4,398	3,045	-	-
	6,252	4,516	-	-
Financial assets at available-for-sale				
Interest/profit income				
- Malaysian Government Guaranteed Financing	4,990	3,659	-	-
- Corporate debt securities	147	1,174	-	-
- Islamic debt securities unquoted in Malaysia	3,595	3,605	-	-
Dividend income				
- Equity securities quoted in Malaysia	149	61	-	-
Accretion of discounts/(amortisation of premiums)				
- Corporate debt securities	-	(4)	-	-
- Islamic debt securities unquoted in Malaysia	105	873	-	-
	8,986	9,368	-	-
Loans and receivables				
Interest/profit income				
- mortgage loans	7	10	7	10
- other secured and unsecured loans	232	66	-	-
- other receivables	-	-	2,047	2,293
	239	76	2,054	2,303
Fixed and call deposits interest/profit income	6,862	5,247	3,195	1,057
	22,416	19,471	5,249	3,360

28 INVESTMENT INCOME (CONTINUED)

DISCONTINUED OPERATIONS (Note 38)

	GROUP	
	31.12.2012 RM'000	**31.12.2011 RM'000**
Gross rental income from investment properties	-	22,686
Less: rates and maintenance for investment properties	-	(13,270)
	-	9,416
Financial assets at fair value through profit or loss		
Interest income		
- Malaysian Government Securities/ Government Investment Issues	-	355
- Corporate debt securities	144	5,787
Dividend income		
- Equity securities quoted in Malaysia	-	26,690
- Equity securities quoted outside Malaysia	11	7
	155	32,839
Financial assets at available-for-sale		
Interest income		
- Malaysian Government Securities/ Government Investment Issues	-	8,012
- Corporate debt securities	-	116,957
Dividend income		
- Equity securities	-	315
(Amortisation of premiums)/accretion of discounts		
- Malaysian Government Securities/ Government Investment Issues	-	(1,059)
- Corporate debt securities	-	29,596
	-	153,821
Loans and receivables		
Interest income		
- policy loans	19	18,028
- mortgage loans	-	3,259
- other secured and unsecured loans	-	3,237
	19	24,524
Fixed and call deposits interest income	389	16,512
	563	237,112

29 REALISED GAINS AND LOSSES

CONTINUING OPERATIONS

	GROUP		COMPANY	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Property, plant and equipment				
Realised gains	14	79	5	3
Realised losses	(25)	(372)	(18)	(3)
	(11)	(293)	(13)	-
Financial assets at fair value through profit or loss				
Realised gains:				
- Equity securities quoted in Malaysia	137	576	-	-
- Corporate debt securities	-	1,716	-	-
- Investment-linked units	-	7	-	-
Realised losses:				
- Equity securities quoted in Malaysia	-	(29)	-	-
	137	2,270	-	-
Available-for-sale financial assets				
Realised gains:				
- Equity securities quoted in Malaysia	6,993	5,633	-	-
- Islamic debt securities unquoted in Malaysia	6,973	2,944	-	-
	13,966	8,577	-	-
Investment properties				
Realised gains	-	25	-	-
Realised gain from disposal of associated company	14	-	14	-
Realised gain from partial disposal of shares in a former subsidiary company (Note 41(d))	1,060	-	-	-
	15,166	10,579	1	-

29 REALISED GAINS AND LOSSES (CONTINUED)

DISCONTINUED OPERATIONS (Note 38)

	GROUP	
	31.12.2012 RM'000	**31.12.2011 RM'000**
Property, plant and equipment		
Realised gains	65	147
Realised losses	-	(213)
	65	(66)
Investment properties		
Realised gains	-	1,661
Realised losses	-	(9)
	-	1,652
Financial assets at fair value through profit or loss		
Realised gains:		
- Equity securities quoted in Malaysia	-	37
- Equity securities quoted outside Malaysia	-	608
- Unit trust	1	366
- Corporate debt securities	5	140
Realised losses:		
- Equity securities quoted outside Malaysia	(224)	-
	(218)	1,151
Available-for-sale financial assets		
Realised gains:		
- Malaysian Government Securities/ Government Investment Issues	-	8
- Corporate debt securities	-	22,089
Realised losses:		
- Malaysian Government Securities/ Government Investment Issues	-	(1)
	-	22,096
Fixed and call deposits		
Realised gains	-	173
Realised gains from disposal of subsidiary companies (Note 41(a) ,(b), (c))	67,273	83,162
	67,120	108,168

30 FAIR VALUE GAINS AND LOSSES - NET

CONTINUING OPERATIONS

	GROUP		COMPANY	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Fair value gain on investment properties	1,261	-	-	-
Financial assets at fair value through profit or loss				
Net fair value gains/(losses):				
- Equity securities quoted in Malaysia	1,094	(2)	-	-
- Corporate debt securities	510	8	-	-
- Islamic debt securities unquoted in Malaysia	(46)	217	-	-
- Unit trusts	80	30	-	-
- Investment-linked units	-	(3,726)	-	-
- Structured deposits	2,770	1,026	-	-
	4,408	(2,447)	-	-
Write-back of/(allowance for) impairment loss on :				
- available-for-sale financial assets (Note 7)	857	(3,660)	-	(3,660)
- property, plant and equipment	674	(674)	176	(176)
- assets classified as held for sale (Note 16(B))	(489)	(2,346)	-	-
	1,042	(6,680)	176	(3,836)
Write-back of/(allowance for) impairment loss on :				
- loans from leasing, hire purchase and others – net	5,509	(8,723)	-	-
	12,220	(17,850)	176	(3,836)

DISCONTINUED OPERATIONS (Note 38)

	GROUP	
	31.12.2012 RM'000	**31.12.2011 RM'000**
Financial assets at fair value through profit or loss		
Net fair value gains/(losses):		
- Malaysian Government Securities/ Government Investment Issues	-	159
- Corporate debt securities	-	2,625
- Equity securities quoted in Malaysia	-	(73,397)
- Equity securities quoted outside Malaysia	(85)	(37)
- Unit trusts	(857)	6,211
(Amortisation of premiums)/accretion of discounts		
- Malaysian Government Securities/ Government Investment Issues	-	(15)
- Corporate debt securities	-	518
	(942)	(63,936)
Impairment loss on available-for-sale financial assets	-	(265)
Loans and receivables		
- write-back of impairment loss	-	12,450
- net fair value loss on deposits with financial institutions	-	(306)
	-	12,144
	(942)	(52,057)

31 FEE AND COMMISSION INCOME

	GROUP	
	31.12.2012 RM'000	31.12.2011 RM'000
CONTINUING OPERATIONS		
Reinsurance/retakaful commission income	37,365	32,318
DISCONTINUED OPERATIONS (Note 38)		
Administration and investment charges on policyholders	135	7,993
Surrender charges and other contract fees	-	757
Reinsurance commission income	-	15,264
	135	24,014

32 OTHER OPERATING REVENUE FROM NON-INSURANCE BUSINESSES

CONTINUING OPERATIONS

	GROUP		COMPANY	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Revenue from non-insurance businesses:				
- management fee income	370	1,785	1,866	4,325
- unit trust fund management fee income	26,074	23,666	-	-
- unit trust fund initial service fee	11,957	15,456	-	-
- interest income from hire purchase, leasing and other credit activities	3,116	485	-	-
- others	2,391	2,105	-	-
	43,908	43,497	1,866	4,325

DISCONTINUED OPERATIONS (Note 38)

	GROUP	
	31.12.2012 RM'000	31.12.2011 RM'000
Revenue from non-insurance businesses:		
- security service charges	11,286	18,760
- others	-	1,334
	11,286	20,094

33 NET INSURANCE/TAKAFUL BENEFITS AND CLAIMS

CONTINUING OPERATIONS

	GROUP	
	31.12.2012 RM'000	**31.12.2011 RM'000**
(a) Gross benefits and claims paid		
Insurance/takaful contracts:		
General fund (Note 17(b)(i))	(51,055)	(46,032)
Life fund	-	(3,409)
General takaful fund (Note 17(d)(i))	(48,810)	(32,508)
Family takaful fund	(84,879)	(51,362)
	(184,744)	(133,311)
(b) Claims ceded to reinsurers/retakaful		
Insurance/takaful contracts:		
General fund (Note 17(b)(i))	28,451	32,606
Life fund	-	3,515
General takaful fund (Note 17(d)(i))	32,808	17,938
Family takaful fund	20,634	13,418
	81,893	67,477
(c) Gross change to contract liabilities		
Insurance/takaful contracts:		
General fund	(49,298)	(3,519)
Life fund	3,283	52,046
General takaful fund	(15,348)	(31,042)
Family takaful fund	(52,293)	(44,915)
	(113,656)	(27,430)
(d) Change in contract liabilities ceded to reinsurers/retakaful		
Insurance/takaful contracts:		
General fund	43,503	(8,210)
Life fund	-	-
General takaful fund	18,601	28,295
Family takaful fund	4,486	(2,645)
	66,590	17,440
	(149,917)	(75,824)

33 NET INSURANCE/TAKAFUL BENEFITS AND CLAIMS (CONTINUED)

DISCONTINUED OPERATIONS (Note 38)

		GROUP	
		31.12.2012 RM'000	31.12.2011 RM'000
(a)	Gross benefits and claims paid		
	Insurance contracts:		
	General fund	-	(215,776)
	Life fund	(3,749)	(942,769)
		(3,749)	(1,158,545)
(b)	Claims ceded to reinsurers		
	Insurance contracts:		
	General fund	-	82,277
	Life fund	-	8,351
		-	90,628
(c)	Gross change to contract liabilities		
	Insurance contracts:		
	General fund	-	(42,388)
	Life fund	1,587	153,662
		1,587	111,274
(d)	Change in contract liabilities ceded to reinsurers		
	Insurance contracts:		
	General fund	-	(6,563)
	Life fund	-	688
		-	(5,875)
		(2,162)	(962,518)

34 MANAGEMENT EXPENSES

CONTINUING OPERATIONS

	GROUP		COMPANY	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Staff costs (including Executive Directors):				
- salaries and bonus	46,420	40,413	10,441	8,541
- defined contribution retirement benefits	5,106	3,526	616	916
	51,526	43,939	11,057	9,457
Depreciation of property, plant and equipment	3,257	1,622	410	317
Amortisation of intangible assets	1,996	1,915	64	88
Amortisation of leases	2	-	-	-
Auditors' remuneration				
- statutory audit	551	482	99	90
- under provision in prior financial year	20	29	-	20
Auditors' remuneration payable/paid to other audit firms	40	22	-	-
Fees paid to a company in which certain Directors have an interest	296	337	171	206
Write-back of doubtful debts on trade and other receivables	41	176	-	-
Allowance for/(write-back of) impairment loss on insurance receivables	1,546	(1,562)	-	-
Bad debts written off	166	6	-	-
Office rental	3,954	1,436	555	688
Rental of office equipment	139	133	52	91
Agency and staff training expenses	2,967	1,878	31	64
Repairs and maintenance	1,357	771	90	-
EDP expenses	2,997	2,174	75	34
Advertising, promotional and entertainment expenses	6,611	4,100	622	783
Motor vehicle, accommodation and travelling expenses	3,348	2,579	1,142	861
Printing and stationery	2,553	2,143	57	53
Postage, telephone and fax	1,943	1,724	39	249
Professional fees	8,605	2,354	1,112	369
Amortisation of capitalised MTNs issue expenses	-	1,949	-	1,949
Realised foreign exchange loss/(gain)	494	434	(5)	-
Unrealised foreign exchange loss	968	664	-	-
Staff amenities	752	795	257	353
Office expenses	222	163	114	43
Electricity and water	245	350	50	62
Visa fees, outsourcing fees and other direct costs payable for debit cards operations	1,084	-	-	-
Credit card charges	1,133	736	-	-
Manage care organisation fees	1,703	952	-	-
Retirement benefit fund contributed to MAAKER	856	749	828	730
Others	20,520	16,787	2,774	1,075
	121,892	89,837	19,594	17,582

34 MANAGEMENT EXPENSES (CONTINUED)

DISCONTINUED OPERATIONS (Note 38)

	GROUP	
	31.12.2012 RM'000	**31.12.2011 RM'000**
Staff costs (including Executive Directors):		
- salaries and bonus	9,845	75,085
- defined contribution retirement benefits	571	10,192
	10,416	85,277
Depreciation of property, plant and equipment	397	9,051
Amortisation of intangible assets	-	1,378
Auditors' remuneration		
- statutory audit	30	357
Fees paid to a company in which certain Directors have an interest	1	153
Write-back of impairment loss on insurance receivables	-	(2,504)
Bad debts written off	1	-
Office rental	430	11,207
Rental of office equipment	-	991
Training expenses	80	1,580
Repairs and maintenance	50	5,851
EDP expenses	26	4,924
Advertising, promotional and entertainment expenses	53	7,514
Motor club expenses	-	2,078
Motor vehicle and travelling expenses	707	3,418
Printing and stationery	69	5,105
Postage, telephone and fax	124	3,193
Management fees	-	1,200
Others	1,934	18,576
	14,318	159,349

34 MANAGEMENT EXPENSES (CONTINUED)

Emoluments received by Directors of the Group during the financial year were:

CONTINUING OPERATIONS

	GROUP		COMPANY	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Executive Directors:				
- salaries	4,985	4,588	3,480	3,252
- bonus	2,468	2,220	1,970	1,796
- defined contribution retirement benefits	1,111	1,171	817	910
Non-executive Directors:				
- fees	914	868	241	311
- other emoluments	221	248	98	120
	9,699	9,095	6,606	6,389

