

Company No.

689263	M
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CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2012

0395A3/nm

Company No.

689263

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CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

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CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is engaged principally in the underwriting of Family Takaful including investment-linked business and General Takaful business. There have been no significant changes in the principal activities of the Company during the financial year.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	<u>23,243</u>

DIVIDENDS

No dividends have been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any dividend for the financial year ended 31 December 2012.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements.

PROVISION FOR TAKAFUL LIABILITIES

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for incurred claims, including Incurred But Not Reported ("IBNR") claims.

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CIMB AVIVA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amounts written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of Takaful underwritten in the ordinary course of business of the Company.

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DIRECTORS' REPORT (CONTINUED)

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company, which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

DIRECTORS

The Directors who have held office since the date of the last report and at the date of this report and the attendance of the Directors at the Board Meetings held during the financial year are as follows:

	<u>Attendance</u>
Encik Mohd Yusof bin Hussian - Chairman	10/10
Encik Izlan bin Izhab	8/10
Encik Peter William England	10/10
Encik Pushpanathan A/L S.A. Kanagarayar	9/10
Encik Allan Raymond Griffiths	9/10
Cik Saw Teow Yam	10/10
Encik Ooi Say Teng	9/10

In accordance with Article 69 of the Company's Articles of Association, Encik Pushpanathan A/L S.A. Kanagarayar and Cik Saw Teow Yam retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

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CIMB AVIVA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE

The Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under BNM/RH/GL/004-1 on Guidelines on Directorship for Takaful Operators and the principles of Shariah.

Audit Committee ("AC")

The composition of the AC comprises all Independent Directors of the Company and the attendance of the AC members at the meetings held during the financial year are indicated below:

	<u>Attendance</u>
Encik Pushpanathan A/L S.A. Kanagarayar - Chairman (Independent Non-Executive Director)	7/7
Encik Mohd Yusof bin Hussian (Independent Non-Executive Director)	7/7
Encik Izlan bin Izhah (Independent Non-Executive Director)	6/7

The duties and responsibilities of the AC are as follows:

Governance

- (i) To ensure that the internal audit function outsourced to the CIMB Group Internal Audit Division is effective with regard to audit objectives, professionalism, capacity and competency of the auditors;
- (ii) To review the effectiveness of internal control, including the review and approval of the audit plan, audit charter and budget;
- (iii) To ensure that the reporting relationships of the internal auditors do not impede the exercise of independent judgement by the internal auditors;
- (iv) To review the scope of the internal audit procedures, which includes inter alia, the restriction to the conduct of audit and appropriateness of the risk assessment methodology;
- (v) To ensure that all findings and recommendations are resolved effectively and in a timely manner;
- (vi) To review and approve the fees structure of the CIMB Group's internal auditors; and
- (vii) To meet with:
 - (a) The CIMB Group Audit Committee at least twice a year; and
 - (b) The Aviva Higher Growth Market ("HGM") Regional Internal Auditors as and when necessary.

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CIMB AVIVA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC") (continued)

The duties and responsibilities of the AC are as follows: (continued)

External auditors

- (i) To be responsible for the appointment of the external auditors, having particular regard to the external auditors' objectivity, performance and independence;
- (ii) To review the provision of non-audit services by the external auditors;
- (iii) To review the external auditors' audit plan, findings and recommendations;
- (iv) To meet with the external auditors at least twice a year without the presence of management; and
- (v) To review and approve the fees structure of the external auditors.

Related party transactions and other matters

- (i) To review any related-party transactions and conflicts of interest situations; and
- (ii) To undertake any other functions as may be determined by the Board of Directors ("the Board") and reflected in its terms of reference.

Nominating and Remuneration Committee ("NRC")

The composition of the NRC comprises a majority of Independent Directors of the Company and the attendance of the NRC members at the meetings held during the financial year are indicated below:

	<u>Attendance</u>
Encik Izlan bin Izhab - Chairman (Independent Non-Executive Director)	4/4
Encik Mohd Yusof bin Hussian (Independent Non-Executive Director)	4/4
Encik Pushpanathan A/L S.A. Kanagarayar (Independent Non-Executive Director)	4/4
Encik Allan Raymond Griffith (Non-Independent Non-Executive Director)	4/4
Encik Peter William England (Non-Independent Non-Executive Director)	4/4

CIMB AVIVA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Nominating and Remuneration Committee ("NRC") (continued)

The duties and responsibilities of the NRC are as follows:

- (i) To establish the minimum requirements for the Board and the Chief Executive Officer to perform their responsibilities effectively;
- (ii) To oversee the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required through annual reviews;
- (iii) To assess and recommend the nominees for directorship, the Directors to fill Board Committees, as well as nominees for the position of Chief Executive Officer. This would include assessing Directors and the Chief Executive Officer proposed for re-appointment, before applications for approvals are submitted to Bank Negara Malaysia;
- (iv) To establish a mechanism for formal assessment of the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Chief Executive Officer;
- (v) To recommend to the Board on removal of a Director/Chief Executive Officer if he is ineffective, errant or negligent in discharging his responsibilities;
- (vi) To ensure that all Directors undergo appropriate induction programmes and receive continuous training;
- (vii) To oversee appointments, management succession planning and performance evaluation of key senior officers and recommend to the Board the removal of key senior officers if they were ineffective, errant and negligent in discharging their responsibilities; and
- (viii) To recommend a remuneration framework and specific packages for Directors, Chief Executive Officer and key senior officers.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Risk Committee ("BRC")

The composition of the BRC comprises a majority of Independent Directors of the Company and the attendance of the BRC members at the meetings held during the financial year are indicated below:

	<u>Attendance</u>
Encik Pushpanathan A/L S.A. Kanagarayar - Chairman (Independent Non-Executive Director)	4/4
Encik Mohd Yusof bin Hussian (Independent Non-Executive Director)	4/4
Encik Izlan bin Izhah (Independent Non-Executive Director)	4/4
Encik Allan Raymond Griffiths (Non-Independent Non-Executive Director)	3/4
Encik Ooi Say Teng (Non-Independent Non-Executive Director)	4/4

The duties and responsibilities of the BRC are as follows:

Governance

- (i) To review and recommend risk management strategies, policies and risk tolerance for the Board's approval;
- (ii) To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- (iii) To ensure adequate infrastructure, resources and systems are in place for an effective risk management, i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Company's risk taking activities;
- (iv) To review the management's periodic reports on the risk exposure, risk portfolio composition and risk management activities; and
- (v) To perform any other functions in relation to risk management as may be agreed by the BRC and the Board.

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CIMB AVIVA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Risk Management

The Board recognises that risk management is an integral part of the Company's business objectives and is critical for the Company to achieve continued profitability and sustainable growth in shareholders' value. In pursuing these objectives, the Company has adopted a Risk Management Framework ("RMF") to manage its risks and opportunities. The Board has established the Board Risk Committee ("BRC") with the primary responsibility of ensuring the effective functioning of the RMF. The BRC is supported by management-level committees; namely, the Risk Management Committee ("RMC"), Asset and Liability Committee ("ALCO") and Investment Committee ("IC"), that provide key focus on operational, financial and Takaful risks.

The RMF involves an on-going process of identifying, evaluating, monitoring, managing and reporting significant risks affecting the achievement of the Company's business objectives. It provides the Board and the Management with a tool to anticipate and manage both the existing and potential risks, taking into consideration the changing risk profiles as dictated by changes in business and regulatory environment and the Company's strategies and functional activities throughout the financial year.

The Company operates a 'three lines of defence' model. Primary responsibility for the application of the RMF lies with business management (the first line of defence). Support for and challenge on the completeness and accuracy of risk assessment, risk reporting and adequacy of mitigation plans are performed by specialist risk functions (the second line of defence). Independent and objective assurance on the robustness of the RMF and the appropriateness and effectiveness of internal control is provided by CIMB Group Internal Audit Division (the third line of defence).

To promote a consistent and rigorous approach to risk management, there exists a set of formal risk management policies. These risk policies set out the risk management and control standards for the Company's operations. As the business responds to changing market conditions and customer needs, the appropriateness of our risk policies is regularly monitored to ensure that they remain up-to-date.

Shariah Committee ("SC")

The members of the SC are as follows:

Associate Professor Dr. Shafaai Musa	(Chairman)
Professor Dr. Mohammad Hashim Kamali	(Member)
Dr. Haji Mohd Nai'm Haji Mokhtar	(Member)
Professor Dr. Noor Inayah Yaakub	(Member)
Ustaz Mohd Fadhly Md Yusoff	(Member)

CIMB AVIVA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Shariah Committee ("SC") (continued)

The attendance of the SC members at the meetings held during the financial year are indicated below:

	<u>Attendance</u>
Associate Professor Dr. Shafaai Musa	6/6
Professor Dr. Mohammad Hashim Kamali	6/6
Dr. Haji Mohd Nai'm Haji Mokhtar	5/6
Professor Dr. Noor Inayah Yaakub	6/6
Ustaz Mohd Fadhy Md Yusoff	5/6

The duties and responsibilities of the SC are as follows:

- (i) To have active participation, including attending meetings of the Committee, evaluating reports, reading minutes, and others;
- (ii) To engage actively in deliberating Shariah issues presented before them;
- (iii) To advise the Board of Directors and/or the Management of the Company on Shariah matters in order to ensure that the Takaful business is Shariah-compliant at all times;
- (iv) To set the policies and procedures for the Company's Takaful business, to endorse all the Manuals governing the Takaful business of the Company including the Guidelines, Rules, Terms and Procedures ("GRTP") and to suggest for their revision, improvement and updates from time to time as may be necessary;
- (v) To set the policies and guidelines to allow the Shariah Department of the Group Islamic Banking Division of CIMB Islamic Bank Berhad (the "Shariah Department") to process and decide on submissions from any divisions within the Company;
- (vi) To advise the Company to refer to the Shariah Advisory Council For Islamic Banking And Takaful of Bank Negara Malaysia ("the SACBNM") and the Shariah Advisory Council For Islamic Capital Market of Securities Commission ("the SACSC") on any Shariah matter that requires the SACSC' endorsement;
- (vii) To ensure high standards in arriving at Shariah decisions through proper Shariah ruling framework;
- (viii) To be well informed of the latest development of Takaful business globally, regulatory changes affecting the Company's business, rulings made by the SACBNM and changes in the latest Shariah research, ijtehad, fatwas or findings;
- (ix) To review and endorse the Shariah Governance Framework as provided by various tools such as the Shariah Compliance Policy and General Procedure Manual and various implementation functions within the Company including Shariah research, Shariah review, Shariah compliance review and Shariah risk management;
- (x) To review and respond to proposals submitted for the Members' Circular Resolution within 7 (seven) calendar days after the proposals have been circulated;
- (xi) To attend at least 75% of all the meetings held in a year. Any member who does not meet the minimum requirement might be subjected to a review of his or her service; and
- (xii) To maintain and portray professionalism in the best manner to reflect the integrity of the Committee.

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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration and benefits disclosed in the notes to the financial statements of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES

According to the Register of Directors' Shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares, share options and debentures of its related companies are as follows:

CIMB Group Holdings Berhad	EOP*	No. of ordinary shares of RM1 each			
		At 1 January	Acquired/ granted	(Sold)	At 31 December
Peter William England	EOP	57,078	92,090	(48,000)	101,168
Ooi Say Teng	EOP	7,000	-	-	7,000

* EOP is abbreviation for Equity Ownership Plan

CIMB NIAGA TBK - Subordinated Notes	At 1 January IDR'000	No. of debentures held		
		Acquired/granted IDR'000	(Sold) IDR'000	At 31 December IDR'000
Peter William England	1,500,000	-	-	1,500,000

The other Directors in office at the end of the financial year did not hold shares or have beneficial interests in the shares of the Company or hold shares, options over shares and debentures or have beneficial interests in the shares, options over shares and debentures of its related companies during and at the end of the financial year.

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DIRECTORS' REPORT (CONTINUED)

SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR END

On 17 January 2013, Aviva Plc reached an agreement to sell its 49% interest in CIMB Aviva Assurance Berhad and CIMB Aviva Takaful Berhad (together "CIMB-Aviva") to Sun Life Assurance Company of Canada, a subsidiary of Sun Life Financial Inc. for a consideration of £152 million payable in cash.

On the same date, CIMB Group Holdings Berhad ("CIMB Group") also reached an understanding with Khazanah Nasional Berhad ("KNB") to sell its stake in CIMB-Aviva, for a total consideration of RM1,110 million. The purchase consideration will be satisfied by a cash component of RM1,066.50 million as well as shares worth RM43.5 million in a new insurance holding company, Renggis Ventures Sdn Bhd, wholly owned by KNB. As a result, CIMB Group will retain an effective 2% interest in CIMB-Aviva.

The above sales transactions have not been completed at the date of this report as it is subject to approvals from the relevant regulatory authorities.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

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

PUSHPANATHAN A/L S.A. KANAGARAYAR
DIRECTOR

OOI SAY TENG
DIRECTOR

Kuala Lumpur
29 March 2013

Company No.

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CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

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

We, Pushpanathan A/L S.A. Kanagarayar and Ooi Say Teng, being two of the Directors of CIMB Aviva Takaful Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 17 to 158 are drawn up in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and comply with the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as at 31 December 2012 and of the financial performance and the cash flows of the Company for the financial year then ended.

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

PUSHPANATHAN A/L S.A. KANAGARAYAR
DIRECTOR

OOI SAY TENG
DIRECTOR

Kuala Lumpur
29 March 2013

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

I, Yong Heng Thong @ Tony Yong, being the Officer primarily responsible for the financial management of CIMB Aviva Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 17 to 158 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

YONG HENG THONG @ TONY YONG

Subscribed and solemnly declared by the abovenamed Yong Heng Thong @ Tony Yong at Kuala Lumpur in Malaysia on 29 March 2013, before me.

COMMISSIONER FOR OATHS

CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

REPORT OF THE SHARIAH COMMITTEE

In the name of Allah, the Beneficent, the Merciful

We, the CIMB Aviva Takaful Berhad Shariah Committee (the "Shariah Committee") have reviewed the principles and the contracts relating to the transactions and applications introduced by CIMB Aviva Takaful Berhad ("CATB") during the financial year ended 31 December 2012. We have also conducted our review to form an opinion as to whether CATB, has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

The management of CATB is responsible for ensuring that it conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on review of the operations of CATB, and to report to you.

We have assessed the work carried out by the Shariah review and Shariah audit which included examining, on a test basis, each type of transaction, the relevant documentation and procedures adopted by CATB.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that CATB has not violated the Shariah principles.

