NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

1 PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is principally engaged in investment holding and providing management services, whilst the principal activities of the subsidiaries are as stated in Note 9 to the financial statements.

There have been no significant changes in the principal activities of the Company and its subsidiaries during the financial year, other than the significant events disclosed in Note 50 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 28 April 2014.

2 SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements of the Group and the 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 the 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's and the 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 from those estimates.

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.

Going concern of a subsidiary

In preparing the financial statements of the Group for the financial year ended 31 December 2013, the Directors of the Company have taken into consideration the financial position of PT MAA General Assurance ("PT MAAG"), a 83% owned subsidiary in Indonesia.

Premised on the financial conditions of PT MAAG as of 31 December 2013, with business run-off, operations downsizing, claims hair-cut negotiations, deficit shareholders' fund of Indonesia Ruppiah 299.8 billion (equivalent to RM80.8 million), non-compliance with the minimum share capital of Indonesia Ruppiah 70 billion (equivalent to RM18.9 million) as well as the solvency requirements by Financial Services Authority (OJK), these factors indicate the existence of a material uncertainty that has cast significant doubt on the ability of PT MAAG to continue as a going concern.

Further, on 26 February 2014, the Board of Directors of the Company has approved in principle for the proposed liquidation of PT MAAG in due course upon the earlier of after the completion of the liabilities settlement plan of the company or the cessation of the Group's funding when the liabilities settlement plan is deemed no longer viable.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Going concern of a subsidiary (continued)

As a result of these, the financial statements of PT MAAG for the financial year ended 31 December 2013 have been prepared on a basis other than a going concern. Accordingly, the carrying values of the assets of PT MAAG have been stated at the estimated realisable values and liabilities are recorded to reflect the estimated remaining obligations.

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

The following standards have been adopted by the Group and the Company for the financial year beginning on or after 1 January 2013:

- Amendment to MFRS 101, 'Presentation of items of other comprehensive income' 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.

- MFRS 10, 'Consolidated Financial Statements' builds on existing principles by identifying the concept of control as the determining factor to determine whether an entity should be included within the consolidated financial statements of the parent company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

- MFRS 11, 'Joint arrangements' requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint venturer has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- MFRS 12, 'Disclosures of Interests in Other Entities' sets out the required disclosures for all forms of interest in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. It requires entities to disclose information that helps financial statements 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' 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.

- Amendment to MFRS 7, 'Financial Instruments: Disclosures' 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.

The initial application of the aforesaid applicable standards, amendments to published and interpretations does not have any material impact to the current and prior periods' financial statements upon adoption other than enhanced disclosures to the financial statements.

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

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

Effective from financial year 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 MFRS 132 offsetting criteria.

- Amendments to MFRS 10, MFRS 12 and MFRS 127 (effective from 1 January 2014) introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both and evaluate the performance of its investments on fair value basis. The amendments require investment entities to measure particular subsidiaries at fair value instead of consolidating them.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

Effective from financial year beginning on/after 1 January 2014 (continued)

- IC Interpretation 21, 'Levies' (effective from 1 January 2014) sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation clarifies that a liability to pay a levy is recognised when the obligating event occurs. Obligating event is the event identified by the legislation that triggers the payment of the levy.

Effective date yet to be determined by Malaysian Accounting Standards Board ("MASB")

- MFRS 9, 'Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities' replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group and the Company have yet to assess MFRS 9's full impact. The Group will also consider the impact of the remaining phases of MFRS 9 when it is completed by the MASB.

The Group and the Company are currently assessing the application of adopting the above standards, amendments to standards and interpretations to existing standards onto the prevailing accounting policies.

All other new amendments to published standards and interpretations to existing standards issued by MASB effective for financial periods subsequent to 1 January 2014 are not relevant to the Group and the Company.

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries 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 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 carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date at each stage, any gains or losses arising from such remeasurement are recognised in income statement.

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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired at the acquisition date is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

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 subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

(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 subsidiaries

When the Group ceases to have control over a subsidiary, 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 income statement. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, 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 income statement.

(d) Associates

Associates 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 associates includes goodwill identified on acquisition, net of any accumulated impairment loss (see accounting policy in Note 2.9 to the financial statements on impairment of non-financial assets).

If the ownership interest in an associate 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.

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 associate equals or exceeds its interest in the associate, 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 associate.

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

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

Dilution gains and losses arising in investment in associates are recognised in income statement.

2.3 Investments in subsidiaries and associates

In the Company's separate financial statements, investments in subsidiaries and associates are carried at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (see accounting policy in Note 2.9 to the financial statements on impairment of non-financial assets). Impairment loss is charged to income statement.

On disposal of investments in subsidiaries and associates, the difference between disposal proceeds and the carrying amounts of the investments is recognised in the income statement.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Foreign currency translation

(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) to the financial statements.

(c) 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.

(d) 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) to the financial statements.

(e) Group companies

The results and financial positions of the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of the Group 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 in 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 investments in foreign entities 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 reattributed to non-controlling interests and are not recognised in income statement. For all other partial disposals (that is, reductions in the Group's ownership interests 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 is 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 to the financial statements on borrowings).

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 repair and maintenance costs 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.

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 to the financial statements on impairment of non-financial assets).

(d) Gains and losses on disposals

Gains and losses on disposals are determined by comparing sale proceeds with carrying amounts and are credited or charged to the income statement.

(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. 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. 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.

Investment 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 different from 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 sales proceed 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.

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 expenses when incurred. Costs that are directly associated with identifiable software systems controlled by the Group and the 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 coordinated 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 ("FVTPL"), held-to-maturity ("HTM") financial assets, loans and receivables and available-for-sale ("AFS") 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 FVTPL</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 following 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>HTM financial assets</u>

HTM financial assets are debt instruments with fixed or determinable payments and fixed maturity that the Group's management has the positive intention and ability to hold the investments until maturity.

HTM financial assets are classified as non-current assets, except for those having maturity within 12 months of the end of the reporting period.

<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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets (continued)

(a) Classification (continued)

AFS financial assets

AFS 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.

(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 FVTPL are initially recognised at fair values, and the transaction costs are expensed in the income statement.

(c) Subsequent measurement – Gains and losses

AFS financial assets and financial assets at FVTPL are subsequently carried at fair values. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair values of financial assets at FVTPL, including the effects of currency translation, interest and dividend income are recognised in the income statement in the period in which the changes arise.

HTM financial assets are subsequently measured at amortised cost using the effective interest method.

Changes in the fair values of AFS financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 2.11(d) to the financial statements) 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 takaful contract liabilities until the investment is derecognised.

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

To determine whether there is objective evidence that an impairment loss on financial assets has occurred, 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets (continued)

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

Assets carried at amortised cost (continued)

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 for recovery have been completed and the amount of the loss has been determined.

AFS financial assets

The Group/Company assesses at the end of the reporting date whether there is objective evidence that an AFS financial asset is impaired, including in the case of equity investments classified as AFS, 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 AFS 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. Impairment losses recognised in the income statement on equity instruments classified as AFS 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 AFS 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 AFS financial assets are sold, the accumulated fair value adjustments recognised in equity 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 statement 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 values 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 the 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) to the financial statements 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) to the financial statements 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Trade and other receivables (continued)

Trade receivables are recognised initially at fair values and subsequently measured at amortised costs 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.

2.19 Borrowings

Borrowings are recognised initially at fair values, 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 the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Employee benefits (continued)

Post employment benefits

The Group and the 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 the 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 the 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 the 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.

2.26 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/takaful 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/takaful risk is the risk other than financial risk.

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

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's actual experience.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Product classification (continued)

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

The Group defines insurance/takaful risk to be significant when the ratio of the insurance/takaful risk over the deposit component is not less than 110% of the deposit component at any point of the in force insurance/takaful contract. Based on this definition, all insurance/takaful contracts issued by the Group met the definition of insurance/takaful contracts as at the date of the statement of financial position.

2.28 Reinsurance/Retakaful

The Group cedes insurance/takaful 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/retakaful operators are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurers'/retakaful operators' 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/retakaful operators. 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/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/retakaful 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. Reinsurance/retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance/retakaful contracts that do not transfer significant insurance/takaful 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 explicitly identified premium/contribution or fees to be retained by the reinsurer/retakaful operator. Investment income on these contracts is accounted for using the effective yield method when accrued.

2.29 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.

<u>Gross premiums</u>

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.

<u>Reinsurance premiums</u>

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.29 Insurance contracts - General insurance business (continued)

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, 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.

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.

2.30 Takaful contracts - General takaful business

The General takaful business is maintained in accordance with the requirements of the Islamic Financial Services Act, 2013 ("IFSA") which came into effect on 30 June 2013 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 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 business will be made good via a benevolent loan or Qardhul Hassan from the Shareholders' fund of the takaful subsidiary.

Gross contributions

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

Retakaful contributions

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.30 Takaful contracts - General takaful business (continued)

Unearned contribution reserves

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

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

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

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

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

Provision for outstanding claims

A liability for outstanding 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 date of the statement of financial position.

Provision is also made for the cost of claims, together with related expenses and incurred but not reported ("IBNR") at the date of the statement of financial position, 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.

Deficit/accumulated deficits

Deficits reported by the General takaful business during the financial year are reported as a loss in the income statement of the General takaful business to the extent that there are no allocated surplus balances residing with the General takaful contract liabilities. Accordingly, accumulated deficits and available-for-sale reserve attributable to the Shareholders' fund of the takaful subsidiary are treated as an equity in the financial statements of the Group.

2.31 Takaful contracts - Family takaful business

The Family takaful business is maintained in accordance with the requirements of the IFSA 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 business and is attributable in accordance with the terms and conditions prescribed by the Shariah Committee of the subsidiary engaged in the takaful business.

Any actuarial deficit in the Family takaful business will be made good via a benevolent loan or Qardhul Hassan from the Shareholders' fund of the takaful subsidiary.

Gross contributions

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

Gross contributions from the Family takaful business are recognised as soon as the amount can be reliably measured. First contribution is recognised from inception date and subsequent contribution is recognised when it is due. At the end of the financial year, all the contributions are accounted for to the extent that they can be reliably measured.

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

Retakaful contributions

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.31 Takaful contracts - Family takaful business (continued)

Provision for outstanding claims

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

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

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

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

(ii) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

Deficit/accumulated deficits

Deficits recorded by the Family takaful business during the financial year are reported as a loss in then income statement of the Family takaful business to the extent that there are no unallocated surplus balances residing within the Family takaful contract liabilities. Accordingly, accumulated deficits and available-for-sale reserve attributable to the Shareholders' fund of the takaful subsidiary are treated as an equity in the statement of financial position of the Group.

2.32 Insurance/takaful contract liabilities

Family takaful contract liabilities

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

A liability adequacy test is performed at 75th percentile sufficiency level, in line with Bank Negara Malaysia ("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.

General 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.32 Insurance/takaful contract liabilities (continued)

General insurance and General takaful contract liabilities (continued)

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 is 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.

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. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking into account of the investment return expected to arise on assets relating to the relevant general technical provisions. If these estimates show that the carrying amount of the unearned contributions is inadequate, the deficiency is recognised in the income statement by setting up a provision for liability adequacy.

2.33 Shareholders' fund's expense liabilities

The expense liabilities of the Shareholders' fund of the takaful subsidiary consist of expense liabilities of the General and Family takaful businesses which are based on estimations performed by a qualified actuary. The expense liabilities are released over the term of the takaful certificate and recognised in the income statement.

2.34 Measurement and impairment of Qardhul Hassan

Any deficit in the takaful risk fund will be made good via a benevolent loan, or Qardhul Hassan, granted by the Shareholders' fund of the takaful subsidiary to the takaful businesses. Qardhul Hassan shall be repaid from future surplus of the takaful businesses.

Qardhul Hassan is accounted for a receivable and payable in the financial statements of the Shareholders' fund of the takaful subsidiary and takaful businesses respectively, and is stated at cost. 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.

Qardhul Hassan payable in the respective the takaful businesses are stated at cost.

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 businesses 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 engaged in the takaful business and agreed between the participants and the subsidiary, and are allocated to the shareholders' fund and recognised as income upon issuance of certificates.

2.36 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 to the financial statements for the financial assets backing these liabilities).

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.37 Other revenue recognition

Interest and profit income

Interest income for financial assets that are not classified as FVTPL 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 including the amount of amortisation of premium and accretion of discount of the subsidiary engaged in the takaful business is recognised on a time proportion basis that takes into account the effective yield of the asset.

Rental income

Rental income on investment property is recognised on receipt basis.

Dividend income

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

Other fee income

Management, consultancy and advisory service and educational 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/takaful 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 statement, 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 associates 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.38 Current and deferred income tax (continued)

Deferred tax (continued)

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.

The carrying amounts of deferred tax assets are 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 assets 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 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 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 date of the statement of financial position, 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/takaful 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 at the date of the statement of financial position of both the expected ultimate cost of claims reported to the Group and the expected ultimate cost of claims incurred but not yet reported to the Group. 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 liabilities at the date of 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

The Group engages independent external actuary to perform the actuarial liabilities for Family takaful plans. All the products are valued in such a manner that the overall liabilities secured 75% confidence level, as prescribed by BNM's valuation guidelines on Family takaful business. The liabilities were set up based on product type as follows:

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

  This is the risk fund that involves investment-linked certificates including unit deducting riders. The Tabarru' rates are dripped from Participant Investment Account ("PIA") to this risk fund on a monthly basis. The UCR is calculated by taking half of the total monthly drip at the valuation date. The liabilities in this fund are calculated as the larger of UCR or 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 75% confidence level.

  In addition to this liability, IBNR is also included for Critical Illness and Medical unit deducting riders. From the experience study, 2 months and 1 month average claims were assumed in calculating the IBNR for Critical Illness and Medical riders respectively.

  The Group has also included a provision for certificates under waiver of contributions. This is taken as the present value of future gross contributions to be waived throughout the term, discounted using risk free spot rates of returns.

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

  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 1/24th 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 1/24th method. An additional provision for 1 months of average claims is set aside as IBNR for SmartMedic. An additional provision for 70% of contribution reserve is set aside as deficiency reserve, to reflect the portfolio experience. Reserves for SmartMedic100 and SmartMedic200 are adjusted to reflect 50% and 75% retained portion respectively after retakaful arrangement.

  The Takafullife series and Term 80 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 or 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% confidence level. In addition, 2 months of average claims are set aside for IBNR of Critical Illness riders.

- Group Fund Risk Investment Account ("GFRIA")

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

  The net liability for Group Term Takaful is calculated on Unexpired Risk Reserve ("URR") basis using 1/24th method.

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

  IBNR is set aside for the Critical Illness riders attachable to Group Term Takaful and Comprehensive Group Takaful Scheme based on 5 months of average claims.

  The reserving method used for Group Mortgage Protection Plan is based on Gross Premium Valuation ("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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(a) Critical accounting estimates and assumptions (continued)

(iii) Provision for Zurich's Counterclaims

During the financial year ended 31 December 2013, the Group and the Company each made a provision of RM45.0 million for Zurich's Counterclaims that was related to alleged breach of warranties and indemnities in the SPA with Zurich on the Disposed Subsidiaries as disclosed in Note 50(a) to the financial statements. The said provision amount was based on the parties' ongoing and latest settlement negotiations, which to date has not been reached or mutually agreed.

(iv) Gain on disposal of the Disposed Subsidiaries

During the financial year ended 31 December 2013, the Group and the Company recognised additional gain (net of selling expenses) of RM14.3 million and RM8.3 million respectively on the sale of the Disposed Subsidiaries under the Settlement Agreement signed with Zurich. These gains have excluded an amount of RM3.0 million being PAK Hold Back Amount until the delivery of the individual strata title for Block A of PAK within 3 years period as disclosed in Note 50(a) to the financial statements.

The PAK Hold Back Amount will be recognised by the Group and the Company in subsequent years upon fulfilment of the strata title condition.

(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 the Company.

Significant judgment is required in determining the income and deferred tax applicable to the takaful subsidiary and the Company. There are transactions and calculations for which the ultimate tax determination is subject to agreement with the tax authorities. The takaful subsidiary recognised tax liabilities on anticipated issues based on the best estimate of the amount of taxes expected to be paid. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Freehold and leasehold land	Furniture, fittings and equipment	Motor vehicles	Renovation	Yacht	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost						
At 1 January 2012	-	13,677	9,898	3,553	-	27,128
Additions	-	11,737	1,471	4,452	-	17,660
Arising from the acquired subsidiaries (Note 39(a),(b))	2,187	10,494	135	217	-	13,033
Arising from the disposed subsidiaries (Note 38(b),(c))	-	(3,591)	(5,647)	(1,379)	-	(10,617)
Revaluation surplus	215	-	-	-	-	215
Disposal	-	(75)	(537)	-	-	(612)
Write-off	-	(1,688)	-	(1,272)	-	(2,960)
Currency translation differences	-	-	(15)	-	-	(15)
At 31 December 2012 / 1 January 2013	2,402	30,554	5,305	5,571	-	43,832
Additions	-	2,693	514	538	-	3,745
Transferred from assets classified as held for sale (Note 16)	-	-	-	-	5,625	5,625
Arising from the disposed subsidiary (Note 38(e))	-	(2,115)	(570)	(1,149)	-	(3,834)
Disposals	-	(184)	(413)	(7)	-	(604)
Write-off	-	(406)	(12)	(145)	-	(563)
Currency translation differences	-	-	37	-	-	37
At 31 December 2013	2,402	30,542	4,861	4,808	5,625	48,238
Accumulated depreciation						
At 1 January 2012	-	7,754	6,126	2,136	-	16,016
Depreciation for the financial year	-	2,289	750	615	-	3,654
Arising from the acquired subsidiaries (Note 39(a),(b))	-	10,299	135	209	-	10,643
Arising from the disposed subsidiaries (Note 38(b),(c))	-	(3,117)	(3,455)	(1,190)	-	(7,762)
Disposals	-	(12)	(392)	-	-	(404)
Write-off	-	(1,487)	-	(847)	-	(2,334)
Currency translation differences	-	50	18	-	-	68
At 31 December 2012 / 1 January 2013	-	15,776	3,182	923	-	19,881
Depreciation for the financial year	30	2,825	494	576	-	3,925
Transferred from assets classified as held for sale (Note 16)	-	-	-	-	4,610	4,610
Arising from the disposed subsidiary (Note 38(e))	-	(717)	(140)	(310)	-	(1,167)
Disposals	-	(143)	(257)	(7)	-	(407)
Write-off	-	(391)	(2)	(109)	-	(502)
Currency translation differences	-	(1)	56	-	-	55
At 31 December 2013	30	17,349	3,333	1,073	4,610	26,395

4 **PROPERTY, PLANT AND EQUIPMENT** (continued)

GROUP

	Freehold and leasehold land	Furniture, fittings and equipment	Motor vehicles	Renovation	Yacht	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated impairment loss						
At 1 January 2012	-	292	-	447	-	739
Write-back during the financial year	-	(227)	-	(447)	-	(674)
At 31 December 2012 / 1 January 2013	-	65	-	-	-	65
Arising from the disposed subsidiary (Note 38(e))	-	(65)	-	-	-	(65)
At 31 December 2013	-	-	-	-	-	-
Net book value						
At 31 December 2012	2,402	14,713	2,123	4,648	-	23,886
At 31 December 2013	2,372	13,193	1,528	3,735	1,015	21,843

4 PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY

	Furniture, fittings and equipment	Motor vehicles	Renovation	Total
	RM'000	RM'000	RM'000	RM'000
Cost				
At 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 January 2013	1,196	2,063	770	4,029
Additions	97	192	49	338
Disposals	-	(155)	-	(155)
Write-off	(2)	(8)	-	(10)
At 31 December 2013	1,291	2,092	819	4,202
Accumulated depreciation				
At 1 January 2012	678	1,129	95	1,902
Deprecation for the financial year	127	206	77	410
Disposals	-	(58)	-	(58)
Write-off	(446)	-	(95)	(541)
At 31 December 2012 / 1 January 2013	359	1,277	77	1,713
Deprecation for the financial year	130	209	82	421
Disposals	-	(108)	-	(108)
Write-off	(2)	(1)	-	(3)
At 31 December 2013	487	1,377	159	2,023
Accumulated impairment loss				
At 1 January 2012	94	-	82	176
Write-back during the financial year	(94)	-	(82)	(176)
At 31 December 2012 / 1 January 2013 / 31 December 2013	-	-	-	-
Net book value				
At 31 December 2012	837	786	693	2,316
At 31 December 2013	804	715	660	2,179

5 INVESTMENT PROPERTIES

	GROUP	
	31.12.2013	**31.12.2012**
	RM'000	**RM'000**
At 1 January	11,632	11,175
Fair value gains – net (Note 27)	1,551	1,261
Currency translation differences	(683)	(804)
At 31 December	12,500	11,632
Comprising:		
Leasehold land and buildings	12,500	11,632

Investment properties are stated at fair value, which have been determined based on valuations performed by external independent professional 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.