DISCONTINUED OPERATIONS

	GROUP	
	31.12.2012 RM'000	31.12.2011 RM'000
Executive Directors:		
- salaries	44	475
- bonus	14	193
- defined contribution retirement benefits	6	89
- other emoluments	1	1
Non-executive Directors:		
- fees	65	277
- other emoluments	-	54
	130	1,089

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 RM178,100 (2011: RM197,000) and RM93,100 (2011: RM102,300) 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	
Datuk Seri Razman Md Hashim bin Che Din Md Hashim	
Tan Sri Ahmad bin Mohd Don	
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	
Dato' Jaffar Indot	(Appointed on 5 September 2012)
Dato' Narendrakumar Jasani A/L Chunilal Rugnath	(Appointed on 5 September 2012)
Onn Kien Hoe	(Appointed on 5 September 2012)
Major General Datuk Lai Chung Wah (Rtd)	(Resigned on 5 September 2012)
General Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)	(Resigned on 5 September 2012)
Dato' Sri Iskandar Michael bin Abdullah	(Resigned on 16 July 2012)
Dr Zaha Rina Zahari	(Resigned on 1 July 2012)

35 OTHER OPERATING INCOME/(EXPENSES) – NET

CONTINUING OPERATIONS

	GROUP		COMPANY	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Property, plant and equipment written off	(626)	(253)	(179)	(3)
Commission paid and payable to unit trust agents	(16,027)	(18,564)	-	-
Bad debts recovered	160	305	-	-
Waiver of debts	-	598	-	-
Impairment loss on investments in subsidiary companies	-	-	(2,350)	(126,106)
Write-back of/(allowance for) impairment loss on amounts due from subsidiary companies	-	-	2,245	(46,541)
Allowance for impairment loss on goodwill from acquisition of subsidiary company (Note 42(b))	(6,838)	-	-	-
Negative goodwill from acquisition of subsidiary companies (Note 42(a))	80	-	-	-
Waiver of debt from commutation of general insurance reinsurance treaties	14,791	-	-	-
Provision for contingent liabilities of an associated company	(14,435)	-	-	-
Others	7,506	2,597	196	914
	(15,389)	(15,317)	(88)	(171,736)

DISCONTINUED OPERATIONS (Note 38)

	GROUP	
	31.12.2012 RM'000	31.12.2011 RM'000
Bad debts recovered	-	277
Gain from commutation of life insurance reinsurance treaties	-	37,708
Others	(94)	1,405
	(94)	39,390

36 FINANCE COSTS

CONTINUING OPERATIONS

	GROUP		COMPANY	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Interest on bank overdrafts	418	856	-	-
Hire purchase interest	-	6	-	1
Interest on Medium Term Notes	-	5,567	-	5,567
Bank guarantee commission	-	3,110	-	3,110
Interest on revolving credit	-	974	-	974
Restructuring fee	-	3,800	-	3,800
Others	2	115	2	115
	420	14,428	2	13,567

DISCONTINUED OPERATIONS (Note 38)

	GROUP	
	31.12.2012 RM'000	31.12.2011 RM'000
Interest on bank overdrafts	2	8
Hire purchase interest	18	34
	20	42

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

37 TAXATION

CONTINUING OPERATIONS

	GROUP					
	Share-holders' fund RM'000	General fund RM'000	Life fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
31.12.2012						
Current tax	2,906	-	-	3,327	2,002	8,235
Deferred tax (Note 14)	939	(181)	-	-	475	1,233
Tax expenses/(income)	3,845	(181)	-	3,327	2,477	9,468
Current tax						
Current financial year	2,918	-	-	2,388	2,002	7,308
Under/(over) provision in prior financial years	(12)	-	-	939	-	927
	2,906	-	-	3,327	2,002	8,235
Deferred tax						
Origination and reversal of temporary differences	949	(181)	-	-	475	1,243
Over provision in prior financial years	(10)	-	-	-	-	(10)
	939	(181)	-	-	475	1,233
	3,845	(181)	-	3,327	2,477	9,468
31.12.2011						
Current tax	2,205	(87)	-	699	1,257	4,074
Deferred tax (Note 14)	2,381	428	-	-	124	2,933
Tax expenses	4,586	341	-	699	1,381	7,007
Current tax						
Current financial year	2,181	-	-	699	1,257	4,137
Under/(over) provision in prior financial years	24	(87)	-	-	-	(63)
	2,205	(87)	-	699	1,257	4,074
Deferred tax						
Origination and reversal of temporary differences	2,381	428	-	-	124	2,933
	4,586	341	-	699	1,381	7,007

37 TAXATION (CONTINUED)

DISCONTINUED OPERATIONS (Note 38)

	GROUP			
	Share-holders' fund RM'000	General fund RM'000	Life fund RM'000	Total RM'000
31.12.2012				
Current tax	168	-	-	168
Deferred tax (Note 14)	(15)	-	-	(15)
Tax expenses	153	-	-	153
Current tax				
Current financial year	168	-	-	168
Deferred tax				
Origination and reversal of temporary differences	(15)	-	-	(15)
	153	-	-	153
31.12.2011				
Current tax	4,123	21,550	(13,853)	11,820
Deferred tax (Note 14)	(270)	(1,979)	(554)	(2,803)
Tax expenses/(income)	3,853	19,571	(14,407)	9,017
Current tax				
Current financial year	3,041	17,286	18,398	38,725
Under/(over) provision in prior financial years	1,082	4,264	(32,251)	(26,905)
	4,123	21,550	(13,853)	11,820
Deferred tax				
Origination and reversal of temporary differences	(258)	(1,979)	(554)	(2,791)
Over provision in prior financial years	(12)	-	-	(12)
	(270)	(1,979)	(554)	(2,803)
	3,853	19,571	(14,407)	9,017

37 TAXATION (CONTINUED)

	COMPANY	
	31.12.2012 RM'000	31.12.2011 RM'000
Deferred tax (Note 14)	120	(8)
<u>Deferred tax</u>		
Origination and reversal of temporary differences	120	(8)

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

	GROUP		COMPANY	
	31.12.2012 %	31.12.2011 %	31.12.2012 %	31.12.2011 %
Malaysian tax rate	25	25	25	25
Tax effects of:				
- expenses not deductible for tax purposes	10	4	(25)	(25)
- income not taxable for tax purposes	(49)	(15)	-	-
- tax losses not recognised	1	1	-	-
- benefits from previously unrecognised deductible temporary differences	2	-	-	-
- benefits from current financial year deductible temporary differences	1	-	-	-
- effects of different tax rates in foreign jurisdictions	20	1	-	-
- over provision in prior financial year	-	4	-	-
Average effective tax rate	10	20	-	-

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, General takaful fund and Family takaful fund was based on the method prescribed under the Income Tax Act, 1967 .

38 DISCONTINUED OPERATIONS

GROUP

	Note	31.12.2012 RM'000	Restated 31.12.2011 RM'000
Gross earned premiums	27(a)	3,453	1,044,057
Premiums ceded to reinsurers	27(b)	(258)	(53,422)
Net earned premiums		3,195	990,635
Investment income	28	563	237,112
Realised gains and losses	29	67,120	108,168
Fair value gains and losses	30	(942)	(52,057)
Fee and commission income	31	135	24,014
Other operating revenue from non-insurance businesses	32	11,286	20,094
Other revenue		78,162	337,331
Gross benefits and claims paid	33(a)	(3,749)	(1,158,545)
Claims ceded to reinsurers	33(b)	-	90,628
Gross change to contract liabilities	33(c)	1,587	111,274
Change in contract liabilities ceded to reinsurers	33(d)	-	(5,875)
Net insurance benefits and claims		(2,162)	(962,518)
Fee and commission expense		(450)	(124,721)
Management expenses	34	(14,318)	(159,349)
Other operating (expenses)/income – net	35	(94)	39,390
Finance costs	36	(20)	(42)
Other expenses		(14,882)	(244,722)
Surplus/profit before taxation		64,313	120,726
Taxation of life insurance fund	37	-	14,407
Profit before taxation		64,313	135,133
Taxation	37	(153)	(23,424)
Profit for the financial year		64,160	111,709

COMPANY

Realised gain from disposal of subsidiary company	41(a)	55,776	236,568

The financial results of Discontinued Operations relate to subsidiary companies that been disposed during the financial year as disclosed in Note 41 to the financial statements. The comparatives have been restated to include the financial results of those disposed subsidiary companies.

39 DIVIDENDS

The Board of Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2012.

40 BASIC EARNINGS PER SHARE - GROUP

The basic earnings per ordinary share have been calculated by dividing the Group's total net profit from continuing and discontinued operations after non-controlling interests 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 (31.12.2011: 304,354,000 shares).

	31.12.2012 RM'000	31.12.2011 RM'000
(Loss)/profit for the financial year from continuing operations after non-controlling interests	(21,683)	3,008
Profit for the financial year from discontinued operations	64,160	111,709
	42,477	114,717

41 DISPOSAL OF SUBSIDIARY COMPANIES

(a) 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 54(a) to the financial statements.

Following the completion of the Disposal, these companies ceased to be subsidiary companies 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)
Current tax liabilities	(146,872)
Deferred tax liabilities	(32,407)
	(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)

[(1)] The net disposal proceeds of the Group are derived from a total consideration of RM430,034,000 comprised of the sale consideration of RM344,000,000, 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 held back to address certain issues relating to the satisfaction and fulfillment of certain condition precedents in the SPA with Zurich.

41 DISPOSAL OF SUBSIDIARY COMPANIES (CONTINUED)

(a) Details of the disposal are as follows: (continued)

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 38)	(236,568)
The net cash flow on disposal was determined as follows:	
Net cash received less related selling expenses	168,315

During the current financial year ended 31 December 2012, the Group and Company recognised an additional gain of RM50.7 million from the receipt of held back sums from the sale consideration of MAA after satisfaction of certain condition precedents as stipulated in the SPA and a further gain of RM5.3 million arising from a subsequent upward adjustment to the sale consideration of MAA due to an overstatement of Life fund liabilities in the draft completion accounts prepared by Zurich, as disclosed in Note 54(a) to the financial statements.

(b) On 28 June 2012, MAA Corp completed the disposal of its 100% equity interest in Wira Security Services Sdn Bhd ("Wira") for a total cash consideration of RM7.0 million, as disclosed in Note 54(c) to the financial statements.

Following the completion of the disposal, Wira ceased to be subsidiary company of the Group.

Details of the disposal are as follows:

GROUP	**At date of disposal RM'000**
Property, plant and equipment	936
Investments	2
Trade and other receivables	4,762
Tax recoverable	1
Cash and cash equivalents	3,227
Trade and other payables	(2,605)
Deferred tax liabilities	(103)
Net assets	6,220
Net disposal proceeds	(7,000)
Related selling expenses	87
Gain on disposal to the Group (Note 29)	(693)
The net cash flow on disposal was determined as follows:	
Net cash received less related selling expenses	6,913
Cash and cash equivalents of disposed subsidiary company	(3,227)
Cash inflow to the Group on disposal	3,686

41 DISPOSAL OF SUBSIDIARY COMPANIES (CONTINUED)

(c) On 16 August 2012, MAA International Assurance Ltd ("MAAIA"), a wholly owned subsidiary company of MAA Corp, completed the disposal of its 99.5% equity interest in PT MAA Life Assurance ("PT MAAL") for a final sale consideration of IDR23.56 billion (equivalent to approximately RM7.79 million) to Tokio Marine Holdings, Inc, as disclosed in Note 54(d) to the financial statements.

Following the completion of the disposal, PT MAAL ceased to be subsidiary company of the Group.

Details of the disposal are as follows:

GROUP	At date of disposal RM'000
Property, plant and equipment	1,706
Investments	15,381
Insurance receivables	190
Trade and other receivables	2,780
Deferred tax assets	186
Cash and cash equivalents	489
Insurance contract liabilities	(20,630)
Insurance payables	(407)
Trade and other payables	(2,713)
Net liabilities	(3,018)
Net disposal proceeds	(7,786)
Related selling expenses	-
Gain on disposal to the Group (Note 29)	(10,804)
The net cash flow on disposal was determined as follows:	
Net cash received less related selling expenses	7,787
Cash and cash equivalents of disposed subsidiary company	(489)
Cash inflow to the Group on disposal	7,298

(d) On 5 December 2012, MAA Corp disposed 385,000 ordinary shares representing 11% of the issued and fully paid up ordinary shares and the 153 redeemable preference shares representing 100% of the issued and fully paid up redeemable preference shares in Meridian Asset Management Holdings Sdn Bhd ("MAM") respectively to NTY Enterprise Sdn Bhd, for a total cash consideration of Ringgit Malaysia Ten (RM10) only, as disclosed in Note 54(i) to the financial statements.

Upon completion of the disposal, MAM has ceased to be a subsidiary company is treated as an associated company of the Group.

The loss of control is deemed a partial disposal of subsidiary and the investment retained in MAM is recognised at fair value in accordance with MFRS 127 'Consolidated and Separate Financial Statements', resulting in a gain of RM1.1 million in the income statement of the Group as disclosed in Note 29 to the financial statements.