In our opinion:

1. The contracts, transactions and dealings entered into by CATB during the financial year ended 31 December 2012 are in compliance with the Shariah principles.
2. The allocation of profit sharing and surplus sharing relating to Participant Accounts and Participant Special Account (i.e. Tabarru' Funds) conforms to the basis stipulated in the Takaful Investment Allocation and Surplus Recognition and Allocation policies, that had been approved by us.
3. The Qardhul Hasan recovery by the Shareholders Fund from Family Takaful Fund and General Takaful Fund is fair and reasonable.
4. All earnings that have been realised from sources or by means prohibited by the Shariah principles have been considered for disposal to charitable causes.
5. The calculation of zakat is in compliance with Shariah principles.

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CIMB AVIVA TAKAFUL BERHAD
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REPORT OF THE SHARIAH COMMITTEE (CONTINUED)

We, being two of the members of the Shariah Committee of CATB, do hereby confirm that the operations of CATB for the financial year ended 31 December 2012 have been conducted in conformity with the Shariah, except where it is disclosed otherwise.

SHEIKH ASSOCIATE PROFESSOR DR. SHAFAAI BIN MUSA
CHAIRMAN

SHEIKH PROFESSOR DR. MOHAMMAD HASHIM KAMALI
MEMBER

Kuala Lumpur
29 March 2013

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)
(Company No. 689263 M)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of CIMB Aviva Takaful Berhad, which comprise the statement of financial position as at 31 December 2012 of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and explanatory notes, as set out on pages 17 to 158.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CIMB AVIVA TAKAFUL BERHAD (CONTINUED)**
(Incorporated in Malaysia)
(Company No. 689263 M)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as of 31 December 2012 and of its financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

As stated in Note 2 to the financial statements, CIMB Aviva Takaful Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, changes in equity and cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the financial year then ended.

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SHIRLEY GOH
(No. 1778/08/14 (J))
Chartered Accountant

Kuala Lumpur
29 March 2013

Company No.

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CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	31.12.2012				31.12.2011				01.01. 2011			
		Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS													
Property and equipment	3	51	-	-	51	107	-	-	107	987	-	-	987
Intangible assets	4	2,509	-	-	2,509	3,653	-	-	3,653	4,861	-	-	4,861
Available-for sale financial assets	5	45,010	16,048	244,695	305,753	6,830	22,760	206,092	235,682	9,326	25,013	134,427	168,766
Fair value through profit or loss financial assets	5	-	-	52,522	52,522	-	-	187,341	187,341	-	-	244,111	244,111
Financing and receivables	6	117,052	35,907	60,546	213,505	123,000	35,285	89,326	247,611	53,952	34,185	63,167	151,304
Qardhul Hasan receivables	7	360	-	-	-	6,475	-	-	-	5,350	-	-	-
Takaful receivables	8	-	4,570	4,814	9,384	-	4,218	1,929	6,147	-	10,302	1,866	12,168
Retakaful assets	9	-	11,410	5,062	16,472	-	12,375	74,612	86,987	-	33,634	72,373	106,007
Other receivables	10	13,850	232	725	677	66,232	5,095	16,523	9,430	50,497	15,891	23,420	5,982
Deferred tax assets	11	3,133	2,522	(794)	5,036	(1,874)	3,580	(1,733)	725	2,014	6,514	(74)	8,454
Current tax assets		-	-	-	-	-	-	-	-	327	133	33	493
Cash and bank balances		4,259	4,024	11,858	20,141	3,450	1,827	31,988	37,265	2,650	1,143	74,589	78,382
Total assets		186,224	74,713	379,428	626,050	207,873	85,140	606,078	814,948	129,964	126,815	613,912	781,515

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CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012 (CONTINUED)

	Note	31.12.2012				31.12.2011				01.01. 2011			
		Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES													
Share capital	15	100,010	-	-	100,010	100,010	-	-	100,010	100,003	-	-	100,003
Share premium		99,990	-	-	99,990	99,990	-	-	99,990	32,997	-	-	32,997
Available-for-sale reserve		890	-	-	890	623	-	-	623	694	-	-	694
Accumulated losses		(39,207)	-	(699)	(39,392)	(56,912)	(20,122)	(13,423)	(62,635)	(69,215)	(29,079)	(19,493)	(74,565)
Total equity		161,683	-	(699)	161,498	143,711	(20,122)	(13,423)	137,988	64,479	(29,079)	(19,493)	59,129
LIABILITIES													
Qardhul Hasan payables		-	-	699	-	-	20,122	13,423	-	-	29,079	19,493	-
Takaful contract liabilities	12	-	54,669	365,039	419,708	-	64,336	534,076	598,412	-	91,910	555,798	647,708
Takaful payables	13	-	9,389	2,391	11,780	-	9,858	4,598	14,456	-	8,561	1,511	10,072
Other payables	14	18,990	5,117	12,534	22,511	60,665	10,231	67,270	59,746	61,707	26,344	56,603	60,828
Expense liabilities		4,603	-	-	4,603	3,558	-	-	3,558	3,778	-	-	3,778
Current tax liabilities		948	5,538	(536)	5,950	(61)	715	134	788	-	-	-	-
Total liabilities		24,541	74,713	380,127	464,552	64,162	105,262	619,501	676,960	65,485	155,894	633,405	722,386
TOTAL EQUITY AND LIABILITIES		186,224	74,713	379,428	626,050	207,873	85,140	606,078	814,948	129,964	126,815	613,912	781,515

The accompanying notes are an integral part of these financial statements.

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CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012				2011			
		Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned contribution	17(a)	-	34,753	111,323	146,076	-	27,662	113,768	141,430
Contribution ceded to retakaful operators	17(b)	-	(5,185)	(9,704)	(14,889)	-	(6,392)	(10,314)	(16,706)
Net earned contribution		-	29,568	101,619	131,187	-	21,270	103,454	124,724
Wakalah income		53,434	-	-	-	50,127	-	-	-
Surplus sharing from General and Family Takaful funds		4,880	-	-	-	-	-	-	-
Investment income	18	6,774	1,867	13,130	18,714	3,392	2,102	10,811	16,305
Realised gains/(losses)	19	-	426	176	602	338	(209)	80	209
Net fair value gains	20	-	-	5,082	5,082	-	-	7,349	7,349
Commission income		-	23	27	50	-	197	13	210
Other operating income	21	2,474	9,913	6,559	18,946	4,100	6,743	11	10,854
Writeback of impairment charge on Qardhul Hasan extended to General and Family Takaful funds		26,731	-	-	-	16,152	-	-	-
Total income		94,293	41,797	126,593	174,581	74,109	30,103	121,718	159,651

CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

	Note	2012				2011			
		Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross benefits and claims paid	22(a)	-	(5,197)	(174,887)	(180,084)	-	(14,363)	(102,702)	(117,065)
Claims ceded to retakaful operators	22(b)	-	1,985	7,292	9,277	-	3,561	4,263	7,824
Gross change to contract liabilities	22(c)	-	11,107	172,069	183,176	-	28,902	24,761	53,663
Change in contract liabilities ceded to retakaful operators	22(d)	-	(688)	(69,550)	(70,238)	-	(20,225)	2,239	(17,986)
		-	7,207	(65,076)	(57,869)	-	(2,125)	(71,439)	(73,564)
Surplus sharing with Takaful operator		-	(2,465)	(2,415)	-	-	-	-	-
Wakalah expenses		-	(16,493)	(36,941)	-	-	(13,269)	(36,858)	-
Commission expenses		(29,016)	-	-	(29,016)	(16,945)	-	-	(16,945)
Management expenses	23	(42,885)	-	-	(42,885)	(33,614)	-	-	(33,614)
Other operating expenses	24	(5,873)	(1,634)	(8,619)	(13,069)	(4,628)	(2,015)	(5,071)	(11,714)
Taxation on General and Family Takaful funds		-	(8,290)	(818)	(9,108)	-	(3,737)	(2,279)	(6,016)
Total expenses		(77,774)	(28,882)	(48,793)	(94,078)	(55,187)	(19,021)	(44,208)	(68,289)
Profit before taxation		16,519	20,122	12,724	22,634	18,922	8,957	6,071	17,798
Taxation	25	1,186	-	-	609	(6,620)	-	-	(5,868)
Net profit for the financial year		17,705	20,122	12,724	23,243	12,302	8,957	6,071	11,930

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CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

	Note	2012				2011			
		Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other comprehensive income/(loss):									
Fair value change on available-for-sale financial assets:									
- Gross fair value change	5(c)	357	(486)	3,296	3,167	(95)	1,079	3,303	4,287
- Deferred taxation	11	(90)	121	(264)	(233)	24	(270)	(264)	(510)
- Net fair value change		267	(365)	3,032	2,934	(71)	809	3,039	3,777
Change in Takaful contract liabilities arising from unrealised net fair value losses/(gains)	12	-	365	(3,032)	(2,667)	-	(809)	(3,039)	(3,848)
Total comprehensive income for the financial year		17,972	20,122	12,724	23,510	12,231	8,957	6,071	11,859

The accompanying notes are an integral part of these financial statements.

CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

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

	<u>Note</u>	<u>Non-distributable</u>			<u>Accumulated losses</u> RM'000	<u>Total</u> RM'000
		<u>Share capital</u> RM'000	<u>Share premium</u> RM'000	<u>Available-for-sale reserve</u> RM'000		
As at 1 January 2012 - previously reported		100,010	99,990	623	(56,912)	143,711
Effects on adoption of MFRS	2.5	-	-	-	(5,723)	(5,723)
As at 1 January 2012 - under MFRS		100,010	99,990	623	(62,635)	137,988
Total comprehensive income for the financial year		-	-	267	23,243	23,510
As at 31 December 2012		<u>100,010</u>	<u>99,990</u>	<u>890</u>	<u>(39,392)</u>	<u>161,498</u>
As at 1 January 2011 - previously reported		100,003	32,997	694	(69,215)	64,479
Effects on adoption of MFRS	2.5	-	-	-	(5,350)	(5,350)
As at 1 January 2011 - under MFRS		100,003	32,997	694	(74,565)	59,129
Issuance of shares during the financial year		7	66,993	-	-	67,000
Total comprehensive (loss)/ income for the financial year		-	-	(71)	11,930	11,859
As at 31 December 2011		<u>100,010</u>	<u>99,990</u>	<u>623</u>	<u>(62,635)</u>	<u>137,988</u>

The accompanying notes are an integral part of these financial statements.

CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	<u>2012</u>	<u>2011</u>
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit after taxation for the financial year	23,243	11,930
Adjustments for:		
Depreciation of property and equipment	56	101
Write off of property and equipment	-	161
Amortisation of intangible assets	2,040	2,181
Accretion of discounts	140	(203)
Gain on disposal of property and equipment	-	(63)
Gain on disposal of financial assets	(602)	(209)
Profit income	(18,494)	(14,917)
Dividend income	(360)	(1,185)
Net fair value gains	(5,082)	(7,349)
Provision/(writeback of provision) for expense liability	1,045	(220)
Writeback of doubtful debts on Takaful receivables	(9,657)	(3,848)
Decrease in General Takaful contract liabilities	(9,302)	(28,383)
Decrease in Family Takaful contract liabilities	(172,069)	(24,761)
Taxation expense for General Takaful fund	8,290	3,737
Taxation expense for Family Takaful fund	818	2,279
Taxation	(609)	5,868
	<hr/>	<hr/>
Loss from operations before changes in operating assets and liabilities	(180,543)	(54,881)
Proceeds from disposal and maturity of investments	189,136	84,407
Purchase of investments	(114,362)	(81,562)
Decrease/(increase) in other receivables	8,718	(3,697)
Decrease in Takaful receivables	6,420	9,869
Decrease/(increase) in financing and receivables	34,022	(96,105)
Decrease in retakaful assets	70,515	19,020
Decrease in other payables	(37,114)	(1,082)
(Decrease)/increase in Takaful payables	(2,676)	4,384
	<hr/>	<hr/>
	(25,884)	(119,647)
Income tax paid, net of refund	(8,002)	(3,197)
Profit income received	17,263	13,772
Dividend income received	395	1,247
	<hr/>	<hr/>
Net cash used in operating activities	(16,228)	(107,825)
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CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

	<u>2012</u> RM'000	<u>2011</u> RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	(896)	-
Purchase of property and equipment	-	(355)
Proceeds from disposal of property and equipment	-	63
	<u> </u>	<u> </u>
Net cash used in investing activities	(896)	(292)
	<u> </u>	<u> </u>
CASH FLOWS FROM FINANCING ACTIVITY		
Issuance of preference shares	-	67,000
	<u> </u>	<u> </u>
Net cash generated from financing activity	-	67,000
	<u> </u>	<u> </u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(17,124)	(41,117)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	<u>37,265</u>	<u>78,382</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	<u>20,141</u>	<u>37,265</u>
	<u> </u>	<u> </u>
Cash and cash equivalents comprise:		
Cash and bank balances	<u>20,141</u>	<u>37,265</u>
	<u> </u>	<u> </u>

The Company classifies cash flows from the acquisition and disposal of financial assets as operating cash flows as the purchases are funded from cash flows associated with the origination of Takaful contracts, net of cash flows for payments of benefits and claims incurred for Takaful contracts, which are respectively treated under the operating activities.

The accompanying notes are an integral part of these financial statements.

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CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

1 CORPORATE INFORMATION

The Company is engaged principally in the underwriting of Family Takaful including investment-linked business and General Takaful business. There have been no significant changes in the principal activities of the Company during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at the 11th Floor, No 338, Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur, Malaysia.

The principal place of business of the Company is located at the 8th Floor, No 338, Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 March 2013.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and comply with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the provisions of the Companies Act, 1965. These are the Company's first financial statements prepared in accordance with MFRS, including MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards". Subject to certain transition elections and adoption of new accounting policies disclosed in Note 2.1(a), Note 2.1(b) and Note 2.1(c) respectively. The Company has consistently applied the same accounting policies in its opening MFRS statements of financial position at 1 January 2011 (transition date) and throughout all financial years presented, as if these policies had always been in effect. Comparative figures for 2011 in these financial statements have been restated to give effect to these changes. Notes 2.4 and 2.5 disclose the impact of the transition to MFRS and adoption of the new accounting policy on the Company's reported financial position, financial performance and cash flows. Subsequent to the transition in the financial reporting framework to MFRS on 1 January 2012, this restated comparative information prepared under the MFRS framework has not been audited. The restated comparative statements of financial position as at 31 December 2011, comparative statements of comprehensive income, changes in equity and cash flows for the year then ended prepared under the previous financial reporting framework, Financial Reporting Standards in Malaysia, as modified by the Guidelines on Financial Statements for Takaful Operators ("GPT 6") issued by Bank Negara Malaysia ("BNM") pursuant to the Takaful Act, 1984, have been audited.

Following the adoption of MFRS, a Takaful Operator is required to present its financial statements for itself and the Takaful funds it manages.