Fair value hierarchy

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:

Level 1 – fair value is derived from unadjusted quoted price in active markets for identical properties that the entity can access at the measurement date.

Level 2 – Fair value is estimated using inputs that are observable for the properties, either directly or indirectly.

Level 3 – fair value is estimated using unobservable inputs for properties.

The fair value of investment properties are categorised as follows:

	GROUP			
	Level 1	**Level 2**	**Level 3**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
31 December 2013	-	12,500	-	12,500
31 December 2012	-	11,632	-	11,632

The investment properties, which is under Level 2 of the fair value hierarchy is measured in whole by reference to inputs other than quoted prices included within Level 1 that are observable for the investment property either directly or indirectly. The investment properties are valued using the comparison method – recent transactions and asking prices of similar properties in the locality are analysed for comparison purpose with adjustments made for difference in location, size, age and the condition of the unit and building, tenure, title restriction if any, and other relevant characteristics to arrive at the market value.

There were no transfers between Level 1 and 2 in both the financial years ended 31 December 2013 and 2012. The Group's policy is to recognise transfer into and transfer out of fair value hierarchy levels as at the end of the reporting period (or at the date of the event or change in circumstances that caused the transfers or the beginning of the reporting period).

The following are amounts arising from investment properties (all rental income generating) that have been recognised in the income statement during the financial year:

	GROUP	
	31.12.2013	**31.12.2012**
	RM'000	**RM'000**
Rental income (Note 25)	106	77
Direct operating expenses arising from investment properties	(286)	(459)

6 INTANGIBLE ASSETS

GROUP

	Management rights	Computer software	Total
	RM'000	RM'000	RM'000
Cost			
At 1 January 2012	7,000	9,718	16,718
Additions	-	1,395	1,395
Disposals	-	(6)	(6)
At 31 December 2012 / 1 January 2013	7,000	11,107	18,107
Additions	-	959	959
Arising from the disposed subsidiary (Note 38(e))	(7,000)	(1,719)	(8,719)
At 31 December 2013	-	10,347	10,347
Accumulated amortisation			
At 1 January 2012	2,893	5,364	8,257
Amortisation for the financial year	347	1,649	1,996
Disposals	-	(5)	(5)
At 31 December 2012 / 1 January 2013	3,240	7,008	10,248
Amortisation for the financial year	347	1,368	1,715
Arising from the disposed subsidiary (Note 38(e))	(3,587)	(1,036)	(4,623)
At 31 December 2013	-	7,340	7,340
Net carrying amount			
At 31 December 2012	3,760	4,099	7,859
At 31 December 2013	-	3,007	3,007

COMPANY

	Computer software	
	31.12.2013	31.12.2012
	RM'000	RM'000
Cost		
At 1 January	502	438
Additions	61	70
Disposal	-	(6)
At 31 December	563	502
Accumulated amortisation		
At 1 January	321	262
Amortisation for the financial year	68	64
Disposals	-	(5)
At 31 December	389	321
Net carrying amount	174	181

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 Mutual"), a then 70% owned subsidiary of MAA Corporation Sdn Bhd which is in turn a wholly owned subsidiary of the Company, and MBf Unit Trust Management Berhad ("MUTMB"), MAAKL Mutual 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 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 (2012: 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 10 (2012: 11) years.

On 31 December 2013, the Group completed the disposal of MAAKL Mutual as disclosed in Note 38(e) to the financial statements.

7 INVESTMENTS

	GROUP		COMPANY	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysian Government Guaranteed Financing	48,634	55,031	-	-
Corporate debt securities	39,183	4,454	34,714	-
Government debt securities	1,406	2,080	-	-
Islamic debt securities	190,054	178,597	-	-
Syariah-approved equities	209,059	134,905	-	-
Equity securities	43,304	38,981	-	1,664
Other investments	5,861	45,678	-	-
Investment-linked units	10,430	-	-	-
Unit trusts	2,033	9,048	-	-
Loans	5,834	9,385	38	96
Fixed and call deposits with licensed banks	103,197	2,053	100,565	-
	658,995	480,212	135,317	1,760

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

	GROUP		COMPANY	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets at fair value through profit or loss ("FVTPL")	294,722	248,336	-	-
Available-for-sale ("AFS") financial assets	214,361	184,604	34,714	1,664
Held-to-maturity ("HTM") financial assets	40,881	35,834	-	-
Loans and receivables ("LAR") (Note 8)	109,031	11,438	100,603	96
	658,995	480,212	135,317	1,760

7 INVESTMENTS (continued)

The following investments mature after 12 months:

	GROUP		COMPANY	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Financial assets at FVTPL	3,961	49,628	-	-
AFS financial assets	150,973	156,771	-	-
HTM financial assets	40,881	35,834	-	-
LAR (Note 8)	57	1,008	-	59
	195,872	243,241	-	59

(a) <u>Financial assets at FVTPL</u>

Held-for-trading:				
Quoted:				
Unit trusts	2,033	1,965	-	-
Unquoted:				
Investment-linked units	10,430	-	-	-
	12,463	1,965	-	-
Designated at FVTPL:				
Quoted:				
Equity securities	15,120	13,258	-	-
Shariah-approved equities	209,059	134,905	-	-
Corporate debt securities	3,961	3,950	-	-
Other investments	5,861	45,678	-	-
Unquoted:				
Unit trusts	-	7,083	-	-
Unquoted:				
Islamic debt securities	48,258	41,497	-	-
	282,259	246,371	-	-
	294,722	248,336	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

7 INVESTMENTS (continued)

	GROUP		COMPANY	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(b) AFS financial assets				
Fair value:				
Quoted:				
Equity securities	-	1,664	-	1,664
Unquoted:				
Equity securities	28,184	24,059	-	-
Corporate debt securities	35,222	504	34,714	-
Government debt securities	1,406	2,080	-	-
Unquoted:				
Islamic debt securities	141,796	137,100	-	-
Malaysian Government Guaranteed Financing	7,753	19,197	-	-
	214,361	184,604	34,714	1,664
(c) HTM financial assets				
Amortised cost:				
Malaysian Government Guaranteed Financing	40,881	35,834	-	-
Fair value:				
Malaysian Government Guaranteed Financing	38,977	36,638	-	-

Carrying values of financial assets

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

GROUP

	FVTPL	**AFS**	**HTM**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'00**
At 1 January 2012	214,383	182,003	20,308	416,694
Purchases	107,814	68,176	15,044	191,034
Disposals including maturities and redemptions	(78,745)	(63,468)	-	(142,213)
Fair value gain/(loss) recorded in:				
Income statement (Note 27)	4,408	-	-	4,408
Other comprehensive income				
- Gross fair value changes	-	4,089	-	4,089
- Transferred to Income Statement upon disposal of AFS financial assets	-	(4,012)	-	(4,012)
Insurance/takaful contract liabilities				
- Gross fair value changes (Note 17)	-	689	-	689
- Transferred to Income Statement upon disposal of AFS financial assets (Note 26)	-	(1,917)	-	(1,917)
Movement in accrued interest/profit	477	(1,102)	483	(142)
Movement in impairment allowance (Note 30)	-	857	-	857
Accretion of discount/(amortisation of premium)	-	106	(1)	105
Arising from disposed subsidiary	(2)	-	-	(2)
Currency translation differences	1	(817)	-	(816)
At 31 December 2012	248,336	184,604	35,834	468,774

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

7 INVESTMENTS (continued)

Carrying values of financial assets (continued)

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

GROUP

	FVTPL	AFS	HTM	Total
	RM'000	RM'000	RM'000	RM'00
At 1 January 2013	248,336	184,604	35,834	468,774
Bonds acquired from Settlement Agreement	-	21,603	-	21,60
Fair value gain from acquisition of bonds via Settlement Agreement (Note 30)	-	23,770	-	23,770
Purchases	197,832	69,863	5,000	272,695
Disposals including maturities and redemptions	(162,435)	(65,725)	-	(228,160)
Dividend income capitalised	60	-	-	60
Fair value gain/(loss) recorded in:				
Income statement (Note 27)	10,722	-	-	10,722
Other comprehensive income				
- Gross fair value changes	-	2,507	-	2,507
- Transferred to Income Statement upon disposal of AFS financial assets	-	(6,038)	-	(6,038)
Insurance/takaful contract liabilities				
- Gross fair value changes (Note 17)	-	(4,284)	-	(4,284)
- Transferred to Income Statement upon disposal of AFS financial assets (Note 26)	-	(1,846)	-	(1,846)
Movement in accrued interest/profit	250	627	48	925
Movement in impairment allowance (Note 30)	-	(12,048)	-	(12,048)
Accretion of discount/(amortisation of premium)	-	173	(1)	172
Currency translation differences	(43)	1,155	-	1,112
At 31 December 2013	294,722	214,361	40,881	549,964

COMPANY

	AFS	Total
	RM'000	RM'000
At 1 January 2012	-	-
Fair value gain recorded in other comprehensive income	1,664	1,664
At 31 December 2012/ 1 January 2013	1,664	1,664
Bonds acquired from Settlement Agreement	21,603	21,603
Fair value gain from acquisition of bonds via Settlement Agreement (Note 30)	23,770	23,770
Fair value gain recorded in other comprehensive income		
- Gross fair value changes	1,589	1,589
- Transferred to Income Statement upon disposal of AFS financial assets (Note 26)	(3,212)	(3,212)
Movement in impairment allowance (Note 30)	(11,110)	(11,110)
Accretion of discounts	233	233
Movement in accrued interest	177	177
At 31 December 2013	34,714	34,714

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

7 INVESTMENTS (continued)

Recurring fair values of investments

The following tables show the analysis of the different hierarchy of fair values for investments recorded at fair values and investments not measured at fair value but the fair values are disclosed:

GROUP

	FVTPL	AFS	HTM	Total
	RM'000	RM'000	RM'000	RM'00
31 December 2012				
Quoted market price (Level 1)	153,825	1,716	-	155,541
Valuation techniques – market observable inputs (Level 2)	94,511	159,550	36,638	290,699
Valuation techniques – non-market observable inputs (Level 3)	-	23,338	-	23,338
	248,336	184,604	36,638	469,578
31 December 2013				
Quoted market price (Level 1)	246,245	18	-	246,263
Valuation techniques – market observable inputs (Level 2)	48,477	186,798	38,977	274,252
Valuation techniques – non-market observable inputs (Level 3)	-	27,545	-	27,545
	294,722	214,361	38,977	548,060

Valuation techniques – non-market observable inputs (Level 3)

	AFS	Total
	RM'000	RM'000
At 1 January 2013	23,338	23,338
Fair value gain recorded in other comprehensive income	3,697	3,697
Movement in impairment loss	(858)	(858)
Currency translation difference	1,368	1,368
At 31 December 2013	27,545	27,545

The investment above is classified within Level 3 investment for valuation techniques as non-market observable inputs. It is investment in equity securities of corporation, unquoted outside Malaysia. The valuation techniques uses the Net Asset Value ("NAV") as a practical expedient to derive the fair value of the investments.

There were no transfer among Level 1, 2, and 3 during the financial year ended 31 December 2013.

Valuation processes applied by the Group for Level 3 fair value

The Group has an established control framework in respect to the measurement of fair values of financial instruments. This includes a finance team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Executive Committee. The finance team regularly reviews significant unobservable inputs and valuation adjustments.

The significant unobservable input for the investment above is NAV per share. The higher the NAV per share, the higher the estimated fair value.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

7 **INVESTMENTS** (continued)

Recurring fair values of investments (continued)

COMPANY

	AFS	Total
	RM'000	RM'000
31 December 2012		
Quoted market price (Level 1)	1,664	1,664
31 December 2013		
Valuation techniques – market observable inputs (Level 2)	34,714	34,714

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	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Loans arising from:				
Mortgage loans	33	96	33	96
Secured loans	4,887	4,486	-	-
Unsecured loans	152	3,477	5	-
	5,072	8,059	38	96
Loans from leasing, hire purchase and others	41,006	56,791	-	-
Less: Allowance for impairment loss	(40,244)	(55,465)	-	-
	762	1,326	-	-
Fixed and call deposits with licensed banks	103,197	2,053	100,565	-
	109,031	11,438	100,603	96

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	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Receivables within 12 months:				
Net loans	5,777	9,032	38	37
Fixed and call deposits with licensed banks	103,197	2,053	100,565	-
	108,974	11,085	100,603	37
Receivables after 12 months:				
Net loans	57	353	-	59
	109,031	11,438	100,603	9 6

The total loans portfolio net of allowance for impairment from leasing, hire purchase and others as at 31 December 2013 included non-performing loans ("NPL") amounting to approximately RM422,000 (2012: RM1,110,000). 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 values of the collaterals and/or committed cashflows 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 date of the statement of financial position was RM3,762,000 (2012: RM4,367,000).

9 SUBSIDIARIES

	COMPANY	
	31.12.2013	31.12.2012
	RM'000	RM'000
Investments in subsidiaries, at cost	225,628	255,428
Less: Accumulated impairment loss	(126,849)	(128,456)
	98,779	126,972
Amounts due from subsidiaries	-	18,696
Less: Accumulated impairment loss	-	(18,696)
	-	-
	98,779	126,972

On 6 June 2013, a subsidiary issued 102,000 new 1997 redeemable preference shares of RM1 each ("1997 RPS") at a premium of RM99 per share totalling RM10,200,000 as part settlement of the amount due the Company.

Subsequently the said subsidiary had on 31 December 2013 redeemed 400,000 1997 RPS at a premium of RM99 per share totalling RM40,000,000, using part of the sale proceed from the disposal of MAAKL Mutual.

During the financial year ended 31 December 2013, the Company recognised a write-back of impairment loss of RM1,607,000 (2012: allowance for impairment loss on investment in subsidiaries of RM2,350,000). The write-back of/(allowance for) impairment loss on investment in subsidiaries was credited/(charged) to the income statement as disclosed in Note 30 "Other Operating Income/(Expenses) - Net" to the financial statements.

The impairment loss charged to income statement in the previous financial year ended 31 December 2012 was determined based on the Company's assessment of the fair value less cost to sell of those subsidiaries under the Group's business rationalisation plans and the unexpected adverse cashflows from the subsidiary engaged in investment holding, business of charge cards and other related cards and services. The fair value less cost to sell of those effected subsidiaries was based on the proposed offer price and/or comparable market values of similar entities and operations and discounted cash flow.

The amounts due from subsidiaries of RM18,696,000 as at 31 December 2012 were akin to investments in subsidiaries. During the financial year ended 31 December 2013, these amounts due were fully settled via the following:

(a) cash repayment of RM8,496,000, and
(b) capitalisation of the remaining amount due via issuance of 100,200 1997 RPS of RM1 each at a premium of RM99 per share.

Arising from (a) and (b) above, the Company recognised a write-back of impairment loss of RM18,696,000 (2012: write-back of impairment loss of RM355,000). The write-back of impairment loss was credited to the income statement as disclosed in Note 30 "Other Operating Income/(Expenses) - Net" to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

9 SUBSIDIARIES (continued)

Details of the subsidiaries are as follows:

Name of company	Country incorporation	31.12.2013 Group's effective interest	31.12.2013 Non-controlling interest	31.12.2012 Group's effective interest	31.12.2012 Non-controlling interest	Principal activities
		%	%	%	%	
MAA Corporation Sdn Bhd ("MAA Corp")	Malaysia	100	-	100	-	Investment holding and property management
MAA Takaful Berhad	Malaysia	75	25	75	25	General takaful and Family takaful businesses
Subsidiaries 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[(1)]	Malaysia	-	-	55	45	Unit trust funds management
MAA Holdings (BVI) Ltd	British Virgin Islands	100	-	100	-	Providing insurance technical and financial consultancy services
MAA Corporate Advisory Sdn Bhd	Malaysia	100	-	100	-	Providing corporate advisory and consultancy services
MAA International Corporation Ltd	Malaysia	100	-	100	-	Investment holding
Chelsea Parking Services Sdn Bhd[(2)]	Malaysia	100	-	100	-	Dormant
MAA International Investments Ltd	Malaysia	100	-	100	-	Investment holding
Menang Bernas Sdn Bhd	Malaysia	100	-	100	-	Dormant
MAA Cards Sdn Bhd	Malaysia	100	-	100	-	Business of charge cards and other related cards and services
MAAXSITE Sdn Bhd[(3)]	Malaysia	100	-	-	-	Dormant
MAAXClub Sdn Bhd[(3)]	Malaysia	100	-	-	-	Dormant

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

9 SUBSIDIARIES (continued)

Name of company	Country incorporation	31.12.2013 Group's effective interest	31.12.2013 Non-controlling interest	31.12.2012 Group's effective interest	31.12.2012 Non-controlling interest	Principal activities
		%	%	%	%	
Subsidiaries of MAA Corporate Advisory Sdn Bhd						
* MAACA Labuan Ltd ("MAACAL")	Labuan, Malaysia	51	49	51	49	Providing offshore corporate advisory and consultancy services
MAACA Corporate Services Sdn Bhd	Malaysia	100	-	100	-	Providing corporate advisory and consultancy services
Subsidiary of MAA International Assurance Ltd						
# P.T. MAA General Assurance	Indonesia	83	17	83	17	General insurance business
Subsidiaries 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
Subsidiaries of MAA International Corporation Ltd						
#MAA Corporate & Compliance Phils. Inc.	Philippines	100	-	100	-	Investment holding and providing management services
Subsidiaries of MAA Credit Berhad						
#Pusat Tiusyen Kasturi Sdn Bhd(4)	Malaysia	70	30	70	30	Provision of education services and operations education tuition centres
#Keris Murni Sdn Bhd(4)	Malaysia	70	30	70	30	Provision of education services and operations education tuition centres
#Nilam Timur Sdn Bhd(4)	Malaysia	100	-	100	-	Dormant

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

9 SUBSIDIARIES (continued)

Name of company	Country incorporation	31.12.2013 Group's effective interest	31.12.2013 Non-controlling interest	31.12.2012 Group's effective interest	31.12.2012 Non-controlling interest	Principal activities
		%	%	%	%	
Subsidiary of Pusat Tiusyen Kasturi Sdn Bhd						
#Pelangi Tegas Sdn Bhd(4)	Malaysia	70	30	70	30	Providing of education services and operations education tuition centres
Subsidiaries of Keris Murni Sdn Bhd						
#Genting Mutiara Sdn Bhd(4)	Malaysia	70	30	70	30	Provision of education services and operations education tuition centres
#Jaguh Suria Sdn Bhd(4)	Malaysia	70	30	70	30	Provision of education services and operations education tuition centres
#Indopelangi Sdn Bhd(4)	Malaysia	70	30	70	30	Provision of education services and operations education tuition centres

* 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.

\# Subsidiaries not audited by PricewaterhouseCoopers.

(1) Subsidiary that was disposed during the financial year.

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

(3) Subsidiaries that were incorporated during the financial year.

(4) Subsidiaries that were acquired in the previous financial year.