42 ACQUISITION OF SUBSIDIARY COMPANIES

(a) On 2 October 2012, MAA Credit Berhad ("MAA Credit"), a wholly owned subsidiary of MAA Corp, had exercised of its power of attorney pursuant to memorandum of deposit shares in Keris Murni Sdn Bhd ("KMSB") and Pusat Tuisyen Kasturi Sdn Bhd ("PTKSB") ("the Security Shares") dated 1 October 2009 signed with Famous Vertex Sdn Bhd ("FVSB"), and transferred all the Security Shares to itself, as disclosed in Note 54(g) to the financial statements.

The acquisition formed part of debt recovery action taken to enforce the Security Shares after FVSB had defaulted the loan (both principal and interest) due to MAA Credit.

Consequently, KMSB and PTKSB become 70% owned subsidiary companies of MAA Credit on 2 October 2012.

The following table summarises the consideration paid for KMSB and PTKSB, the fair value of assets acquired, liabilities consumed, cash flows and the non-controlling interest at the acquisition date.

	RM'000
Consideration transferred	
Fair value of Security Shares	662
Details of the share of net assets/(liabilities) acquired are as follows:	
Property, plant and equipment	203
Trade and other receivables	1,824
Tax recoverable	261
Cash and cash equivalents	1,229
Trade and other payables	(2,108)
Current tax liabilities	(310)
Deferred tax liabilities	(39)
Total net assets	1,060
Non-controlling interests	(318)
Total net assets acquired	742
Negative goodwill from acquisition of subsidiary companies (Note 35)	(80)
Purchase consideration	662
Cash and cash equivalents acquired	(1,229)
Net cash inflow on acquisition	(567)

KMSB contributed an operating revenue of RM605,000 with a loss after taxation of RM628,000 to the Group for the financial year from the date of acquisition, while PTKSB contributed an operating revenue of RM568,000 with a loss after taxation of RM519,000 to the Group for the financial year from the date of acquisition.

Had the business combination taken place at the beginning of the financial year, the Group's operating revenue would have shown a pro-forma operating revenue of RM523,009,000 and profit after taxation of RM36,675,000 for the financial year.

42 ACQUISITION OF SUBSIDIARY COMPANIES (CONTINUED)

(b) On 26 November 2012, MAA Credit acquired 290,002 ordinary shares of RM1.00 each representing 100% equity interest in Nilam Timur Sdn Bhd ("Nilam Timur") from Ahmad Nor Shaffuddin bin Ahmad Baharuddin and Rozeeta Binti Ahmad Baharuddin for a total cash consideration of RM10.00, as disclosed in Note 54(h) to the financial statements.

The acquisition formed part of debt recovery action taken by MAA Credit for a loan due by Nilam Timur. MAA Credit intends to sell Nilam Timur which has the sub-lease on lands to any interested party to recover the loan.

The following table summarises the consideration paid for Nilam Timur, the fair value of assets acquired, liabilities consumed and cash flows at the acquisition date.

	RM'000
Consideration transferred	
Cash	-(*)
Details of the share of net assets/(liabilities) acquired are as follows:	
Property, plant and equipment	2,187
Investments	700
Trade and other payables	(9,725)
Total net liabilities assumed	(6,838)
Goodwill on acquisition of subsidiary company that has been impaired (Note 35)	6,838
Purchase consideration	-(*)
Cash and cash equivalent acquired	-
Net cash inflow on acquisition	-

(*) Denotes RM10.

There was no operating revenue contributed by Nilam Timur and the Group incurred a loss after taxation of RM69,000 for the financial year from the date of acquisition.

There are no effects to the Group's revenue and profit after taxation had the business combination taken place at the beginning of financial year as Nilam Timur is a dormant company.

43 PRIOR YEAR ADJUSTMENTS

During the financial year, the Group made prior year adjustments for errors in the previous years' financial results of PT MAA General Assurance ("PT MAAG"), an insurance subsidiary of the Group in Indonesia, and for changes in relation to the transition from FRS to MFRS. Details of the prior year adjustments are as follows:

PT MAAG

During the financial year, further to an exercise conducted by management of the Company and the Group's Internal Audit team on PTMAAG, in relation to the differences noted between the receivables and payables sub-ledger and the general ledger, various errors were detected in the financial statements of PT MAAG, a number of which were in relation to prior years.

As a consequence of the above, prior year adjustments ("referred to as PYA (i)") have now been made in the consolidated financial statements of the Group for the following items, in accordance with MRFS 108 'Accounting Policies, Changes in Accounting Estimates and Errors':

		2011 RM'000	Prior years RM'000
1.	Under accrual of reinstatement premiums	(10,140)	(6,489)
2.	Agents' commission paid but not charged out as commission expense	(1,248)	(831)
3.	Claims paid but not charged out as claim expenses	(934)	599
4.	Overprovision for claim reserves	1,893	398
5.	Claim expenses recognised in incorrect financial periods	(9,401)	(5,458)
6.	Over provision of tax payable	-	158
7.	Under accrual of unearned premium reserves	(160)	-
		(19,990)	(11,623)

Transition from FRS to MFRS

The effects of the Group's and Company's transition to MFRSs, described in Note 2.1 to the financial statements, is summarised as follows:

(a) MFRS 1 mandatory exceptions

MFRS estimates – MFRS estimates as at transition date are consistent with the estimates as at the same date made in conformity with FRS.

(b) MFRS 1 exemption options

Exemption for business combination

MFRS 1 provides the option to apply MFRS 3 'Business Combinations' prospectively for business combinations that occurred from the transition date or from a designated date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date or from a designated date prior to the transition date. The Group has elected to apply MFRS prospectively to business combinations that occurred after 1 January 2011. Business combinations that occurred prior to 1 January 2011 have not been restated. The Group has also applied MFRS 127 'Consolidated and Separate Financial Statements' from the same date.

(c) Explanation of transition from FRSs to MFRSs

Following the transition to MFRS Framework, Qardhal Hassan, being a benevolent loan extended by the Shareholder's fund of MAA Takaful Berhad, ceased to be recognised as an asset in the financial statements of the Group and the Company. This is a change to the accounting policy and consequently, the Group accounted for this change as a prior year adjustment ("referred to as PYA (ii)") as follows:

	2011 RM'000	Prior years RM'000
Qardhal Hassan adjustments, net of tax	7,387	(16,113)

43 PRIOR YEAR ADJUSTMENTS (CONTINUED)

Transition from FRS to MFRS (continued)

The effects of the Group's and Company's transition to MFRSs, described in Note 2.1 to the financial statements, is summarised as follows: (continued)

MFRS 1 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The following tables represent the reconciliations from FRSs to MFRS for the respective periods noted for equity and total comprehensive income.

The transition from FRS to MFRS has no effect on the reconciliation of equity and reconciliation of total comprehensive income of the Company and on the reported cash flows generated by the Group and Company.

The above adjustments do not have any impact to the cashflows of the Group for the financial year ended 31 December 2011.

(i) Reconciliation of equity attributable to the Owner of the Company

	GROUP	
	As at 1 January 2011 (date of transition) RM'000	**As at 31 December 2011 RM'000**
Equity as reported under FRS	286,645	412,779
Less: Transitioning adjustments	(12,084)	(6,544)
Equity on transition to MFRS	274,561	406,235

(ii) Reconciliation of total comprehensive income attributable to the Owner of the Company

	GROUP	
	Financial year ended 31 December 2010/ 1 January 2011 (date of transition) RM'000	**Financial year ended 31 December 2011 RM'000**
Total comprehensive income as reported under FRS	25,419	126,134
Add/(less): Transitioning adjustments	(12,084)	5,540
Total comprehensive income upon transition to MFRS	13,335	131,674

43 PRIOR YEAR ADJUSTMENTS (CONTINUED)

The following tables disclose the effects of PYA (i) and PYA (ii) to each of the line items in the Group's statement of financial position as at 1 January 2011 and 31 December 2011:

Statement of financial position

	1.1.2011			
	As previously reported RM'000	**Effects of PYA (i) RM'000**	**Effect of PYA (ii) RM'000**	**Restated balance RM'000**
Assets				
Insurance/takaful receivables	68,807	(232)	-	68,575
Trade and other receivables	56,310	-	(16,644)	39,666
Tax recoverable	4,554	158	-	4,712
Deferred tax assets	1,602	-	531	2,133
Liabilities				
Insurance/takaful contract liabilities	517,350	5,060	-	522,410
Insurance/takaful payables	58,899	6,489	-	65,388
Equity				
Accumulated losses	(16,728)	(9,648)	(12,084)	(38,460)
Non-controlling interests	33,339	(1,975)	(4,029)	27,335

	31.12.2011			
	As previously reported RM'000	**Effects of PYA (i) RM'000**	**Effect of PYA (ii) RM'000**	**Restated balance RM'000**
Assets				
Insurance/takaful receivables	84,130	(2,574)	-	81,556
Trade and other receivables	218,666	-	(8,833)	209,833
Tax recoverable	3,405	158	-	3,563
Deferred tax assets	677	-	107	784
Liabilities				
Insurance/takaful contract liabilities	495,922	12,568	-	508,490
Insurance/takaful payables	79,463	16,629	-	96,092
Equity				
Retained earnings	109,041	(26,240)	(6,544)	76,257
Non-controlling interests	35,527	(5,373)	(2,182)	27,972

43 PRIOR YEAR ADJUSTMENTS (CONTINUED)

The following tables disclose the effects of PYA (i) and PYA (ii) to each of the line items in the Group's income statement for the financial year ended 31 December 2011:

Income Statement

	31.12.2011				
	As previously reported RM'000	**Reclassi-fication* RM'000**	**Effects of PYA (i) RM'000**	**Effect of PYA (ii) RM'000**	**Restated balance RM'000**
CONTINUING OPERATIONS					
Gross earned premiums/contributions	378,230	(15,867)	(160)	-	362,203
Premiums/contributions ceded to reinsurers/retakaful	(142,123)	1,178	(10,140)	-	(151,085)
Investment income	20,074	(603)	-	-	19,471
Realised gains and losses	12,273	(1,694)	-	-	10,579
Fair value gains and losses	(17,745)	(105)	-	-	(17,850)
Fee and commission income	32,671	(353)	-	-	32,318
Other operating revenue from non-insurance businesses	62,257	(18,760)	-	-	43,497
Gross benefits and claims paid	(149,462)	17,735	(1,584)	-	(133,311)
Claims ceded to reinsurers/retakaful	66,827	-	650	-	67,477
Gross change to contract liabilities	28,190	(3,197)	(7,508)	(44,915)	(27,430)
Change in contract liabilities ceded to reinsurers/retakaful	20,085	-	-	(2,645)	17,440
Fee and commission expenses	(86,855)	2,027	(1,248)	-	(86,076)
Management expenses	(117,012)	27,175	-	-	(89,837)
Other operating income/(expenses)-net	(14,680)	(637)	-	-	(15,317)
Finance costs	(14,468)	40	-	-	(14,428)
Taxation of life insurance, general takaful and family takaful businesses	(1,884)	(196)	-	-	(2,080)
Surplus/(deficit) before taxation/ profit/(loss) before taxation	76,028	6,743	(19,990)	(47,560)	15,221
Surplus attributable to participants	-	-	-	(6,222)	(6,222)
Surplus retained in life insurance	(63,046)	-	-	61,593	(1,453)
Profit before taxation	12,982	6,743	(19,990)	7,811	7,546
Taxation	(4,992)	489	-	(424)	(4,927)
Profit from continuing operations	7,802	7,232	(19,990)	7,387	2,431

43 PRIOR YEAR ADJUSTMENTS (CONTINUED)

The following tables disclose the effects of PYA (i) and PYA (ii) to each of the line items in the Group's income statement for the financial year ended 31 December 2011(continued):

Income Statements (continued)

	31.12.2011				
	As previously reported RM'000	**Reclassi-fication* RM'000**	**Effects of PYA (i) RM'000**	**Effect of PYA (ii) RM'000**	**Restated balance RM'000**
DISCONTINUED OPERATIONS					
Profit before taxation	141,876	(6,743)	-	-	135,133
Taxation	(22,935)	(489)	-	-	(23,424)
Profit from discontinued operations	118,941	(7,232)	-	-	111,709
Profit for the financial year	126,743	-	(19,990)	7,387	114,140
Profit from the financial year attributable to:					
Owners of the company	125,769	-	(16,592)	5,540	114,717
Non-controlling interests	974	-	(3,398)	1,847	(577)
	126,743	-	(19,990)	7,387	114,140

*Certain comparatives were reclassified to conform to the current financial year's presentation of financial statements in respect of discontinued operations as disclosed in Note 38 to the financial statements.