In preparing the Company's financial statements as a whole, the assets, liabilities, income and expenses of the Takaful fund are combined with those of the Takaful Operator. Interfund balances and transactions are eliminated in arriving at the Company's financial statements.

CIMB AVIVA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

The inclusion of separate financial information of the Takaful funds and the Takaful Operator together with the financial information of the Company as a whole in the statement of financial position, the statement of comprehensive income as well as certain relevant notes to the financial statements represents additional supplementary information presented in accordance with the requirements of BNM pursuant to the Takaful Act, 1984 in Malaysia to separate assets, liabilities, income and expenses of the Takaful funds from its own. The accounting policies adopted for the Takaful Operator and Takaful funds are uniform for like transactions and events in similar circumstances.

The preparation of financial statements in conformity with the MFRS requires the use of 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 revenue and expenses during the financial year. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.3.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

(a) Effects of transition from FRS to MFRS

Treatment of reported deficits and accumulated deficits in the respective Takaful funds

Under FRS, the accumulated surplus/deficits, available-for-sale reserve and surplus/deficits reported by the Takaful funds (i.e. from surplus sharing and non-surplus sharing Takaful funds) during the financial year are set-off against the Takaful liability reserves of the respective Takaful funds as required under the Guidelines on Financial Reporting for Takaful Operators (BNM/RH/GL 004-6) issued by BNM.

On adoption of MFRS, deficits reported by the Takaful funds during the financial year that are attributable to the Shareholders' fund will be reported as a loss in the financial statements of the respective Takaful funds. Accordingly, accumulated deficits and available-for-sale reserve attributable to the Shareholders' fund are treated as equity in the financial statements.

In addition, under FRS, Qardhul Hasan owing by the Takaful funds to the Shareholders' fund as a result of deficits reported by the Takaful funds is included as part of Takaful contract liabilities in the respective Takaful funds. With the transition to MFRS, Qardhul Hasan payable balances in the respective Takaful funds are presented separately as payable balance to the Shareholders' fund.

The impact of adopting this accounting policy to the Company is disclosed in Note 2.5.

CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

- (b) Effects of change in accounting policy on unearned contribution reserve of General Takaful fund

During the current financial year, the Company has adopted a new policy for unearned contribution reserve, which is determined based on gross contribution less actual wakalah fee instead of the commission only as the new method is more appropriate. This change is in line with the Guidelines on Valuation Basis for Liabilities of General Takaful business issued by BNM.

The change in method of computing unearned contribution reserve to include additional deduction of management expenses constitutes a change in accounting policy and as such, the impact of the change is accounted for retrospectively in the Company's first financial statements prepared in accordance with MFRS. This has resulted in restatement of balances of unearned contribution reserve as at 1 January 2011 and 31 December 2011 in the financial statements of the Company.

The impact of adopting this accounting policy to the Company is disclosed in Note 2.4.

- (c) Effects of change in accounting policy on valuation of actuarial liabilities of Family Takaful fund

During the current financial year, the Company has adopted a new policy for the valuation of actuarial liabilities using the gross contribution valuation ("GCV") method as compared to the net contribution valuation ("NCV") method in prior years. This change is in line with the Guidelines on Valuation Basis for Liabilities of Family Takaful business issued by BNM. The net effect on the contract liabilities is not significant and has been reflected in the movement of contract liabilities for the financial year.

- (d) The new accounting standards, amendments and improvements to published standards and interpretations to the existing standards that are relevant and applicable to the Company but not yet effective are as follows:

- (i) Financial year beginning on/after 1 January 2013

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

CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(d) The new accounting standards, amendments and improvements to published standards and interpretations to the existing standards that are relevant and applicable to the Company but not yet effective are as follows: (continued)

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

- MFRS 13 “Fair value measurement” (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 “Financial instruments: Disclosures”, but apply to all assets and liabilities measured at fair value, not just financial ones.
- Amendment to MFRS 101 “Presentation of items of other comprehensive income” (effective from 1 July 2012) requires entities to separate items presented in ‘other comprehensive income’ (OCI) in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.
- Amendment to MFRS 119 “Employee benefits” (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.
- Amendment to MFRS 7 “Financial instruments: Disclosures” (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

(ii) 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 the MFRS 132 offsetting criteria.

CIMB AVIVA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(d) The new accounting standards, amendments and improvements to published standards and interpretations to the existing standards that are relevant and applicable to the Company but not yet effective are as follows: (continued)

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

- MFRS 9 “Financial instruments - classification and measurement of financial assets and financial liabilities” (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity’s business model for managing the financial assets and the contractual cash flows characteristics of the financial asset.

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

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

The Company has not completed the review of the adoption of the above accounting standards, amendments to published standards and interpretations to existing standards and as such, has not finalised any financial impact of the adoption of the above accounting standards.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies

(a) Property and equipment

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

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

Depreciation of property and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, summarised as follows:

Computer equipment	3 years
Furniture and fittings	5 - 10 years
Motor vehicles	5 years
Office equipment	5 - 10 years
Renovation	5 - 10 years

Work-in-progress is not depreciable until the asset is ready for its intended use.

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

At each date of the statement of financial position, the Company 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. These are described in Note 2.2(e) on impairment of assets.

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

(b) Intangible assets

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 of 5 years.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) Intangible assets (continued)

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable software systems controlled by the Company, 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, not exceeding a period of 5 years.

At each date of the statement of financial position, the Company 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. These are described in Note 2.2(e) on impairment of assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(c) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), financing and receivables ("FAR") and available-for-sale ("AFS").

The classification depends on the purpose for which the financial assets were acquired or originated. Management determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

FVTPL

Financial assets at FVTPL include financial assets held for trading and those designated at fair value through profit or loss at inception. Financial assets typically bought with the intention to sell in the near future are classified as held-for-trading. For financial assets designated as at fair value through profit or loss, the following criteria must be met:

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Financial assets (continued)

FVTPL (continued)

The Company classifies assets acquired for the purpose of selling in the short term as held-for-trading or it is part of a portfolio of identified investments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Investments held by investment-linked-funds are designated at FVTPL at inception as they are managed and evaluated on a fair value basis, in accordance with the respective investment strategy and mandate.

These financial assets are initially recorded at fair value. Subsequent to initial recognition, these financial assets are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in profit or loss.

FAR

FAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at fair value. All transaction costs directly attributable to the acquisition are also included in the cost of the FAR. After initial measurement, FAR are measured at amortised cost, using the effective yield method, less impairment loss. Gains and losses are recognised in profit or loss when the financial assets are derecognised or impaired, as well as through the amortisation process.

AFS

AFS are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the two preceding categories. These financial assets are initially recognised at fair value. After initial measurement, AFS are remeasured at fair value.

Fair value gains and losses of AFS, net of income tax, are recognised directly in other comprehensive income, except for impairment losses.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in other comprehensive income are transferred to the profit or loss as net realised gains or losses on AFS financial assets.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(d) 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 market bid prices on the date of the statement of financial position. For investments in 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 flows 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 flows techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

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

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 financial assets.

(e) Impairment

(i) Financial assets

The Company assesses at each date of the statement of financial position whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective profit rate. The carrying amount of the asset is reduced through the use of an allowance account and the impairment loss is recorded in profit or loss.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Impairment (continued)

(i) Financial assets (continued)

Assets carried at amortised cost (continued)

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed 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 the collective assessment of impairment. The impairment assessment is performed as of each date of the statement of financial position.

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

AFS financial assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income to the income statement. Reversals in respect of equity instruments classified as AFS are not recognised in the income statement. Reversals of impairment losses on debt instruments classified as AFS are reversed through income statement if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the income statement.

(ii) Non-financial assets

The carrying values of assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset 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 level for which there are separately identifiable cash flows.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Impairment (continued)

(ii) Non-financial assets (continued)

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each date of the statement of financial position. The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset, in which case it is taken to revaluation surplus.

(f) Derecognition of financial assets

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

(g) Equity instruments

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity.

Dividends

Dividends on ordinary shares and preference shares classified as equity instruments are recognised as a liability and deducted from equity when they are declared.

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

(h) Product classification

The Company issues contracts that transfer Takaful risk or financial risk or both.

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Product classification (continued)

Takaful contracts are those contracts whereby significant Takaful risks are shared between the participants. A Takaful contract is a contract under which the Takaful operator (the provider) has agreed to administer Takaful risk faced by the participants by agreeing to compensate the participants from the Tabarru' Fund if a specified uncertain future event (the insured event) adversely affects the participants. As a general guideline, the Company defines significant Takaful risk to be the possibility of having to pay benefits on the occurrence of a Takaful event that are at least 5% more than the benefits payable if the Takaful event did not occur.

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

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

Based on the Company's assessment, all Takaful contracts underwritten by the Company meet the definition of Takaful contracts and accordingly are classified as Takaful contracts.

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

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

Surpluses in the DPF fund are distributable to participants and the Company in accordance with the relevant terms under the Takaful contracts, subject to the advice of the Company's Appointed Actuary.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Product classification (continued)

Takaful contracts that contain both a financial risk component and a significant Takaful risk component are not unbundled and classified as Takaful contracts as the current accounting policy recognises all Takaful contributions, claims and benefit payments, expenses and valuation of future benefit payments, inclusive of the investment component, through the profit or loss.

An investment-linked Takaful contract is a Takaful contract with an embedded derivative linking payments on the contract to units of an internal investment fund set up by the Company with the consideration received from the contract holders. This embedded derivative meets the definition of a Takaful contract and is therefore not accounted for separately from the host Takaful contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

(i) Retakaful contracts

Contracts entered into by the Company with retakaful operators under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for Takaful contracts in Note 2.2(h) (on product classification) are classified as Takaful contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Takaful contracts entered into by the Company under which the contract holder is another Takaful operator (inward retakaful) are included within Takaful contracts.

The benefits to which the Company is entitled under its retakaful contracts held are recognised as retakaful assets. These assets consist of short-term balances due from retakaful operators, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related retakaful contracts. Amounts recoverable from or due to retakaful operators are measured consistently with the amounts associated with the original Takaful contracts to which the retakaful relates and in accordance with the terms of each retakaful contract. Retakaful liabilities are primarily contributions payable for retakaful contracts and are recognised as an expense when due.

Ceded retakaful arrangements do not relieve the Company from its obligations to participants. Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

Retakaful assets are reviewed for impairment at each date of the statement of financial position 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 retakaful asset that the Company 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 Company will receive from the retakaful operator. The Company gathers the objective evidence that a retakaful asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets. These processes are described in Note 2.2(e). Impairment loss is recorded in profit or loss.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(i) Retakaful contracts (continued)

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

(j) Family Takaful contracts

Family Takaful fund

The Family Takaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 and includes the amount attributable to participants.

The amount attributable to participants represents the accumulated surplus attributable to the participants as determined by an annual actuarial valuation of the Family Takaful fund and is attributable in accordance with the terms and conditions prescribed by the Company's Shariah Committee.

All actuarial deficits in the Family Takaful fund will be made good by the Shareholders' fund via a benevolent loan or Qardhul Hasan.

The deficits reported by the Takaful funds during the financial year that are attributable to the Shareholders' fund will be reported as a loss in the financial statements of the respective Takaful funds. Accordingly, accumulated deficits and available-for-sale reserve attributable to the Shareholders' fund are treated as equity in the financial statements.

Contribution income

Contribution income represents contribution recognised in the Family Takaful and Investment-linked funds. Contribution income from Family Takaful fund are recognised as soon as the amount of the contribution can be reliably measured. Initial contribution is recognised from inception date and subsequent contributions are recognised when due.

Contribution income of the investment-linked funds includes net creation of units, which represents contribution paid by participants as payment for a new contract or subsequent payments to increase the amount of the contract. Net creation of units is recognised on a receipt basis.

Benefits and claims expenses

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Benefits and claims expenses (continued)

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

- maturity and other certificate benefit payments due on specified dates are treated as claims payable on the due dates;
- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered; and
- profit sharing of Takaful certificates at maturity and in the financial year the profit arises.

Commission expenses and management expenses

Acquisition costs, commissions and management expenses are borne by the Family Takaful fund in the profit or loss at an agreed percentage of the gross contribution, in accordance with the principles of "Wakalah" as approved by the Company's Shariah Committee and agreed between the participants and the Company. These expenses are transferred to the Shareholders' fund via Wakalah fee and are recognised as incurred and properly allocated to the period in which it is probable that give rise to income.

At each date of the statement of financial position, the Company estimates its net future expense cash flows required on the maintenance of the Family Takaful fund. If the estimate shows that there is a deficiency in the net future expense cash flows, the deficiency is immediately charged to the profit or loss of the Shareholders' fund with a corresponding credit to the provision of expense liabilities.

Family Takaful contract liabilities

Family Takaful contract liabilities comprise liabilities attributable to the certificate holders, claims liabilities and available-for-sale reserve.

(i) Liabilities attributable to the certificate holders

Actuarial liabilities are recognised when contracts are entered into and contributions are charged.

Actuarial liabilities as determined by the annual actuarial valuation are based on the Takaful Act, 1984 as well as the relevant statutory requirements stated in the Guidelines on Valuation Basis for Liabilities of Family Takaful Business. The actuarial liabilities are derecognised when the Takaful contract expires, is discharged or is cancelled.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Family Takaful contract liabilities (continued)

(i) Liabilities attributable to the certificate holders (continued)

The liabilities are based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of these liabilities.

(ii) Claims liabilities

The amounts payable under a Family Takaful certificate in respect of benefits and claims, including settlement costs, are accounted for using the case-by-case method as further set out in Note 2.2(j) on the accounting policy for benefits and claims expenses for Family Takaful contracts.

(iii) Fair value adjustment on available-for-sale financial assets

Where unrealised gains or losses arise on AFS financial assets of the non-surplus sharing Family Takaful fund, the adjustment to the Takaful contract liabilities equal to the effect that the realisation of those gains or losses at the end of the reporting period would have on those liabilities is recognised directly in the other comprehensive income.

(k) General Takaful contracts

General Takaful fund

The General Takaful fund is maintained in accordance with the Takaful Act, 1984 and consists of unearned contribution reserves and surplus/deficit attributable to participants which represents the participants' share in the net surplus of the General Takaful fund's profit or loss. Surplus is distributable in accordance with the terms and conditions prescribed by the Company's Shariah Committee. Any deficit in the General Takaful fund will be made good by the Shareholders' fund via a benevolent loan or Qardhul Hasan.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) General Takaful contracts (continued)

Contribution income

Contributions are recognised as soon as the amount of the contributions can be reliably measured in accordance with the principles of Shariah. Gross contributions are recognised in a financial year in respect of risks assumed during that particular financial year. Gross contributions from direct business are recognised during the financial year upon the issuance of certificates. Gross contributions in respect of risks accepted for which certificates have not been issued as of the date of the statement of financial position are accrued at that date.