9 SUBSIDIARIES (continued)

The Groups' subsidiaries that have material non-controlling interests ("NCI") are as follows:

	MAA Takaful Berhad	PT MAA General Assurance	Other individually immaterial subsidiaries	Total
	RM'000	RM'000	RM'000	RM'00
31.12.2013				
NCI percentage of ownership interest and voting interest	25%	17%		
Carrying amount of NCI	30,675	(12,246)	791	19,220
31.12.2012				
NCI percentage of ownership interest and voting interest	25%	17%		
Carrying amount of NCI	28,174	(7,389)	5,929	26,714

Set out below are the summarised financial information for subsidiaries that have material NCI:

Summarised statement of financial position

	MAA Takaful Berhad		PT MAA General Assurance	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Non-current assets	206,874	207,308	171	361
Current assets	619,391	479,747	52,114	94,491
Non-current liabilities	(2,127)	(4,174)	-	-
Current liabilities	(701,869)	(566,764)	(132,264)	(163,411)
Net assets/(liabilities)	122,269	116,117	(79,979)	(68,559)

Summarised income statement and other comprehensive income

	MAA Takaful Berhad		PT MAA General Assurance	
	Financial year ended 31 December		Financial year ended 31 December	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Operating revenue	503,164	377,910	28,360	69,797
Profit/(loss) before taxation	13,342	16,257	(28,093)	(27,076)
Taxation	(3,044)	(3,033)	(478)	181
Zakat	(295)	(226)	-	-
Profit/(loss) for the financial year	10,003	12,998	(28,571)	(26,895)
Other comprehensive income/(loss) for the financial year	(3,851)	(1,252)	(473)	81
Total comprehensive income/(loss) for the financial year	6,152	11,746	(29,044)	(26,814)
Total comprehensive income/(loss) allocated to NCI	2,501	3,250	(4,857)	(4,572)
Dividends paid to NCI	-	-	-	-

9 SUBSIDIARIES (continued)

Summarised statement of cash flows

	MAA Takaful Berhad		PT MAA General Assurance	
	Financial year ended 31 December		Financial year ended 31 December	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash flows from:				
Operating activities	10,207	12,897	(9,699)	(13,457)
Investing activities	(3,203)	(11,391)	397	2,003
Financing activities	-	-	9,786	-
Net increase/(decrease) in cash and cash equivalents	7,004	1,506	484	(11,454)
Cash and cash equivalents at beginning of financial year	3,679	2,173	853	12,307
Cash and cash equivalents at end of financial year	10,683	3,679	1,337	853

The financial information above is the amount before inter-company elimination.

10 ASSOCIATES

	GROUP		COMPANY	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	72,054	69,224	100	100
Less: Accumulated impairment loss	(7,650)	(11,031)	(100)	-
	64,404	58,193	-	100
Dividend received	(264)	(186)	-	-
Share of post acquisition loss	(168)	(1,693)	-	-
Share of other comprehensive loss	(2,475)	-	-	-
	61,497	56,314	-	100

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

10 ASSOCIATES (continued)

The details of the associates are as follows:

Name of company	Country of incorporation	Group's effective interest 31.12.2013	Group's effective interest 31.12.2012	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
Meridian Asset Management Holdings Sdn Bhd	Malaysia	40	40	Investment holding
Associate of MAA International Assurance Ltd				
MAA General Assurance Philippines, Inc	Philippines	40	40	General insurance business
Associate of Columbus Capital Singapore Pte Ltd				
Columbus Capital Pty Limited	Australia	48	48	Retail mortgage lending and loan securitisation
Subsidiaries of Meridian Asset Management Holdings Sdn Bhd				
Meridian Asset Management Sdn Bhd	Malaysia	40	40	Fund management and investment and advisory services
Meridian Asset Management (Asia) Ltd	Malaysia	40	40	Fund management and investment and advisory services

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

10 ASSOCIATES (continued)

Set out below are the summarised financial information for material associates of the Group:

Summarised statement of financial position

	Columbus Capital Pty Limited		MAA General Assurance Philippines, Inc	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Non-current assets	4,663,306	6,609,142	1,487	1,576
Current assets	224,867	362,278	175,827	127,306
Non-current liabilities	(4,826,750)	(6,715,650)	-	-
Current liabilities	(20,756)	(221,999)	(145,721)	(92,530)
Net assets	40,667	33,771	31,593	36,352

Summarised income statement and other comprehensive income

	Columbus Capital Pty Limited		MAA General Assurance Philippines, Inc	
	Financial year ended 31 December		Financial year ended 31 December	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Operating revenue	348,866	148,869	56,022	44,488
Profit/(loss) before taxation	3,400	(10,465)	1,938	2,988
Taxation	(995)	2,674	(567)	(644)
Profit/(loss) for the financial year	2,405	(7,791)	1,371	2,344
Other comprehensive loss for the financial year	-	-	(6,161)	(965)
Total comprehensive income/(loss)	2,405	(7,791)	(4,790)	1,379
Dividends received from associates	-	-	-	-

Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of the Group's interest in associates.

	Columbus Capital Pty Limited	MAA General Assurance Philippines, Inc	Other individually immaterial associates	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2012	32,759	16,079	1,684	50,522
Share of (loss)/profit	(3,649)	2,248	736	(665)
Subscription of RPS	6,478	-	-	6,478
Elimination of dividend received	-	-	(21)	(21)
At 31 December 2012	35,588	18,327	2,399	56,314
Carrying value as at 31 December 2012	35,588	18,327	2,399	56,314
At 1 January 2013	35,588	18,327	2,399	56,314
Share of profit/(loss)	1,153	548	(176)	1,525
Share of other comprehensive loss	-	(2,475)	-	(2,475)
Subscription of RPS	2,830	-	-	2,830
Write-back of/(allowance for) impairment loss	3,662	-	(281)	3,381
Elimination of dividend received	-	-	(78)	(78)
At 31 December 2013	43,233	16,400	1,864	61,497
Carrying value as at 31 December 2013	43,233	16,400	1,864	61,497

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

10 ASSOCIATES (continued)

Unrecognised share of losses of associate

	Meridian Assets Management Holdings Sdn Bhd	
	31.12.2013	**31.12.2012**
	RM'000	**RM'000**
Profit/(loss) after taxation	349	(28)
Interest in associate	40%	40%
Unrecognised share of profit/(loss) of associate	140	(11)

11 REINSURANCE/RETAKAFUL ASSETS

	GROUP	
	31.12.2013	**31.12.2012**
	RM'000	**RM'000**
Reinsurance/retakaful of insurance/takaful contracts (Note 17)	257,824	212,743

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

12 INSURANCE/TAKAFUL RECEIVABLES

	GROUP	
	31.12.2013	**31.12.2012**
	RM'000	**RM'000**
Due premiums/contributions including agents, brokers and co-insurers/co-takaful balances	33,100	27,411
Due from reinsurers/retakaful operators and cedants	29,913	28,974
	63,01	56,385
Less: Allowance for impairment loss	(12,091)	(4,690)
	50,922	51,695
Receivable within 12 months	50,922	51,695
Offsetting financial assets and financial liabilities		
Gross amounts of recognised financial assets (net of impairment)	67,379	61,465
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	(16,457)	(9,770)
Net amounts of recognised financial assets presented in the statement of financial position	50,922	51,695

There are no financial assets subject to enforceable netting arrangements or similar agreements, and financial instruments received as collateral, nor any cash collateral pledged or received as at 31 December 2013 (2012: Nil).

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

13 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade receivables of non-insurance subsidiaries	7	2,346	-	-
Amounts due from subsidiaries	-	-	68,273	23,323
Amounts due from associates	2,676	2,508	20	-
Investment income due and accrued	-	16	-	-
Manager's stocks	-	3,250	-	-
Outstanding proceeds from disposal of subsidiaries	-	94,395	-	90,489
Proceeds from disposal of subsidiaries deposited in escrow accounts	74,406	129,754	55,111	129,754
Other receivables, deposits and prepayments	30,532	23,157	20,372	7,463
	107,621	255,426	143,776	251,029
Receivables within 12 months	68,924	253,426	124,376	249,029
Receivables after 12 months	38,697	2,000	19,400	2,000

The fair value of receivables after 12 months approximates the carrying value as at the date of the statement of financial position.

As at 31 December 2013, the amounts due from subsidiaries included interest-bearing advances to subsidiaries amounting to RM28,273,000 (net of impairment loss of RM26,021,000) (2012: RM23,323,000 (net of impairment loss of RM25,451,000)) and an amount of RM40,000,000 from redemption of 1997 RPS that was subsequently received on 10 January 2014. The interest-bearing advances bear interest rates ranging from 4.35% to 8.0% (2012: 4.35% to 8.0%) per annum and are repayable on demand.

As at 31 December 2012, the outstanding proceeds from disposal of subsidiaries of the Group and the Company comprised of:

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

(b) an outstanding proceeds of RM3,012,000 from disposal of a subsidiary as disclosed in Note 38(c) to the financial statements.

Proceeds from the disposal of subsidiaries deposited in escrow accounts of the Group and the Company as at 31 December 2013 comprised of:

(a) a balance of RM55,111,000 ("Retained Proceeds") being the amount of Zurich's remaining outstanding claims are resolved. Zurich's remaining outstanding claims relating to alleged breach of warranties and indemnities ("Zurich's Counterclaims") in the SPA as disclosed in Note 50(a) to the financial statements; and

(b) an amount of RM19,295,000 million from the sale consideration of the disposal of MAAKL Mutual to Manulife as disclosed in Note 50(c) to the financial statements.

Included in other receivables, deposits and prepayments of the Group and Company were:

(a) interest receivable of RM389,000 (2012: RM3,775,000) on the proceeds from the sale of Disposed Subsidiaries deposited in the escrow account. The deposit in the escrow account bears an interest rate at 2.75% (2012: 2.75%) per annum; and

(b) an amount of RM19,400,000 ("Extended Sum") extended by the Company to PIMA Pembanguanan Sdn Bhd ("PIMA") relating to the Company's obligations to obtain and deliver the individual strata title for Block A of Prima Avenue Klang ("PAK") to Zurich under the conditions precedent in the Settlement Agreement signed with Zurich as disclosed in Note 50(a) to the financial statements. The Extended Sum is secured by identified unsold office units in Block B and car park parcels of PAK ("Securities"). Based on the valuations performed by independent professional valuers at the date of the statement of financial position, the aggregate fair market values of the Securities are RM19,500,000.

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

					31.12.2013
	Share-holders' fund	**General fund**	**General takaful fund**	**Family takaful fund**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets	-	-	47	-	47
Deferred tax liabilities	(2,282)	-	-	(1,689)	(3,971)
	(2,282)	-	47	(1,689)	(3,924)
Current	-	-	-	(1,668)	(1,668
Non-current	(2,282)	-	47	(21)	(2,256)
	(2,282)	-	47	(1,689)	(3,924)
At 1 January 2013	(3,978)	558	(627)	(1,505)	(5,552)
Charged to income statement (Note 34):					
- property, plant and equipment	61	(16)	-	-	45
- financial assets at FVTPL	-	-	-	(444)	(444)
- receivables, deposits and prepayments	-	(203)	-	-	(203)
- others	-	(259)	-	-	(259)
	61	(478)	-	(444)	(861)
Credited to other comprehensive income:					
- AFS financial assets	1,285	-	-	-	1,285
Charged to takaful contract liabilities:					
- AFS financial assets	-	-	674	260	934
Arising from disposed subsidiaries	350	-	-	-	350
Currency translation differences	-	(80)	-	-	(80)
At 31 December 2013	(2,282)	-	47	(1,689)	(3,924)
Subject to income tax:					
<u>Deferred tax assets (before offsetting)</u>					
AFS financial assets	-	-	47	-	47
Financial assets at FVTPL	-	-	-	19	19
	-	-	47	19	66
Offsetting	-	-	-	(19)	(19)
Deferred tax assets (after offsetting)	-	-	47	-	47
<u>Deferred tax liabilities (before offsetting)</u>					
Property, plant and equipment	(2,182)	-	-	-	(2,182)
AFS financial assets	(100)	-	-	(21)	(121)
Financial assets at FVTPL	-	-	-	(1,687)	(1,687)
	(2,282)	-	-	(1,708)	(3,990)
Offsetting	-	-	-	19	1
Deferred tax liabilities (after offsetting)	(2,282)	-	-	(1,689)	(3,971)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

14 DEFERRED TAX (continued)

GROUP

						31.12.2012
	Share-holders' fund	**General fund**	**Life fund**	**General takaful fund**	**Family takaful fund**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**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)
Current	-	-	-	-	(1,224)	(1,224
Non-current	(3,978)	558	-	(627)	(281)	(4,328)
	(3,978)	558	-	(627)	(1,505)	(5,552)
At 1 January 2012	(3,404)	419	195	(568)	(1,013)	(4,371)
Charged to income statement (Note 34):						
- property, plant and equipment	(832)	5	-	-	-	(827)
- financial assets at FVTPL	-	-	-	-	(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:						
- AFS financial assets	417	-	-	-	-	417
Charged to takaful contract liabilities:						
- AFS financial assets	-	-	-	(59)	(17)	(76)
Arising from acquired subsidiaries	(39)	-	-	-	-	(39)
Arising from disposed subsidiaries	(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
AFS financial assets	-	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>						
Property, plant and equipment	(2,593)	-	-	-	-	(2,593)
AFS financial assets	(1,385)	-	-	(627)	(281)	(2,293)
Financial assets at FVTPL	-	-	-	-	(1,224)	(1,224)
	(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	
	31.12.2013	31.12.2012
	RM'000	RM'000
Non-current Deferred tax liabilities	(129)	(131)
At 1 January	(131)	(11)
Credited/(charged) to income statement (Note 34): - property, plant and equipment	2	(120)
At 31 December	(129)	(131)
Subject to income tax:		
<u>Deferred tax liabilities (before and after offsetting)</u>		
Property, plant and equipment	(129)	(131)

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	
	31.12.2013	31.12.2012
	RM'000	RM'000
Deductible temporary differences	11,754	12,718
Unabsorbed tax losses	129,553	92,031
Unabsorbed capital allowances	8,338	8,369
	149,645	113,118

15 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Fixed and call deposits with licences banks	165,744	126,405	32,469	4,334
Cash and bank balances	16,096	11,889	140	1,807
	181,840	138,294	32,609	6,141
Bank overdrafts (Note 19)	(4,715)	(4,335)	-	-
	177,125	133,959	32,609	6,141

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

16 ASSETS CLASSIFIED AS HELD FOR SALE

	GROUP	
	31.12.2013	**31.12.2012**
	RM'000	**RM'000**
Net carrying amount		
At 1 January	1,015	1,589
Transferred to property, plant and equipments (Note 4)	(1,015)	-
Transferred from other receivables	178	-
Impairment loss for the financial year (Note 30)	-	(489)
Currency translation differences	-	(85)
At 31 December	178	1,015

In the previous financial year ended 31 December 2012, the asset classified as held for sale consisted of a yacht owned by an insurance subsidiary of the Group. The carrying amount of the yacht represents the fair value as at the statement of financial position date. During the current financial year, the Group reclassified the yacht from asset classified as held for sale to property, plant and equipment as it no longer met the criteria of MFRS to be classified as held for sale.

During the financial year ended 31 December 2013, the Group classified a piece of leasehold land previously recorded under other receivable to asset classified as held for sale. The leasehold land was acquired via a debt recovery action taken by a subsidiary for a loan due by a borrower. The subsidiary intends to sell the leasehold land to recover the loan. The carrying amount of the leasehold land represents the fair value as at the date of the statement of financial position.

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES

		GROUP					
	Note	31.12.2013			31.12.2012		
		Gross	Re-insurance/ retakaful	Net	Gross	Re-insurance/ retakaful	Net
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Life insurance	(a)	-	-	-	-	-	-
General insurance	(b)	71,691	(41,972)	29,719	116,990	(66,812)	50,178
Family takaful	(c)	352,196	(15,490)	336,706	310,882	(13,792)	297,090
General takaful	(d)	254,065	(200,362)	53,703	173,057	(132,139)	40,918
		677,952	(257,824)	420,128	600,929	(212,743)	388,186

(a) Life insurance

The summary of movement below on life insurance contract liabilities relates to the disposed life insurance subsidiary and the commuted life insurance business of a subsidiary in the previous financial year ended 31 December 2012. The Group does not have any life insurance business during the financial year ended 31 December 2013.

	GROUP						
	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Actuarial liabilities							
At 1 January 2012	-	29,251	29,251	-	-	-	29,251
Benefits and claims experience variation	-	(8,682)	(8,682)	-	-	-	(8,682)
Arising from disposed subsidiary	-	(20,569)	(20,569)	-	-	-	(20,569)
At 31 December 2012	-	-	-	-	-	-	-
Claim liabilities							
At 1 January 2012	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 2012	-	-	-	-	-	-	-

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (continued)

(a) Life insurance (continued)

	GROUP		
	With DPF	**Without DPF**	**Total**
	RM'000	**RM'000**	**RM'000**
Unallocated surplus			
At 1 January 2012	-	-	-
Premiums received	-	3,195	3,195
Payments due to death, surrenders, benefits and claims	-	(3,749)	(3,749)
Net investment income	(2,568)	(434)	(3,002)
Management expenses and commissions	(843)	(3,769)	(4,612)
Change in life fund actuarial liabilities	128	3,170	3,298
Change in claims liabilities	3,283	1,587	4,870
Net surplus for the financial year	-	-	-
At 31 December 2012	-	-	-

	GROUP		
	With DPF	**Without DPF**	**Total**
	RM'000	**RM'000**	**RM'000**
AFS reserves			
At 1 January 2012	-	1,961	1,961
Fair value changes arising from AFS financial assets	-	(1,688)	(1,688)
Arising from disposed subsidiary	-	(273)	(273)
At 31 December 2012	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (continued)

(b) General insurance

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

	GROUP					
	31.12.2013			31.12.2012		
	Gross	Re-insurance	Net	Gross	Re-imsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for claims	65,544	(41,282)	24,262	67,077	(44,007)	23,070
Provision for incurred but not reported claims ("IBNR")	6,032	(687)	5,345	28,997	(11,075)	17,922
Claim liabilities (i)	71,576	(41,969)	29,607	96,074	(55,082)	40,992
Premium liabilities (ii)	115	(3)	112	20,916	(11,730)	9,186
	71,691	(41,972)	29,719	116,990	(66,812)	50,178

(i) Claim liabilities

	Gross	Re-insurance	Net	Gross	Re-imsurance	Net
At 1 January	96,074	(55,082)	40,992	53,341	(17,179)	36,162
Claims incurred in the current accident year	33,266	(1,607)	31,659	100,812	(72,246)	28,566
Claims paid during the financial year (Note 31(a))	(44,076)	17,430	(26,646)	(51,055)	28,451	(22,604)
Movement in IBNR	(22,965)	10,388	(12,577)	(459)	292	(167)
	(33,775)	26,211	(7,564)	49,298	(43,503)	5,795
Currency translation differences	9,277	(13,098)	(3,821)	(6,565)	5,600	(965)
At 31 December	71,576	(41,969)	29,607	96,074	(55,082)	40,992

(ii) Premium liabilities

	Gross	Re-insurance	Net	Gross	Re-imsurance	Net
At 1 January	20,916	(11,730)	9,186	28,493	(13,008)	15,485
Premiums written during the financial year (Note 24(a))	4,777	(10,349)	(5,572)	64,141	(48,572)	15,569
Premiums earned during the financial year	(28,151)	24,667	(3,484)	(69,412)	48,466	(20,946)
	(23,374)	14,318	(9,056)	(5,271)	(106)	(5,377)
Currency translation differences	2,573	(2,591)	(18)	(2,306)	1,384	(922)
At 31 December	115	(3)	112	20,916	(11,730)	9,186

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (continued)