44 CAPITAL AND OTHER COMMITMENTS

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

	GROUP		COMPANY	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Authorised and contracted for: - property, plant and equipment	1,948	4,197	-	-
Approved and not contracted for: - property, plant and equipment	-	3,251	-	1,311
	1,948	7,448	-	1,311

45 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 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
Melewar Apex Sdn Bhd	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
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

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	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Transactions with subsidiary companies:				
Interest income from advances to subsidiary companies	-	-	2,047	2,293
Management fee income from subsidiary companies	-	-	1,530	3,136
Rental expense payable to a subsidiary company–MAA [1]	-	-	-	(520)
Transactions with related parties:				
Rental income receivable by MAA [1] from:				
Trace Management Services Sdn Bhd	-	105	-	-
Melewar Group Berhad	-	45	-	-
Melewar Integrated Engineering Sdn Bhd	-	98	-	-
Melewar Industrial Group Berhad	-	207	-	-
Melewar Equities Sdn Bhd	-	75	-	-
Rental income receivable from:				
Melewar Industrial Group Berhad	73	-	-	-
Melewar Equities Sdn Bhd	47	-	-	-
Office service charge income receivable from:				
Melewar Industrial Group Berhad	11	-		-
Melewar Equities Sdn Bhd	7	-		-
Retirement benefit fund contributed to MAAKER [3]	(856)	(749)	(828)	(730)

45 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions (continued)

	GROUP		COMPANY	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Transactions with related parties: (continued)				
Security services fee receivable from:				
Mycron Steel Berhad	87	175	-	-
Melewar Steel Tube Sdn Bhd	70	141	-	-
Purchase of air tickets and travel packages from Mitra Malaysia Sdn Bhd [2]	-	(1,736)	-	(33)
Company secretarial and related fees payable to Trace Management Services Sdn Bhd	(297)	(490)	(171)	(206)
Transactions with associated companies:				
Trustee fee payable by MAAKER to MAA Bancwell	(30)	(150)	-	-
Management fee income receivable from MAA Bancwell	336	1,189	336	1,189
Rental income receivable by MAA from MAA Bancwell	-	39	-	-

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

[2] Ceased to be a related party on 8 June 2011.

[3] Ceased to be a related party when it was dissolved on 16 July 2012.

Related party receivables/payables

The balances with related parties at the financial year end are disclosed in Notes 13 and 23 to the financial statements. Other significant balances with other related parties at the financial year end are as disclosed below.

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	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Salaries and other short-term employee benefits	10,084	13,671	5,882	5,581
Defined contribution retirement benefits	1,246	4,201	817	910
	11,330	17,872	6,699	6,491

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

	GROUP			COMPANY		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Amounts receivable from mortgage loans	96	139	187	96	139	187
Amounts payable to a Director	1,909	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 (31.12.2011: 5% to 8.5% per annum).

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

46 SEGMENTAL INFORMATION

The following segment information has been prepared in accordance with MFRS 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 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 profits. 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.

46 SEGMENTAL INFORMATION (CONTINUED)

2012

	Insurance								Takaful	Unit trust fund mana-gement	Other segments		Total	Inter-segment elimina-tion	Group
	Life insurance		General insurance		Shareholders' fund		General takaful fund	Family takaful fund	Share-holders' fund						
	Conti-nuing	Disconti-nued	Conti-nuing	Disconti-nued	Conti-nuing	Disconti-nued					Conti-nuing	Disconti-nued			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	177	4,008	69,814	-	1,190	-	155,800	218,362	3,748	39,015	9,636	11,294	513,044	-	513,044
Revenue from other segments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating revenue	177	4,008	69,814	-	1,190	-	155,800	218,362	3,748	39,015	9,636	11,294	513,044	-	513,044
Net earned premiums/ contributions	-	3,195	20,946	-	-	-	31,385	190,390	-	-	-	-	245,916	-	245,916
Interest income	147	544	402	-	629	-	2,856	5,538	3,658	747	5,950	8	20,479	(2,240)	18,239
Other revenue	(2,715)	(978)	6,029	-	(716)	-	31,932	17,954	118,623	38,668	14,724	78,692	302,213	(111,215)	190,998
Net insurance/takaful benefits and claims	3,283	(2,162)	(28,399)	-	-	-	(12,749)	(112,052)	-	-	-	-	(152,079)	-	(152,079)
Other expenses	(843)	(3,637)	(11,099)	-	(4,348)	-	(43,319)	(80,331)	(119,488)	(32,448)	(58,049)	(11,014)	(364,576)	122,421	(242,155)
Depreciation	-	(132)	(147)	-	(81)	-	-	-	(1,739)	(463)	(827)	(265)	(3,654)	-	(3,654)
Amortisation	-	-	-	-	-	-	-	-	(1,405)	(501)	(90)	-	(1,996)	-	(1,996)
Finance costs	-	-	-	-	-	-	-	-	-	-	(420)	(20)	(440)	-	(440)
Profit/(loss) by segments	(128)	(3,170)	(12,268)	-	(4,516)	-	10,105	21,499	(351)	6,003	(38,712)	67,401	45,863	8,966	54,829
Taxation of life insurance, general takaful and family takaful businesses	-	-	-	-	-	-	(3,327)	(2,477)	-	-	-	-	(5,804)	-	(5,804)
Surplus distributed to participants	-	-	-	-	-	-	-	(9,192)	-	-	-	-	(9,192)	-	(9,192)
	(128)	(3,170)	(12,268)	-	(4,516)	-	6,778	9,830	(351)	6,003	(38,712)	67,401	30,867	8,966	39,833
Share of loss of associated companies not included in reportable segments													(665)	-	(665)
Profit before taxation													30,202	8,966	39,168

46 SEGMENTAL INFORMATION (CONTINUED)

2011

	Insurance								Takaful	Unit trust fund mana-gement	Other segments		Total	Inter-segment elimina-tion	Group
	Life insurance		General insurance		Shareholders' fund		General takaful fund	Family takaful fund	Share-holders' fund						
	Conti-nuing	Disconti-nued	Conti-nuing	Disconti-nued	Conti-nuing	Disconti-nued					Conti-nuing	Disconti-nued			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	2,194	908,455	74,657	365,343	770	7,300	126,879	170,343	4,252	40,086	5,990	20,165	1,726,434	-	1,726,434
Revenue from other segments	-	3,167	-	259	-	-	-	-	-	-	5,118	9,932	18,476	(18,476)	-
Total operating revenue	2,194	911,622	74,657	365,602	770	7,300	126,879	170,343	4,252	40,086	11,108	30,097	1,744,910	(18,476)	1,726,434
Net earned premiums/ contributions	6	682,113	28,322	308,522	-	-	31,966	150,824	-	-	-	-	1,201,753	-	1,201,753
Interest income	1,441	151,491	679	16,655	305	3,929	2,237	4,491	3,731	837	1,511	72	187,379	-	187,379
Other revenue	(1,414)	37,469	6,804	24,035	(2,103)	3,704	23,760	11,102	94,564	39,250	(8,467)	103,402	332,106	(94,139)	237,967
Net insurance/takaful benefits and claims	52,152	(780,068)	(25,155)	(182,450)	-	-	(17,317)	(85,504)	-	-	-	-	(1,038,342)	-	(1,038,342)
Other expenses	(970)	(105,902)	(29,677)	(110,055)	(5,563)	(2,031)	(33,831)	(65,215)	(95,416)	(32,605)	(15,129)	(26,295)	(522,689)	100,745	(421,944)
Depreciation	-	(6,308)	(188)	(1,263)	(102)	(921)	-	-	(446)	(335)	(551)	(559)	(10,673)	-	(10,673)
Amortisation	-	(1,330)	-	-	-	-	-	-	(1,322)	(503)	(90)	(48)	(3,293)	-	(3,293)
Finance costs	-	-	-	-	-	-	-	-	-	-	(14,428)	(42)	(14,470)	-	(14,470)
Profit/(loss) by segments	51,215	(22,535)	(19,215)	55,444	(7,463)	4,681	6,815	15,698	1,111	6,644	(37,154)	76,530	131,771	6,606	138,377
Taxation of life insurance, general takaful and family takaful businesses	-	14,407	-	-	-	-	(699)	(1,381)	-	-	-	-	12,327	-	12,327
Surplus distributed to participants	-	-	-	-	-	-	-	(6,222)	-	-	-	-	(6,222)	-	(6,222)
Surplus retained in life insurance	(1,453)	1,294	-	-	-	-	-	-	-	-	-	-	(159)	(1,294)	(1,453)
	49,762	(6,834)	(19,215)	55,444	(7,463)	4,681	6,116	8,095	1,111	6,644	(37,154)	76,530	137,717	5,312	143,029
Share of loss of associated companies not included in reportable segments													(350)		(350)
Profit before taxation													137,367	5,312	142,679

46 SEGMENTAL INFORMATION (CONTINUED)

	Insurance						Takaful			Unit trust fund mana-gement	Other segments		Total	Inter-segment elimina-tion	Group
	Life insurance		General insurance		Shareholders' fund		General takaful fund	Family takaful fund	Share-holders' fund						
	Conti-nuing	Disconti-nued	Conti-nuing	Disconti-nued	Conti-nuing	Disconti-nued					Conti-nuing	Disconti-nued			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2012															
Segment assets	12,876	-	94,852	-	64,810	-	227,118	368,733	110,911	35,697	288,045	-	1,203,042	-	1,203,042
Investment in associated companies															56,314
Total assets															1,259,356
31.12.2011															
Segment assets	51,343	-	71,065	-	66,016	-	214,438	289,305	94,939	44,171	248,219	-	1,079,496	13	1,079,509
Investment in associated companies															50,522
Total assets															1,130,031

46 SEGMENTAL INFORMATION (CONTINUED)

Geographical segments

The Group operates mainly in Malaysia, Indonesia, 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	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Malaysia				
- Continuing operations	427,847	360,155	254,614	195,970
- Discontinued operations	15,302	1,284,827	-	-
	443,149	1,644,982	254,614	195,970
Indonesia	69,797	81,332	341	1,189
Others	98	120	-	-
	513,044	1,726,434	254,955	197,159

47 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 Risk Based Capital ready.

48 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 ongoing 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.

48 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 management committees are Executive Committee, Business Committee, Family Takaful Management Committee, General Takaful Management Committee, Information Technology Committee and Investment 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.

49 INSURANCE/TAKAFUL 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		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 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 were derived from Indonesia. Accordingly the entire life liabilities were in Indonesia. The subsidiary company was subsequently disposed during the current financial year as disclosed in Note 54(d) to the financial statements.

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

49 INSURANCE/TAKAFUL 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:

	31.12.2012			31.12.2011		
	Gross RM'000	**Retakaful RM'000**	**Net RM'000**	**Gross RM'000**	**Retakaful RM'000**	**Net RM'000**
Whole life	501	-	501	97	-	97
Endowment	259,535	(4)	259,531	203,527	-	203,527
Term	47,608	(13,788)	33,820	40,323	(10,049)	30,274
	307,644	(13,792)	293,852	243,947	(10,049)	233,898

	1.1.2011		
	Gross RM'000	**Retakaful RM'000**	**Net RM'000**
Whole life	13	-	13
Endowment	153,108	-	153,108
Term	38,761	(17,198)	21,563
	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:

i. Mortality Rates
Assumption is based on industry standard table – M9903

ii. Morbidity Rates
Assumption is mainly based on reinsurer rates

iii. Investment Return
5% p.a. for participant Investment Account (PIA) and 3% p.a for Participant Risk Investment Account (PRIA)

iv. Expenses
Assumption varies by product type as follow:

Product Type	RM per certificate
Investment-linked	53
Ordinary Family	40
Group Family	4

49 INSURANCE/TAKAFUL RISK (CONTINUED)

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

Family Takaful Contracts (continued)

Key assumptions (continued)

v. 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 (%)			
Plan	1	2	3	4+
Takafulink	25	15	10	3.5
Takafulink Education	15	10	10	3.5
Takafulife Series	25	20	10	3.5
CancerCare	30	45	20	3.5
SmartMedic	20	30	25	3.5
Term80	25	20	10	3.5

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

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 2012				
Mortality/morbidity	+10	2,594	686	686
Lapse and surrender rates	+10	(17)	165	165
Discount rate	+1	(1,905)	(2,572)	(2,572)
31 December 2011				
Mortality/morbidity	+10	1,606	98	98
Lapse and surrender rates	+10	(164)	-	-
Discount rate	+1	(74)	(564)	(564)
Expenses	+10	573	573	573
1 January 2011				
Mortality/morbidity	+10	5,396	5,301	5,301
Lapse and surrender rates	+10	174	174	174
Discount rate	+1	(13)	(13)	(13)

There is minimal impact on the Family takaful contract liabilities in relation to changes made to longevity, expenses and investment return assumptions.

49 INSURANCE/TAKAFUL RISK (CONTINUED)

(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 follows:

- 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:

	31.12.2012			31.12.2011		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
Fire	58,201	(37,848)	20,353	13,409	(4,820)	8,589
Motor vehicle	1,904	(11)	1,893	1,086	(13)	1,073
Marine Cargo, Aviation Cargo & Transit	17,075	(8,584)	8,491	9,580	(6,061)	3,519
Miscellaneous	25,459	(14,239)	11,220	16,481	(6,165)	10,316
	102,639	(60,682)	41,957	40,556	(17,059)	23,497
Currency translation differences	(6,565)	5,600	(965)	217	(120)	97
	96,074	(55,082)	40,992	40,773	(17,179)	23,594

	1.1.2011		
	Gross RM'000	Re-insurance RM'000	Net RM'000
Fire	15,906	(9,352)	6,554
Motor vehicle	2,351	(30)	2,321
Marine Cargo, Aviation Cargo & Transit	13,359	(10,291)	3,068
Miscellaneous	12,601	(5,578)	7,023
	44,217	(25,251)	18,966
Currency translation differences	(1,124)	874	(250)
	43,093	(24,377)	18,716

The comparatives concentration of the general insurance contracts was not restated to take into account the prior year adjustments disclosed in Note 43 to the financial statements as it is impractical to do so.

49 INSURANCE/TAKAFUL 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.

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 %	**Gross liabilities RM'000**	**Net liabilities RM'000**	**Profit before tax RM'000**	**Equity RM'000**
31 December 2012					
Initial expected loss ratios	+10%	6,941	2,95	(2,095)	(1,571)
31 December 2011					
Initial expected loss ratios	+10%	20,991	13,557	(1,232)	(924)
1 January 2011					
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.