Claims and expenses

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

Commission expenses and management expenses

Acquisition costs, commissions and management expenses are borne by the General Takaful fund in the profit or loss at an agreed percentage of the gross contribution, in accordance with the principles of "Wakalah" as approved by the Company's Shariah Committee and agreed between the participants and the Company. These expenses are transferred to the Shareholders' fund via Wakalah fee and are recognised as incurred and properly allocated to the period in which it is probable that they give rise to income.

General Takaful contract liabilities

General Takaful contract liabilities are recognised when contracts are entered into and contributions are charged.

These liabilities comprise of outstanding claims provisions and unearned contribution reserve.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) General Takaful contracts (continued)

General Takaful contract liabilities (continued)

(i) Outstanding claims provision

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

(ii) Unearned contribution reserve

Unearned contribution reserve ("UCR") represents the portion of the gross contributions of Takaful certificates written net of the related retakaful contributions ceded to qualified retakaful operators that relate to the unexpired periods of the certificates at the end of the financial year.

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

- 1/365th method for all classes of General Takaful business; and
- Non-annual certificates are time-apportioned over the period of the risks.

UCR is determined on net contribution reduced by the corresponding percentage of accounted gross direct business commission, agency related expenses and management expenses, not exceeding the limits specified by BNM.

Generally, the reserve is released over the term of the contract and is recognised as contribution income.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(l) Takaful receivables

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

If there is objective evidence that the Takaful receivables are impaired, the Company reduces the carrying amount of the Takaful receivables accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that Takaful receivables are 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 2.2(e).

(m) Contingent liabilities and contingent assets

The 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 the occurrence or non-occurrence of one or more uncertain future events beyond the control of the 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 the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(n) Qardhul Hasan

Qardhul Hasan is stated at cost and as of the date of the statement of financial position, the Company 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 in the near term. A write down is made if the carrying amount exceeds the recoverable amount, as set out in Note 2.2(e) on impairment of assets.

Qardhul Hasan balances are eliminated in preparing the Company's statement of financial position.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Expense liabilities

As required by the Guidelines on Valuation Basis for Liabilities of General Takaful and Family Takaful Business issued by BNM, expense liability is calculated at the higher of aggregate of the provision for unearned wakalah fee ("UWF") or the Company's unexpired expense risk ("UER") and a provision of risk margin for adverse deviation ("PRAD") at 75% confidence level, calculated at the total fund level.

(p) Other revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Wakalah fees

Wakalah fees represent fees charged by the Shareholders' fund to manage Takaful certificates issued by the General and Family Takaful funds under the principle of Wakalah and are recognised as soon as the contributions, to which they relate, can be reliably measured in accordance with the principles of Shariah.

Profit income

Profits including the amount of amortisation of premiums and accretion of discounts is recognised on a time proportion basis taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company.

Dividend income

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

Realised gains and losses on investments

Realised gains and losses recorded in profit or loss on investments include gains and losses on financial assets. Gains and losses on the sale of financial assets are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(q) Taxation

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

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the date of the statement of financial position.

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

(r) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate.

(s) Employee benefits

(i) Short term employee benefits

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

(ii) Post employment benefits

The Company's contributions to the national defined contribution plan, the Employees' Provident Fund, are charged to the profit or loss in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(t) Zakat

Zakat represents tithes payable by the Company to comply with the principles of Shariah and as approved by the Company's Shariah Committee. Zakat is calculated based on 2.5% of the Zakat base of the Company for the financial year. Zakat base is the net adjusted amount of Zakat assets and liabilities used for or derived from business activities.

(u) Other financial liabilities and Takaful payables

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

(v) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and deposits held at call with financial institutions with original maturities of three months or less. It excludes deposits which are held for investment purpose.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities, at the date of the statement of financial position. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

(a) Critical judgements made in applying the Company's accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where choice of a specific policy could materially affect the reported results and financial position of the Company. However, the Directors are of the opinion that there are currently no accounting policies which require significant judgement to be exercised.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting judgements, estimates and assumptions (continued)

(b) Key sources of estimation uncertainty and assumptions

The Company 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) Provision for Incurred But Not Reported (“IBNR”) claims

For the financial year ended 31 December 2012, the estimation of IBNR claims has been computed by an independent actuarial firm, Actuarial Partners Consulting Sdn Bhd (“Actuarial Partners”). Different methods can be used to analyse past data and project past patterns into the future. However the choice of method is constrained by the fact that the Company only has six years of operations. Hence, Actuarial Partners has considered the Ultimate Loss Ratio (“ULR”) method for the estimation of IBNR claims for the Motor Act class, while the Link Ratio method with a Bornhuetter-Ferguson (“BF”) adjustment on a paid claims basis was considered for the rest of the business classes.

The ULR method requires a selected ULR to be applied to the net earned contribution in order to project the amount of ultimate claims incurred for each loss year. Then claims incurred for known claims are subtracted from the projected ultimate claims incurred for each loss year in order to estimate the amount of IBNR claims. Assumptions regarding the ULR vary by class of business and take into account the followings:

- (i) The Company’s claims incurred development to-date;
- (ii) Net contribution remaining after deducting Wakalah fee; and
- (iii) The industry loss experience.

The BF method can be seen as a combination of the ULR and unadjusted Link Ratio methods. An adopted ULR is selected based on the resultant loss ratios from the Link Ratio method, where appropriate, taking into consideration historical experience, industry loss ratios as well as incurred claims ratios to-date. The outstanding claims are calculated using the expected payment pattern (based on the average grossing up factors over the most recent three years) and an externally determined estimate of ultimate claims incurred for each loss year (determined by multiplying the adopted ULR with the net earned contribution). The IBNR is determined by subtracting the case estimate from the estimated outstanding claims.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting judgements, estimates and assumptions (continued)

(b) Key sources of estimation uncertainty and assumptions (continued)

(ii) Actuarial liabilities for Family Takaful fund

The liability for Family Takaful contracts and investment contracts with DPF is based on current assumptions, reflecting the best estimate at the time increased with a margin for risk and adverse deviation.

The main assumptions used relate to mortality, morbidity, investment returns, expenses, lapse and surrender rates and discount rates. The Company bases mortality and morbidity on established industry and Malaysian tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences.

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

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

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

Discount rate for Family Takaful certificates and the non-unit liability of investment-linked certificates accord a level of guarantee which is no less certain than that accorded by a Government Investment Issue ("GII").

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Effects of change in accounting policy on unearned contribution reserve of General Takaful fund

During the current financial year, the Company has adopted a new policy for unearned contribution reserve, which is determined based on gross contribution less actual wakalah fee instead of the commission only as the new method is more appropriate. This change is in line with the Guidelines on Valuation Basis for Liabilities of General Takaful business issued by BNM.

The change in method of computing unearned contribution reserve to include additional deduction of management expenses constitutes a change in accounting policy and as such, the impact of the change is accounted for retrospectively in the Company's first financial statements prepared in accordance with MFRS. This has resulted in restatement of balances of unearned contribution reserve as at 1 January 2011 and 31 December 2011 in the financial statements of the Company.

The following tables disclose the adjustments that have been made on the adoption of the new guidelines to each of the line items in the Company's statement of financial position as at 1 January 2011, 31 December 2011 and 31 December 2012.

Shareholders' fund

	<u>As previously reported</u> RM'000	Effect of adoption of BNM <u>Guidelines</u> RM'000	<u>As restated</u> RM'000
Statement of financial position			
<u>As at 1 January 2011</u>			
Qardhul Hasan receivable	5,615	(265)	5,350
Other payables	(61,972)	265	(61,707)
<u>As at 31 December 2011</u>			
Qardhul Hasan receivable	7,118	(643)	6,475
Other payables	(61,308)	643	(60,665)

There is no impact to the statement of financial position of Shareholders' fund as at 31 December 2012 resulting from adopting the aforementioned Guidelines.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Effects of change in accounting policy on unearned contribution reserve of General Takaful fund (continued)

General Takaful fund

	<u>As previously reported</u> RM'000	Effect of adoption of BNM <u>Guidelines</u> RM'000	<u>As restated</u> RM'000
Statement of financial position			
<u>As at 1 January 2011</u>			
Other receivables	16,156	(265)	15,891
Deferred tax assets	6,602	(88)	6,514
Qardhul Hasan payable	(29,344)	265	(29,079)
Takaful contract liabilities			
- unearned contribution reserves	(4,127)	353	(3,774)
Accumulated losses	29,344	(265)	29,079
<u>As at 31 December 2011</u>			
Other receivables	5,738	(643)	5,095
Retakaful assets			
- unearned contribution reserves	1,761	(1,126)	635
Deferred tax assets	3,794	(214)	3,580
Qardhul Hasan payable	(20,765)	643	(20,122)
Takaful contract liabilities			
- unearned contribution reserves	(6,276)	1,983	(4,293)
Accumulated losses	20,765	(643)	20,122
			<u>(Increase)/decrease to balances as at 31 December 2012</u> RM'000
Current tax liabilities			(319)
Takaful contract liabilities			
- unearned contribution reserves			1,276
- unallocated surplus			(957)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Effects of change in accounting policy on unearned contribution reserve of General Takaful fund (continued)

The following table discloses the adjustments effect of the adoption of the new Guidelines to each of the line items in the Company's statement of comprehensive income for the financial year ended 31 December 2011.

Shareholders' fund

There is no impact to the statement of comprehensive income of Shareholders' fund as a result of adopting the aforementioned Guidelines.

General Takaful fund

Statement of comprehensive income

	<u>As previously reported</u> RM'000	Effect of adoption of BNM <u>Guidelines</u> RM'000	<u>As restated</u> RM'000
Gross earned contribution	26,032	1,630	27,662
Contribution ceded to retakaful operators	(5,266)	(1,126)	(6,392)
Taxation on General and Family Takaful funds	(3,611)	(126)	(3,737)
Net profit for the financial year	8,579	378	8,957

Increase/(decrease) for the financial year ended 31 December 2012
RM'000

Gross earned contribution	1,276
Taxation on General and Family Takaful funds	(319)
Takaful contract liabilities	
- unallocated surplus	(957)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Effects of transition from FRS to MFRS

MFRS 1 requires an entity to reconcile equity, total comprehensive income and cash flows for prior financial periods. The following table represents the reconciliations from FRS to MFRS for the respective periods arising from transition elections as disclosed in Note 2.1(a) on equity and total comprehensive income. The transition from FRS to MFRS has had no effect on the reconciliation of equity and total comprehensive income of the Company and on the reported cash flows generated by the Company except for the following:

Total equity

	<u>31.12.2012</u> RM'000	<u>31.12.2011</u> RM'000	<u>01.01.2011</u> RM'000
Reported under FRS	159,218	143,711	64,479
(Less)/add:			
Qardhul Hasan balances written off	(360)	(6,475)	(5,350)
Deferred tax liability on Qardhul Hasan receivables	175	752	-
Current year surplus attributable to the Shareholders' fund treated as equity	2,465	-	-
Reported under MFRS	<u>161,498</u>	<u>137,988</u>	<u>59,129</u>

Net profit for the financial year

	<u>2012</u> RM'000	<u>2011</u> RM'000
Reported under FRS	15,240	12,302
(Less)/add:		
Writeback of impairment of Qardhul Hasan	(26,731)	(16,152)
Surplus arising for the year, treated as repayment of Qardhul Hasan balances	32,846	15,028
Movement in deferred tax on Qardhul Hasan balances	(577)	752
Current year surplus attributable to the Shareholders' fund	2,465	-
Reported under MFRS	<u>23,243</u>	<u>11,930</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3 PROPERTY AND EQUIPMENT

Shareholders' fund/Company

	<u>Computer equipment</u> RM'000	<u>Furniture and fittings</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Office equipment</u> RM'000	<u>Renovation</u> RM'000	<u>Work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>							
At 1 January 2011	1,621	40	350	37	7	779	2,834
Additions	-	-	-	-	-	355	355
Disposal	-	-	(120)	-	-	-	(120)
Write off	-	-	-	-	-	(161)	(161)
Transfer to intangible assets (Note 4)	-	-	-	-	-	(973)	(973)
At 31 December 2011/31 December 2012	<u>1,621</u>	<u>40</u>	<u>230</u>	<u>37</u>	<u>7</u>	<u>-</u>	<u>1,935</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3 PROPERTY AND EQUIPMENT (CONTINUED)

Shareholders' fund/Company

	Computer equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Work-in- progress RM'000	Total RM'000
<u>Accumulated depreciation</u>							
At 1 January 2011	1,574	14	244	11	4	-	1,847
Charge for the financial year	46	5	46	3	1	-	101
Disposal	-	-	(120)	-	-	-	(120)
At 31 December 2011/1 January 2012	1,620	19	170	14	5	-	1,828
Charge for the financial year	1	5	46	3	1	-	56
At 31 December 2012	1,621	24	216	17	6	-	1,884
<u>Net carrying amount</u>							
1 January 2011	47	26	106	26	3	779	987
31 December 2011	1	21	60	23	2	-	107
31 December 2012	-	16	14	20	1	-	51

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

4 INTANGIBLE ASSETS	<u>Shareholders' fund/Company</u> RM'000
<u>Cost</u>	
As at 1 January 2011	13,151
Transfer from property and equipment (Note 3)	973
As at 31 December 2011/1 January 2012	<u>14,124</u>
Additions	896
As at 31 December 2012	<u>15,020</u>
<u>Accumulated amortisation</u>	
As at 1 January 2011	8,290
Amortisation for the financial year	2,181
As at 31 December 2011/1 January 2012	<u>10,471</u>
Amortisation for the year	2,040
As at 31 December 2012	<u>12,511</u>
<u>Net carrying amount</u>	
1 January 2011	<u>4,861</u>
31 December 2011	<u>3,653</u>
31 December 2012	<u>2,509</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

5 FINANCIAL ASSETS

	Shareholders' fund <u>RM'000</u>	General Takaful fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>31.12.2012</u>				
Government Investment Issues	37,496	9,078	217,771	264,345
Unquoted Sukuk	-	6,760	27,845	34,605
Quoted equity securities	-	-	18,421	18,421
Investments in investment-linked funds	7,286	-	-	7,286
Structured investment	-	-	30,246	30,246
Accrued profit	228	210	2,934	3,372
Total	<u>45,010</u>	<u>16,048</u>	<u>297,217</u>	<u>358,275</u>
<u>31.12.2011</u>				
Government Investment Issues	-	13,180	195,372	208,552
Unquoted Sukuk	-	9,376	12,846	22,222
Quoted equity securities	-	-	16,314	16,314
Investments in investment-linked funds	6,830	-	-	6,830
Structured investments	-	-	167,048	167,048
Accrued profit	-	204	1,853	2,057
Total	<u>6,830</u>	<u>22,760</u>	<u>393,433</u>	<u>423,023</u>
<u>01.01.2011</u>				
Government Investment Issues	-	13,229	124,750	137,979
Unquoted Sukuk	-	11,468	12,836	24,304
Quoted equity securities	-	-	17,308	17,308
Investments in investment-linked funds	9,326	-	-	9,326
Structured investments	-	-	222,846	222,846
Accrued profit	-	316	798	1,114
Total	<u>9,326</u>	<u>25,013</u>	<u>378,538</u>	<u>412,877</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