(c) Family takaful

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

	GROUP					
	31.12.2013			31.12.2012		
	Gross	Retakaful	Net	Gross	Retakaful	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Certificateholders' liabilities	64,571	(13,648)	50,923	54,621	(13,202)	41,419
Net asset value attributable to unitholders	278,067	-	278,067	246,482	-	246,482
Actuarial liabilities	342,638	(13,648)	328,990	301,103	(13,202)	287,901
Unallocated surplus	4,823	-	4,823	4,015	-	4,015
Claim liabilities	4,671	(1,842)	2,829	2,526	(590)	1,936
AFS reserves	64	-	64	3,238	-	3,238
	352,196	(15,490)	336,706	310,882	(13,792)	297,090

	GROUP					
	31.12.2013			31.12.2012		
	Gross	Retakaful	Net	Gross	Retakaful	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	310,882	(13,792)	297,090	246,979	(10,049)	236,930
Contributions received (Note 24(c))	258,162	(9,455)	248,707	209,099	(18,709)	190,390
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 31(d))	(151,393)	10,286	(141,107)	(84,879)	20,634	(64,245)
Movement in claim liabilities	(2,145)	1,252	(893)	2,755	(743)	2,012
Experience variance on inforce Takaful certificate	11,811	(8,854)	2,957	6,589	(4,486)	2,103
Reserve on new policies	8,779	(2,108)	6,671	13,461	(6,365)	7,096
Miscellaneous	5,000	7,181	12,181	4,187	5,926	10,113
Fees deducted	(78,476)	-	(78,476)	(77,685)	-	(77,685)
Repayment of Qardhul Hassan to Shareholders' fund	-	-	-	(430)	-	(430)
Surplus distributed to Shareholders' fund	(7,250)	-	(7,250)	(9,400)	-	(9,400)
Movement in AFS fair value adjustments						
- Gross fair value changes	(2,462)	-	(2,462)	1,575	-	1,575
- Transferred to Income Statement upon disposal of AFS financial assets	(972)	-	(972)	(1,352)	-	(1,352)
- Deferred tax	260	-	260	(17)	-	(17)
	(3,174)	-	(3,174)	206	-	206
At 31 December	352,196	(15,490)	336,706	310,882	(13,792)	297,090

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (continued)

(d) General takaful

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

	GROUP					
	31.12.2013			31.12.2012		
	Gross	Retakaful	Net	Gross	Retakaful	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for claims	100,097	(80,349)	19,748	72,521	(55,958)	16,563
Provision for incurred but not reported claims ("IBNR")	43,678	(33,778)	9,900	24,359	(18,672)	5,687
Provision for risk of adverse deviation ("PRAD")	16,261	(13,370)	2,891	11,721	(9,508)	2,213
Claim liabilities (i)	160,036	(127,497)	32,539	108,601	(84,138)	24,463
Unearned contribution reserves (ii)	94,104	(72,865)	21,239	62,574	(48,001)	14,573
General takaful fund (iii)	(140)	-	(140)	1,882	-	1,882
Unallocated surplus	65	-	65	-	-	-
	254,065	(200,362)	53,703	173,057	(132,139)	40,918

(i) Claim liabilities

At 1 January	108,601	(84,138)	24,463	93,253	(65,537)	27,716
Claims incurred in the current accident year	122,509	(94,355)	28,154	75,800	(58,139)	17,661
Other movements in claims incurred in prior accident years	(8,474)	6,648	(1,826)	(10,618)	7,201	(3,417)
Claims paid during the financial year (Note 31(c))	(67,140)	48,210	(18,930)	(48,810)	32,808	(16,002)
Movement in PRAD	4,540	(3,862)	678	(1,024)	(471)	(1,495)
	51,435	(43,359)	8,076	15,348	(18,601)	(3,253)
At 31 December	160,036	(127,497)	32,539	108,601	(84,138)	24,463

(ii) Unearned contribution reserves

At 1 January	62,574	(48,001)	14,573	53,508	(42,155)	11,353
Contributions written during the financial year (Note 24(b))	247,287	(195,990)	51,297	161,973	(127,368)	34,605
Contributions earned during the financial year	(215,757)	171,126	(44,631)	(152,907)	121,522	(31,385)
	31,530	(24,864)	6,666	9,066	(5,846)	3,220
At 31 December	94,104	(72,865)	21,239	62,574	(48,001)	14,573

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

17 INSURANCE/TAKAFUL CONTRACT LIABILITIES (continued)

(d) General takaful (continued)

(iii) General takaful fund

AFS reserves

	Gross	Deferred tax	Net
	RM'000	**RM'000**	**RM'000**
At 1 January 2012	2,272	(568)	1,704
Fair value changes arising from AFS financial assets	802	(200)	602
Transferred to Income Statement upon disposal of AFS financial assets	(565)	141	(424)
	237	(59)	178
At 31 December 2012 / 1 January 2013	2,509	(627)	1,882
Fair value changes arising from AFS financial assets	(1,822)	456	(1,366)
Transferred to Income Statement upon disposal of AFS financial assets	(874)	218	(656)
	(2,696)	674	(2,022)
At 31 December 2013	(187)	47	(140)

18 INVESTMENT CONTRACT LIABILITIES

	GROUP	
	31.12.2013	**31.12.2012**
	Gross/Net	**Gross/Net**
	RM'000	**RM'000**
Without DPF	4,082	11,289
At 1 January	11,289	17,756
Withdrawals	(7,614)	(2,449)
Fees deducted	(435)	(713)
Net investment income	149	177
Other operating income – net	112	83
Fair value adjustment – Investments	261	(2,828)
Changes in insurance liabilities and actuarial assumptions	1	1
Arising from disposal of subsidiary	-	(620)
Currency translation differences	319	(118)
At 31 December	4,082	11,289

Investment contract liabilities without DPF are stated at fair value.

Investment contract liabilities without DPF are further analysed as follows:

	GROUP	
	31.12.2013	**31.12.2012**
	Gross/Net	**Gross/Net**
	RM'000	**RM'000**
Unit-linked liabilities valued using valuation techniques with market observable inputs	4,082	11,289

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

19 BANK OVERDRAFTS (UNSECURED)

The unsecured bank overdraft facility of a subsidiary has a limit of RM7.5 million (2012: RM8.5 million) and bears an interest rate of 2.5% (2012: 2.5%) per annum above the prevailing base lending rate. During the financial year, the interest rates charged ranged from 9.10% (2012: 9.10%) per annum.

Under the terms of the bank overdraft facility, the subsidiary shall make progressive repayment 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.

20 INSURANCE/TAKAFUL PAYABLES

	GROUP	
	31.12.2013	**31.12.2012**
	RM'000	**RM'000**
Due to agents, brokers and co-insurers/co-takaful	12,031	6,699
Due to reinsurers/retakaful operators and cedants	97,992	72,235
	110,023	78,934
Reinsurers'/retakaful operators' deposits withheld	1,047	456
	111,070	79,390
Payable within 12 months	111,070	79,390
Offsetting financial assets and financial liabilities		
Gross amounts of recognised financial liabilities	27,527	89,160
Less: Gross amounts of recognised financial assets set off in the statement of financial position	(16,457)	(9,770)
Net amounts of recognised financial liabilities presented in the statement of financial position	111,070	79,390

There are no financial liabilities subject to enforceable netting arrangements or similar agreements, and financial instruments received as collateral, nor any cash collateral pledged or received as at 31 December 2013 (2012: Nil).

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

21 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade payables from non-insurance subsidiaries	-	6,902	-	-
Amounts due to associates	-	500	-	500
Amounts due to a Director	2,022	1,909	-	-
Amounts due to related companies	242	140	-	-
Defined contribution retirement plan payable	687	1,381	38	64
Accrual for unutilised staff leave	432	1,118	390	298
Commissions payable	8,127	9,225	-	-
Accrual for sale incentive	-	781	-	-
Accrual for EPF services fee	-	1,295	-	-
Accrual for agency golden service awards	-	4,899	-	-
Service tax payable	50	13	-	-
Provision for Perbadanan Insurance Deposit Malaysia ("PIDM") levy	908	811	-	-
Provision for staff costs	690	2,288	306	293
Provision for zakat	294	226	-	-
Provision for staff retrenchment expenses	1,172	-	-	-
Accrual for office renovation	22	2,054	-	430
Provision for Zurich's Counterclaims	45,000	-	45,000	-
Deposits contribution	4,879	6,048	-	-
Other payables and accruals	40,456	41,117	1,237	2,942
	104,981	80,707	46,971	4,527
Payable within 12 months	104,981	80,707	46,971	4,527

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

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

22 SHARE CAPITAL

	GROUP/COMPANY	
	31.12.2013	**31.12.2012**
	RM'000	**RM'000**
Authorised ordinary shares of RM1 each:		
At beginning and end of financial year	500,000	500,000
Issued and fully paid ordinary shares of RM1 each:		
At beginning and end of financial year	304,354	304,354

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

23 RETAINED EARNINGS AND RESERVES

	GROUP		COMPANY	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Retained earnings	116,594	118,734	63,721	79,756
Reserves				
- Foreign exchange reserves	8,389	(2,464)	-	-
- Available-for-sale ("AFS") reserves	1,844	6,565	41	1,664
- Revaluation reserves	215	215	-	-
	10,448	4,316	41	1,664
	127,042	123,050	63,762	81,420
Movement in retained earnings				
At 1 January	118,734	76,257	79,756	36,492
Profit/(loss) for the financial year	4,708	42,477	(9,637)	43,264
Interim dividend paid (Note 36)	(6,848)	-	(6,848)	-
At 31 December	116,594	118,734	63,271	79,756
Movement in foreign exchange reserves				
At 1 January	(2,464)	(6,414)	-	-
Currency translation differences arising during the financial year	10,853	3,950	-	-
At 31 December	8,389	(2,464)	-	-
Movement in AFS reserves				
At 1 January	6,565	5,798	1,664	-
Movement in fair value of AFS financial assets, net of tax	5,638	6,696	1,589	1,664
Transferred to Income Statement upon disposal of AFS financial assets (Note 26)	(7,884)	(5,929)	(3,212)	-
Share of fair value changes of AFS financial assets of associates	(2,475)	-	-	-
At 31 December	1,844	6,565	41	1,664
Movement in revaluation reserves				
At 1 January	215	-	-	-
Movement in fair value of leasehold lands	-	215	-	-
At 31 December	215	215	-	-

The AFS reserves represent the cumulative fair value gains or losses from AFS financial assets of the Group and the Company.

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

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

Section 108 tax credits available to pay franked dividends has expired on 31 December 2013. With effect from 1 January 2014, the Company will distribute single-tier dividends under the single-tier system to its shareholders out of its retained earnings if dividends declared by the Company.

24 NET EARNED PREMIUMS/CONTRIBUTIONS

	Note	GROUP 2013 RM'000	GROUP 2012 RM'000
CONTINUING OPERATIONS			
(a) General fund			
(i) Gross earned premiums			
Insurance contracts		4,777	64,141
Change in unearned premium reserve		23,374	5,271
	17(b)(ii)	28,151	69,412
(ii) Premiums ceded to reinsurers			
Insurance contracts		(10,349)	(48,572)
Change in unearned premium reserve		(14,318)	106
	17(b)(ii)	(24,667)	(48,466)
Net earned premiums		3,484	20,946
(b) General takaful			
(i) Gross earned contributions			
Takaful contracts		247,287	161,973
Change in unearned contribution reserve		(31,530)	(9,06)
	17(d)(ii)	215,757	152,907
(ii) Contributions ceded to retakaful operators			
Takaful contracts		(195,990)	(127,368)
Change in unearned contribution reserve		24,864	5,846
	17(d)(ii)	(171,126)	(121,522)
Net earned contributions		44,631	31,385
(c) Family takaful			
(i) Gross earned contributions			
Takaful contracts	17(c)	258,162	209,099
(ii) Contributions ceded to retakaful operators			
Takaful contracts	17(c)	(9,455)	(18,709)
Net earned contributions		248,707	190,390

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

24 NET EARNED PREMIUMS/CONTRIBUTIONS (continued)

	GROUP	
	2013	**2012**
	RM'000	**RM'000**
CONTINUING OPERATIONS		
(d) Total		
(i) Gross earned premiums/contributions		
Insurance/takaful contracts	510,226	435,213
Change in unearned premium/contribution reserve	(8,156)	(3,795)
	502,070	431,418
(ii) Premiums ceded to reinsurers/retakaful operators		
Insurance/takaful contracts	(215,794)	(194,649)
Change in unearned premium/contribution reserve	10,546	5,952
	(205,248)	(188,697)
Net earned premiums/contributions	296,822	242,721
DISCONTINUED OPERATIONS (Note 35)		
(e) Life fund		
(i) Gross earned premiums		
Insurance contract	-	3,453
(ii) Premiums ceded to reinsurers		
Insurance contract	-	(258)
Net earned premiums	-	3,195

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

25 INVESTMENT INCOME

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Rental income from investment properties	106	77	-	-
Financial assets at FVTPL				
Interest/profit income				
- Islamic debt securities quoted in Malaysia	2,084	1,854	-	-
Dividend income				
- Equity securities quoted in Malaysia	617	514	-	-
- Syariah-approved quoted equities	5,806	3,747	-	-
	8,507	6,115	-	-
AFS financial assets				
Interest/profit income				
- Malaysian Government Guaranteed Financing	3,684	3,728	-	-
- Corporate debt securities unquoted in Malaysia	1,497	-	1,497	-
- Corporate debt securities quoted outside Malaysia	278	147	-	-
- Islamic debt securities unquoted in Malaysia	3,532	3,408	-	-
- Equity securities unquoted outside Malaysia	3	-	-	-
Dividend income				
- Equity securities quoted in Malaysia	67	-	67	-
- Equity securities unquoted in Malaysia	50	50	-	-
Accretion of discounts/(amortisation of premiums)				
- Corporate debt securities unquoted in Malaysia	233	-	233	-
- Islamic debt securities unquoted in Malaysia	(60)	106	-	-
	9,284	7,439	1,797	-
HTM financial assets				
Interest/profit income				
- Malaysian Government Guaranteed Financing	1,644	1,262	-	-
Amortisation of premiums				
- Malaysian Government Guaranteed Financing	(1)	(1)	-	-
	1,643	1,261	-	-
Loans and receivables				
Interest/profit income				
- mortgage loans	4	7	4	7
- other secured and unsecured loans	422	232	-	-
- other receivables	-	-	1,859	2,047
	426	239	1,863	2,054
Fixed and call deposits interest/profit income	7,561	6,302	4,206	3,195
	27,527	21,433	7,866	5,249

25 INVESTMENT INCOME (continued)

DISCONTINUED OPERATIONS (Note 35)

	GROUP	
	2013	2012
	RM'000	RM'000
Financial assets at FVTPL		
Interest/profit income		
- Corporate debt securities quoted in Malaysia	-	144
Dividend income		
- Equity securities quoted in Malaysia	50	236
- Equity securities quoted outside Malaysia	-	11
	50	391
Loans and receivables		
Interest income		
- policy loans	-	19
Fixed and call deposits interest income	807	1,136
	857	1,546

26 REALISED GAINS AND LOSSES – NET

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
Realised gains	47	5	17	5
Realised losses	(6)	(25)	-	(18)
	41	(20)	17	(13)
Financial assets at FVTPL				
Realised gains:				
- Equity securities quoted in Malaysia	252	137	-	-
- Syariah-approved quoted equities	19,334	8,037	-	-
Realised losses:				
Other investments	(3,834)	-	-	-
	15,752	8,174	-	-
AFS financial assets				
Realised gains:				
- Equity securities quoted in Malaysia	3,212	-	3,212	-
- Islamic debt securities unquoted in Malaysia	4,672	5,929	-	-
	7,884	5,929	3,212	-
Realised gain from disposal of a associate	-	14	-	14
Realised gain from partial disposal of shares in a former subsidiary (Note 38(d))	-	1,060	-	-
	23,677	15,157	3,229	1

DISCONTINUED OPERATIONS (Note 35)

	GROUP	
	2013	2012
	RM'000	RM'000
Property, plant and equipment		
Realised gains	-	74
Realised losses	(33)	-
	(33)	74
Financial assets at FVTPL		
Realised gains:		
- Unit trust	-	1
- Corporate debt securities quoted outside Malaysia	-	5
Realised losses:		
- Equity securities quoted outside Malaysia	-	(224)
	-	(218)
Realised gains from disposal of subsidiaries (Note 38(a),(b),(c),(e))	59,378	67,273
	59,345	67,129

27 FAIR VALUE GAINS AND LOSSES – NET

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Fair value gain on investment properties	1,551	1,261	-	-
Financial assets at FVTPL				
Net fair value gains/(losses):				
- Equity securities quoted in Malaysia	1,370	(1,752)	-	-
- Corporate debt securities quoted outside Malaysia	76	71		
- Islamic debt securities unquoted in Malaysia	(1,724)	394	-	-
- Unit trusts	51	79	-	-
- Other investments	-	2,770	-	-
- Syariah-approved quoted equities	10,949	2,846		
	10,722	4,408	-	-
	12,273	5,669	-	-

DISCONTINUED OPERATIONS (Note 35)

	GROUP	
	2013	2012
	RM'000	RM'000
Financial assets at FVTPL		
Net fair value losses:		
- Equity securities quoted outside Malaysia	-	(85)
- Unit trusts	-	(857)
	-	(942)

28 FEE AND COMMISSION INCOME

	GROUP	
	2013	2012
	RM'000	RM'000
CONTINUING OPERATIONS		
Reinsurance/retakaful commission income	47,008	37,365
DISCONTINUED OPERATIONS (Note 35)		
Administration and investment charges to policyholders	-	135

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

29 OTHER OPERATING REVENUE FROM NON-INSURANCE BUSINESSES

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue from non-insurance businesses:				
- management fee income	(638)	370	735	1,866
- interest income from hire purchase, leasing and other credit activities	400	3,116	-	-
- fee income from education services	8,344	1,173	-	-
- others	1,355	1,218	-	-
	9,461	5,877	735	1,866

DISCOUNTED OPERATIONS (Note 35)

	GROUP	
	2013	**2012**
	RM'000	**RM'000**
Revenue from non-insurance businesses:		
- security service charges	-	11,286
- unit trust fund management fee income	30,124	26,074
- unit trust fund initial service fee	16,174	11,957
	46,298	49,317

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

30 OTHER OPERATING INCOME/(EXPENSES) – NET

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment				
- written off	(20)	(255)	(7)	(179)
- write-back of impairment loss	-	283	-	176
Bad debts recovered	157	160	-	-
Write-back of/(allowance for) impairment loss on:				
- investments in subsidiaries	-	-	1,607	(2,350)
- investments in associates	3,666	-	(100)	-
- amounts due from subsidiaries	-	-	18,126	2,245
- AFS financial assets	(12,048)	857	(11,110)	-
- assets classified as held for sale	-	(489)	-	-
- loans from leasing, hire purchase and others - net	1,027	5,509	-	-
Fair value gain from acquisition of bonds via Settlement Agreement	23,770	-	23,770	-
Allowance for impairment loss on goodwill from acquisition of subsidiary (Note 39(b))	-	(6,838)	-	-
Negative goodwill from acquisition of subsidiaries (Note 39(a))	-	80	-	-
Waiver of debt from commutation of general insurance reinsurance treaties of a subsidiary	-	14,791	-	-
Provision for contingent liabilities of an associate	-	(14,435)	-	-
Realised foreign exchange (loss)/gain	(5,528)	(494)	1	5
Unrealised foreign exchange loss	(265)	(968)	-	-
Others	7,365	8,107	152	196
	18,124	6,308	32,439	93

DISCONTINUED OPERATIONS (Note 35)

	GROUP	
	2013	**2012**
	RM'000	**RM'000**
Property, plant and equipment		
- written off	(41)	(371)
- write-back of impairment loss	-	391
Commission paid and payable to unit trust agents	(19,783)	(16,027)
Provision for Zurich's Counterclaims	(45,000)	-
Others	492	123
	(64,332)	(15,884)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