49 INSURANCE/TAKAFUL 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.

	Before 2006 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
Accident year									
At end of accident year	(6,929)	(5,644)	(8,811)	(6,280)	(18,090)	(11,277)	(8,875)	(7,049)	
One year later	(13,769)	(12,234)	(12,218)	(11,605)	(29,896)	(21,362)	(30,379)	-	
Two years later	(1,679)	(2,055)	(6,128)	(11,350)	(6,514)	(7,090)	-	-	
Three years later	(2,534)	(1,455)	(1,958)	(157)	(7,580)	-	-	-	
Four years later	(4)	(162)	291	(540)	-	-	-	-	
Five years later	1	(113)	(1,982)	-	-	-	-	-	
Six years later	(775)	(27)	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	-	-	
Current payments to date	-	(27)	(1,982)	(540)	(7,580)	(7,090)	(30,379)	(7,049)	(54,647)
Currency translation differences									3,592
Gross benefits and claims paid									(51,055)

	Before 2006 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
Accident year									
At end of accident year	(5,413)	(3,913)	(6,960)	(5,085)	(11,845)	(6,765)	(5,326)	(6,056)	
One year later	(4,261)	(3,377)	(3,741)	(3,787)	(12,073)	(5,078)	(10,717)	-	
Two years later	(1,405)	(1,514)	(2,784)	(5,813)	(1,207)	(2,175)	-	-	
Three years later	(6)	(1,369)	(1,740)	(37)	(2,814)	-	-	-	
Four years later	(5)	(162)	55	(398)	-	-	-	-	
Five years later	(1)	(91)	(1,911)	-	-	-	-	-	
Six years later	(1)	(6)	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	-	-	
Current payments to date	-	(6)	(1,911)	(398)	(2,814)	(2,175)	(10,717)	(6,056)	(24,077)
Currency translation differences									1,473
Net benefits and claims paid									(22,604)

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

The gross and net claims development tables above are not comparable to 2011, as they have been presented on a claims paid basis and not outstanding claim basis, as the information is not readily available.

49 INSURANCE/TAKAFUL RISK (CONTINUED)

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

General Insurance Contracts (continued)

Claims Development Table (continued)

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	1,503	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

49 INSURANCE/TAKAFUL 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)	(8,984)	(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. The comparatives claim development table (gross and net) was not restated to take into account the prior year adjustments disclosed in Note 43 to the financial statements as it is impractical to do so.

49 INSURANCE/TAKAFUL 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:

	31.12.2012			31.12.2011		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Fire	14,930	(12,903)	2,027	17,190	(13,829)	3,361
Motor vehicle	41,192	(30,130)	11,062	28,396	(16,067)	12,329
Marine Cargo, Aviation Cargo & Transit	8,637	(7,959)	678	5,018	(4,576)	442
Miscellaneous	43,842	(33,146)	10,696	42,649	(31,065)	11,584
	108,601	(84,138)	24,463	93,253	(65,537)	27,716

	1.1.2011		
	Gross RM'000	Retakaful RM'000	Net RM'000
Fire	17,763	(14,221)	3,542
Motor vehicle	14,283	(2,871)	11,412
Marine Cargo, Aviation Cargo & Transit	6,829	(6,258)	571
Miscellaneous	23,336	(13,892)	9,444
	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 and development of claims reported amounts. The methods employed also require assumptions on a seed prior estimate (for Bornhuetter-Ferguson based methods) for each accident year. For Frequency / Severity analysis, this method uses the fact that the number of claims reported is unlikely to have been affected by any changes in the claims handling process, and thus, the link ratio techniques are appropriate in determining the ultimate number of claims. Any changes in reporting, reserving or settlement process can affect the reliability of assumptions.

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.

Sensitivities

The General takaful claims 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.

49 INSURANCE/TAKAFUL RISK (CONTINUED)

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

General Takaful Contracts (continued)

Sensitivities (continued)

		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 2012					
Average open claims	+10	10,860	2,446	2,446	1,835
Loss ratio	+10	15,291	3,138	3,138	2,354
Provision for risk of adverse deviation	+1	117	22	22	17
31 December 2011					
Average open claims	+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 risk of adverse deviation	+1	651	199	199	149
1 January 2011					
Average open claims	+10	6,221	2,497	2,497	1,873
Loss ratio	+10	9,952	4,034	4,034	3,026
Provision for risk of adverse deviation	+1	446	180	180	135

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

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.

49 INSURANCE/TAKAFUL RISK (CONTINUED)

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

General Takaful Contracts (continued)

Claims Development table (continued)

Gross General Takaful Contract Liabilities for 2012

	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
Accident year							
At end of accident year	96	6,816	24,168	54,138	57,359	75,801	
One year later	78	4,592	20,219	58,203	55,297	-	
Two years later	50	3,714	16,567	52,314	-	-	
Three years later	42	3,214	13,865	-	-	-	
Four years later	39	3,249	-	-	-	-	
Five years later	39	-	-	-	-	-	
Six years later	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	39	3,249	13,865	52,314	55,297	75,801	
At end of accident year	-	(1,100)	(4,021)	(10,114)	(12,429)	(18,204)	
One year later	(39)	(2,807)	(9,177)	(29,052)	(34,709)	-	
Two years later	(39)	(3,035)	(10,273)	(35,595)	-	-	
Three years later	(39)	(3,076)	(12,049)	-	-	-	
Four years later	(39)	(3,089)	-	-	-	-	
Five years later	(39)	-	-	-	-	-	
Six years later	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	
Cumulative payments to date	(39)	(3,089)	(12,049)	(35,595)	(34,709)	(18,204)	
Gross General takaful contract liabilities	-	160	1,816	16,719	20,588	57,597	96,880
Provision for risk of adverse deviation							11,721
Gross General takaful contract liabilities							108,601

49 INSURANCE/TAKAFUL RISK (CONTINUED)

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

General Takaful Contracts (continued)

Claims Development Table (continued)

Net General Takaful Contract Liabilities for 2012

	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
Accident year							
At end of accident year	39	1,640	5,655	25,190	17,488	17,661	
One year later	48	1,642	6,165	24,835	15,510	-	
Two years later	32	1,370	5,340	23,500	-	-	
Three years later	26	1,198	5,206	-	-	-	
Four years later	24	1,230	-	-	-	-	
Five years later	24	-	-	-	-	-	
Six years later	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	24	1,230	5,206	23,500	15,510	17,661	
At end of accident year	-	(339)	(1,548)	(5,284)	(4,926)	(5,573)	
One year later	(23)	(1,032)	(3,831)	(14,461)	(11,260)	-	
Two years later	(23)	(1,169)	(4,285)	(18,328)	-	-	
Three years later	(23)	(1,182)	(4,511)	-	-	-	
Four years later	(23)	(1,186)	-	-	-	-	
Five years later	(23)	-	-	-	-	-	
Six years later	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	
Cumulative payments to date	(23)	(1,186)	(4,511)	(18,328)	(11,260)	(5,573)	
Net General takaful contract liabilities	1	44	695	5,172	4,250	12,088	22,250
Provision for risk of adverse deviation							2,213
Net General takaful contract liabilities							24,463

49 INSURANCE/TAKAFUL RISK (CONTINUED)

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

General Takaful Contracts (continued)

Claims Development table (continued)

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 risk of adverse deviation						11,905
Gross General takaful contract liabilities						93,253

49 INSURANCE/TAKAFUL 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 risk of adverse deviation						2,868
Net General takaful contract liabilities						27,716

50 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 is made on those securities/loans (or part of remaining amount) where the level of security has been impaired.

50 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.

GROUP

	Insurance and Shareholders' Funds			Investment-linked			
	Continuing Operations RM'000	Dis-continued Operations RM'000	Total RM'000	Continuing Operations RM'000	Dis-continued Operations RM'000	Total RM'000	Total RM'000
31 December 2012							
Available-for-sale financial assets:							
Corporate debt securities	504	-	504	-	-	-	504
Islamic debt securities	135,865	-	135,865	-	-	-	135,865
Malaysian Government Guarantee Financing	54,243	-	54,243	-	-	-	54,243
Financial assets at fair value through profit or loss:							
Corporate debt securities	-	-	-	3,928	-	3,928	3,928
Islamic debt securities	-	-	-	41,152	-	41,152	41,152
Loans and receivables:							
Loans	9,199	-	9,199	-	-	-	9,199
Fixed and call deposits	4,037	-	4,037	42,250	-	42,250	46,287
Reinsurance/retakaful assets	212,743	-	212,743	-	-	-	212,743
Insurance/takaful receivables	68,804	-	68,804	-	-	-	68,804
Trade and other receivables	256,551	-	256,551	1,039	-	1,039	257,590
Cash and cash equivalents	102,730	-	102,730	38,987	-	38,987	141,717
	844,676	-	844,676	127,356	-	127,356	972,032
31 December 2011 (Restated)							
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/retakaful assets	147,928	-	147,928	-	-	-	147,928
Insurance/retakaful receivables	81,556	-	81,556	-	-	-	81,556
Trade and other receivables	208,344	-	208,344	1,489	-	1,489	209,833
Cash and cash equivalents	145,403	-	145,403	31,849	-	31,849	177,252
	770,804	-	770,804	108,939	-	108,939	879,743

50 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure (continued)

GROUP

	Insurance and Shareholders' Funds			Investment-linked			
	Continuing Operations RM'000	Dis-continued Operations RM'000	Total RM'000	Continuing Operations RM'000	Dis-continued Operations RM'000	Total RM'000	Total RM'000
1 January 2011 (Restated)							
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/retakaful assets	123,897	222,343	346,240	-	-	-	346,240
Insurance/takaful receivables	68,575	77,151	145,726	-	-	-	145,726
Trade and other receivables	36,444	45,559	82,003	3,222	4,379	7,601	89,604
Cash and cash equivalents	183,723	480,188	663,911	68,856	139,087	207,943	871,854
	646,062	5,495,958	6,142,020	98,887	339,029	437,916	6,579,936

COMPANY

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Loans and receivables:			
Loans	96	139	192
Fixed and call deposits	-	1,029	5,016
Trade and other receivables	251,029	199,715	64,568
Cash and cash equivalents	6,141	6,946	47,934
	257,266	207,829	117,710

50 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.

GROUP

		Investment grade	Non-investment grade	Not rated	Investment-linked	Past due but not Impaired	impaired	Total
	Government Guaranteed RM'000	**AAA to BBB RM'000**	**BB to C RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
31 December 2012								
Available-for-sale financial assets:								
Corporate debt securities	-	-	-	504	-	-	-	504
Islamic debt securities	-	135,865	-	-	-	-	-	135,865
Malaysian Government Guarantee Financing	54,243	-	-	-	-	-	-	54,243
Financial assets at fair value through profit or loss:								
Corporate debt securities	-	-	-	-	3,928	-	-	3,928
Islamic debt securities	-	-	-	-	41,152	-	-	41,152
Loans and receivables:								
Loans	-	-	-	8,089	-	-	1,110	9,199
Fixed and call deposits	-	2,973	-	1,064*	42,250	-	-	46,287
Reinsurance/retakaful assets	-	65,492	-	147,251	-	-	-	212,743
Insurance/takaful receivables	-	23,772	-	45,032	-	-	-	68,804
Trade and other receivables	-	223,028	-	33,523	1,039	-	-	257,590
Cash and cash equivalents	-	102,354	-	376	38,987	-	-	141,717
	54,243	553,484	-	235,839	127,356	-	1,110	972,032
31 December 2011 (Restated)								
Available-for-sale financial assets:								
Corporate debt securities	-	8,948	-	504	-	-	-	9,452
Islamic debt securities	7,262	137,328		-	-	-	-	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	-	1,221	-	1,031*	41,912	-	-	44,164
Reinsurance/retakaful assets	-	51,885	-	96,043	-	-	-	147,928
Insurance/takaful receivables	-	17,882	-	63,674	-	-	-	81,556
Trade and other receivables	-	180,561	-	27,783	1,489	-	-	209,833
Cash and cash equivalents	-	145,337	-	66	31,849	-	-	177,252
	28,134	543,162	-	194,725	108,939	-	4,783	879,743

*Issued by a Government-Linked Company (GLC) Institution

50 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

GROUP

		Investment grade	Non-investment grade	Not rated	Investment -linked	Past due but not Impaired	impaired	Total
	Government Guaranteed RM'000	AAA to BBB RM'000	BB to C RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1 January 2011 (Restated)								
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	-	206,433	-	1,000*	50,200	-	-	257,633
Reinsurance/retakaful assets	-	112,602	1,013	232,625	-	-	-	346,240
Insurance/takaful receivables	-	14,998	-	88,167	-	42,561	-	145,726
Trade and other receivables	-	-	-	82,003	7,601	-	-	89,604
Cash and cash equivalents	-	663,911	-	-	207,943	-	-	871,854
	941,250	4,038,189	1,707	780,037	437,916	47,090	333,747	6,579,936