5 **FINANCIAL ASSETS (CONTINUED)**

The Company's financial assets are summarised as follows:

	Shareholders' fund <u>RM'000</u>	General Takaful fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>31.12.2012</u>				
AFS	45,010	16,048	244,695	305,753
FVTPL – designated upon initial recognition	-	-	52,522	52,522
Total	<u>45,010</u>	<u>16,048</u>	<u>297,217</u>	<u>358,275</u>
<u>31.12.2011</u>				
AFS	6,830	22,760	206,092	235,682
FVTPL – designated upon initial recognition	-	-	187,341	187,341
Total	<u>6,830</u>	<u>22,760</u>	<u>393,433</u>	<u>423,023</u>
<u>01.01.2011</u>				
AFS	9,326	25,013	134,427	168,766
FVTPL – designated upon initial recognition	-	-	244,111	244,111
Total	<u>9,326</u>	<u>25,013</u>	<u>378,538</u>	<u>412,877</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

5 **FINANCIAL ASSETS (CONTINUED)**

The following financial assets mature after 12 months:

	Shareholders' fund <u>RM'000</u>	General Takaful fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>31.12.2012</u>				
AFS	24,908	11,831	24,021	60,760
FVTPL – designated upon initial recognition	-	-	2,067	2,067
	<u>24,908</u>	<u>11,831</u>	<u>26,088</u>	<u>62,827</u>
<u>31.12.2011</u>				
AFS	-	18,537	203,246	221,783
FVTPL – designated upon initial recognition	-	-	3,967	3,967
	<u>-</u>	<u>18,537</u>	<u>207,213</u>	<u>225,750</u>
<u>01.01.2011</u>				
AFS	-	24,697	133,641	158,338
FVTPL – designated upon initial recognition	-	-	3,945	3,945
	<u>-</u>	<u>24,697</u>	<u>137,586</u>	<u>162,283</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(a) AFS

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>31.12.2012</u>				
Government Investment Issues	37,496	9,078	217,771	264,345
Unquoted Sukuk	-	6,760	24,020	30,780
Investments in investment-linked funds	7,286	-	-	7,286
Accrued profit	228	210	2,904	3,342
Total	<u>45,010</u>	<u>16,048</u>	<u>244,695</u>	<u>305,753</u>
<u>31.12.2011</u>				
Government Investment Issues	-	13,180	195,372	208,552
Unquoted Sukuk	-	9,376	8,879	18,255
Investments in investment-linked funds	6,830	-	-	6,830
Accrued profit	-	204	1,841	2,045
Total	<u>6,830</u>	<u>22,760</u>	<u>206,092</u>	<u>235,682</u>
<u>01.01.2011</u>				
Government Investment Issues	-	13,229	124,750	137,979
Unquoted Sukuk	-	11,468	8,891	20,359
Investments in investment-linked funds	9,326	-	-	9,326
Accrued profit	-	316	786	1,102
Total	<u>9,326</u>	<u>25,013</u>	<u>134,427</u>	<u>168,766</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(b) FVTPL – designated upon initial recognition

	Family Takaful fund/Company RM'000
<u>31.12.2012</u>	
Unquoted Sukuk	3,825
Quoted equity securities	18,421
Structured investment	30,246
Accrued profit	30
Total	<u>52,522</u>
<u>31.12.2011</u>	
Unquoted Sukuk	3,967
Quoted equity securities	16,314
Structured investments	167,048
Accrued profit	12
Total	<u>187,341</u>
<u>01.01.2011</u>	
Unquoted Sukuk	3,945
Quoted equity securities	17,308
Structured investments	222,846
Accrued profit	12
Total	<u>244,111</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(c) Carrying values of financial assets

	<u>Available-for-sale</u>			<u>FVTPL</u>	<u>Company</u>
	<u>Share- holders' fund</u>	<u>General Takaful fund</u>	<u>Family Takaful fund</u>	<u>Family Takaful fund</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At 1 January 2011	9,326	25,013	134,427	244,111	412,877
Purchases	-	-	78,127	3,435	81,562
Maturities	-	-	-	(47,022)	(47,022)
Disposals	(2,401)	(3,405)	(10,812)	(19,268)	(35,886)
Fair value gains/(losses) recorded in:					
Profit or loss	-	-	-	6,059	6,059
Other comprehensive (loss)/ income	(95)	1,079	3,303	-	4,287
Movement in accrued profit	-	(112)	1,055	-	943
Accretion/(amortisation) adjustments (Note 18)	-	185	(8)	26	203
At 31 December 2011	6,830	22,760	206,092	187,341	423,023
Purchases	50,179	2,517	45,748	15,918	114,362
Maturities	-	(3,996)	(999)	(129,357)	(134,352)
Disposals	(12,600)	(4,719)	(10,453)	(18,958)	(46,730)
Fair value gains/(losses) recorded in:					
Profit or loss	-	-	-	(2,370)	(2,370)
Other comprehensive income/ (loss)	357	(486)	3,296	-	3,167
Movement in accrued profit	228	6	1,063	18	1,315
Accretion/(amortisation) adjustments (Note 18)	16	(34)	(52)	(70)	(140)
At 31 December 2012	45,010	16,048	244,695	52,522	358,275

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

5 **FINANCIAL ASSETS (CONTINUED)**

(d) Fair value hierarchy

The Company categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Company's valuation techniques for determining the fair value of the financial instruments.

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 measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as profit rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

Level 3 – Fair value measurements using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable, including assumptions about risk.

The following table presents the Company's financial assets that are carried at fair value as at 31 December 2012.

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>31.12.2012</u>			
<u>Shareholders' fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	37,496	37,496
- Investments in investment-linked funds	7,286	-	7,286
- Accrued profit	-	228	228
	<u>7,286</u>	<u>37,724</u>	<u>45,010</u>
<u>General Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	9,078	9,078
- Unquoted Sukuk	-	6,760	6,760
- Accrued profit	-	210	210
	<u>-</u>	<u>16,048</u>	<u>16,048</u>

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NOTES TO THE FINANCIAL STATEMENTS
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5 FINANCIAL ASSETS (CONTINUED)

(d) Fair value hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>31.12.2012 (continued)</u>			
<u>Family Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	217,771	217,771
- Unquoted Sukuk	-	24,020	24,020
- Accrued profit	-	2,904	2,904
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	18,421	-	18,421
- Unquoted Sukuk	-	3,825	3,825
- Structured investment	-	30,246	30,246
- Accrued profit	-	30	30
	<u>18,421</u>	<u>278,796</u>	<u>297,217</u>
<u>Company</u>			
<u>AFS</u>			
- Government Investment Issues	-	264,345	264,345
- Unquoted Sukuk	-	30,780	30,780
- Investments in investment-linked funds	7,286	-	7,286
- Accrued profit	-	3,342	3,342
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	18,421	-	18,421
- Unquoted Sukuk	-	3,825	3,825
- Structured investments	-	30,246	30,246
- Accrued profit	-	30	30
	<u>25,707</u>	<u>332,568</u>	<u>358,275</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(d) Fair value hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>31.12.2011</u>			
<u>Shareholders' fund</u>			
<u>AFS</u>			
- Investments in investment-linked funds	6,830	-	6,830
<u>General Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	13,180	13,180
- Unquoted Sukuk	-	9,376	9,376
- Accrued profit	-	204	204
	-	22,760	22,760
<u>Family Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	195,372	195,372
- Unquoted Sukuk	-	8,879	8,879
- Accrued profit	-	1,841	1,841
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	16,314	-	16,314
- Unquoted Sukuk	-	3,967	3,967
- Structured investments	-	167,048	167,048
- Accrued profit	-	12	12
	16,314	377,119	393,433
<u>Company</u>			
<u>AFS</u>			
- Government Investment Issues	-	208,552	208,552
- Unquoted Sukuk	-	18,255	18,255
- Investments in investment-linked funds	6,830	-	6,830
- Accrued profit	-	2,045	2,045
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	16,314	-	16,314
- Unquoted Sukuk	-	3,967	3,967
- Structured investments	-	167,048	167,048
- Accrued profit	-	12	12
	23,144	399,879	423,023

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(d) Fair value hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>01.01.2011</u>			
<u>Shareholders' fund</u>			
<u>AFS</u>			
- Investments in investment-linked funds	9,326	-	9,326
<u>General Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	13,229	13,229
- Unquoted Sukuk	-	11,468	11,468
- Accrued profit	-	316	316
	-	25,013	25,013
<u>Family Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	124,750	124,750
- Unquoted Sukuk	-	8,891	8,891
- Accrued profit	-	786	786
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	17,308	-	17,308
- Unquoted Sukuk	-	3,945	3,945
- Structured investments	-	222,846	222,846
- Accrued profit	-	12	12
	17,308	361,230	378,538
<u>Company</u>			
<u>AFS</u>			
- Government Investment Issues	-	137,979	137,979
- Unquoted Sukuk	-	20,359	20,359
- Investments in investment-linked funds	9,326	-	9,326
- Accrued profit	-	1,102	1,102
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	17,308	-	17,308
- Unquoted Sukuk	-	3,945	3,945
- Structured investments	-	222,846	222,846
- Accrued profit	-	12	12
	26,634	386,243	412,877

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

6 FINANCING AND RECEIVABLES

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>31.12.2012</u>				
Fixed and call deposits with licensed financial institutions	116,916	35,851	60,488	213,255
Accrued profit	136	56	58	250
	<u>117,052</u>	<u>35,907</u>	<u>60,546</u>	<u>213,505</u>
Receivable within 12 months	<u>117,052</u>	<u>35,907</u>	<u>60,546</u>	<u>213,505</u>
<u>31.12.2011</u>				
Staff financing	119	-	-	119
Fixed and call deposits with licensed financial institutions	122,702	35,226	89,230	247,158
Accrued profit	179	59	96	334
	<u>123,000</u>	<u>35,285</u>	<u>89,326</u>	<u>247,611</u>
Receivable within 12 months	<u>123,000</u>	<u>35,285</u>	<u>89,326</u>	<u>247,611</u>
<u>01.01.2011</u>				
Staff financing	127	-	-	127
Fixed and call deposits with licensed financial institutions	53,785	34,130	63,130	151,045
Accrued profit	40	55	37	132
	<u>53,952</u>	<u>34,185</u>	<u>63,167</u>	<u>151,304</u>
Receivable within 12 months	53,938	34,185	63,167	151,290
Receivable after 12 months	14	-	-	14
	<u>53,952</u>	<u>34,185</u>	<u>63,167</u>	<u>151,304</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

7 QARDHUL HASAN RECEIVABLES

	Shareholders' fund RM'000	Company RM'000
<u>31.12.2012</u>		
Family Takaful fund, at cost	699	-
Less: Allowance for impairment	(339)	-
	<u>360</u>	<u>-</u>
<u>31.12.2011</u>		
General Takaful fund, at cost	20,122	-
Less: Allowance for impairment	(16,460)	-
	<u>3,662</u>	<u>-</u>
Family Takaful fund, at cost	13,423	-
Less: Allowance for impairment	(10,610)	-
	<u>2,813</u>	<u>-</u>
	<u>6,475</u>	<u>-</u>
<u>01.01.2011</u>		
General Takaful fund, at cost	29,079	-
Less: Allowance for impairment	(26,843)	-
	<u>2,236</u>	<u>-</u>
Family Takaful fund, at cost	19,493	-
Less: Allowance for impairment	(16,379)	-
	<u>3,114</u>	<u>-</u>
	<u>5,350</u>	<u>-</u>

Qardhul Hasan represents a benevolent loan to the Family and General Takaful funds to make good the actuarial deficit and underwriting deficit in the respective funds. The amounts are unsecured, not subject to any profit element and have no fixed terms of repayment.

Company No.

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CIMB AVIVA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

8 TAKAFUL RECEIVABLES	General Takaful fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>31.12.2012</u>			
Claims recoverable	-	3,162	3,162
Outstanding contributions including agents, brokers and co-takaful balances	14,428	1,652	16,080
Less: Allowance for impairment (Note 31)	(10,242)	-	(10,242)
	<u>4,186</u>	<u>1,652</u>	<u>5,838</u>
Amount due from retakaful operators	678	-	678
Less: Allowance for impairment (Note 31)	(294)	-	(294)
	<u>384</u>	<u>-</u>	<u>384</u>
	<u>4,570</u>	<u>4,814</u>	<u>9,384</u>
Receivable within 12 months	<u>4,570</u>	<u>4,814</u>	<u>9,384</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

8 TAKAFUL RECEIVABLES (CONTINUED)	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>31.12.2011</u>			
Claims recoverable	-	6,097	6,097
Less: Allowance for impairment (Note 31)	-	(6,097)	(6,097)
	-	-	-
Outstanding contributions including agents, brokers and co-takaful balances	19,114	14,358	33,472
Less: Allowance for impairment (Note 31)	(17,250)	(12,429)	(29,679)
	1,864	1,929	3,793
Amount due from retakaful operators	2,354	-	2,354
	4,218	1,929	6,147
Receivable within 12 months	4,218	1,929	6,147
<u>01.01.2011</u>			
Outstanding contributions including agents, brokers and co-takaful balances	25,687	17,497	43,184
Less: Allowance for impairment (Note 31)	(21,542)	(15,631)	(37,173)
	4,145	1,866	6,011
Amount due from retakaful operators	8,608	-	8,608
Less: Allowance for impairment (Note 31)	(2,451)	-	(2,451)
	6,157	-	6,157
	10,302	1,866	12,168
Receivable within 12 months	10,302	1,866	12,168

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

9	RETAKAFUL ASSETS	General Takaful fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
	Retakaful of Takaful contracts (Note 12)			
	31 December 2012	11,410	5,062	16,472
	31 December 2011	12,375	74,612	86,987
	1 January 2011	33,634	72,373	106,007
10	OTHER RECEIVABLES	General Takaful fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
	<u>31.12.2012</u>			
	Dividend receivable	-	8	8
	Interfund balances	9,850	699	-
	Surplus sharing from Family Takaful operator	2,415	-	-
	Sharing of investment income from Participant Accounts fund	1,166	-	-
	Knock for knock claims recoverable	-	-	232
	Other receivables	419	18	437
		<u>13,850</u>	<u>725</u>	<u>677</u>
	Receivable within 12 months	<u>13,850</u>	<u>725</u>	<u>677</u>

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NOTES TO THE FINANCIAL STATEMENTS
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10 OTHER RECEIVABLES (CONTINUED)

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>31.12.2011</u>				
Dividend receivable	43	-	-	43
Interfund balances	60,999	4,135	13,286	-
Due from a related party	-	93	-	93
Knock for knock claims recoverable	-	224	-	224
Other receivables	5,190	643	3,237	9,070
	<u>66,232</u>	<u>5,095</u>	<u>16,523</u>	<u>9,430</u>
Receivable within 12 months	66,232	960	3,237	9,430
Receivable after 12 months	-	4,135	13,286	-
	<u>66,232</u>	<u>5,095</u>	<u>16,523</u>	<u>9,430</u>
<u>01.01.2011</u>				
Dividend receivable	43	-	62	105
Interfund balances	48,281	13,092	22,453	-
Knock for knock claims recoverable	-	1,766	-	1,766
Other receivables	2,173	1,033	905	4,111
	<u>50,497</u>	<u>15,891</u>	<u>23,420</u>	<u>5,982</u>
Receivable within 12 months	50,497	2,799	4,154	5,982
Receivable after 12 months	-	13,092	19,266	-
	<u>50,497</u>	<u>15,891</u>	<u>23,420</u>	<u>5,982</u>

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

The interfund balances mainly comprising amounts due from Shareholders' fund in the Family and General Takaful funds respectively represent benevolent financing from the Shareholders' fund to the Takaful funds under the Qardhul Hasan principle as disclosed in Note 2.2(j) and 2.2(k). The amounts are unsecured, not subject to profit element and have no fixed terms of repayment.