31 NET INSURANCE/TAKAFUL BENEFITS AND CLAIMS

	Note	GROUP 2013 RM'000	GROUP 2012 RM'000
CONTINUING OPERATIONS			
(a) General fund			
(i) Gross benefits and claims paid	17(b)(i)	(44,076)	(51,055)
(ii) Claims ceded to reinsurers	17(b)(i)	17,430	28,451
(iii) Gross change to contract liabilities		33,775	(49,298)
(iv) Change in contract liabilities to reinsurers		(26,211)	43,503
Net insurance benefits and claims		(19,082)	(28,399)
(b) Life fund			
(i) Gross benefits and claims paid		(252)	-
(ii) Claims ceded to reinsurers		-	-
(iii) Gross change to contract liabilities		(86)	3,283
(iv) Change in contract liabilities to reinsurers		-	-
Net insurance benefits and claims		(338)	3,283
(c) General takaful			
(i) Gross benefits and claims paid	17(d)(i)	(67,140)	(48,810)
(ii) Claims ceded to retakaful operators	17(d)(i)	48,210	32,808
(iii) Gross change to contract liabilities		(51,500)	(15,348)
(iv) Change in contract liabilities to retakaful operators		43,357	18,601
Net takaful benefits and claims		(27,073)	(12,749)
(d) Family takaful			
(i) Gross benefits and claims paid	17(c)	(151,393)	(84,879)
(ii) Claims ceded to retakaful operators	17(c)	10,286	20,634
(iii) Gross change to contract liabilities		(42,343)	(61,485)
(iv) Change in contract liabilities to retakaful operators		446	4,486
Net takaful benefits and claims		(183,004)	(121,244)
(e) Total			
(i) Gross benefits and claims paid		(262,861)	(184,744)
(ii) Claims ceded to reinsurers/retakaful operators		75,926	81,893
(iii) Gross change to contract liabilities		(60,154)	(122,848)
(iv) Change in contract liabilities to reinsurers/retakaful operators		17,592	66,590
Net insurance/takaful benefits and claims		(229,497)	(159,109)
DISCONTINUED OPERATIONS (Note 35)			
Life fund			
(i) Gross benefits and claims paid		-	(3,749)
(ii) Claims ceded to reinsurers		-	-
(iii) Gross change to contract liabilities		-	1,587
(iv) Change in contract liabilities to reinsurers		-	-
Net insurance benefits and claims		-	(2,162)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

32 MANAGEMENT EXPENSES

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Staff costs (including Executive Directors):				
- salaries and bonus	43,058	40,000	8,848	10,441
- defined contribution retirement benefits	4,994	4,370	583	616
	48,052	44,370	9,431	11,057
Depreciation of property, plant and equipment	3,438	2,794	421	410
Amortisation of intangible assets	1,232	1,495	68	64
Amortisation of leases	30	2	-	-
Auditors' remuneration				
- statutory audit	443	518	99	99
- (over)/under provision in prior financial year	(20)	17	-	-
- other non-audit fees	223	200	223	200
Auditors' remuneration payable/paid to other audit firms	86	40	-	-
Fees paid to a company in which certain Directors have an interest	346	279	185	171
Allowance for impairment loss on trade and other receivables	776	41	90	-
Allowance for impairment loss on insurance/takaful receivables	7,401	1,546	-	-
Bad debts written off	32	166	-	-
Office rental	4,163	3,954	412	555
Rental of office equipment	42	95	37	52
Agency and staff training expenses	4,080	2,627	48	31
Repairs and maintenance	2,653	1,190	88	90
EDP expenses	1,842	2,193	67	75
Advertising, promotional and entertainment expenses	6,219	5,035	659	622
Motor vehicle, accommodation and travelling expenses	3,522	3,220	1,413	1,142
Printing and stationery	2,298	2,425	79	57
Postage, telephone and fax	1,235	1,633	46	39
Professional fees	4,434	8,123	1,169	912
Staff amenities	737	752	255	257
Office expenses	88	222	62	114
Electricity and water	338	173	46	50
Visa fees, outsourcing fees and other direct costs payable for debit cards operations	1,568	1,084	-	-
Credit card charges	1,302	1,133	-	-
Manage care organisation fees	1,144	1,703	-	-
Retirement benefit fund contributed to MAAKER	-	856	-	828
Motorclub expenses	811	555	-	-
Policy stamping	707	627	-	-
Others	13,585	14,131	2,305	2,774
	112,807	103,199	17,203	19,599

32 MANAGEMENT EXPENSES (continued)

DISCONTINUED OPERATIONS (Note 35)

	GROUP	
	2013	**2012**
	RM'000	**RM'000**
Staff costs (including Executive Directors):		
- salaries and bonus	8,979	16,265
- defined contribution retirement benefits	770	1,307
	9,749	17,572
Depreciation of property, plant and equipment	457	860
Amortisation of intangible assets	483	501
Auditors' remuneration		
- statutory audit	30	33
- under provision in prior financial year	-	3
Auditors' remuneration payable/paid to other audit firms	-	30
Fees paid to a company in which certain Directors have an interest	24	18
Bad debts written off	-	1
Office rental	728	430
Rental of office equipment	52	44
Training expenses	320	420
Repairs and maintenance	265	217
EDP expenses	510	830
Advertising, promotional and entertainment expenses	939	1,629
Motor vehicle and travelling expenses	263	835
Printing and stationery	134	197
Postage, telephone and fax	290	434
Professional fees	104	495
Electricity and water	83	72
Fund account expenses	439	346
Management fee paid and payable to investment manager	5,537	4,331
Others	3,055	2,251
	23,462	31,549

Remuneration and emoluments received by Directors and Chief Executive Officer of the Group and the Company during the financial year were as follows:

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive Directors:				
- salaries	4,100	4,374	3,311	3,480
- bonus	1,195	2,004	1,117	1,970
- defined contribution retirement benefits	797	956	686	817
- fees	72	75	-	-
- other emoluments	16	15	-	-
- estimated monetary value of benefits-in-kind	132	147	87	93
	6,312	7,571	5,201	6,360
Non-executive Directors:				
- fees	803	778	225	241
- other emoluments	182	221	72	98
	985	999	297	339
	7,297	8,570	5,498	6,699
Chief Executive Officers:				
- salaries	2,258	2,305	1,129	1,200
- bonus	413	721	413	710
- defined contribution retirement benefits	375	413	238	285
- estimated monetary value of benefits-in-kind	64	66	33	35
	3,110	3,505	1,813	2,230

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

32 MANAGEMENT EXPENSES (continued)

DISCONTINUED OPERATIONS

	GROUP	
	2013	**2012**
	RM'000	**RM'000**
Executive Director:		
- salaries	649	655
- bonus	322	478
- defined contribution retirement benefits	145	161
- fees	-	6
- other emoluments	-	1
- estimated monetary value of benefits-in-kind	31	31
	1,147	1,332
Non-executive Directors:		
- fees	45	90
- other emoluments	10	15
	55	105
	1,202	1,437
Chief Executive Officer :		
- salaries	649	611
- bonus	322	464
- defined contribution retirement benefits	145	155
- estimated monetary value of benefits-in-kind	31	31
	1,147	1,261

33 FINANCE COSTS

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest on bank overdrafts	404	418	-	
Others	-	2	-	2
	404	420	-	2

DISCONTINUED OPERATIONS (Note 35)

	GROUP	
	2013	**2012**
	RM'000	**RM'000**
Interest on bank overdrafts	-	2
Hire purchase interest	-	18
	-	20

The interest rates charged for bank overdrafts are disclosed in Note 19 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

34 TAXATION

CONTINUING OPERATIONS

	GROUP				
	Share-holders' fund	General fund	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2013					
Current tax	3,492	-	1,252	2,393	7,137
Deferred tax (Note 14)	(61)	478	-	444	861
Tax expenses	3,431	478	1,252	2,837	7,998
Current tax					
Current financial year	3,542	-	1,354	3,073	7,969
Over provision in prior financial years	(50)	-	(102)	(680)	(832)
	3,492	-	1,252	2,393	7,137
Deferred tax					
Origination and reversal of temporary differences	(61)	478	-	444	861
	3,431	478	1,252	2,837	7,998
2012					
Current tax	2,529	-	3,327	2,002	7,858
Deferred tax (Note 14)	851	(181)	-	475	1,145
Tax expenses/(income)	3,380	(181)	3,327	2,477	9,003
Current tax					
Current financial year	2,292	-	2,388	2,002	6,682
Under provision in prior financial years	237	-	939	-	1,176
	2,529	-	3,327	2,002	7,858
Deferred tax					
Origination and reversal of temporary differences	861	(181)	-	475	1,155
Over provision in prior financial years	(10)	-	-	-	(10)
	851	(181)	-	475	1,145
	3,380	(181)	3,327	2,477	9,003

34 TAXATION (continued)

DISCONTINUED OPERATIONS (Note 35)

	GROUP	
	Share-holders' fund	Total
	RM'000	RM'000
2013		
Current tax	1,208	1,208
Deferred tax	(28)	(28)
Tax expenses	1,180	1,180
Current tax		
Current financial year	1,243	1,243
Over provision in prior financial years	(35)	(35)
	1,208	1,208
Deferred tax		
Origination and reversal of temporary differences	(28)	(28)
	1,180	1,180
2012		
Current tax	545	545
Deferred tax	73	73
Tax expenses	618	618
Current tax		
Current financial year	794	794
Over provision in prior financial years	(249)	(249)
	545	545
Deferred tax		
Origination and reversal of temporary differences	73	73
	618	618

	COMPANY	
	2013	2012
	RM'000	RM'000
Deferred tax (Note 14)	(2)	120
Deferred tax		
Origination and reversal of temporary differences	(2)	120
	(2)	120

34 TAXATION (continued)

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

	GROUP		COMPANY	
	2013	2012	2013	2012
	%	%	%	%
Malaysian tax rate	25	25	(25)	25
Tax effects of:				
- expenses not deductible for tax purposes	169	59	155	9
- income not taxable for tax purposes	(267)	(94)	(145)	(33)
- tax losses not recognised	129	21	15	1
- benefits from previously unrecognised deductible temporary differences	-	(1)	-	-
- benefits from current financial year deductible temporary differences	5	1	-	-
- effects of different tax rates in foreign jurisdictions	(3)	-	-	-
- origination/(reversal) of temporary differences	2	(1)		
- over provision in prior financial year	(1)	-	-	-
Average effective tax rate	59	10	-	2

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 is based on the method prescribed under the Income Tax Act, 1967.

35 DISCONTINUED OPERATIONS

	Note	GROUP 2013 RM'000	GROUP Restated 2012 RM'000
Gross earned premiums	24	-	3,453
Premiums ceded to reinsurers	24	-	(258)
Net earned premiums		-	3,195
Investment income	25	857	1,546
Realised gains and losses – net	26	59,345	67,129
Fair value gains and losses – net	27	-	(942)
Fee and commission income	28	-	135
Other operating revenue from non-insurance businesses	29	46,298	49,317
Other revenue		106,500	117,185
Total revenue		106,500	120,380
Gross benefits and claims paid	31	-	(3,749)
Gross change to contract liabilities	31	-	1,587
Net insurance benefits and claims		-	(2,162)
Fee and commission expense		-	(450)
Management expenses	32	(23,462)	(31,549)
Other operating expenses – net	30	(64,332)	(15,884)
Finance costs	33	-	(20)
Other expenses		(87,794)	(47,903)
Profit before taxation		18,706	70,315
Taxation	34	(1,180)	(618)
Profit for the financial year		17,526	69,697
COMPANY			
Realised (loss)/gain from disposal of subsidiaries	38(a)	(36,705)	55,776

The financial results of Discontinued Operations relate to subsidiaries that were disposed during the financial year ended 31 December 2013 as disclosed in Note 38 to the financial statements. The comparatives have been restated to include the financial results of those disposed subsidiaries.

36 DIVIDENDS

The Company paid an interim gross dividend of 3 sen per share in respect of the financial year ended 31 December 2013, less income tax totalling RM6,847,956 on 5 July 2013.

The Company paid an interim gross dividend of 3 sen per share under the single-tier dividend system, in respect of the financial year ending 31 December 2014 totalling RM9,131,000 on 18 April 2014.

37 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 (2012: 304,354,000 shares).

	2013	2012
	RM'000	RM'000
Loss for the financial year from continuing operations after non-controlling interests	(11,501)	(26,133)
Profit for the financial year from discontinued operations after non-controlling interests	16,209	68,610
	4,708	42,477

38 DISPOSAL OF SUBSIDIARIES

(a) On 30 September 2011, the Company and its wholly-owned subsidiary, MAA Corporation Sdn Bhd ("MAA Corp"), completed the disposal of MAA Assurance, 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 50(a) to the financial statements. Following the completion of the Disposal, these companies ceased to be subsidiaries of the Group.

In the financial year ended 31 December 2011, the Group and the Company recognised a gain on disposal of RM83.2 million and RM236.6 million respectively on disposal of the Disposed Subsidiaries as estimated after taking into consideration the following:

- Sale 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 fulfilment of certain conditions precedent in the SPA with Zurich; and
- 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 assets value of the Disposed Subsidiaries as at 30 September 2010 and the final aggregate net assets value as at 30 September 2011, prepared by Zurich as provided under the terms of the SPA.

In the previous financial year ended 31 December 2012, the Group and the Company recognised an additional gain of RM50.7 million from the receipt of held back sums from the sale consideration of MAA Assurance after satisfaction of certain conditions precedent 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 Assurance due to an overstatement of Life fund liabilities in the draft completion accounts prepared by Zurich, as disclosed in Note 50(a) to the financial statements.

During the financial year ended 31 December 2013, the Group and the Company recorded further additional gain (net of selling expenses) of RM14.3 million and RM8.3 million respectively under the Settlement Agreement signed with Zurich as disclosed in Note 50(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. Following the completion of the disposal, Wira ceased to be subsidiary of the Group.

Details of the disposal were 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 26)	(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	(3,227)
Cash inflow to the Group on disposal	3,686

38 DISPOSAL OF SUBSIDIARIES (continued)

(c) On 16 August 2012, MAA International Assurance Ltd ("MAAIA"), a wholly owned subsidiary 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. Following the completion of the disposal, PT MAAL ceased to be subsidiary of the Group.

Details of the disposal were 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)
Gain on disposal to the Group (Note 26)	(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	(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.

Upon completion of the disposal, MAM ceased to be a subsidiary and became an associate of the Group.

The loss of control was deemed a partial disposal of subsidiary and the investment retained in MAM was recognised at fair value in accordance with MFRS 127 'Consolidated and Separate Financial Statements', this had resulted a gain of RM1.1 million in the income statement of the Group as disclosed in Note 26 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

38 DISPOSAL OF SUBSIDIARIES (continued)

(e) On 31 December 2013, MAA Corp completed the disposal of its 55% equity interest in MAAKL Mutual for a total cash consideration of RM53.1 million, as disclosed in Note 50(c) to the financial statements.

Following the completion of the disposal, MAAKL Mutual ceased to be subsidiary of the Group.

Details of the disposal are as follows:

GROUP	**At date of disposal**
	RM'000
Property, plant and equipment	2,602
Intangible assets	4,096
Trade and other receivables	14,765
Tax recoverable	1
Cash and cash equivalents	19,473
Trade and other payables	(25,644)
Current tax liabilities	(391)
Deferred tax liabilities	(322)
Net assets	14,580
Non-controlling interest	(6,561)
	8,019
Net disposal proceeds	(53,061)
Related selling expenses	2
Gain on disposal to the Group (Note 26)	(45,040)
The net cash flow on disposal was determined as follows:	
Net cash received less related selling expenses	53,058
Cash and cash equivalents of disposed subsidiary	(19,473)
Cash inflow to the Group on disposal	33,585

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

39 ACQUISTION OF SUBSIDIARIES

(a) On 2 October 2012, MAA Credit Berhad ("MAA Credit"), a wholly owned subsidiary of MAA Corp, had exercised its power of attorney pursuant to memorandum of deposit of 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.

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 became 70% owned subsidiaries of MAA Credit on 2 October 2012.

The following table summarised 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 were 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 subsidiaries (Note 30)	(80)
Purchase consideration	662
Cash and cash equivalents acquired	(1,229)
Net cash inflow on acquisition	(567)

During the previous financial year ended 31 December 2012, KMSB contributed an operating revenue of RM605,000 with a loss after taxation of RM628,000 to the Group for the period from 2 October 2012 to 31 December 2012, while PTKSB contributed an operating revenue of RM568,000 with a loss after taxation of RM519,000 to the Group for the period from 2 October 2012 to 31 December 2012.

Had the business combination taken place on 1 January 2012 , 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 ended 31 December 2012.

39 ACQUISTION OF SUBSIDIARIES (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.

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-leases on lands located in Langkawi to any interested party to recover the loan.

The following table summarised 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 were 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 that had been impaired (Note 30)	6,838
Purchase consideration	-(*)
Cash and cash equivalent acquired	-
Net cash inflow on acquisition	-

(*) Denotes RM10.

In previous financial year ended 31 December 2012, there was no operating revenue contributed by Nilam Timur and the Group incurred a loss after taxation of RM69,000 for the period from 26 November 2012 to 31 December 2012.

There were no effects to the Group's revenue and profit after taxation had the business combination taken place on 1 January 2012 as Nilam Timur is a dormant company.

40 CAPITAL AND OTHER COMMITMENTS

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

	GROUP		COMPANY	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Authorised and contracted for:				
- office renovation	637	1,948	-	-
- office rental	1,822	4,042	-	-
	2,459	5,990	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

41 SIGNIFICANT RELATED PARTY DISCLOSURES

Related parties and relationships

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

Related party	Relationship
Melewar Equities Sdn Bhd	Substantial shareholder of the Company
Melewar Khyra Sdn Bhd	Substantial shareholder of the Company
Trace Management Services Sdn Bhd	Company controlled by certain Directors of the Company
Melewar Group Berhad	Company controlled by certain Directors of the Company
Melewar Industrial Group Berhad ("MIG")	Company controlled by certain Directors of the Company
Melewar Apex Sdn Bhd	A subsidiary of MIG
Melewar Integrated Engineering Sdn Bhd	A subsidiary of MIG
MAA Bancwell Trustee Berhad ("MAA Bancwell")	An associate of the Group
MAA Key Executive Retirement Scheme ("MAAKER")[(1)]	Retirement fund for the benefits of employees of the Group

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

Significant related party transactions

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

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

	GROUP		COMPANY	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Transactions with subsidiaries:				
Interest income from advances to subsidiaries	-	-	1,859	2,047
Management fee income from subsidiaries	-	-	1,411	1,530
Transactions with related parties:				
Rental income receivable from:				
Melewar Industrial Group Berhad	67	73	-	-
Melewar Equities Sdn Bhd	43	47	-	-
Trace Management Services Sdn Bhd	86	36	-	-
Office service fee income receivable from:				
Melewar Industrial Group Berhad	15	11	-	-
Melewar Equities Sdn Bhd	10	7	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

41 SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

Significant related party transactions (continued)

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

	GROUP		COMPANY	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Transactions with related parties: (continued)				
Rental charge payable to: Melewar Integrated Engineering Sdn Bhd	(61)	-	(61)	-
Retirement benefit fund contributed to MAAKER	-	(856)	-	(828)
Company secretarial and related fees payable to Trace Management Services Sdn Bhd	(370)	(297)	(185)	(171)
Transactions with associates:				
Trustee fee paid by MAAKER to MAA Bancwell	-	(30)	-	-
Management fee income (payable to)/receivable from MAA Bancwell	(676)	336	(676)	336

Related party receivables/payables

The balances with related parties at the financial year end are disclosed in Notes 13 and 21 to the financial statements. Other significant balances with other related parties at the financial year end are as disclosed below.

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

	GROUP		COMPANY	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Amounts receivable from mortgage loans	33	96	33	96
Amounts due to a Director	2,022	1,909	-	-

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 (2012: 5% to 8.5% per annum).

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

42 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.