*Issued by a Government-Linked Company (GLC) Institution

50 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

	Govern-ment Guarant-eed 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	Invest-ment-linked RM'000	Impaired RM'000	Total RM'000
31 December 2012									
Available-for-sale financial assets:									
Corporate debt securities	-	-	-	-	-	504	-	-	504
Islamic debt securities	-	135,865	-	-	-	-	-	-	135,865
Malaysian Government Guarantee Financing	54,243	-	-	-	-	-	-	-	54,243
Financial assets at fair value through profit or loss:									
Corporate debt securities	-	-	-	-	-	-	3,928	-	3,928
Islamic debt securities	-	-	-	-	-	-	41,152	-	41,152
Loans and receivables:									
Loans	-	-	-	-	-	8,089	-	1,110	9,199
Fixed and call deposits	-	2,973	-	-	-	1,064*	42,250	-	46,287
Reinsurance/retakaful assets	-	5,061	34,583	25,848	-	147,251	-	-	212,743
Insurance/takaful receivables	-	327	6,448	16,997	-	45,032	-	-	68,804
Trade and other receivables	-	223,028	-	-	-	33,523	1,039	-	257,590
Cash and cash equivalents	-	102,301	53	-	-	376	38,987	-	141,717
	54,243	469,555	41,084	42,845	-	235,839	127,356	1,110	972,032
31 December 2011 (Restated)									
Available-for-sale financial assets:									
Corporate debt securities	-	7,543	1,405	-	-	504	-	-	9,452
Islamic debt securities	7,262	137,328	-	-	-	-	-	-	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	-	1,221	-	-	-	1,031*	41,912	-	44,164
Reinsurance/retakaful assets	-	3,941	27,245	20,699	-	96,043	-	-	147,928
Insurance/takaful receivables	-	251	4,835	12,796	-	63,674	-	-	81,556
Trade and other receivables	-	180,561	-	-	-	27,783	1,489	-	209,833
Cash and cash equivalents	-	145,236	101	-	-	66	31,849	-	177,252
	28,134	476,081	33,586	33,495	-	194,725	108,939	4,783	879,743

*Issued by a Government-Linked Company (GLC) Institution

50 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

GROUP

	Govern -ment Guarant -eed 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	Invest- ment- linked RM'000	Impaired RM'000	Total RM'000
1 January 2011 (Restated)									
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 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	-	-	-	-	-	380,281	-	300,437	680,718
Fixed and call deposits	-	206,433	-	-	-	1,000*	50,200	-	257,633
Reinsurance/retakaful assets	-	99,355	8,248	4,999	1,013	232,625	-	-	346,240
Insurance/takaful receivables	-	1,366	879	12,753	-	130,728	-	-	145,726
Trade and other receivables	-	-	-	-	-	82,003	7,601	-	89,604
Cash and cash equivalents	-	663,911	-	-	-	-	207,943	-	871,854
	941,250	3,435,244	585,193	17,752	1,707	827,127	437,916	333,747	6,579,936

*Issued by a Government-Linked Company (GLC) Institution

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.

50 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.

COMPANY

	31.12.2012			31.12.2011		
	Investment grade (AAA to AA) RM'000	Not rated RM'000	Total RM'000	Investment grade (AAA to AA) RM'000	Not rated RM'000	Total RM'000
Loan and receivables						
Loans	-	96	96	-	139	139
Fixed and call deposits	-	-	-	1,029	-	1,029
Trade and other receivables	224,018	27,011	251,029	179,667	20,048	199,715
Cash and cash equivalents	6,141	-	6,141	6,946	-	6,946
	230,159	27,107	257,266	187,642	20,187	207,829

	1.1.2011		
	Investment grade (AAA to AA) RM'000	Not rated RM'000	Total RM'000
Loan and receivables			
Loans	-	192	192
Fixed and call deposits	5,016	-	5,016
Trade and other receivables	-	64,568	64,568
Cash and cash equivalents	47,934	-	47,934
	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

GROUP

	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
31 December 2012					
Loans and receivables	-	-	-	-	-
Insurance/takaful receivables	-	-	-	-	-
	-	-	-	-	-
31 December 2011					
Loans and receivables	-	-	-	-	-
Insurance/takaful receivables	-	-	-	-	-
	-	-	-	-	-
1 January 2011					
Loans and receivables	-	736	41	3,752	4,529
Insurance/takaful receivables	24,884	13,995	3,682	-	42,561
	24,884	14,731	3,723	3,752	47,090

50 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impaired Financial Assets

At 31 December 2012, based on an individual assessment of receivables, there are impaired insurance/takaful receivables of RM2,940,000 (31.12.2011: RM1,394,000, 1.1.2011: 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 letters 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/takaful receivables in a separate allowance for impairment accounts.

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

	GROUP		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1. 1.2011 RM'000**
Insurance/takaful receivables			
At 1 January	1,394	11,666	24,315
Related to disposed insurance subsidiary company	-	(8,710)	-
	1,394	2,956	24,315
Allowance for/(write-back of) impairment loss	1,546	(1,562)	(12,649)
At 31 December	2,940	1,394	11,666
Loans			
At 1 January	54,726	198,313	253,063
Related to disposed insurance subsidiary company	-	(133,113)	-
	54,726	65,200	253,063
Balance offset against gross outstanding	-	-	(46,660)
Allowance made during the financial year	1,478	8,796	12,542
Amounts written back in respect of recoveries	(524)	(73)	(19,906)
Bad debts written off	(215)	(19,197)	(726)
At 31 December	55,465	54,726	198,313

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

	GROUP		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Policy loans	-	709	352,559
Constructions	11,452	13,136	94,906
Purchase of landed properties/ securities	5,032	5,089	301,560
Purchase of property, plant and equipment other than land and buildings	1,552	1,521	13,219
Personal use	11,056	7,891	4,312
Working capital	21,214	21,546	94,343
Others	14,358	15,241	16,255
	64,664	65,133	877,154

50 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.

GROUP

	Carrying value RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	5 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
31 December 2012								
Investments:								
Financial assets at fair value through profit or loss	201,800	22,301	7,468	7,298	30,837	20,200	134,419	222,523
Available-for-sale financial assets	216,335	32,802	5,806	12,188	159,485	109,680	-	319,961
Loans and receivables	55,486	16,060	43,249	16	2	-	-	59,327
Reinsurance/retakaful assets	151,541	130,860	18,043	2,269	369	-	-	151,541
Insurance/takaful receivables	68,804	68,804	-	-	-	-	-	68,804
Trade and other receivables	255,965	64,270	191,695	-	-	-	-	255,965
Cash and cash equivalents	141,717	141,717	-	-	-	-	-	141,717
	1,091,648	476,814	266,261	21,771	190,693	129,880	134,419	1,219,838
Insurance contract liabilities:								
With DPF	116,990	116,990	-	-	-	-	-	116,990
Without DPF	-	-	-	-	-	-	-	-
Takaful contract liabilities	480,184	411,396	23,022	2,946	1,202	41,618	-	480,184
Financial liabilities	4,335	4,335	-	-	-	-	-	4,335
Insurance/takaful payables	101,543	101,543	-	-	-	-	-	101,543
	703,052	634,264	23,022	2,946	1,202	41,618	-	703,052

50 FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity Profile (continued)

GROUP

	Carrying value RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	5 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
31 December 2011 (Restated)								
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/retakaful assets	97,058	82,784	13,779	495	-	-	-	97,058
Insurance/takaful receivables	81,556	81,556	-	-	-	-	-	81,556
Trade and other receivables	201,000	201,000	-	-	-	-	-	201,000
Cash and cash equivalents	177,252	177,252	-	-	-	-	-	177,252
	983,861	619,286	78,873	18,863	192,377	73,733	102,887	1,086,019
Insurance contract liabilities:								
With DPF	75,838	75,838	-	-	-	-	-	75,838
Without DPF	37,208	37,208	-	-	-	-	-	37,208
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/takaful payables	96,092	96,092	-	-	-	-	-	96,092
	690,999	631,586	21,457	1,037	409	36,080	430	690,999
1 January 2011 (Restated)								
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/retakaful assets	309,939	216,806	56,381	25,192	11,560	-	-	309,939
Insurance/takaful receivables	145,726	145,726	-	-	-	-	-	145,726
Trade and other receivables	89,604	89,604	-	-	-	-	-	89,604
Cash and cash equivalents	871,854	871,854	-	-	-	-	-	871,854
	7,625,781	2,659,905	617,524	715,502	2,563,832	166,362	990,651	7,713,776
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	1,406,669	1,106,210	59,691	26,422	28,201	123,577	62,568	1,406,669
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/takaful payables	910,936	910,936	-	-	-	-	-	910,936
	6,400,478	2,679,029	266,927	73,598	398,806	174,679	2,814,495	6,407,534

50 FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity Profile (continued)

COMPANY

	Carrying value RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	5 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
31 December 2012								
Investments:								
Available-for-sale financial assets	1,664	1,664	-	-	-	-	-	1,664
Loans and receivables	96	37	59	-	-	-	-	96
Trade and other receivables	251,029	36,011	215,018	-	-	-	-	251,029
Cash and cash equivalents	6,141	6,141	-	-	-	-	-	6,141
	258,930	43,853	215,077	-	-	-	-	258,930
Financial liabilities	4,527	4,527	-	-	-	-	-	4,527
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
1 January 2011								
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

50 FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

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

GROUP

	Current* RM'000	Non-current RM'000	Unit-linked RM'000	Total RM'000
31 December 2012				
Property, plant and equipment	-	24,901	-	24,901
Investment properties	-	11,632	-	11,632
Intangible assets	-	7,859	-	7,859
Investments				
Financial assets at fair value through profit or loss	19,448	-	182,352	201,800
Available-for-sale financial assets	27,802	188,533	-	216,335
Loans and receivables	12,227	1,009	42,250	55,486
Associated companies	-	56,314	-	56,314
Reinsurance/retakaful assets	212,743	-	-	212,743
Insurance/takaful receivables	68,804	-	-	68,804
Trade and other receivables	45,988	210,563	1,039	257,590
Tax recoverable	3,617	-	-	3,617
Deferred tax assets	558	-	-	558
Cash and cash equivalents	102,730	-	38,987	141,717
	493,917	500,811	264,628	1,259,356
31 December 2011 (Restated)				
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/retakaful assets	147,928	-	-	147,928
Insurance/takaful receivables	81,556	-	-	81,556
Trade and other receivables	42,783	165,561	1,489	209,833
Tax recoverable	3,563	-	-	3,563
Deferred tax assets	784	-	-	784
Cash and cash equivalents	145,403	-	31,849	177,252
	484,434	423,257	222,340	1,130,031
1 January 2011 (Restated)				
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/retakaful assets	346,240	-	-	346,240
Insurance/takaful receivables	145,726	-	-	145,726
Trade and other receivables	82,003	-	7,601	89,604
Tax recoverable	29,846	-	1,802	31,648
Deferred tax assets	12,780	-	-	12,780
Cash and cash equivalents	663,911	-	207,943	871,854
	3,009,220	4,622,259	952,306	8,583,785

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

50 FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

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

COMPANY

	Current* RM'000	Non-current RM'000	Total RM'000
31 December 2012			
Property, plant and equipment	-	2,316	2,316
Intangible assets	-	181	181
Investments			
Available-for-sale financial assets	1,664	-	1,664
Loans and receivables	37	59	96
Subsidiary companies	-	126,972	126,972
Associated companies	-	100	100
Trade and other receivables	36,011	215,018	251,029
Tax recoverable	1,933	-	1,933
Cash and cash equivalents	6,141	-	6,141
	45,786	344,646	390,432
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
1 January 2011			
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.

50 FINANCIAL RISK (CONTINUED)

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.

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 revaluing 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.

GROUP

	Impact on Equity*	
	31.12.2012 RM'000	**31.12.2011 RM'000**
Interest Rate		
+ 100 basis points	(11,148)	(13,516)
- 100 basis points	12,565	10,879

* 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.

50 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.

GROUP

	Impact on profit before tax		**Impact on Equity***	
	31.12.2012 RM'000	**31.12.2012 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Change in variables				
FTSE Bursa Malaysia				
- FBM KLCI +15% - gain	2,977	2,957	2,233	2,218
- FBM KLCI -15% - loss	(2,977)	(2,957)	(2,233)	(2,218)

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.

51 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.

52 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.