CIMB AVIVA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

11 DEFERRED TAXATION

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:

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>31.12.2012</u>				
Deferred tax assets/(liabilities)	3,133	2,522	(794)	5,036
Current	4,059	(2)	(19)	4,213
Non-current	(926)	2,524	(775)	823
	<u>3,133</u>	<u>2,522</u>	<u>(794)</u>	<u>5,036</u>
<u>31.12.2011</u>				
Deferred tax (liabilities)/assets	(1,874)	3,580	(1,733)	725
Current	(1,122)	(5)	(277)	(1,404)
Non-current	(752)	3,585	(1,456)	2,129
	<u>(1,874)</u>	<u>3,580</u>	<u>(1,733)</u>	<u>725</u>
<u>01.01.2011</u>				
Deferred tax assets/(liabilities)	2,014	6,514	(74)	8,454
Current	2,766	638	138	3,542
Non-current	(752)	5,876	(212)	4,912
	<u>2,014</u>	<u>6,514</u>	<u>(74)</u>	<u>8,454</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

11 DEFERRED TAXATION (CONTINUED)

The movements in deferred tax assets/(liabilities) are as follows:

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2012</u>				
At 1 January	(1,874)	3,580	(1,733)	725
<u>Credited/(charged) to profit or loss</u>				
- Property and equipment	287	-	-	287
- FVTPL financial assets	-	359	1,203	1,562
- Qardhul Hasan	577	-	-	-
- Allowance for doubtful debts	-	(1,752)	-	(1,752)
- Provision of expenses	4,233	-	-	4,233
- Unearned contribution reserves	-	214	-	214
Taxation	5,097	-	-	4,520
Taxation on Takaful funds	-	(1,179)	1,203	24
<u>Credited/(charged) to other comprehensive income</u>				
- AFS financial assets	(90)	121	(264)	(233)
At 31 December	<u>3,133</u>	<u>2,522</u>	<u>(794)</u>	<u>5,036</u>
<u>2011</u>				
At 1 January	2,014	6,514	(74)	8,454
<u>Credited/(charged) to profit or loss</u>				
- Property and equipment	599	-	-	599
- FVTPL financial assets	-	(216)	(1,395)	(1,611)
- Unabsorbed business losses	(4,511)	(637)	-	(4,396)
- Allowance for doubtful debts	-	(1,685)	-	(1,685)
- Unearned contribution reserves	-	(126)	-	(126)
Taxation	(3,912)	-	-	(3,160)
Taxation on Takaful funds	-	(2,664)	(1,395)	(4,059)
<u>Credited/(charged) to other comprehensive income</u>				
- AFS financial assets	24	(270)	(264)	(510)
At 31 December	<u>(1,874)</u>	<u>3,580</u>	<u>(1,733)</u>	<u>725</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

11 DEFERRED TAXATION (CONTINUED)

The composition of deferred tax assets/liabilities before and after appropriate offsetting, is as follows:

	Shareholders' fund <u>RM'000</u>	General Takaful fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>31.12.2012</u>				
<u>Subject to income tax:</u>				
<u>Deferred tax assets (before offsetting)</u>				
Allowance for doubtful debts	-	2,561	-	2,561
Provision of expenses	4,233	-	-	4,233
	<u>4,233</u>	<u>2,561</u>	<u>-</u>	<u>6,794</u>
Offsetting	(1,100)	(39)	-	(1,139)
Deferred tax assets (after offsetting)	<u><u>3,133</u></u>	<u><u>2,522</u></u>	<u><u>-</u></u>	<u><u>5,655</u></u>
<u>Deferred tax liabilities (before offsetting)</u>				
Financial assets	298	39	794	1,131
Property and equipment	627	-	-	627
Qardhul Hasan	175	-	-	-
	<u>1,100</u>	<u>39</u>	<u>794</u>	<u>1,758</u>
Offsetting	(1,100)	(39)	-	(1,139)
Deferred tax liabilities (after offsetting)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>794</u></u>	<u><u>619</u></u>

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NOTES TO THE FINANCIAL STATEMENTS
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11 DEFERRED TAXATION (CONTINUED)

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>31.12.2011</u>				
<u>Subject to income tax:</u>				
<u>Deferred tax assets (before offsetting)</u>				
Allowance for doubtful debts	-	4,313	-	4,313
Offsetting	-	(733)	-	(733)
Deferred tax assets (after offsetting)	-	3,580	-	3,580
<u>Deferred tax liabilities (before offsetting)</u>				
Financial assets	208	519	1,733	2,460
Property and equipment	914	-	-	914
Qardhul Hasan	752	-	-	-
Unearned contribution reserves	-	214	-	214
Offsetting	1,874	733	1,733	3,588
Deferred tax liabilities (after offsetting)	-	(733)	-	(733)
Deferred tax liabilities (after offsetting)	1,874	-	1,733	2,855

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

11 DEFERRED TAXATION (CONTINUED)

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>01.01.2011</u>				
<u>Subject to income tax:</u>				
<u>Deferred tax assets (before offsetting)</u>				
Allowance for doubtful debts	-	5,998	-	5,998
Unabsorbed business losses	4,511	637	-	4,396
	<u>4,511</u>	<u>6,635</u>	<u>-</u>	<u>10,394</u>
Offsetting	(2,497)	(121)	-	(1,866)
Deferred tax assets (after offsetting)	<u>2,014</u>	<u>6,514</u>	<u>-</u>	<u>8,528</u>
<u>Deferred tax liabilities (before offsetting)</u>				
Financial assets	232	33	74	339
Property and equipment	1,513	-	-	1,513
Qardhul Hasan	752	-	-	-
Unearned contribution reserves	-	88	-	88
	<u>2,497</u>	<u>121</u>	<u>74</u>	<u>1,940</u>
Offsetting	(2,497)	(121)	-	(1,866)
Deferred tax liabilities (after offsetting)	<u>-</u>	<u>-</u>	<u>74</u>	<u>74</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

12 TAKAFUL CONTRACT LIABILITIES

	Note	31.12.2012			31.12.2011			01.01.2011		
		Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
Family Takaful	12(a)	365,039	(5,062)	359,977	534,076	(74,612)	459,464	555,798	(72,373)	483,425
General Takaful	12(b)	54,669	(11,410)	43,259	64,336	(12,375)	51,961	91,910	(33,634)	58,276
		<u>419,708</u>	<u>(16,472)</u>	<u>403,236</u>	<u>598,412</u>	<u>(86,987)</u>	<u>511,425</u>	<u>647,708</u>	<u>(106,007)</u>	<u>541,701</u>

(a) Family Takaful contract liabilities

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

	31.12.2012			31.12.2011			01.01.2011		
	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
Certificateholders' liabilities	301,977	(1,367)	300,610	337,802	(73,267)	264,535	301,361	(71,539)	229,822
Net asset value attributable to certificateholders	45,642	-	45,642	188,754	-	188,754	249,748	-	249,748
Actuarial liabilities	347,619	(1,367)	346,252	526,556	(73,267)	453,289	551,109	(71,539)	479,570
Claims liabilities	5,722	(3,695)	2,027	2,254	(1,345)	909	2,349	(834)	1,515
Unallocated surplus	3,448	-	3,448	48	-	48	161	-	161
Available-for-sale fair value adjustment	8,250	-	8,250	5,218	-	5,218	2,179	-	2,179
	<u>365,039</u>	<u>(5,062)</u>	<u>359,977</u>	<u>534,076</u>	<u>(74,612)</u>	<u>459,464</u>	<u>555,798</u>	<u>(72,373)</u>	<u>483,425</u>

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12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful contract liabilities (continued)

The Family Takaful contract liabilities and its movements are further analysed as follows:
(continued)

<u>2012</u>	<u>Gross</u> RM'000	Re- <u>takaful</u> RM'000	<u>Net</u> RM'000
At 1 January 2012	534,076	(74,612)	459,464
<u>Projected changes of inforce Takaful certificates</u>			
Contribution income	17,342	(8,482)	8,860
Benefits	(21,942)	10,951	(10,991)
Investment returns	6,775	(809)	5,966
Others	(13,326)	(2,456)	(15,782)
Experience variance on inforce Takaful certificates	(3,156)	3,605	449
Reserve on new policies	53,161	(761)	52,400
Change in valuation methodology	(70,603)	70,271	(332)
Miscellaneous	(4,076)	(419)	(4,495)
Movement in net asset value attributable to certificateholders	(143,112)	-	(143,112)
Movement in claims liabilities	3,468	(2,350)	1,118
Movement in unallocated surplus	3,400	-	3,400
Movement in AFS fair value adjustment	3,032	-	3,032
At 31 December 2012	<u>365,039</u>	<u>(5,062)</u>	<u>359,977</u>

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12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful contract liabilities (continued)

The Family Takaful contract liabilities and its movements are further analysed as follows:
(continued)

<u>2011</u>	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
At 1 January 2011	555,798	(72,373)	483,425
<u>Projected changes of inforce Takaful certificates</u>			
Contribution income	865	(6,405)	(5,540)
Benefits	(22,969)	13,779	(9,190)
Investment returns	11,079	(2,862)	8,217
Others	(21,156)	4,991	(16,165)
Experience variance on inforce Takaful certificates	831	-	831
Reserve on new policies	66,227	(11,231)	54,996
Miscellaneous	1,564	-	1,564
Movement in net asset value attributable to certificateholders	(60,994)	-	(60,994)
Movement in claims liabilities	(95)	(511)	(606)
Movement in unallocated surplus	(113)	-	(113)
Movement in AFS fair value adjustment	3,039	-	3,039
At 31 December 2011	<u>534,076</u>	<u>(74,612)</u>	<u>459,464</u>

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12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful contract liabilities

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

	31.12.2012			31.12.2011			01.01.2011		
	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
Provision for claims reported by certificateholders	6,197	(1,407)	4,790	8,653	(1,772)	6,881	21,282	(3,959)	17,323
Provision for IBNR	39,722	(9,645)	30,077	50,838	(9,968)	40,870	67,111	(28,006)	39,105
Provision for outstanding claims (i)	45,919	(11,052)	34,867	59,491	(11,740)	47,751	88,393	(31,965)	56,428
Unearned contribution reserve (ii)	6,098	(358)	5,740	4,293	(635)	3,658	3,774	(1,669)	2,105
Available-for-sale fair value adjustment									
- gross	250	-	250	736	-	736	(343)	-	(343)
- deferred tax	(63)	-	(63)	(184)	-	(184)	86	-	86
Unallocated surplus	187	-	187	552	-	552	(257)	-	(257)
	2,465	-	2,465	-	-	-	-	-	-
	54,669	(11,410)	43,259	64,336	(12,375)	51,961	91,910	(33,634)	58,276

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12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful contract liabilities (continued)

(i) Provision for outstanding claims

	2012			2011		
	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
At 1 January	59,491	(11,740)	47,751	88,393	(31,965)	56,428
Claims incurred in the current accident year	11,692	(6,840)	4,852	9,012	(4,740)	4,272
Other movements in claims incurred in prior accident years	(20,067)	5,543	(14,524)	(23,551)	21,404	(2,147)
Claims paid during the financial year (Note 22(a) and (b))	(5,197)	1,985	(3,212)	(14,363)	3,561	(10,802)
At 31 December	<u>45,919</u>	<u>(11,052)</u>	<u>34,867</u>	<u>59,491</u>	<u>(11,740)</u>	<u>47,751</u>

	2012			2011		
	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
(ii) Unearned contribution reserve						
At 1 January	4,293	(635)	3,658	3,774	(1,669)	2,105
Contribution written in the financial year (Note 17(a) and (b))	36,558	(4,908)	31,650	28,181	(5,358)	22,823
Contribution earned during the financial year (Note 17(a) and (b))	(34,753)	5,185	(29,568)	(27,662)	6,392	(21,270)
At 31 December	<u>6,098</u>	<u>(358)</u>	<u>5,740</u>	<u>4,293</u>	<u>(635)</u>	<u>3,658</u>

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13 TAKAFUL PAYABLES

	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>31.12.2012</u>			
Due to agents and intermediaries	8,260	227	8,487
Due to retakaful operators and cedants	1,129	2,164	3,293
	<u>9,389</u>	<u>2,391</u>	<u>11,780</u>
Payable within 12 months	<u>9,389</u>	<u>2,391</u>	<u>11,780</u>
<u>31.12.2011</u>			
Due to agents and intermediaries	8,537	851	9,388
Due to retakaful operators and cedants	1,321	3,747	5,068
	<u>9,858</u>	<u>4,598</u>	<u>14,456</u>
Payable within 12 months	<u>9,858</u>	<u>4,598</u>	<u>14,456</u>
<u>01.01.2011</u>			
Due to agents and intermediaries	7,109	-	7,109
Due to retakaful operators and cedants	1,452	1,511	2,963
	<u>8,561</u>	<u>1,511</u>	<u>10,072</u>
Payable within 12 months	<u>8,561</u>	<u>1,511</u>	<u>10,072</u>

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14 OTHER PAYABLES

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>31.12.2012</u>				
Accrual for professional fees	567	-	-	567
Due to related parties	3,423	-	40	3,463
Interfund balances	699	3,568	6,282	-
Deposits received	-	-	311	311
Surplus sharing to Takaful Operator	-	-	2,415	-
Sharing of investment income from Participant Accounts fund	-	-	1,166	-
Accrual for telemarketing expenses	8,019	-	-	8,019
Other payables and accrued liabilities	6,282	1,549	2,320	10,151
	<u>18,990</u>	<u>5,117</u>	<u>12,534</u>	<u>22,511</u>
Payable within 12 months	<u>18,990</u>	<u>5,117</u>	<u>12,534</u>	<u>22,511</u>
<u>31.12.2011</u>				
Accrual for professional fees	180	-	-	180
Due to related parties	38,806	-	2,584	41,390
Interfund balances	17,421	738	60,261	-
Deposits received	-	-	1,329	1,329
Other payables and accrued liabilities	4,258	9,493	3,096	16,847
	<u>60,665</u>	<u>10,231</u>	<u>67,270</u>	<u>59,746</u>
Payable within 12 months	43,244	10,231	67,270	59,746
Payable after 12 months	17,421	-	-	-
	<u>60,665</u>	<u>10,231</u>	<u>67,270</u>	<u>59,746</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

14 OTHER PAYABLES (CONTINUED)

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>01.01.2011</u>				
Accrual for professional fees	201	-	-	201
Due to related parties	22,599	-	-	22,599
Interfund balances	32,358	18,696	32,772	-
Provision for Zakat	126	-	-	126
Deposits received	-	-	6,283	6,283
Other payables and accrued liabilities	6,423	7,648	17,548	31,619
	<u>61,707</u>	<u>26,344</u>	<u>56,603</u>	<u>60,828</u>
Payable within 12 months	29,349	26,344	56,603	60,828
Payable after 12 months	32,358	-	-	-
	<u>61,707</u>	<u>26,344</u>	<u>56,603</u>	<u>60,828</u>

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

The interfund balances mainly comprising amounts due to Family and General Takaful funds in the Shareholders' fund represent benevolent financing from the Shareholders' fund to the Takaful funds under the Qardhul Hasan principle as disclosed in Note 2.2(j) and Note 2.2(k).