42 SEGMENTAL INFORMATION (continued)

Financial year ended 31 December 2013

	Insurance				Takaful		
	Life insurance		General insurance	Share-holders' fund	General takaful fund	Family takaful fund	Share-holders' fund
	Conti-nuing	Disconti-nued	Conti-nuing	Conti-nuing			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	150	-	28,360	1,334	218,803	280,476	3,884
Revenue from other segments	-	-	-	-	-	-	-
Total operating revenue	150	-	28,360	1,334	218,803	280,476	3,884
Net earned premiums/ contributions	-	-	3,484	-	44,631	258,707	-
Interest income	150	-	209	671	3,025	6,588	3,886
Other revenue	4,79	-	(693)	3,539	47,411	18,535	144,987
Net insurance/takaful benefits and claims	(338)	-	(19,082)	-	(27,073)	(193,400)	-
Other expenses	(1,320)	-	(11,870)	(11,325)	(65,117)	(87,559)	(140,879)
Depreciation	-	-	(141)	(95)	-	-	(2,391)
Amortisation	-	-	-	-	-	-	(1,136)
Finance costs	-	-	-	-	-	-	-
(Loss)/profit by segments	(1,029)	-	(28,093)	(7,210)	2,877	2,871	4,467
Tax expenses attributable to participants	-	-	-	-	(1,252)	(2,871)	-
	(1,029)	-	(28,093)	(7,210)	1,625	-	4,467
Share of profit of associates not included in reportable segments							
Profit before taxation							

	Unit trust fund management	Other segments		Total	Inter-segment elimination	Group
	Disconti-nued	Conti-nuing	Disconti-nued			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	47,155	16,051	-	596,213	(10,000)	586,213
Revenue from other segments	-	-	-	-	-	-
Total operating revenue	47,155	16,051	-	596,213	(10,000)	586,213
Net earned premiums/ contributions	-	-	-	306,822	(10,000)	296,822
Interest income	807	6,180	-	21,516	-	21,516
Other revenue	46,315	52,554	59,378	372,505	(149,451)	223,054
Net insurance/takaful benefits and claims	-	-	-	(239,893)	10,396	(229,497)
Other expenses	(42,076)	(38,002)	(45,000)	(443,148)	149,033	(294,115)
Depreciation	(457)	(811)	-	(3,895)	-	(3,895)
Amortisation	(483)	(96)	-	(1,715)	-	(1,715)
Finance costs	-	(404)	-	(404)	-	(404)
(Loss)/profit by segments	4,106	19,421	14,378	11,788	(22)	11,766
Tax expenses attributable to participants	-	-	-	(4,123)	34	(4,089)
	4,106	19,421	14,378	7,665	12	7,677
Share of profit of associates not included in reportable segments				1,525	-	1,525
Profit before taxation				9,190	12	9,202

42 SEGMENTAL INFORMATION (continued)

Financial year ended 31 December 2012

	Insurance				Takaful			Unit trust fund management	Other segments		Total	Inter-segment elimination	Group
	Life insurance		General insurance	Share-holders' fund	General takaful fund	Family takaful fund	Share-holders' fund						
	Conti-nuing	Disconti-nued	Conti-nuing	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
External revenue	177	4,008	69,814	1,190	155,800	218,362	3,748	39,015	9,637	11,293	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	9,637	11,293	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	(2,572)	(978)	21,224	(716)	31,932	7,658	118,623	38,276	19,661	78,692	311,800	(121,045)	190,755
Net insurance/takaful benefits and claims	3,283	(2,162)	(28,399)	-	(12,749)	(121,244)	-	-	-	-	(161,271)	-	(161,271)
Other expenses	(986)	(3,637)	(26,294)	(4,348)	(43,319)	(79,865)	(119,488)	(32,057)	(53,155)	(11,014)	(374,163)	132,251	(241,912)
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)
(Loss)/profit by segments	(128)	(3,170)	(12,268)	(4,516)	10,105	2,477	(351)	6,002	(28,881)	67,401	36,671	8,966	45,637
Tax expenses attributable to participants	-	-	-	-	(3,327)	(2,477)	-	-	-	-	(5,804)	-	(5,804)
	(128)	(3,170)	(12,268)	(4,516)	6,778	-	(351)	6,002	(28,881)	67,401	30,867	8,966	39,833
Share of loss of associates not included in reportable segments											(665)	-	(665)
Profit before taxation											30,202	8,966	39,168

42 SEGMENTAL INFORMATION (continued)

	Insurance				Takaful			Unit trust fund management	Other segments		Total	Inter-segment elimination	Group
	Life insurance		General insurance	Share-holders' fund	General takaful fund	Family takaful fund	Share-holders' fund						
	Conti-nuing	Disconti-nued	Conti-nuing	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
31 December 2013													
Segment assets	5,891	-	52,285	56,492	320,575	386,290	122,043	-	353,974	-	1,297,550	-	1,297,550
Associates													61,497
Total assets													1,359,047
31 December 2012													
Segment assets	12,876	-	94,852	64,810	227,118	352,628	110,911	35,697	288,045	-	1,186,937	-	1,186,937
Associates													56,314
Total assets													1,243,251

42 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	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia				
- Continuing operations	510,604	388,833	57,712	178,281
- Discontinued operations	47,155	54,316	-	-
	557,759	443,149	57,712	178,281
Indonesia	28,360	69,797	136	341
Others	94	98	-	-
	586,213	513,044	57,848	178,622

43 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/takaful subsidiaries, 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 to ensure the takaful subsidiary is Risk Based Capital ("RBC") ready when Bank Negara Malaysia implements the RBC Framework for takaful operators with effect from 1 January 2014.

44 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 subsidiaries 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/takaful subsidiaries 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.

44 RISK MANAGEMENT FRAMEWORK (continued)

Risk Governance Structure (continued)

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.

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 subsidiaries 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.

45 INSURANCE/TAKAFUL RISK

The risk underlying any insurance/takaful 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/takaful contracts, the principal risk that the Group faces is that claims and benefit payments exceed the amount of insurance/takaful 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) Family takaful contracts

Family takaful contracts offered by the Group include health, group family, mortgage and investment-linked. The Group currently does not offer any takaful contracts with DPF.

Underwriting is managed through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks. Medical selection is part of the Group's underwriting procedures, whereby contributions are charged to reflect the health condition and family medical history of the applicants. Pricing is based on assumptions, such as mortality and persistency, which consider past experience and current trends. Contracts including specific risks and guarantees are tested for profitability according to predefined procedures before approval. Products are reviewed by the Management Committee of the takaful subsidiary on periodic basis to confirm, or otherwise, that pricing assumptions remain appropriate. Analysis is performed on earnings and liability movements to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

The table below shows the concentration of Family takaful contract liabilities, excluding AFS reserve, by type of contract:

	31.12.2013			31.12.2012		
	Gross	Retakaful	Net	Gross	Retakaful	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Whole life	894	-	894	501	-	501
Endowment	319,346	(2,585)	316,761	259,535	(4)	259,531
Term	31,892	(12,905)	18,987	47,608	(13,788)	33,820
	352,132	(15,490)	336,642	307,644	(13,792)	293,852

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

45 INSURANCE/TAKAFUL RISK (continued)

(i) Family takaful contracts (continued)

Key assumptions (continued)

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

a) Mortality Rates
Assumption is based on industry standard table – M9903

b) Morbidity Rates
Assumption is mainly based on reinsurer rates

c) Investment Return
Assumptions are 5.5% per annum for Participant Investment Account ("PIA") on Investment-linked, 4.7% per annum for PIA on Non-Investment linked and 4.0% per annum for Participant Risk Investment Account ("PRIA").

d) Expenses

Assumption varies by product type as follow:

Product Type	RM per certificate
Investment-linked	5
Ordinary Family	36
Group Family	3

e) Lapse and Surrender Rates

2% per annum is assumed for single contribution certificates

For regular contribution certificates, lapse rate varies by certificate year as follows:

	Certificate Year (%)					
Plan	1	2	3	4	5	6+
Takafulink	25	15	13	12	10	4.5
Takafulink Education	15	10	10	8	5	4.5
Takafulife Series	25	20	10	3.5	3.5	3.5
CancerCare	30	45	20	3.5	3.5	3.5
SmartMedic	15	40	30	25	25	25
Term80	25	20	10	3.5	3.5	3.5

f) Contribution holiday for Investment-linked products

	Certificate Year (%)					
Plan	1	2	3	4	5	6+
Takafulink	4	15	10	8	5	5

g) Discount Rate

Discount rate used is the Government Investment issue ("GII") spot rate as at date of statement of financial position.

45 INSURANCE/TAKAFUL RISK (continued)

(i) Family takaful contracts (continued)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

	Impact on Family takaful contract liabilities			
	Change in assumptions	**Gross**	**Net**	**Profit before tax**
	%	**RM'000**	**RM'000**	**RM'000**
31 December 2013				
Mortality/morbidity	+10	2,598	809	809
Expenses	+10	52	52	52
Lapse and surrender rates	+10	16	193	193
Discount rate	+1	(2,775)	(1,950)	(1,950)
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)

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

(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) to 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.

45 INSURANCE/TAKAFUL RISK (continued)

(ii) General insurance and General takaful contracts (continued)

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:

	31.12.2013			31.12.2012		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Fire	46,708	(23,128)	23,580	58,201	(37,848)	20,353
Motor vehicle	383	(14)	369	1,904	(11)	1,893
Marine Cargo, Aviation Cargo & Transit	5,377	(2,244)	3,133	17,075	(8,584)	8,491
Miscellaneous	9,831	(3,485)	6,346	25,459	(14,239)	11,220
	62,299	(28,871)	33,428	102,639	(60,682)	41,957
Currency translation differences	9,277	(13,098)	(3,821)	(6,565)	5,600	(965)
	71,576	(41,969)	29,607	96,074	(55,082)	40,992

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.

45 INSURANCE/TAKAFUL RISK (continued)

(ii) General insurance and General takaful contracts (continued)

General Insurance Contracts (continued)

Sensitivities (continued)

Increasing the IELRs by 10% yields the following impact:

		Impact on			
	Change in assumptions	**Gross liabilities**	**Net liabilities**	**Profit before tax**	**Equity**
	%	**RM'000**	**RM'000**	**RM'000**	**RM'000**
31 December 2013					
Initial expected loss ratios	+10	2,815	348	(348)	(261)
31 December 2012					
Initial expected loss ratios	+10	6,941	2,095	(2,095)	(1,571)

The method used in 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.

Gross claims development for 2013

	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Accident year							
At end of accident year	(6,280)	(18,090)	(11,277)	(8,875)	(7,049)	(5,331)	
One year later	(11,605)	(29,896)	(21,362)	(30,379)	(27,754)	-	
Two years later	(11,350)	(6,514)	(7,090)	(12,160)	-	-	
Three years later	(157)	(7,580)	(1,485)	-	-	-	
Four years later	(540)	(1,066)	-	-	-	-	
Five years later	-	-	-	-	-	-	
Current payments to date	-	(1,066)	(1,485)	(12,160)	(27,754)	(5,331)	(47,796)
Currency translation differences							3,720
Gross benefits and claims paid							(44,076)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

45 INSURANCE/TAKAFUL RISK (continued)

(ii) General insurance and General takaful contracts (continued)

General Insurance Contracts (continued)

Claims Development Table (continued)

Net claims development for 2013

	2008	2009	2010	2011	2012	2013	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident year							
At end of accident year	(5,085)	(11,845)	(6,765)	(5,326)	(6,056)	(3,405)	
One year later	(3,787)	(12,073)	(5,078)	(10,717)	(17,430)	-	
Two years later	(5,813)	(1,207)	(2,175)	(7,396)	-	-	
Three years later	(37)	(2,814)	(593)	-	-	-	
Four years later	(398)	-	-	-	-	-	
Five years later	-	-	-	-	-	-	
Six years later	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	
Current payments to date	-	-	(593)	(7,396)	(17,430)	(3,405)	(28,824)
Currency translation differences							2,178
Net benefits and claims paid							(26,646)

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

Gross claims development for 2012

	Before 2006	2006	2007	2008	2009	2010	2011	2012	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

45 INSURANCE/TAKAFUL RISK (continued)

(ii) General insurance and General takaful contracts (continued)

General Insurance Contracts (continued)

Claims Development Table (continued)

Net claims development for 2012

	Before 2006	2006	2007	2008	2009	2010	2011	2012	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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.

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:

	31.12.2013			31.12.2012		
	Gross	Retakaful	Net	Gross	Retakaful	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fire	25,861	(24,523)	1,338	14,930	(12,903)	2,027
Motor vehicle	63,232	(46,637)	16,595	41,192	(30,130)	11,062
Marine Cargo, Aviation Cargo & Transit	12,191	(11,625)	566	8,637	(7,959)	678
Miscellaneous	58,752	(44,712)	14,040	43,842	(33,146)	10,696
	160,036	(127,497)	32,539	108,601	(84,138)	24,463

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.

45 INSURANCE/TAKAFUL RISK (continued)

(ii) General insurance and General takaful contracts (continued)

General Takaful Contracts (continued)

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.

	Impact on General takaful contract liabilities				
	Change in assumptions	**Gross**	**Net**	**Surplus before tax**	**Surplus after tax**
	%	**RM'000**	**RM'000**	**RM'000**	**RM'000**
31 December 2013					
Average open claims	+10	16,004	3,254	3,254	2,441
Loss ratio	+10	22,577	4,510	4,510	3,383
Provision for risk of adverse deviation	+1	163	29	29	22
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

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

45 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 2013

	2007	2008	2009	2010	2011	2012	2013	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident year								
At end of accident year	96	6,816	24,168	54,138	57,359	75,801	122,510	
One year later	78	4,592	20,219	58,203	55,297	73,172	-	
Two years later	50	3,714	16,567	52,314	52,335	-		
Three years later	42	3,214	13,865	49,989	-	-	-	
Four years later	39	3,249	13,352	-	-	-	-	
Five years later	39	3,203	-	-	-	-	-	
Six years later	39	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	39	3,203	13,352	49,989	52,335	73,172	122,510	
At end of accident year	-	(1,100)	(4,021)	(10,114)	(12,429)	(18,204)	(33,270)	
One year later	(39)	(2,807)	(9,177)	(29,052)	(34,709)	(45,537)	-	
Two years later	(39)	(3,035)	(10,273)	(35,595)	(39,689)	-	-	
Three years later	(39)	(3,076)	(12,049)	(37,091)	-	-	-	
Four years later	(39)	(3,089)	(12,107)	-	-	-	-	
Five years later	(39)	(3,092)	-	-	-	-	-	
Six years later	(39)	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	-	
Cumulative payments to date	(39)	(3,092)	(12,107)	(37,091)	(39,689)	(45,537)	(33,270)	
Gross General takaful contract liabilities	-	111	1,245	12,898	12,646	27,635	89,240	143,775
Provision for risk of adverse deviation								16,261
Gross General takaful contract liabilities								160,036

45 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 2013

	2007	2008	2009	2010	2011	2012	2013	Total
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Accident year								
At end of accident year	39	1,640	5,655	25,190	17,488	17,661	28,156	
One year later	48	1,642	6,165	24,835	15,510	17,635	-	
Two years later	32	1,370	5,340	23,500	14,818	-		
Three years later	26	1,198	5,206	22,573	-	-	-	
Four years later	24	1,230	5,040	-	-	-	-	
Five years later	24	1,213	-	-	-	-	-	
Six years later	23	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	23	1,213	5,040	22,573	14,818	17,635	28,156	
At end of accident year	-	(339)	(1,548)	(5,284)	(4,927)	(5,573)	(9,537)	
One year later	(23)	(1,032)	(3,831)	(14,461)	(11,260)	(12,654)	-	
Two years later	(23)	(1,169)	(4,285)	(18,328)	(12,480)	-	-	
Three years later	(23)	(1,182)	(4,511)	(19,342)	-	-	-	
Four years later	(23)	(1,186)	(4,587)	-	-	-	-	
Five years later	(23)	(1,187)	-	-	-	-	-	
Six years later	(23)	-	-	-	-	-	-	
Seven years later	-	-	-	-	-	-	-	
Cumulative payments to date	(23)	(1,187)	(4,587)	(19,342)	(12,480)	(12,654)	(9,537)	
Net General takaful contract liabilities	-	26	453	3,231	2,338	4,981	18,619	29,648
Provision for risk of adverse deviation								2,891
Net General takaful contract liabilities								32,539

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

45 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	2008	2009	2010	2011	2012	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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 todate	(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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

45 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	2008	2009	2010	2011	2012	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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)	(4,927)	(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 todate	(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

46 FINANCIAL RISK

The Group is exposed to a range of financial risks through its assets, financial liabilities and insurance/takaful liabilities. In particular, the key financial risk is that in the long-term the operating profits and investment returns are not sufficient to fund the obligations arising from the insurance/takaful 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/takaful subsidiaries to achieve long-term investment returns in excess its obligations under insurance/takaful 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/takaful liabilities. The note below explain show 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 receivables, (ii) corporate and islamic debt securities and (iii) exposure to counterparty's reinsurance contracts. For investments in corporate and Islamic debt securities, a downgrade of credit rating or widening of credit spread may also incur financial loss. Qardhul Hassan is not a financial instrument and hence is not exposed to credit risk.

Minimum credit quality only applies to investments in corporate and islamic debt securities 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/retakaful operators is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

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

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

46 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/ takaful and Shareholders' Funds	Investment -linked fund	Total
	RM'000	RM'000	RM'000
31 December 2013			
Financial assets at FVTPL:			
Corporate debt securities	-	3,961	3,961
Equities securities*	15,120	-	15,120
Unit trust*	2,033	-	2,033
Syariah-approved quoted equities*	5,828	203,231	209,059
Islamic debt securities, unquoted	-	48,258	48,258
Other investments*	1,511	4,350	5,861
Investment-linked units*	10,430	-	10,430
AFS financial assets:			
Corporate debt securities	35,222	-	35,222
Equities securities*	28,184	-	28,184
Islamic debt securities, unquoted	141,796	-	141,796
Government debt securities	1,406	-	1,406
Malaysian Government Guarantee Financing	7,753	-	7,753
HTM financial assets:			
Malaysian Government Guarantee Financing	40,881	-	40,881
Loans and receivables:			
Loans	5,834	-	5,834
Fixed and call deposits	103,197	-	103,197
Reinsurance/retakaful assets	184,956	-	184,956
Insurance/takaful receivables	50,922	-	50,922
Trade and other receivables	106,215	1,406	107,621
Cash and cash equivalents	153,024	28,816	181,840
	894,312	290,022	1,184,334

* Not subject to credit risk.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

46 FINANCIAL RISK (continued)

Credit Risk (continued)

Credit Exposure (continued)

GROUP

	Insurance/ takaful and Shareholders' Funds	Investment -linked fund	Total
	RM'000	RM'000	RM'000
31 December 2012			
Financial assets at FVTPL:			
Corporate debt securities	-	3,950	3,950
Equities securities*	13,258	-	13,258
Unit trust*	9,048	-	9,048
Syariah-approved quoted equities*	4,230	130,675	134,905
Islamic debt securities, unquoted	-	41,497	41,497
Other investments	-	45,678	45,678
AFS financial assets:			
Corporate debt securities	504	-	504
Equities securities*	25,723	-	25,723
Islamic debt securities, unquoted	137,100	-	137,100
Government debt securities	2,080	-	2,080
Malaysian Government Guarantee Financing	19,197	-	19,197
HTM financial assets:			
Malaysian Government Guarantee Financing	35,834	-	35,834
Loans and receivables:			
Loans	9,385	-	9,385
Fixed and call deposits	2,053	-	2,053
Reinsurance/retakaful assets	153,012	-	153,012
Insurance/takaful receivables	51,695	-	51,695
Trade and other receivables	255,305	121	255,426
Cash and cash equivalents	102,941	35,353	138,294
	821,365	257,274	1,078,639

* Not subject to credit risk.

COMPANY

	31.12.2013	31.12.2012
	RM'000	RM'000
AFS financial assets:		
Corporate debt securities	34,714	-
Equities securities*	-	1,664
Loans and receivables:		
Loans	38	96
Fixed and call deposits	100,565	-
Trade and other receivables	143,776	251,029
Cash and cash equivalents	32,609	6,141
	311,702	258,930

* Not subject to credit risk.