53 INSURANCE FUNDS

Statement of Financial Position by Funds
As at 31 December 2012

	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	23,545	341	-	-	-	23,886
Investment properties	11,632	-	-	-	-	11,632
Intangible assets	7,859	-	-	-	-	7,859
Investments	125,287	3,401	11,011	61,775	272,147	473,621
Financial assets at fair value through profit of loss	19,448	-	11,011	-	171,341	201,800
Available-for-sale financial assets	95,985	20	-	61,775	58,555	216,335
Loans and receivables	9,854	3,381	-	-	42,251	55,486
Associated companies	56,314	-	-	-	-	56,314
Reinsurance/retakaful assets	-	66,812	-	132,139	13,792	212,743
Insurance/takaful receivables	-	21,944	-	21,942	24,918	68,804
Trade and other receivables	253,324	708	92	1,185	2,281	257,590
Tax recoverable	3,382	235	-	-	-	3,617
Deferred tax assets	-	558	-	-	-	558
Cash and cash equivalents	73,419	853	1,773	10,077	55,595	141,717
Asset classified as held for sale	1,015	-	-	-	-	1,015
Total assets	555,777	94,852	12,876	227,118	368,733	1,259,356
Equity, policyholders' funds and liabilities						
Liabilities						
Insurance/takaful contract liabilities	-	116,990	-	173,057	310,882	600,929
Investment contract liabilities	-	-	11,289	-	-	11,289
Borrowings						
- Bank overdrafts (unsecured)	4,335	-	-	-	-	4,335
Insurance/takaful payables	-	40,309	-	36,388	24,846	101,543
Trade and other payables	52,269	5,999	151	12,783	3,457	74,659
Current tax liabilities	2,418	113	-	2,388	1,454	6,373
Deferred tax liabilities	3,978	-	-	627	1,505	6,110
Total liabilities	63,000	163,411	11,440	225,243	342,144	805,238
Equity						
Share capital	304,354	-	-	-	-	304,354
Retained earnings	119,952	-	-	(1,218)	-	118,734
Reserves	4,316	-	-	-	-	4,316
Total equity attributable to the owners of the Company	428,622	-	-	(1,218)	-	427,404
Non-controlling interests	27,121	-	-	(407)	-	26,714
Total equity	455,743	-	-	(1,625)	-	454,118
Total equity, policyholders' funds and liabilities	518,743	163,411	11,440	223,618	342,144	1,259,356
Inter-fund balances	37,034	(68,559)	1,436	3,500	26,589	-

53 INSURANCE FUNDS (CONTINUED)

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/retakaful assets	-	30,187	-	107,692	10,049	147,928
Insurance/takaful receivables	-	18,034	766	43,996	18,760	81,556
Trade and other receivables	203,166	1,209	3,542	423	1,493	209,833
Tax recoverable	2,822	741	-	-	-	3,563
Deferred tax assets	170	419	195	-	-	784
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	503,867	71,065	51,356	214,438	289,305	1,130,031
Equity, policyholders' funds and liabilities						
Liabilities						
Insurance/takaful contract liabilities	-	81,834	31,212	148,465	246,979	508,490
Investment contract liabilities	-	-	17,756	-	-	17,756
Borrowings						
- Bank overdrafts (unsecured)	9,232	-	-	-	-	9,232
Insurance/takaful payables	-	24,487	149	51,935	19,521	96,092
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	122,930	54,533	209,414	271,251	722,064
Equity						
Share capital	304,354	-	-	-	-	304,354
Retained earnings	82,559	-	-	(6,302)	-	76,257
Reserves	(616)	-	-	-	-	(616)
Total equity attributable to the owners of the Company	386,297	-	-	(6,302)	-	379,995
Non-controlling interests	30,073	-	-	(2,101)	-	27,972
Total equity	416,370	-	-	(8,403)	-	407,967
Total equity, policyholders' funds and liabilities	480,306	122,930	54,533	201,011	271,251	1,130,031
Inter-fund balances	23,561	(51,865)	(3,177)	13,427	18,054	-

53 INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds
As at 1 January 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	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/retakaful assets	-	44,517	-	62,182	17,198	123,897
Insurance/takaful receivables	-	30,559	790	37,226	-	68,575
Trade and other receivables	25,450	7,395	4,690	325	1,806	39,666
Tax recoverable	4,292	420	-	-	-	4,712
Deferred tax assets	1,306	827	-	-	-	2,133
Cash and cash equivalents	110,515	14,094	45,390	11,094	71,486	252,579
Asset classified as held for sale	231,757	935,510	6,430,132	-	-	7,597,399
Total assets	605,236	1,046,363	6,587,262	144,095	201,829	8,583,785
Equity, policyholders' funds and liabilities						
Liabilities						
Insurance/takaful contract liabilities	-	115,311	108,560	104,929	193,610	522,410
Investment contract liabilities	-	-	40,538	-	-	40,538
Borrowings						
- Medium term notes (secured)	170,000	-	-	-	-	170,000
- Revolving credit (secured)	36,300	-	-	-	-	36,300
- Bank overdrafts (unsecured)	9,905	-	-	-	-	9,905
Insurance/takaful payables	-	15,068	103	41,612	8,605	65,388
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 directly associated with assets classified as held for sale	(2,428)	935,510	6,430,132	-	-	7,363,214
Total liabilities	267,626	1,072,268	6,591,957	152,233	207,453	8,291,537
Equity						
Share capital	304,354	-	-	-	-	304,354
Accumulated losses	(27,571)	-	-	(10,889)	-	(38,460)
Reserves	(981)	-	-	-	-	(981)
Total equity attributable to the owners of the Company	275,802	-	-	(10,889)	-	264,913
Non-controlling interests	30,965	-	-	(3,630)	-	27,335
Total equity	306,767	-	-	(14,519)	-	292,248
Total equity, policyholders' funds and liabilities	574,393	1,072,268	6,591,957	137,714	207,453	8,583,785
Inter-fund balances	30,843	(26,905)	(4,695)	(6,381)	(5,624)	-

53 INSURANCE FUNDS (CONTINUED)

Income Statement by Funds
For the financial year ended 31 December 2012

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-elimination RM'000	Total RM'000
Gross earned premiums/contributions	-	69,412	-	152,907	209,099	-	431,418
Premiums/contributions ceded to reinsurers/retakaful	-	(48,466)	-	(121,522)	(18,709)	-	(188,697)
Net earned premiums/contributions	-	20,946	-	31,385	190,390	-	242,721
Investment income	9,681	402	177	2,893	9,263	-	22,416
Realised gains and losses	6,179	(6)	83	565	8,345	-	15,166
Fair value gains and losses	9,164	-	(2,828)	-	5,884	-	12,220
Fee and commission income	-	6,035	-	31,330	-	-	37,365
Other operating revenue from non-insurance businesses	43,908	-	-	-	-	-	43,908
Wakalah fee from takaful business	113,351	-	-	-	-	(113,351)	-
Other revenue	182,283	6,431	(2,568)	34,788	23,492	(113,351)	131,075
Gross benefits and claims paid	-	(51,055)	-	(48,810)	(84,879)	-	(184,744)
Claims ceded to reinsurers/retakaful	-	28,451	-	32,808	20,634	-	81,893
Gross change to contract liabilities	-	(49,298)	3,283	(15,348)	(52,293)	-	(113,656)
Change in contract liabilities ceded to reinsurers/retakaful	-	43,503	-	18,601	4,486	-	66,590
Net insurance/takaful benefits and claims	-	(28,399)	3,283	(12,749)	(112,052)	-	(149,917)
Fee and commission expense	(80,292)	(15,330)	(40)	-	-	-	(95,662)
Management expenses	(109,230)	(11,609)	(1,050)	(3)	-		(121,892)
Other operating income/(expenses) - net	(21,033)	15,693	247	-	(10,296)	-	(15,389)
Wakalah fee payable to Shareholders' fund	-	-	-	(43,316)	(70,035)	113,351	-
Finance costs	(420)	-	-	-	-	-	(420)
Other expenses	(210,975)	(11,246)	(843)	(43,319)	(80,331)	113,351	(233,363)
Share of loss of associate companies, net of tax	(665)	-	-	-	-	-	(665)
Profit/(loss) before taxation	(29,357)	(12,268)	(128)	10,105	21,499	-	(10,149)
Taxation of life insurance, general takaful and family takaful businesses	-	-	-	(3,327)	(2,477)	-	(5,804)
Surplus after taxation/ profit/(loss) before taxation	(29,357)	(12,268)	(128)	6,778	19,022	-	(15,953)
Surplus attributable to participants	-	-	-	-	(9,192)	-	(9,192)
Profit/(loss) before taxation	(29,357)	(12,268)	(128)	6,778	9,830	-	(25,145)
Taxation	(3,845)	181	-	-	-	-	(3,664)
Zakat	(226)	-	-	-	-	-	(226)
Profit/(loss) for the financial year	(33,428)	(12,087)	(128)	6,778	9,830	-	(29,035)

53 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-elimination RM'000	Total RM'000
Gross earned premiums/contributions	-	73,975	6	124,471	163,751	-	362,203
Premiums/contributions ceded to reinsurers/retakaful	-	(45,653)	-	(92,505)	(12,927)	-	(151,085)
Net earned premiums/contributions	-	28,322	6	31,966	150,824	-	211,118
Investment income	7,601	682	2,188	2,408	6,592	-	19,471
Realised gains and losses	2,728	(29)	2,197	50	5,633	-	10,579
Fair value gains and losses	(14,911)	(11)	(4,358)	-	1,430	-	(17,850)
Fee and commission income	-	6,841	-	23,539	1,938	-	32,318
Other operating revenue from non-insurance businesses	43,497	-	-	-	-	-	43,497
Wakalah fee from takaful business	90,713	-	-	-	-	(90,713)	-
Other revenue	129,628	7,483	27	25,997	15,593	(90,713)	88,015
Gross benefits and claims paid	-	(46,032)	(3,409)	(32,508)	(51,362)	-	(133,311)
Claims ceded to reinsurers/retakaful	-	32,606	3,515	17,938	13,418	-	67,477
Gross change to contract liabilities	-	(3,519)	52,046	(31,042)	(44,915)	-	(27,430)
Change in contract liabilities ceded to reinsurers/retakaful	-	(8,210)	-	28,295	(2,645)	-	17,440
Net insurance/takaful benefits and claims	-	(25,155)	52,152	(17,317)	(85,504)	-	(75,824)
Fee and commission expense	(67,347)	(18,682)	(47)	-	-	-	(86,076)
Management expenses	(76,995)	(11,217)	(1,457)	(168)	-	-	(89,837)
Other operating income/(expenses) - net	(7,720)	34	534	-	(8,165)	-	(15,317)
Wakalah fee payable to Shareholders' fund	-	-	-	(33,663)	(57,050)	90,713	-
Finance costs	(14,428)	-	-	-	-	-	(14,428)
Other expenses	(166,490)	(29,865)	(970)	(33,831)	(65,215)	90,713	(205,658)
Share of loss of associate companies, net of tax	(350)	-	-	-	-	-	(350)
Profit/(loss) before taxation	(37,212)	(19,215)	51,215	6,815	15,698	-	17,301
Taxation of life insurance, general takaful and family takaful businesses	-	-	-	(699)	(1,381)	-	(2,080)
Surplus after taxation/ profit/(loss) before taxation	(37,212)	(19,215)	51,215	6,116	14,317	-	15,221
Surplus attributable to participants	-	-	-	-	(6,222)	-	(6,222)
Surplus retained in life insurance fund	-	-	(1,453)	-	-	-	(1,453)
Profit/(loss) before taxation	(37,212)	(19,215)	49,762	6,116	8,095	-	7,546
Taxation	(4,586)	(341)	-	-	-	-	(4,927)
Zakat	(188)	-	-	-	-	-	(188)
Profit/(loss) for the financial year	(41,986)	(19,556)	49,762	6,116	8,095	-	2,431

53 **INSURANCE FUNDS** (CONTINUED)

Income Statement by Funds
For the financial year ended 31 December 2012

Discontinued operations

	Shareholders' fund RM'000	Life fund RM'000	Total RM'000
Gross earned premiums	-	3,453	3,453
Premiums ceded to reinsurers	-	(258)	(258)
Net earned premiums	-	3,195	3,195
Investment income	8	555	563
Realised gains and losses	67,302	(182)	67,120
Fair value gains and losses	-	(942)	(942)
Fee and commission income	-	135	135
Other operating revenue from non-insurance businesses	11,286	-	11,286
Other revenue	78,596	(434)	78,162
Gross benefits and claims paid	-	(3,749)	(3,749)
Claims ceded to reinsurers	-	-	-
Gross change to contract liabilities	-	1,587	1,587
Change in contract liabilities ceded to reinsurers	-	-	-
Net insurance benefits and claims	-	(2,162)	(2,162)
Fee and commission expense	-	(450)	(450)
Management expenses	(10,945)	(3,373)	(14,318)
Other operating income/(expenses) - net	(148)	54	(94)
Finance costs	(20)	-	(20)
Other expenses	(11,113)	(3,769)	(14,882)
Profit/(loss) before taxation	67,483	(3,170)	64,313
Taxation	(153)	-	(153)
Profit/(loss) for the financial year	67,330	(3,170)	64,160

53 INSURANCE FUNDS (CONTINUED)

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

Discontinued operations

	Shareholders' fund RM'000	Life fund RM'000	General fund RM'000	Total RM'000
Gross earned premiums	-	346,873	697,184	1,044,057
Premiums ceded to reinsurers	-	(38,351)	(15,071)	(53,422)
Net earned premiums	-	308,522	682,113	990,635
Investment income	7,371	18,470	211,271	237,112
Realised gains and losses	83,420	2,867	21,881	108,168
Fair value gains and losses	222	4,093	(56,372)	(52,057)
Fee and commission income	-	15,001	9,013	24,014
Other operating revenue from non-insurance businesses	20,094	-	-	20,094
Other revenue	111,107	40,431	185,793	337,331
Gross benefits and claims paid	-	(215,776)	(942,769)	(1,158,545)
Claims ceded to reinsurers	-	82,277	8,351	90,628
Gross change to contract liabilities	-	(42,388)	153,662	111,274
Change in contract liabilities ceded to reinsurers	-	(6,563)	688	(5,875)
Net insurance benefits and claims	-	(182,450)	(780,068)	(962,518)
Fee and commission expense	-	(52,623)	(72,098)	(124,721)
Management expenses	(29,898)	(55,456)	(73,995)	(159,349)
Other operating income/(expenses) - net	44	2,332	37,014	39,390
Finance costs	(42)	-	-	(42)
Other expenses	(29,896)	(105,747)	(109,079)	(244,722)
Profit/surplus((deficit) before taxation	81,211	60,756	(21,241)	120,726
Taxation of life insurance business	-	-	14,407	14,407
Profit/(loss) before taxation	81,211	60,756	(6,834)	135,133
Taxation	(3,853)	(19,571)	-	(23,424)
Profit/(loss) for the financial year	77,358	41,185	(6,834)	111,709

53 INSURANCE FUNDS (CONTINUED)

Investment-linked Fund

Statement of Financial Position
As at 31 December 2012

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Assets			
Investments	224,602	189,002	120,489
Financial assets at fair value through profit or loss	182,352	147,090	120,489
Loans and receivables	42,250	41,912	-
Trade and other receivables	1,039	1,489	3,222
Cash and cash equivalents	38,987	31,849	68,856
Assets classified as held for sale (a)	-	-	759,739
Total assets	264,628	222,340	952,306
Liabilities			
Insurance/takaful contract liabilities	246,482	200,301	147,889
Investment contract liabilities	11,289	17,756	40,538
Trade and other payables	4,535	2,508	5,269
Current tax liabilities	1,099	1,049	348
Deferred tax liabilities	1,224	749	625
Liabilities classified as held for sale (a)	-	-	759,739
Total liabilities	264,629	222,363	954,408
Inter-fund balances	(1)	(23)	(2,102)
Net assets value of funds	264,628	222,340	952,306

Income Statements
For the financial year ended 31 December 2012

	31.12.2012 RM'000	31.12.2011 RM'000
CONTINUING OPERATIONS		
Investment income	6,519	4,926
Realised gains and losses	7,076	5,400
Fair value gains and losses	3,102	(4,048)
	16,697	6,278
Other operating expenses - net	(3,359)	(3,263)
Profit before taxation	13,338	3,015
Taxation	(1,541)	(909)
Net profit for the financial year from continuing operations	11,797	2,106
DISCONTINUED OPERATIONS		
Loss before taxation	(1,106)	(21,991)
Taxation	-	1,715
Net loss for the financial year from discontinued operations (b)	(1,106)	(20,276)
Net profit/(loss) for the financial year	10,691	(18,170)

53 INSURANCE FUNDS (CONTINUED)

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

Investment-linked Fund

Statement of Financial Position
As at 31 December 2012

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 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 Statements
For the financial year ended 31 December 2012

	31.12.2012 RM'000	31.12.2011 RM'000
Investment income	(981)	21,113
Realised gains and losses	-	3,316
Fair value gains and losses	-	(38,770)
	(981)	(14,341)
Fees and commission expenses	-	(8,224)
Management expenses	-	(24)
Other operating expenses - net	(125)	598
Loss before taxation	(1,106)	(21,991)
Taxation	-	1,715
Net loss for the financial year	(1,106)	(20,276)

53 INSURANCE FUNDS (CONTINUED)

Information on cash Flow by Funds

	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 2012						
Cash flows from:						
Operating activities	(15,397)	(14,722)	(6,939)	3,168	12,335	(21,555)
Investing activities	(7,787)	(78)	(1,218)	-	-	(9,083)
Financing activities	-	-	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	(23,184)	(14,800)	(8,157)	3,168	12,335	(30,638)
Cash and cash equivalents at beginning of financial year	92,268	15,653	9,930	6,909	43,260	168,020
Cash and cash equivalents at end of financial year	69,084	853	1,773	10,077	55,595	137,382
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

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

(a) On 30 September 2011, the Company completed the disposal of its entire 100% equity interest in Malaysian Assurance Alliance Berhad ("MAA") (now known as Zurich Insurance Malaysia Berhad) 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")) to Zurich Insurance Company Ltd ("Zurich") for a total cash consideration of RM344.0 million ("the Disposal").

Under the terms of the Conditional Sale and Purchase Agreement ("SPA") with Zurich in relation to the 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 disputes arise which shall be resolved in accordance to the relevant terms and conditions stipulated in the SPA.

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.

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.

On 28 June 2012, the Company received RM30.1 million in the escrow account from Zurich being the net held back sum upon satisfaction of certain condition precedent in the SPA in relation to Prima Avenue Klang property, one of the real properties owned by MAA.

On 16 July 2012, the Company received a letter dated 13 July 2012 from Zurich confirming an overstatement of RM5.3 million in the Life fund liabilities of MAA in the draft completion accounts.

On 27 July 2012, the Company received RM20.6 million in the escrow account from Zurich being the held back sum upon satisfaction of certain condition precedent in the SPA in relation to Mithril's 3% 8-year redeemable convertible secured loan stocks ("RCSLS").

On 2 November 2012, the Company filed and served a notice of arbitration against Zurich with the Singapore International Arbitration Centre seeking, inter alia, declarations to refer disputes on the calculation of General Insurance Reserves and other dispute matters in the draft completion accounts prepared by Zurich to an Expert Accountant in accordance with terms of the SPA in order to determine the final selling price of the Disposed subsidiaries, as well as further declarations to be entitled to receive payment of escrow monies in accordance with the Escrow Agreement dated 28 September 2011, having satisfied the requirements under the SPA and the Side Letter dated 17 August 2011 in respect of the Prima Avenue Klang property, together with damages, interests and costs.

(b) On 30 September 2011, the Company became an affected listed issuer pursuant to Practice Note 17 ("PN17") of the Listing Requirements 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 an adverse or disclaimer opinion on the Company's latest audited accounts etc.

As an affected listed issuer, the Company is required pursuant to paragraph 4.1 of the PN 17 of the Listing Requirements to announce details of its regularisation plan.

On 28 September 2012, the Company submitted an application to Bursa Malaysia Securities Berhad ("Bursa Securities") for a waiver from having to comply with Paragraph 8.04(2) of the Listing Requirements and a waiver from submitting a regularisation plan to Bursa Securities pursuant to Paragraph 8.04(3) of the Listing Requirements ("Application for Waiver").

On 1 October 2012, Bursa Securities had vide its letter dated 1 October 2012 informed that the suspension on the trading of the Company's securities and delisting of the Company in accordance with Paragraph 8.04 of the Listing Requirements shall be deferred pending the decision on the Application for Waiver.

On 30 November 2012, the Company submitted an application to Bursa Securities for an extension of time from complying with Paragraph 8.04(3) and PN17 of the Listing Requirements ("Application for Extension of time").

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

(b) On 20 December 2012, the Company announced that Bursa Securities had vide its letter rejected the Company's Application for Waiver from complying with Paragraph 8.04(3) and PN17 of the Listing Requirements and has granted an extension of time of up to 18 June 2013 for the Company to submit a regularisation plan taking into consideration amongst others the following:

(i) The consolidated financial position of the Group as at 30 September 2012 including its consolidated shareholders' equity and net assets of approximately RM451.9 million, cash and cash equivalents of approximately RM154.6 million as well as the Group's low gearing position;

(ii) The future receipts of balance of cash proceeds from the disposal of the Disposed Subsidiaries which is scheduled to be released to the Company from the escrow account in 2013;

(iii) The steps taken to regularise the Company's financial position to date and in particular the disposals of non-performing or loss making assets (such as Wira Security Services Sdn Bhd and PT MAA Life Assurance as disclosed in note (c) and (d) below) and the acquisition of Origin Mortgage Management Services by Columbus Capital Pty Ltd in note (f) below; and

(iv) The Company's plan to revert, sustain and grow the profitability of the Group.

(c) On 28 June 2012, the Company's wholly owned subsidiary company, MAA Corporation Sdn Bhd ("MAA Corp"), completed the disposal of its 100% equity interest in Wira Security Services Sdn Bhd ("Wira") for a total cash consideration of RM7.0 million, arrived at on a 'willing buyer-willing seller' basis.

(d) On 16 August 2012, MAA International Assurance Ltd ("MAAIA"), a wholly owned subsidiary company of MAA Corp, completed the disposal of its 99.5% equity interest in PT MAA Life Assurance ("PT MAAL") for a final sale consideration of IDR23.56 billion (equivalent to approximately RM7.79 million) to Tokio Marine Holdings, Inc.

(e) On 5 September 2012, the Company disposed its 45% equity interest in an associated company, Maybach Logistics Sdn Bhd to Crest Corporate Services Sdn Bhd, for a total cash consideration of RM14,000.

(f) On 21 September 2012, Columbus Capital Pty Ltd ("CCAU"), an associated company of Columbus Capital Singapore Ltd ("CCS") which is in turn a wholly owned subsidiary company of MAA International Investments Ltd ("MAAII"), also a wholly owned subsidiary company of MAA Corp, entered into a conditional sale and purchase agreement with Australia and New Zealand Banking Group Limited ("ANZ") to acquire ANZ's wholesale mortgage distribution business, Origin Mortgage Management Services which manages a portfolio of approximately AUD2.2 billion in residential mortgages.

The acquisition was part financed by funds raised from issuance of Preference Shares B to shareholders' CCS and Consortia Group Holdings Pty Limited ("Consortia")

A Share Subscription Deed to subscribe for 2.0 million Preference Shares B at AUD1.00 per share, representing 4.68% of the enlarged equity interest in CCAU, for a total cash consideration of AUD2.0 million or RM6.7 million equivalent (based on the prevailing exchange rate of AUD1.00: RM3.35) was executed by CCS on 11 September 2012. Consortia subscribed for 1.25 million Preference Share B at an issue price of AUD1.00 per share which represented 2.92% of the enlarged equity interest in CCAU. The proposed subscription increased CCS' equity interest in CCAU from 46.84% to 47.95% whilst correspondingly decreased Consortia's overall interest from 53.16% to 52.05%.

On 28 September 2012, CCAU completed the acquisition of ANZ's wholesale mortgage distribution business, Origin Mortgage Management Services.

(g) On 2 October 2012, MAA Credit Berhad ("MAA Credit"), a wholly owned subsidiary of MAA Corp had in exercise of its power of attorney pursuant to memorandum of deposit shares in Keris Murni Sdn Bhd ("KMSB") and Pusat Tuisyen Kasturi Sdn Bhd ("PTKSB") ("the Security Shares") dated 1 October 2009 signed with Famous Vertex Sdn Bhd ("FVSB"), transferred all the Security Shares to itself. This forms part of debt recovery action taken to enforce the Security Shares after FVSB had defaulted the loan (both principal and interest) due to MAA Credit.

Consequently, KMSB and PTKSB become 70% owned subsidiary companies of MAA Credit on 2 October 2012.

(h) On 26 November 2012 MAA Credit entered into a Shares Sale Agreement with Ahmad Nor Shaffuddin bin Ahmad Baharuddin and Rozeeta Binti Ahmad Baharuddin (collectively referred to as "Vendors") on the same date to acquire from the Vendors 290,002 ordinary shares of RM1.00 each representing 100% equity interest in Nilam Timur Sdn Bhd ("Nilam Timur") for a total cash consideration of RM10.00, arrived at on a 'willing seller-willing buyer' basis. This forms part of debt recovery action taken by MAA Credit for a loan due by Nilam Timur. MAA Credit intends to sell Nilam Timur which has the sub-lease on lands to any interested party to recover the loan.

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

(i) On 5 December 2012, MAA Corp and NTY Enterprise Sdn Bhd entered into a Share Sale Agreement, for the disposal of 385,000 ordinary shares representing 11% of the issued and fully paid up ordinary shares and the 153 redeemable preference shares representing 100% of the issued and fully paid up redeemable preference shares in Meridian Asset Management Holdings Sdn Bhd ("MAM") respectively for a total cash consideration of Ringgit Malaysia Ten (RM10) only, arrived at on a 'willing seller-willing buyer' basis. Upon completion of the disposal, MAM has ceased to be a subsidiary company of MAA Corp/the Company and has been accounted for as an associated company of the Group.

(j) On 23 April 2013, the Board of Directors of the Company discussed and approved in principle the proposed disposal of MAAIA's entire interest in PT MAA General Assurance ("PT MAAG"), an 83% owned subsidiary company in Indonesia. The Company has been in discussions with an interested party for the proposed disposal; however the terms and conditions of the contemplated sale and purchase agreement have yet to be finalised. The Board is of the opinion that it will be in the best interest of the Company to divest PT MAAG based on its financial condition and to therefore mitigate the loss from this operations in Indonesia.

The key financial information in relation to PT MAAG included in the consolidated financial statements of the Group for the current and previous financial years are as follows:

	31.12.2012 RM'000	(Restated) 31.12.2011 RM'000
Income statement for the financial year ended:		
Operating revenue	69,797	64,896
Loss after taxation	(26,895)	(24,847)
Statement of financial position as at:		
Total assets	94,852	67,718
Total liabilities	(163,411)	(108,139)

The expected gain or loss from the proposed disposal is presently undeterminable as the terms and conditions of the contemplated sale and purchase have yet to be finalised.

55 DISCLOSURE OF REALISED AND UNREALISED PROFITS

The following analysis of realised and unrealised retained profits at the legal entity level is prepared in accordance with 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 whilst the disclosure at the Group level is based on the prescribed format by the Bursa Malaysia Securities Berhad ("Bursa Securities").

	GROUP		COMPANY	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Total retained earnings:				
Realised	131,741	74,713	79,887	36,503
Unrealised	1,415	5,577	(131)	(11)
	133,156	80,290	79,756	36,492
Total share of accumulated losses from associated companies:				
Realised	(5,606)	(5,644)	-	-
Unrealised	3,913	4,616	-	-
	(1,693)	(1,028)	-	-
	131,463	79,262	79,756	36,492
Less: Consolidation adjustments	(12,729)	(3,005)	-	-
Total retained earnings	118,734	76,257	79,756	36,492

The disclosure of realised and unrealised profits/(losses) above is solely for compliance with the directive issued by Bursa Securities and should not be used for any other purpose.