46 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. AAA is the highest possible rating. Assets that all outside the range of AAA to BBB are classified as speculative grade.

GROUP

	Neither past-due nor impaired									
	AAA	**AA**	**A**	**BBB**	**Not rated**	**Not subject to credit risk**	**Investment-linked fund**	**Past due but not impaired**	**Past due and impaired**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
31 December 2013										
Financial assets at FVTPL:										
Corporate debt securities	-	-	-	-	-	-	3,961	-	-	3,961
Equities securities	-	-	-	-	-	15,120	-	-	-	15,120
Unit trust	-	-	-	-	-	2,033	-	-	-	2,033
Syariah-approved quoted equities	-	-	-	-	-	5,828	203,231	-	-	209,059
Islamic debt securities, unquoted	-	-	-	-	-	-	48,258	-	-	48,258
Other investments	-	-	-	-	-	1,511	4,350	-	-	5,861
Investment-linked units	-	-	-	-	-	10,430	-	-	-	10,430
AFS financial assets:										
Corporate debt securities	-	-	34,714	-	508	-	-	-	-	35,222
Equities securities	-	-	-	-	-	28,184	-	-	-	28,184
Islamic debt securities, unquoted	55,392	86,404	-	-	-	-	-	-	-	141,796
Government debt securities	-	-	-	-	1,406	-	-	-	-	1,406
Malaysian Government Guarantee Financing	-	-	-	-	7,753	-	-	-	-	7,753
HTM financial assets:										
Malaysian Government Guarantee Financing	-	-	-	-	40,881	-	-	-	-	40,881
Loans and receivables:										
Loans	-	-	-	-	5,834	-	-	-	-	5,834
Fixed and call deposits	1,046	100,579	472	-	1,100	-	-	-	-	103,197
Reinsurance/retakaful assets	-	7,685	84,622	37,005	55,644	-	-	-	-	184,956
Insurance/takaful receivables	-	-	-	431	13,854	-	-	36,637	12,091	63,013
Trade and other receivables	55,498	-	-	-	50,717	-	1,406	-	-	107,621
Cash and cash equivalents	67,708	82,181	392	-	2,743	-	28,816	-	-	181,840
Allowance for impairment loss	-	-	-	-	-	-	-	-	(12,091)	(12,091)
	179,644	276,849	120,200	37,436	180,440	63,106	290,022	36,637	-	1,184,334

46 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. AAA is the highest possible rating. Assets that all outside the range of AAA to BBB are classified as speculative grade.

GROUP

	Neither past-due nor impaired									
	AAA	**AA**	**A**	**BBB**	**Not rated**	**Not subject to credit risk**	**Investment-linked fund**	**Past due but not impaired**	**Past due and impaired**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
31 December 2012										
Financial assets at FVTPL:										
Corporate debt securities	-	-	-	-	-	-	3,950	-	-	3,950
Equities securities	-	-	-	-	-	13,258	-	-	-	13,258
Unit trust	-	-	-	-	-	9,048	-	-	-	9,048
Syariah-approved quoted equities	-	-	-	-	-	4,230	130,675	-	-	134,905
Islamic debt securities, unquoted	-	-	-	-	-	-	41,497	-	-	41,497
Other investments	-	-	-	-	-	-	45,678	-	-	45,678
Investment-linked units	-	-	-	-	-	-	-	-	-	-
AFS financial assets:										
Corporate debt securities	-	-	-	-	504	-	-	-	-	504
Equities securities	-	-	-	-	-	25,723	-	-	-	25,723
Islamic debt securities	58,140	78,960	-	-	-	-	-	-	-	137,100
Government debt securities, unquoted	-	-	-	-	2,080	-	-	-	-	2,080
Malaysian Government Guarantee Financing	-	-	-	-	19,197	-	-	-	-	19,197
HTM financial assets:										
Malaysian Government Guarantee Financing	-	-	-	-	35,834	-	-	-	-	35,834
Loans and receivables:										
Loans	-	-	-	-	8,275	-	-	-	1,110	9,385
Fixed and call deposits	672	-	1,333	-	48	-	-	-	-	2,053
Reinsurance/retakaful assets	-	3,178	58,936	30,629	60,269	-	-	-	-	153,012
Insurance/takaful receivables	-	1,318	370	706	26,008	-	-	23,293	4,690	56,385
Trade and other receivables	224,018	-	-	-	31,287	-	121	-	-	255,426
Cash and cash equivalents	39,338	58,055	3,155	-	2,393	-	35,353	-	-	138,294
Allowance for impairment loss	-	-	-	-	-	-	-	-	(4,690)	(4,690)
	322,168	141,511	63,794	31,335	185,895	52,259	257,274	23,293	1,110	1,078,639

46 FINANCIAL RISK (continued)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

Aged analysis of financial assets past due but not impaired

GROUP

	> 60 days	> 120 days	Total
	RM'000	RM'000	RM'000
31 December 2013			
Insurance/takaful receivables	11,430	25,207	36,637
31 December 2012			
Insurance/takaful receivables	19,181	4,112	23,293

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

	Neither past-due nor impaired				
	AAA to AA	A	Not rated	Not subject to credit risk	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2013					
AFS financial assets:					
Corporate debt securities	-	34,714	-	-	34,714
Loan and receivables:					
Loans	-	-	38	-	38
Fixed and call deposits	100,565	-	-	-	100,565
Trade and other receivables	55,498	-	88,278	-	143,776
Cash and cash equivalents	32,606	-	3	-	32,609
	188,669	34,714	88,319	-	311,702
31 December 2012					
AFS financial assets:					
Equities securities	-	-	-	1,664	1,664
Loan and receivables:					
Loans	-	-	96	-	96
Fixed and call deposits	-	-	-	-	-
Trade and other receivables	224,018	-	27,011	-	251,029
Cash and cash equivalents	6,138	-	3	-	6,141
	230,156	-	27,110	1,664	258,930

46 FINANCIAL RISK (continued)

Credit Risk (continued)

Impaired Financial Assets

At 31 December 2013, based on an individual assessment of receivables, there are impaired insurance/takaful receivables of RM12,091,000 (2012: RM4,690,000). 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	
	31.12.2013	**31.12.2012**
	RM'000	**RM'000**
Insurance/takaful receivables		
At 1 January	4,690	3,144
Allowance for impairment loss	7,401	1,546
At 31 December	12,091	4,690
Loans		
At 1 January	55,465	61,189
Allowance made/(written back) during the financial year	722	(4,985)
Amounts written back in respect of recoveries	(1,749)	(524)
Bad debts written off	(14,194)	(215)
At 31 December	40,244	55,465

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

	GROUP	
	31.12.2013	**31.12.2012**
	RM'000	**RM'000**
Constructions	11,452	11,452
Purchase of landed properties/securities	4,971	5,032
Purchase of property, plant and equipment other than land and buildings	1,552	1,552
Personal use	8,211	11,056
Working capital	7,930	21,214
Others	11,961	14,358
	46,077	64,664

46 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/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 following table summarises the maturity profile of the Group's financial liabilities based on outstanding terms to maturity still remaining.

The insurance/takaful 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'/retakaful operators' share of unearned premiums/contributions have been excluded from the analysis as they are not contractual obligations.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

46 FINANCIAL RISK (continued)

Liquidity Risk (continued)

Maturity Profile (continued)

GROUP

	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Investment-linked fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2013									
Financial assets at FVTPL:									
Corporate debt securities	3,961	-	-	-	-	-	-	3,961	3,961
Equities securities	15,120	-	-	-	-	-	15,120	-	15,120
Unit trust	2,033	-	-	-	-	-	2,033	-	2,033
Syariah-approved quoted equities	209,059	-	-	-	-	-	5,828	203,231	209,059
Islamic debt securities, unquoted	48,258	-	-	-	-	-	-	48,258	48,258
Other investments	5,861	-	-	-	-	-	1,511	4,350	5,861
Investment-linked units	10,430	-	-	-	-	-	10,430	-	10,430
AFS financial assets:									
Corporate debt securities	35,222	3,590	42,465	-	-	-	-	-	46,055
Equities securities	28,184	-	-	-	-	-	28,184	-	28,184
Islamic debt securities, unquoted	141,796	-	-	9,888	126,984	89,289	-	-	226,161
Government debt securities	1,406	-	-	-	531	875	-	-	1,406
Malaysian Government Guarantee Financing	7,753	-	-	-	10,000	-	-	-	10,000
HTM financial assets:									
Malaysian Government Guarantee Financing	40,881	-	-	-	39,586	29,273	-	-	68,859
Loans and receivables:									
Loans	5,834	5,783	46	13	-	-	-	-	5,842
Fixed and call deposits	103,197	104,333	-	-	-	-	-	-	104,333
Reinsurance/retakaful assets	184,956	165,889	10,021	140	493	8,413	-	-	184,956
Insurance/takaful receivables	50,922	50,922	-	-	-	-	-	-	50,922
Trade and other receivables	107,621	67,518	38,697	-	-	-	-	1,406	107,621
Cash and cash equivalents	181,840	156,758	-	-	-	-	-	28,816	185,574
	1,184,334	554,793	91,229	10,041	177,594	127,850	63,106	290,022	1,314,635
Insurance contract liabilities	71,691	71,691	-	-	-	-	-	-	71,691
Takaful contract liabilities	512,233	449,349	12,402	215	1,540	48,727	-	-	512,233
Financial liabilities	4,715	4,715	-	-	-	-	-	-	4,715
Insurance/takaful payables	111,070	111,070	-	-	-	-	-	-	111,070
Trade and other payables	104,981	101,350	-	-	-	-	-	3,631	104,981
	804,690	738,175	12,402	215	1,540	48,727	-	3,631	804,690

46 FINANCIAL RISK (continued)

Liquidity Risk (continued)

Maturity Profile (continued)

GROUP

	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Investment-linked fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2012									
Financial assets at FVTPL:									
Corporate debt securities	3,950	-	-	-	-	-	-	3,950	3,950
Equities securities	13,258	-	-	-	-	-	13,258	-	13,258
Unit trust	9,048	-	-	-	-	-	9,048	-	9,048
Syariah-approved quoted equities	134,905	-	-	-	-	-	4,230	130,675	134,905
Islamic debt securities, unquoted	41,497	-	-	-	-	-	-	41,497	41,497
Other investments	45,678	-	-	-	-	-	-	45,678	45,678
Investment-linked units	-	-	-	-	-	-	-	-	-
AFS financial assets:									
Corporate debt securities	504	504	-	-	-	-	-	-	504
Equities securities	25,723	-	-	-	-	-	25,723	-	25,723
Islamic debt securities, unquoted	137,100	-	5,786	12,188	117,455	70,332	-	-	205,761
Government debt securities	2,080	-	-	-	769	1,311	-	-	2,080
Malaysian Government Guarantee Financing	19,197	5,000	-	-	10,000	9,360	-	-	24,360
HTM financial assets:									
Malaysian Government Guarantee Financing	35,834	-	-	-	32,030	29,988	-	-	62,018
Loans and receivables:									
Loans	9,385	9,046	343	16	2	-	-	-	9,407
Fixed and call deposits	2,053	2,075	-	-	-	-	-	-	2,075
Reinsurance/retakaful assets	153,012	125,539	18,043	2,269	536	6,625	-	-	153,012
Insurance/takaful receivables	51,695	51,695	-	-	-	-	-	-	51,695
Trade and other receivables	255,426	253,305	2,000	-	-	-	-	121	255,426
Cash and cash equivalents	138,294	104,989	-	-	-	-	-	35,353	140,342
	1,078,369	552,153	26,172	14,473	160,792	117,616	52,259	257,274	1,180,739
Insurance contract liabilities	116,990	116,990	-	-	-	-	-	-	116,990
Takaful contract liabilities	416,244	347,456	23,022	2,946	1,202	41,618	-	-	416,244
Financial liabilities	4,335	4,335	-	-	-	-	-	-	4,335
Insurance/takaful payables	79,390	79,390	-	-	-	-	-	-	79,390
Trade and other payables	80,707	79,164	-	-	-	-	-	1,543	80,707
	697,666	627,335	23,022	2,946	1,202	41,618	-	1,543	697,666

46 FINANCIAL RISK (continued)

Liquidity Risk (continued)

Maturity Profile (continued)

COMPANY

	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2013								
AFS financial assets:								
Corporate debt securities	34,714	3,082	42,465	-	-	-	-	45,547
Loans and receivables:								
Loans	38	38	-	-	-	-	-	38
Fixed and call deposits	100,565	101,636	-	-	-	-	-	101,636
Trade and other receivables	143,776	124,376	19,400	-	-	-	-	143,776
Cash and cash equivalents	32,609	32,613	-	-	-	-	-	32,613
	311,702	261,745	61,865	-	-	-	-	323,610
Trade and other payables	46,971	46,971	-	-	-	-	-	46,971
31 December 2012								
AFS financial assets:								
Equities securities	1,664	-	-	-	-	-	1,664	1,664
Loans and receivables:								
Loans	96	37	59	-	-	-	-	96
Fixed and call deposits	-	-	-	-	-	-	-	-
Trade and other receivables	251,029	249,029	2,000	-	-	-	-	251,029
Cash and cash equivalents	6,141	6,141	-	-	-	-	-	6,141
	258,930	255,207	2,059	-	-	-	1,664	258,930
Trade and other payables	4,527	4,527	-	-	-	-	-	4,527

46 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 investment-linked investment policies in a number of its products. In the investment-linked business, the holders of these contracts bear the investment risk on the assets held in the investment-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 associates 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 subsidiaries 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 associates 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/Profit Rate Risk

Interest/profit rate risk is part of market risk as any adverse movements in interest/profit rates may affect the Group's investment fair valuation and reinvestment issues. The Group's Investment Committees of the insurance subsidiaries 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/profit rate 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/profit rate 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.

46 FINANCIAL RISK (continued)

Market Risk (continued)

Interest/Profit Rate Risk (continued)

GROUP	**Impact on profit before taxation**		**Impact on equity***	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest/Profit Rate				
+ 100 basis points	834	190	(4,632)	(5,439)
- 100 basis points	(834)	(190)	5,356	6,189

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

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

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

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 subsidiaries. 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 taxation**		**Impact on equity***	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Change in variables				
FTSE Bursa Malaysia				
- FBM KLCI +15% - gain	5,027	2,977	3,770	2,233
- FBM KLCI -15% - loss	(5,027)	(2,977)	(3,770)	(2,233)

The potential impacts arising from other market indices and overseas subsidiaries 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.

47 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.

48 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

49 INSURANCE FUNDS

Statement of Financial Position by Funds as at 31 December 2013

	Share-holders' fund	General fund	Life fund	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Property, plant and equipment	21,714	129	-	-	-	21,843
Investment properties	12,500	-	-	-	-	12,500
Intangible assets	3,007	-	-	-	-	3,007
Investments	267,717	1,907	3,961	62,397	323,013	658,995
Financial assets at FVTPL	34,922	-	3,961	-	255,839	294,722
AFS financial assets	125,525	1,424	-	45,778	41,634	214,361
HTM financial assets	-	-	-	15,365	25,516	40,881
Loans and receivables	107,270	483	-	1,254	24	109,031
Associates	61,497	-	-	-	-	61,497
Reinsurance/retakaful assets	-	41,972	-	200,362	15,490	257,824
Insurance/takaful receivables	-	6,706	-	37,940	6,276	50,922
Trade and other receivables	105,181	201	63	407	1,769	107,621
Tax recoverable	2,740	33	-	-	-	2,773
Deferred tax assets	-	-	-	47	-	47
Cash and cash equivalents	119,472	1,337	1,867	19,422	39,742	181,840
Assets classified as held for sale	178	-	-	-	-	178
Total assets	594,006	52,285	5,891	320,575	386,290	1,359,047
Equity, policyholders' funds and liabilities						
Liabilities						
Insurance/takaful contract liabilities	-	71,691	-	254,065	352,196	677,952
Investment contract liabilities	-	-	4,082	-	-	4,082
Borrowings						
- Bank overdrafts (unsecured)	4,715	-	-	-	-	4,715
Insurance/takaful payables	-	57,778	-	50,848	2,444	111,070
Trade and other payables	83,280	2,655	285	9,805	8,956	104,981
Current tax liabilities	366	40	-	173	1,081	1,660
Deferred tax liabilities	2,282	-	-	-	1,689	3,971
Total liabilities	90,643	132,164	4,367	314,891	366,366	908,431
Equity						
Share capital	304,354	-	-	-	-	304,354
Retained earnings	116,594	-	-	-	-	116,594
Reserves	10,448	-	-	-	-	10,448
Total equity attributable to the owners of the Company	431,396	-	-	-	-	431,396
Non-controlling interests	19,220	-	-	-	-	19,220
Total equity	450,616	-	-	-	-	450,616
Total equity, policyholders' funds and liabilities	541,259	132,164	4,367	314,891	366,366	1,359,047
Inter-fund balances	52,747	(79,879)	1,524	5,684	19,924	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

49 INSURANCE FUNDS (continued)

Statement of Financial Position by Funds as at 31 December 2012

	Share-holders' fund	**General fund**	**Life fund**	**General takaful fund**	**Family takaful fund**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**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	125,712	3,433	11,033	62,577	277,457	480,212
Financial assets at FVTPL	19,453	-	11,033	-	217,850	248,336
AFS financial assets	96,195	2,100	-	47,200	39,109	184,604
HTM financial assets	-	-	-	15,366	20,468	35,834
Loans and receivables	10,064	1,333	-	11	30	11,438
Associates	56,314	-	-	-	-	56,314
Reinsurance/retakaful assets	-	66,812	-	132,139	13,792	212,743
Insurance/takaful receivables	-	21,944	-	20,938	8,813	51,695
Trade and other receivables	252,895	676	70	1,387	398	255,426
Tax recoverable	3,382	235	-	-	-	3,617
Deferred tax assets	-	558	-	-	-	558
Cash and cash equivalents	73,423	853	1,773	10,077	52,168	138,294
Assets classified as held for sale	1,015	-	-	-	-	1,015
Total assets	555,777	94,852	12,876	227,118	352,628	1,243,251
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	2,693	79,390
Trade and other payables	52,270	5,999	151	12,783	9,504	80,707
Current tax liabilities	2,418	113	-	2,388	1,454	6,373
Deferred tax liabilities	3,978	-	-	627	1,505	6,110
Total liabilities	63,001	163,411	11,440	225,243	326,038	789,133
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	518,744	163,411	11,440	223,618	326,038	1,243,251
Inter-fund balances	37,033	(68,559)	1,436	3,500	26,590	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

49 INSURANCE FUNDS (continued)

Income Statement by Funds for the financial year ended 31 December 2013

Continuing operation

	Share-holders' fund	General fund	Life fund	General takaful fund	Family takaful fund	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premiums/ contributions	-	28,151	-	215,757	268,162	(10,000)	502,070
Premiums/contributions ceded to reinsurers/ retakaful operators	-	(24,667)	-	(171,126)	(9,455)	-	(205,248)
Net earned premiums/ contributions	-	3,484	-	44,631	258,707	(10,000)	296,822
Investment income	11,808	209	150	3,046	12,314	-	27,527
Realised gains and losses – net	6,896	30	112	874	15,765	-	23,677
Fair value gains and losses – net	2,697	-	261	-	9,745	(430)	12,273
Fee and commission income	-	492	-	46,516	-	-	47,008
Other operating revenue from non-insurance businesses	9,461	-	-	-	-	-	9,461
Other operating income/ (expenses) – net	31,934	(1,215)	106	-	(12,701)	-	18,124
Surplus sharing from Family takaful	7,250	-	-	-	-	(7,250)	-
Wakalah fee from takaful business	141,546	-	-	-	-	(141,546)	-
Other revenue	211,592	(484)	629	50,436	25,123	(149,226)	138,070
Total revenue	211,592	3,000	629	95,067	283,830	(159,226)	434,892
Gross benefits and claims paid	-	(44,076)	(252)	(67,140)	(151,393)	-	(262,861)
Claims ceded to reinsurers/ retakaful operators	-	17,430	-	48,210	10,286	-	75,926
Gross change to contract liabilities	-	33,775	(86)	(51,500)	(52,739)	10,396	(60,154)
Change in contract liabilities ceded to reinsurers/ retakaful operators	-	(26,211)	-	43,357	446	-	17,592
Net insurance/takaful benefits and claims	-	(19,082)	(338)	(27,073)	(193,400)	10,396	(229,497)
Fee and commission expense	(97,168)	(1,162)	-	-	-	-	(98,330)
Management expenses	(96,758)	(10,849)	(1,320)	(2,047)	(1,833)	-	(112,807)
Expense liabilities	(794)	-	-	-	-	-	(794)
Surplus sharing with Shareholders' fund	-	-	-	-	(7,250)	7,250	-
Wakalah fee payable to Shareholders' fund	-	-	-	(63,070)	(78,476)	141,546	-
Finance costs	(404)	-	-	-	-	-	(404)
Other expenses	(195,124)	(12,011)	(1,320)	(65,117)	(87,559)	148,796	(212,335)

49 INSURANCE FUNDS (continued)

Income Statement by Funds for the financial year ended 31 December 2013 (continued)

Continuing operation (continued)

	Share-holders' fund	General fund	Life fund	General takaful fund	Family takaful fund	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share of profit of associates, net of tax	1,525	-	-	-	-	-	1,525
Profit/(loss) before taxation	17,993	(28,093)	(1,029)	2,877	2,871	(34)	(5,415)
Tax expenses attributable to participants	-	-	-	(1,252)	(2,871)	34	(4,089)
Profit/(loss) before taxation	17,993	(28,093)	(1,029)	1,625	-	-	(9,504)
Taxation	(3,431)	(478)	-	(1,252)	(2,871)	34	(7,998)
Tax expenses attributable to participants	-	-	-	1,252	2,871	(34)	4,089
Tax expenses attributable to Shareholders' fund	(3,431)	(478)	-	-	-	-	(3,909)
Zakat	(295)	-	-	-	-	-	(295)
Profit/(loss) for the financial year	14,267	(28,571)	(1,029)	1,625	-	-	(13,708)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

49 INSURANCE FUNDS (continued)

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

Continuing operation

	Share-holders' fund	General fund	Life fund	General takaful fund	Family takaful fund	Inter-fund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premiums/ contributions	-	69,412	-	152,907	209,099	-	431,418
Premiums/contributions ceded to reinsurers/ retakaful operators	-	(48,466)	-	(121,522)	(18,709)	-	(188,697)
Net earned premiums/ contributions	-	20,946	-	31,385	190,390	-	242,721
Investment income	8,698	402	177	2,893	9,263	-	21,433
Realised gains and losses – net	6,170	(6)	83	565	8,345	-	15,157
Fair value gains and losses – net	2,613	-	(2,828)	-	5,884	-	5,669
Fee and commission income	-	6,035	-	31,330	-	-	37,365
Other operating revenue from non-insurance businesses	5,877	-	-	-	-	-	5,877
Other operating income/ (expenses) – net	1,266	15,195	143	-	(10,296)	-	6,308
Surplus sharing from Family takaful	9,830	-	-	-	-	(9,830)	-
Wakalah fee from takaful business	113,351	-	-	-	-	(113,351)	-
Other revenue	147,805	21,626	(2,425)	34,788	13,196	(123,181)	91,809
Total revenue	147,805	42,572	(2,425)	66,173	203,586	(123,181)	334,530
Gross benefits and claims paid	-	(51,055)	-	(48,810)	(84,879)	-	(184,744)
Claims ceded to reinsurers/ retakaful operators	-	28,451	-	32,808	20,634	-	81,893
Gross change to contract liabilities	-	(49,298)	3,283	(15,348)	(61,485)	-	(122,848)
Change in contract liabilities ceded to reinsurers/ retakaful operators	-	43,503	-	18,601	4,486	-	66,590
Net insurance/takaful benefits and claims	-	(28,399)	3,283	(12,749)	(121,244)	-	(159,109)
Fee and commission expense	(80,292)	(15,330)	(40)	-	-	-	(95,662)
Management expenses	(91,139)	(11,111)	(946)	(3)	-		(103,199)
Expense liabilities	(818)	-	-	-	-	-	(818)
Surplus sharing to Shareholders' fund	-	-	-	-	(9,830)	9,830	-
Wakalah fee payable to Shareholders' fund	-	-	-	(43,316)	(70,035)	113,351	-
Finance costs	(420)	-	-	-	-	-	(420)
Other expenses	(172,669)	(26,441)	(986)	(43,319)	(79,865)	123,181	(200,099)
Share of loss of associates, net of tax	(665)	-	-	-	-	-	(665)
Profit/(loss) before taxation	(25,529)	(12,268)	(128)	10,105	2,477	-	(25,343)
Tax expenses attributable to participants	-	-	-	(3,327)	(2,477)	-	(5,804)
Profit/(loss) before taxation	(25,529)	(12,268)	(128)	6,778	-	-	(31,147)
Taxation	(3,380)	181	-	(3,327)	(2,477)	-	(9,003)
Tax expenses attributable to participants	-	-	-	3,327	2,477	-	5,804
Tax expenses attributable to Shareholders' fund	(3,380)	181	-	-	-	-	(3,199)
Zakat	(226)	-	-	-	-	-	(226)
Profit/(loss) for the financial year	(29,135)	(12,087)	(128)	6,778	-	-	(34,572)

49 INSURANCE FUNDS (continued)

Income Statement by Funds for the financial year ended 31 December 2013

Discontinued operations

	Shareholders' fund	Total
	RM'000	RM'000
Investment income	857	857
Realised gains and losses	59,345	59,345
Other operating revenue from non-insurance businesses	46,298	46,298
Other revenue	106,500	106,500
Total revenue	106,500	106,500
Management expenses	(23,462)	(23,462)
Other operating expenses – net	(64,332)	(64,332)
Other expenses	(87,794)	(87,794)
Profit before taxation	18,706	18,706
Taxation	(1,180)	(1,180)
Profit for the financial year	17,526	17,526

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

Discontinued operations

	Shareholders' fund	Life fund	Total
	RM'000	RM'000	RM'000
Gross earned premiums	-	3,453	3,453
Premiums ceded to reinsurers	-	(258)	(258)
Net earned premiums	-	3,195	3,195
Investment income	991	555	1,546
Realised gains and losses – net	67,311	(182)	67,129
Fair value gains and losses – net	-	(942)	(942)
Fee and commission income	-	135	135
Other operating revenue from non-insurance businesses	49,317	-	49,317
Other revenue	117,619	(434)	117,185
Total revenue	117,619	2,761	120,380
Gross benefits and claims paid	-	(3,749)	(3,749)
Gross change to contract liabilities	-	1,587	1,587
Net insurance benefits and claims	-	(2,162)	(2,162)
Fee and commission expense	-	(450)	(450)
Management expenses	(28,176)	(3,373)	(31,549)
Other operating (expenses)/income – net	(15,938)	54	(15,884)
Finance costs	(20)	-	(20)
Other expenses	(44,134)	(3,769)	(47,903)
Profit/(loss) before taxation	73,485	(3,170)	70,315
Taxation	(618)	-	(618)
Profit/(loss) for the financial year	72,867	(3,170)	69,697

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

49 INSURANCE FUNDS (continued)

Information on cash flow by Funds

	Share-holders' fund	General fund	Life fund	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2013						
Cash flows from:						
Operating activities	19,413	484	94	9,345	(12,426)	16,910
Investing activities	26,256	-	-	-	-	26,256
Net increase/(decrease) in cash and cash equivalents	45,669	484	94	9,345	(12,426)	43,166
Cash and cash equivalents at beginning of financial year	69,088	853	1,773	10,077	52,168	133,959
Cash and cash equivalents at end of financial year	114,757	1,337	1,867	19,422	39,742	177,125
31 December 2012						
Cash flows from:						
Operating activities	(15,393)	(14,722)	(6,939)	3,168	8,908	(24,978)
Investing activities	(7,787)	(78)	(1,218)	-	-	(9,083)
Net (decrease)/increase in cash and cash equivalents	(23,180)	(14,800)	(8,157)	3,168	8,908	(34,061)
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	69,088	853	1,773	10,077	52,168	133,959

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013 (continued)

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

(a) On 30 September 2011, the Group completed the disposal of its entire 100% equity interest in Malaysian Assurance Alliance Berhad ("MAA Assurance") (now known as Zurich Insurance Malaysia Berhad) and other identified subsidiaries, 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 the Disposed Subsidiaries as at 30 September 2010 and the final aggregate net asset value as at 30 September 2011 ("Adjustment to Consideration"). The Adjustment to Consideration shall be finalised within one hundred and twenty (120) days from the completion of the sale of the Disposed Subsidiaries, unless dispute arises which shall be resolved in accordance to the relevant terms and conditions stipulated in the SPA.

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 was an upward adjustment of RM86.0 million to the sale consideration of RM344.0 million. The upward adjustment of RM86.0 million equaled to 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.

On 17 February 2012 and 12 April 2012, the Company submitted notifications of disputes to Zurich to disagree certain downward adjustments ("Disputed Matters") 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 conditions precedent in the SPA in relation to Prima Avenue Klang property ("PAK"), one of the real properties owned by MAA Assurance.

On 16 July 2012, the Company received a letter dated 13 July 2012 from Zurich that confirmed an overstatement of RM5.3 million in the life fund liabilities of MAA Assurance 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 conditions 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 the disputes on the calculation of general insurance reserves and other disputed matters in the Draft Completion Accounts 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 PAK, together with damages, interests and costs.

On 24 July 2013, the Company entered into a settlement agreement ("Settlement Agreement") with Zurich for settlement of the Disputed Matters in relation to the Draft Completion Accounts and PAK ("Proposed Settlement").

Subject to fulfilment of the conditions precedent set out in the Settlement Agreement, the salient terms of the Proposed Settlement, inter alia, include the following:

(i) The parties agree and acknowledge that the final agreed additional consideration payable by Zurich shall be RM103,428,081 incorporating all adjustments on the general insurance reserves, general receivables and life liabilities reserve as specified in the Settlement Agreement.

(ii) With respect to settlement of impairment dispute on Senai Desaru and Domayne bonds ("Bonds"), the Company agrees to accept transfer of the Bonds at the impaired carrying values and the deduction of the Bonds transfer price from the additional consideration payable by Zurich.

(iii) The parties acknowledge that the amount of RM103,428,081 is subject to the deduction of the Bonds transfer price and PAK Hold Back Amount (as defined in (iv) below), such that the net amount of additional consideration payable by Zurich into the escrow account is RM78,825,822.

(iv) Zurich shall instruct and withhold an amount of RM3.0 million ("PAK Hold Back Amount") until delivery of the individual strata titles for Block A of PAK within 3 years period.

In furtherance of the Company's obligations in relation to (iv) as disclosed above, and to recover the Company's initial investment of RM20.0 million in the development (hereafter defined) arising from the original sale of MAA Assurance to Zurich on 30 September 2011, the Company had on 30 July 2013 entered into a joint venture agreement ("JVA") with PIMA Pembangunan Sdn Bhd ("PIMA") in respect of a commercial development known as Prima Avenue Klang or Pusat Perniagaan Prima Klang ("Development") which currently comprise of Block A and Block B office space and/or shop lots and a building platform for Block C (to be built). The Development is currently charged to Malayan Banking Berhad by way of first legal charge. As disclosed in Note 13(b) to the financial statements, an amount of RM19.4 million has been extended by the Company to PIMA under the JVA as at 31 December 2013.

50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END (continued)

(a) On 11 September 2013, the Company announced that the Disputed Matters in relation to the Draft Completion Accounts between the Company and Zurich had been settled on that day and the Company had duly received Bonds from Zurich on 6 September 2013 and the net amount additional consideration of RM78,825,822 had been duly deposited by Zurich in the escrow account.

On 30 September 2013, the Company announced that an amount of RM136.5 million (including interest earned) had been released from the escrow account to the Company on the same day after the expiry of 2 years from the completion of the Disposal and a balance of RM55.1 million is still being retained in the escrow account until Zurich's remaining outstanding claims are resolved.

Zurich's remaining outstanding claims relate to alleged breach of warranties and indemnities ("Zurich's Counterclaims"), of which a provision of RM45.0 million has been made in the financial year ended 31 December 2013. The said provision amount was based on the parties' ongoing settlement negotiations, which to date has not been reached or mutually agreed.

(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 Assurance.

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 PN17 of the Listing Requirements to announce details of the 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 ("First Application for Waiver").

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

On 20 December 2012, Bursa Securities had vide its letter rejected the Company's First Application for Waiver from complying with Paragraph 8.04(3) and PN17 of the Listing Requirements and had granted an extension of time of up to 18 June 2013 ("First Granted Extension of Time") for the Company to submit a regularisation plan.

On 7 June 2013, the Company submitted an application to Bursa Securities for extension of time from complying with Paragraph 8.04(3) and PN17 of the Listing Requirements ("Second Application for Extension of time").

On 1 August 2013, Bursa Securities had vide its letter granted a further extension of time of up to 30 November 2013 ("Second Granted Extension of Time") for the Company to submit a regularisation plan taking into consideration amongst others the following:

(i) The latest consolidated financial position of the Group including its consolidated shareholders' equity, net assets and gearing ratio position;

(ii) The future receipts of the balance of cash proceeds from the disposal of Disposed Subsidiaries following the proposed settlement on the amount receivable by the Company as announced on 24 July 2013; and

(iii) The latest regulatory development vis-à-vis the Islamic Financial Services Act, 2013 which came into effect on 1 July 2013, which governs the Company's core business activities.

The Second Granted Extension of Time was without prejudice to Bursa Securities' right to proceed to suspend the trading of the securities of the Company and to delist the Company in the event:

(i) The Company fails to submit the regularisation plans on or before 30 November 2013;

(ii) The Company fails to obtain the approval from any of the regulatory authorities necessary for the implementation of its regularisation plan, or

(iii) The Company fails to implement its regularisation plan within the time frame or extended time frames stipulated by Bursa Securities.

Upon the occurrence of any of the events set out in (i) to (iii) above, Bursa Securities shall suspend the trading of the listed securities of the Company upon the expiry of five (5) market days from the date the Company is notified by Bursa Securities and delist the Company, subject to the Company's right to appeal against the delisting. Based on the decision by Bursa Securities, the Board will formularise a regularisation plan and will submit it to Bursa Securities for approval.

On 2 September 2013, 1 October 2013 and 1 November 2013, the Company announced that it was still in the midst of formulating a regularisation plan for submission to Bursa Securities for approval.

On 29 November 2013, the Company submitted an application to Bursa Securities for extension of time to comply with Paragraph 8.04(2), 8.04(3) and PN17 of the Listing Requirements ("Third Application for Extension of Time").

50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END (continued)

(b) On 9 December 2013, Bursa Securities had vide its letter informed that the suspension of trading of the Company's securities and the delisting of the Company in accordance with Paragraph 8.04(5) of the Listing Requirements shall be deferred pending the decision of the Third Application for Extension of Time.

On 11 March 2014, Bursa Securities has granted an extension of time of up to 31 July 2014 for the Company to submit a regularisation plan ("Third Granted Extension of Time").

The Third Granted Extension of Time was given by Bursa Securities after taking into consideration, on amongst others, the following:

(i) The material developments in relation to the Group's internal restructuring in particular the internal restructuring relating to its subsidiaries, namely PT MAA General Assurance ("PT MAAG") and MAA Takaful Berhad ("MAAT"); and associated company, Columbus Capital Pty Ltd ("CCAU"); and

(ii) The latest consolidated financial position of the Group including its consolidated shareholders' equity and net assets, cash and cash equivalents as well as its gearing position.

The Company is also required to provide detailed updates on the status of the Group's internal restructuring and status of the submission of its regularisation plan to the regulatory authorities via its monthly announcements.

The Third Granted Extension of Time is without prejudice to Bursa Securities' right to proceed to suspend the trading of the listed securities of the Company and to delist the Company in the event:

(i) The Company fails to submit the regularisation plan to the regulatory authorities on or before 31 July 2014;

(ii) The Company fails to obtain the approval from any of the regulatory authorities necessary for the implementation of its regularisation plan; and

(iii) The Company fails to implement its regularisation plan within the time frame or extended time frame stipulated by any of the regulatory authorities.

Upon occurrence of any of the events set out in (i) to (iii) above, Bursa Securities shall suspend the trading of the listed securities of MAAG on the next market day after five (5) market days from the date of notification of suspension by Bursa Securities and delist the Company, subject to the Company's right to appeal against the delisting.

On 1 April 2014, the Company announced the following status update of the Group's internal restructuring:

(i) PT MAAG is currently implementing the plan to settle its obligation and liabilities. From December 2012 to March 2014, PT MAAG has signed settlement agreements and paid settlements for approximately RP128.3 billion gross claims;

(ii) The proposed increase of the Group's equity interest in CCAU from 47.95% to 55% is pending approval from the Foreign Investment Review Board of Australia; and

(iii) The Company is in the midst of re-evaluating its group structure including the Group's business plans and operational requirements, and splitting of the existing composite license of MAAT into two (2) capitalised legal entities that is Family takaful and General takaful to ensure compliance with the Islamic Financial Services Act, 2013.

(c) On 13 November 2013, the Company's wholly-owned subsidiary, MAA Corporation Sdn Bhd ("MAA Corp") together with the other shareholders of MAAKL Mutual Bhd ("MAAKL Mutual") namely, Khyra Liberty Sdn Bhd, Edmond Cheah Swee Leng, Wong Boon Choy and Nge Koh Nguong (collectively referred to as the "Vendors"), had on the same day entered into a conditional sale and purchase agreement ("SPA") with Manulife Holdings Berhad ("Manulife") for the disposal of the entire issued and paid up ordinary share capital of MAAKL Mutual for a total cash consideration of RM96.5 million ("Sale Consideration"), arrived at on a 'willing buyer-willing seller' basis, and after taking into account the audited net assets and profit after tax of MAAKL Mutual based on its audited financial statements as at 31 December 2012. MAA Corp's share of the Sale Consideration in proportionate to its 55% equity interest in MAAKL Mutual is RM53.1 million.

The SPA is subject to fulfilment of the conditions precedent as set out including the transfer of RM19.3 million from the Sale Consideration to an escrow account ("Escrow Amount"). The Escrow Amount together with accrued interest but less any amount paid by the escrow agent in connection with any claims for a breach of any of the warranties or indemnities stated in the SPA shall be paid to the Vendors on the date failing after 24 months from the sale completion date.

On 31 December 2013, MAA Corp has completed the disposal of its 55% equity interest in MAAKL Mutual to Manulife.

(d) On 14 April 2014, MAA Corp entered into a share sale agreement ("SSA") with AEC College Pte Ltd ("AEC") to acquire 30% interest in Pusat Tuisyen Kasturi Sdn Bhd ("PTKSB") and Keris Murni Sdn Bhd ("KMSB") ("Proposed Acquisition") for a total cash consideration of RM1.6 million. The purchase consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the aggregate profit after taxation of PTKSB and KMSB amounting to RM658,000 based on the audited financial statements for the financial year ended 31 December 2013.

The Proposed Acquisition was completed on 21 April 2014 and consequently, PTKSB and KMSB become wholly-owned subsidiaries of MAA Corp.

51 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	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Total retained earnings:				
Realised	150,217	131,741	95,740	79,887
Unrealised	(23,647)	1,415	(32,469)	(131)
	126,570	133,156	63,271	79,756
Total share of accumulated losses from associates:				
- Realised	(5,175)	(5,606)	-	-
- Unrealised	5,007	3,913	-	-
	(168)	(1,693)	-	-
	126,402	131,463	63,271	79,756
Less: Consolidation adjustments	(9,808)	(12,729)	-	-
Total retained earnings	116,594	118,734	63,271	79,756

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.