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15 **SHARE CAPITAL**

	<u>31.12.2012</u>		<u>31.12.2011</u>		<u>01.01.2011</u>	
	<u>Number of shares '000</u>	<u>Nominal value RM'000</u>	<u>Number of shares '000</u>	<u>Nominal value RM'000</u>	<u>Number of shares '000</u>	<u>Nominal value RM'000</u>
<u>Authorised share capital</u>						
<u>Ordinary shares of RM1.00 each</u>						
At beginning/end of the financial year	200,000	200,000	200,000	200,000	200,000	200,000
<u>Preference shares of RM0.10 each</u>						
At beginning of the financial year	100,000	10,000	100,000	10,000	-	-
Issued during the financial year	-	-	-	-	100,000	10,000
At end of the financial year	100,000	10,000	100,000	10,000	100,000	10,000
Total	300,000	210,000	300,000	210,000	300,000	210,000
<u>Issued and paid up share capital</u>						
<u>Ordinary shares of RM1.00 each</u>						
At beginning/end of the financial year	100,000	100,000	100,000	100,000	100,000	100,000
<u>Preference shares of RM0.10 each</u>						
At beginning of the financial year	100	10	33	3	-	-
Issued during the financial year	-	-	67	7	33	3
At end of the financial year	100	10	100	10	33	3
Total	100,100	100,010	100,100	100,010	100,033	100,003

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15 **SHARE CAPITAL (CONTINUED)**

Features of the Islamic Perpetual Non-Cumulative Preference Shares (“IPPS”)

The IPPS is a subordinated and unsecured obligation of the Company and shall rank pari passu among themselves and senior only to the Company’s ordinary shares. The IPPS do not represent any fixed charge on the earnings of the Company and shall carry no voting rights at any general meeting of the ordinary shareholders of the Company.

The IPPS confers the holder the right to receive a non-cumulative gross dividend of 8% per annum, payable annually in arrears on the anniversary of the issue date of the IPPS. The payment of dividend under the IPPS is at the Company’s discretion.

The IPPS are not convertible to ordinary shares of the Company and the tenure of the IPPS is perpetual and can only be redeemed after year 5 (33,000 in year 2015 and 67,000 in year 2016) at the sole option of the Company subject to Bank Negara Malaysia’s approval.

On 29 April 2011, the Company increased its issued and paid up share capital to 100,100,000 shares by issuance of 67,000 new IPPS of RM0.10 each at an issue price of RM1,000 per IPPS resulting in a share premium of RM66,993,300.

16 **OPERATING REVENUE**

	<u>Shareholders’ fund</u> RM’000	<u>General Takaful fund</u> RM’000	<u>Family Takaful fund</u> RM’000	<u>Company</u> RM’000
<u>2012</u>				
Gross contribution (Note 17)	-	36,558	111,323	147,881
Investment income (Note 18)	6,774	1,867	13,130	18,714
	<u>6,774</u>	<u>38,425</u>	<u>124,453</u>	<u>166,595</u>
<u>2011</u>				
Gross contribution (Note 17)	-	28,181	113,768	141,949
Investment income (Note 18)	3,392	2,102	10,811	16,305
	<u>3,392</u>	<u>30,283</u>	<u>124,579</u>	<u>158,254</u>

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17	NET EARNED CONTRIBUTION	<u>2012</u> RM'000	<u>2011</u> RM'000
(a)	Gross earned contribution		
	Takaful contracts:		
	Family Takaful	111,323	113,768
	General Takaful (Note 12(b)(ii))	36,558	28,181
	Movement in unearned contribution reserves	(1,805)	(519)
		34,753	27,662
		<u>146,076</u>	<u>141,430</u>
(b)	Contribution ceded		
	Takaful contracts:		
	Family Takaful	(9,704)	(10,314)
	General Takaful (Note 12(b)(ii))	(4,908)	(5,358)
	Movement in unearned contribution reserves	(277)	(1,034)
		(5,185)	(6,392)
		<u>(14,889)</u>	<u>(16,706)</u>
	Net earned contribution	<u>131,187</u>	<u>124,724</u>

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18 INVESTMENT INCOME

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2012</u>				
<u>AFS financial assets</u>				
Profit income	228	804	10,603	11,635
Accretion of discounts/ (amortisation of premiums) – net	16	(34)	(52)	(70)
<u>FVTPL – designated upon initial recognition</u>				
Profit income	-	-	206	206
Dividend income	-	-	360	360
Amortisation of premiums – net	-	-	(70)	(70)
<u>Financing and receivables</u>				
Profit income	3,473	1,097	2,083	6,653
Sharing of investment income from Participant Accounts fund	3,057	-	-	-
	6,774	1,867	13,130	18,714
	6,774	1,867	13,130	18,714
<u>2011</u>				
<u>AFS financial assets</u>				
Profit income	-	861	7,180	8,041
Accretion of discounts/ (amortisation of premiums) – net	-	185	(8)	177
<u>FVTPL – designated upon initial recognition</u>				
Profit income	-	-	172	172
Dividend income	-	-	1,185	1,185
Accretion of discounts – net	-	-	26	26
<u>Financing and receivables</u>				
Profit income	3,392	1,056	2,256	6,704
	3,392	2,102	10,811	16,305
	3,392	2,102	10,811	16,305

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19 REALISED GAINS/(LOSSES)

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2012</u>				
<u>AFS financial assets</u>				
Unquoted Sukuk	-	426	176	602
<u>2011</u>				
<u>AFS financial assets</u>				
Unquoted Sukuk	338	(209)	80	209

20 NET FAIR VALUE GAINS/(LOSSES)

	Family Takaful fund/Company RM'000
<u>2012</u>	
FVTPL – designated upon initial recognition	
- realised	7,452
- unrealised	(2,370)
	<u>5,082</u>
<u>2011</u>	
FVTPL – designated upon initial recognition	
- realised	1,290
- unrealised	6,059
	<u>7,349</u>

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21 OTHER OPERATING INCOME

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2012</u>				
Writeback of allowance for doubtful debts (Note 31)	-	6,714	2,943	9,657
Others	2,474	3,199	3,616	9,289
	<u>2,474</u>	<u>9,913</u>	<u>6,559</u>	<u>18,946</u>
<u>2011</u>				
Writeback of allowance for doubtful debts (Note 31)	-	6,743	-	6,743
Writeback of provision for expense liability	220	-	-	220
Gain on disposal of property and equipment	63	-	-	63
Others	3,817	-	11	3,828
	<u>4,100</u>	<u>6,743</u>	<u>11</u>	<u>10,854</u>

22 NET BENEFITS AND CLAIMS

	<u>2012</u> RM'000	<u>2011</u> RM'000
(a) Gross benefits and claims paid		
Takaful contracts:		
Family Takaful	(174,887)	(102,702)
General Takaful (Note 12 (b)(i))	(5,197)	(14,363)
	<u>(180,084)</u>	<u>(117,065)</u>
(b) Claims ceded to retakaful operators		
Takaful contracts:		
Family Takaful	7,292	4,263
General Takaful (Note 12 (b)(i))	1,985	3,561
	<u>9,277</u>	<u>7,824</u>

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22	NET BENEFITS AND CLAIMS (CONTINUED)	<u>2012</u> RM'000	<u>2011</u> RM'000
(c)	Gross change in contract liabilities		
	<u>Family Takaful</u>		
	Gross change in contract liabilities		
	- Movement in actuarial liabilities	178,937	24,553
	- Movement in claims liabilities	(3,468)	95
	- Movement in unallocated surplus	(3,400)	113
		<u>172,069</u>	<u>24,761</u>
	<u>General Takaful</u>		
	Gross change in contract liabilities		
	- Movement in provision for outstanding claims	13,572	28,902
	- Movement in unallocated surplus	(2,465)	-
		<u>11,107</u>	<u>28,902</u>
		<u>183,176</u>	<u>53,663</u>
(d)	Change in contract liabilities ceded to retakaful operators		
	<u>Family Takaful</u>		
	Change in contract liabilities ceded to retakaful operators		
	- Movement in actuarial liabilities	(71,900)	1,728
	- Movement in claims liabilities	2,350	511
		<u>(69,550)</u>	<u>2,239</u>
	<u>General Takaful</u>		
	Change in contract liabilities ceded to retakaful operators		
	- Movement in provision for outstanding claims	(688)	(20,225)
		<u>(70,238)</u>	<u>(17,986)</u>

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23 MANAGEMENT EXPENSES

	<u>2012</u>	<u>2011</u>
	RM'000	RM'000
<u>Shareholders' fund/Company</u>		
Staff salaries and bonus	14,269	11,246
Defined contribution plan	2,206	1,194
Other staff costs	388	209
	<u>16,863</u>	<u>12,649</u>
Auditors' remuneration:		
- current financial year	396	395
- under provision in prior financial years	92	307
Directors' fees and other emoluments:		
- current financial year	262	233
- over provision in prior financial years	(138)	-
Shariah committee remuneration:		
- fees	197	51
Amortisation of intangible assets	2,040	2,181
Depreciation of property and equipment	56	101
Write off of property and equipment	-	161
Third party administrator fee	1,661	1,353
Printing and stationery	483	253
Advertising and promotion expenses	11,740	7,455
Professional fees	2,187	1,274
Electronic data processing expenses	3,231	4,419
PIDM levy	327	250
Other expenses	3,488	2,532
	<u>42,885</u>	<u>33,614</u>

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer ("CEO") of the Company during the financial year amounted to RM634,324 (2011: RM544,082).

Included in staff costs are the remuneration for key management personnel, which is disclosed in Note 28.

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24 OTHER OPERATING EXPENSES

	<u>Shareholders' fund</u> RM'000	<u>General Takaful fund</u> RM'000	<u>Family Takaful fund</u> RM'000	<u>Company</u> RM'000
<u>2012</u>				
Provision for expense liability	1,045	-	-	1,045
Sharing of investment income from Participant Accounts fund	-	-	3,057	-
Others	4,828	1,634	5,562	12,024
	<u>5,873</u>	<u>1,634</u>	<u>8,619</u>	<u>13,069</u>
<u>2011</u>				
Allowance for doubtful debts on Takaful receivables (Note 31)	-	-	2,895	2,895
Others	4,628	2,015	2,176	8,819
	<u>4,628</u>	<u>2,015</u>	<u>5,071</u>	<u>11,714</u>

25 TAXATION

	<u>2012</u>		<u>2011</u>	
	<u>Share- holders' fund</u> RM'000	<u>Company</u> RM'000	<u>Share- holders' fund</u> RM'000	<u>Company</u> RM'000
Tax expense on the profit for the financial year				
Income tax:				
Current financial year	5,023	5,023	2,708	2,708
Overprovision in prior financial years	(1,112)	(1,112)	-	-
	<u>3,911</u>	<u>3,911</u>	<u>2,708</u>	<u>2,708</u>
Deferred tax (Note 11):				
Relating to origination and reversal of temporary differences	(5,097)	(4,520)	3,912	3,160
	<u>(1,186)</u>	<u>(609)</u>	<u>6,620</u>	<u>5,868</u>

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25 TAXATION (CONTINUED)

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

	2012		2011	
	Share- holders' fund RM'000	Company RM'000	Share- holders' fund RM'000	Company RM'000
Profit before taxation	16,519	22,634	18,922	17,798
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	4,130	5,659	4,731	4,450
Income not subject to tax	(7,299)	(5,647)	(4,109)	(4,580)
Expenses not deductible for tax purposes	3,095	491	5,998	5,998
Overprovision in prior financial years	(1,112)	(1,112)	-	-
Tax (income)/expense for the financial year	(1,186)	(609)	6,620	5,868

26 INVESTMENT-LINKED FUNDS

The Company's statement of financial position and statement of comprehensive income include the statement of financial position and statement of comprehensive income of investment-linked funds as follows:

STATEMENT OF FINANCIAL POSITION

	31.12.2012 RM'000	31.12.2011 RM'000	01.01.2011 RM'000
ASSETS			
Fair value through profit or loss financial assets	43,067	186,832	244,111
Financing and receivables	3,113	1,508	6,692
Deferred tax assets	-	-	138
Other receivables	3	105	676
Cash and bank balances	166	1,298	169
	<u>46,349</u>	<u>189,743</u>	<u>251,786</u>
LIABILITIES			
Other liabilities	410	616	2,026
Deferred tax liabilities	89	288	-
Current tax liabilities	208	85	12
	<u>707</u>	<u>989</u>	<u>2,038</u>
NET ASSET VALUE	<u>45,642</u>	<u>188,754</u>	<u>249,748</u>

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26 INVESTMENT-LINKED FUNDS (CONTINUED)

The Company's statement of financial position and statement of comprehensive income include the statement of financial position and statement of comprehensive income of investment-linked funds as follows: (continued)

STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<u>31.12.2012</u> RM'000	<u>31.12.2011</u> RM'000	<u>01.01.2011</u> RM'000
REPRESENTED BY:			
CERTIFICATEHOLDERS' ACCOUNT			
At beginning of the financial year	188,754	249,748	249,119
Net creation of units	1,011	5,276	17,957
Net cancellation of units	(149,197)	(73,248)	(24,065)
Surplus for the financial year after taxation	5,074	6,978	6,737
	<u>45,642</u>	<u>188,754</u>	<u>249,748</u>

STATEMENT OF INCOME AND EXPENDITURE

	<u>2012</u> RM'000	<u>2011</u> RM'000
Net fair value gains	4,800	7,205
Investment income	428	1,504
Other operating income	508	-
Other operating expenses	(243)	(1,036)
Surplus before taxation	<u>5,493</u>	<u>7,673</u>
Taxation:		
- current tax	(618)	(270)
- deferred tax	199	(425)
Surplus for the financial year after taxation	<u>5,074</u>	<u>6,978</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

27 SEGMENTAL INFORMATION ON CASH FLOWS

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2012</u>				
Cash flows from:				
Operating activities	1,705	2,197	(20,130)	(16,228)
Investing activities	(896)	-	-	(896)
	<hr/>	<hr/>	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	809	2,197	(20,130)	(17,124)
Cash and cash equivalents:				
At beginning of the financial year	3,450	1,827	31,988	37,265
	<hr/>	<hr/>	<hr/>	<hr/>
At end of the financial year	4,259	4,024	11,858	20,141
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>2011</u>				
Cash flows from:				
Operating activities	(65,908)	684	(42,601)	(107,825)
Investing activities	(292)	-	-	(292)
Financing activities	67,000	-	-	67,000
	<hr/>	<hr/>	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	800	684	(42,601)	(41,117)
Cash and cash equivalents:				
At beginning of the financial year	2,650	1,143	74,589	78,382
	<hr/>	<hr/>	<hr/>	<hr/>
At end of the financial year	3,450	1,827	31,988	37,265
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

28 **SIGNIFICANT RELATED PARTY DISCLOSURES**

The related parties of, and their relationship with the Company, are as follows:

<u>Company</u>	<u>Country of incorporation</u>	<u>Relationship</u>
CIMB Group Holdings Berhad ("CIMBG")	Malaysia	Ultimate holding company of a significant shareholder
CIG Berhad ("CIGB")	Malaysia	Significant shareholder
Aviva International Holdings Limited ("AIHL")	United Kingdom	Significant shareholder
Aviva Asia Private Limited ("APPL")	Singapore	Subsidiary of a significant shareholder
CIMB Bank Berhad ("CIMB Bank")	Malaysia	Fellow subsidiary of a significant shareholder
CIMB Wealth Advisor Berhad ("CWAB")	Malaysia	Fellow subsidiary of a significant shareholder
CIMB Islamic Bank Berhad ("CIBB")	Malaysia	Fellow subsidiary of a significant shareholder
CIMB Aviva Assurance Berhad ("CAAB")	Malaysia	Common shareholders and directors
Key management personnel		*

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

28 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Related party transactions

A number of transactions are entered into with related parties in the normal course of business. These include shared services management fee and other transactions. These transactions were carried out on terms and conditions negotiated between the related parties.

	<u>2012</u> RM'000	<u>2011</u> RM'000
Contribution received from CIMB Bank	(184)	(249)
Profit earned from deposits in CIBB	(1,801)	(899)
Shared services expenses paid/payable to CAAB	17,950	13,479
Claims paid to CAAB on retakaful inwards	169	1,067
Recharges of cost paid to APPL	1,666	3,503
Commissions paid to CIMB Bank and CWAB	11,079	11,956
Internal audit fees paid to CIMBG	255	186
Shariah fees paid to CIBB	89	30
Rental expenses paid to CAAB	90	282
Institutional Integrity Unit (IIU) fees paid to CIMBG	285	-
	<u> </u>	<u> </u>

Included in the statement of financial position of the Company are significant related party balances, represented by the followings:

	<u>2012</u> RM'000	<u>2011</u> RM'000	<u>2010</u> RM'000
Bank balances with CIBB	12,553	20,468	46,676
Fixed and call deposits with CIBB	74,210	44,464	1,506
Islamic negotiable instrument deposits with CIBB	30,246	35,059	224,299
Amount due to CAAB *	(1,298)	(39,522)	(22,024)
Amount due to AIHL *	(1,775)	(1,775)	-
Amount due to APPL *	(390)	(239)	-
Amount due to CIGB *	-	-	(575)
	<u> </u>	<u> </u>	<u> </u>

* These related party balances are current, unsecured, non-profit bearing and payable within 12 months.

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NOTES TO THE FINANCIAL STATEMENTS
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28 **SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

Key management personnel's remuneration

Total compensation paid and payable to the Company's key management personnel during the financial year was as follows:

	<u>2012</u> RM'000	<u>2011</u> RM'000
Salaries	423	412
Defined contribution plan	105	62
Bonus	74	33
	<u>602</u>	<u>507</u>

The estimated monetary value of benefits provided to the key management personnel of the Company during the financial year by way of usage of the Company's assets amounted to RM32,154 (2011: RM37,118).

29 **RISK MANAGEMENT FRAMEWORK**

(a) Risk management

The Board recognises that risk management is an integral part of the Company's business objectives and is critical for the Company to achieve continued profitability and sustainable growth in shareholders' value. In pursuing these objectives, the Company has adopted a Risk Management Framework ("RMF") to manage its risks and opportunities. The Board has established the Board Risk Committee ("BRC") with the primary responsibility of ensuring the effective functioning of the RMF. The BRC is supported by management-level committees; namely, the Risk Management Committee ("RMC") and Asset and Liability Committee ("ALCO") and Investment Committee ("IC"), that provides key focus on operational risk and financial and Takaful risks.

The RMF involves an on-going process of identifying, evaluating, monitoring, managing and reporting significant risks affecting the achievement of the Company's business objectives. It provides the Board and the management with a tool to anticipate and manage both the existing and potential risks, taking into consideration the changing risk profiles as dictated by changes in business and regulatory environment and the Company's strategies and functional activities throughout the financial year.

The Company operates a 'three lines of defence' model. Primary responsibility for the application of the RMF lies with business management (the first line of defence). Support for and challenge on the completeness and accuracy of risk assessment, risk reporting and adequacy of mitigation plans are performed by specialist risk functions (the second line of defence). The design of the RMF is also primarily the responsibility of the second line of defence. Independent and objective assurance on the robustness of the RMF and the appropriateness and effectiveness of internal control is provided by the CIMB Group Internal Audit division (the third line of defence).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

29 **RISK MANAGEMENT FRAMEWORK (CONTINUED)**

(a) Risk management (continued)

To promote a consistent and rigorous approach to risk management, we have a set of formal risk management policies. These risk policies set out the risk management and control standards for the Company's operations. As our business responds to changing market conditions and customer needs, the management regularly monitors the appropriateness of the Company's risk policies to ensure that they remain up-to-date.

(b) Capital management objectives, policies and approach

Capital management risk is defined as the risk of having an insufficient capital base, which undermines execution of strategic objectives, reduces the ability of a company to cope with losses not anticipated, and reduces confidence of the market, policyholders and creditors.

The Company's capital management objective is to maintain effective capital management processes and a prudent level of capital resources, consistent with the risk appetite agreed by the Board from time to time. It is designed to provide the principles to ensure the efficient management of capital where capital resources must be managed in a way which optimises returns to shareholders whilst safeguarding the profits of other stakeholders and the regulator.

The capital management strategy of the Company is to allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of shareholders and maintain the level of capital as required by BNM.

(c) Governance and regulatory framework

The risk management policies identify the risks inherent in different elements of the Company and articulate how these should be managed. The policies include the level of tolerance (or appetite) in relation to each of the inherent risks (where the risk is material) and the minimum standards of control the Company is expected to maintain. From a risk management governance perspective, the BRC has been established to assist the Board in its oversight of risk and risk management in the Company. The BRC reports and recommends to the Board on the risk management strategies, policies, risk tolerance levels, review and assessment of the adequacy of the risk management policies and framework, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively. The BRC is supported by management-level committees; namely, the Risk Management Committee ("RMC"), Asset and Liability Committee ("ALCO") and Investment Committee ("IC"), that provides key focus on operational, financial and Takaful risks.

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NOTES TO THE FINANCIAL STATEMENTS
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29 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(d) Asset-Liability Management (“ALM”) framework

The Company’s ALM modelling is based on a projection of both assets and liabilities into the future. The Company monitors its asset and liability matching positions through monthly profit rate sensitivity tests and low risk government bond management. The Company investment policy requires that assets match as closely as possible with liabilities of the appropriate amount, type and duration to minimise ALM risk. It is a requirement of the policy to match the duration within a maximum deviation of one (1) year. At times this may either not be possible due to lack of availability of assets or not desirable if additional risk is required to make returns sufficient to meet policy owner guarantees.

30 TAKAFUL RISKS

(a) Family Takaful

Takaful risk is the risk that inadequate or inappropriate underwriting, claims management, product design and pricing will expose the Company to financial loss and may result in the inability to meet its liabilities.

The Company’s Family Takaful business are exposed to a range of Family Takaful risks from various products. In providing financial advisory services coupled with Takaful protection, the Company has to manage risks such as mortality (the death of certificate holders), morbidity (ill health), persistency, product design and pricing.

The mortality and morbidity risks are managed through the use of retakaful to transfer excessive risk exposures, using appropriate actuarial techniques as well as other mitigation measures.

Persistency (or lapse) risk is managed through frequent monitoring of experience. Where possible, the potential financial impact of lapses is reduced by the product design. Persistency risk is also mitigated through persistency management, sharing best practices in the setting of lapse assumptions, product design requirements, experience monitoring which require management actions.

Poorly designed or inadequately priced products can lead to both financial loss and reputation risk to the Company. Policies have been developed to support the Company through the complete product cycle development process, financial analysis and pricing.

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30 TAKAFUL RISKS (CONTINUED)

(a) Family Takaful (continued)

The table below shows the concentration of Family Takaful actuarial liabilities by types of contract.

	<u>Gross</u> RM'000	<u>Retakaful</u> RM'000	<u>Net</u> RM'000
<u>31.12.2012</u>			
Mortgage	281,479	(80)	281,399
Endowment	46,590	-	46,590
Term	12,286	(1,287)	10,999
Others	7,264	-	7,264
Total	<u>347,619</u>	<u>(1,367)</u>	<u>346,252</u>
<u>31.12.2011</u>			
Mortgage	320,197	(70,386)	249,811
Endowment	189,330	-	189,330
Term	9,797	(2,881)	6,916
Others	7,232	-	7,232
Total	<u>526,556</u>	<u>(73,267)</u>	<u>453,289</u>
<u>01.01.2011</u>			
Mortgage	288,129	(70,912)	217,217
Endowment	250,208	-	250,208
Term	5,166	(627)	4,539
Others	7,606	-	7,606
Total	<u>551,109</u>	<u>(71,539)</u>	<u>479,570</u>

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

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NOTES TO THE FINANCIAL STATEMENTS
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30 TAKAFUL RISKS (CONTINUED)

(a) Family Takaful (continued)

Key assumptions

Material judgment is required in determining the actuarial 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.

Assumptions used in the estimation of actuarial liabilities is set out in Note 2.3(b)(ii).

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30 TAKAFUL RISK (CONTINUED)

(a) Family Takaful (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 actuarial liabilities, profit before tax and equity.

	Change in best estimate assumptions %	Impact on gross actuarial liabilities RM'000	Impact on net actuarial liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
<u>31 December 2012</u>					
Mortality/morbidity	+10	19,922	704	(263)	(197)
Lapse and surrender rates	-10	357	56	(25)	(19)
Discount rate	-1	2,151	672	(67)	(50)
<u>31 December 2011</u>					
Mortality/morbidity	+10	16,514	485	(485)	(364)
Lapse and surrender rates	-10	447	66	(66)	(50)
Discount rate	-1	1,603	314	(314)	(236)
<u>1 January 2011</u>					
Mortality/morbidity	+10	13,099	384	(384)	(288)
Lapse and surrender rates	-10	354	56	(56)	(42)
Discount rate	-1	1,272	249	(249)	(187)

* impact on equity reflects adjustments for tax, where applicable.

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NOTES TO THE FINANCIAL STATEMENTS
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30 TAKAFUL RISKS (CONTINUED)

(b) General Takaful

The General Takaful fund is exposed to underwriting risk which includes the risk of incurring claims costs that are higher than expected due to the random nature of claims, frequency, severity and risk of exposure to the changes in legal and economic condition. This could also arise from the underpricing of the contributions, which results in the Company having to receive too little contributions to cover for the risks that it underwrites.

These risks are managed through various risk mitigation measures such as retakaful arrangements as well as appropriate actuarial techniques such as pricing.

The table below sets out the concentration of General Takaful contract liabilities (ie. provision for outstanding claims and unearned contributions reserve) by type of contracts.

	31.12.2012			31.12.2011			01.01.2011		
	<u>Gross</u> RM'000	Re- <u>takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	Re- <u>takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	Re- <u>takaful</u> RM'000	<u>Net</u> RM'000
Motor	26,917	(173)	26,744	39,082	-	39,082	49,068	(2,963)	46,105
Fire	7,300	(560)	6,740	6,699	(2,064)	4,635	8,848	(5,174)	3,674
Marine Cargo, Aviation Cargo and Transit	136	(26)	110	1,360	(1,201)	159	7,668	(6,656)	1,012
Personal Accident	14,664	(9,205)	5,459	9,684	(4,696)	4,988	15,782	(12,174)	3,608
Miscellaneous	3,000	(1,446)	1,554	6,959	(4,414)	2,545	10,801	(6,667)	4,134
	<u>52,017</u>	<u>(11,410)</u>	<u>40,607</u>	<u>63,784</u>	<u>(12,375)</u>	<u>51,409</u>	<u>92,167</u>	<u>(33,634)</u>	<u>58,533</u>

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30 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and average number of claims for each accident year.

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

Other key circumstances affecting the reliability of assumptions include variation in profit rates, delays in settlement and changes in foreign currency rates.

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30 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (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 Takaful claims liabilities, profit before tax and equity. 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.

	<u>Change in assumptions</u> %	<u>Impact on gross Takaful claims liabilities</u> RM'000	<u>Impact on net Takaful claims liabilities</u> RM'000	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity*</u> RM'000
<u>31.12.2012</u>					
ULRs for all business classes for all loss years	+10	19,160	16,115	(16,115)	(12,087)
ULRs for Motor Act class for all loss years	+20	10,246	9,960	(9,960)	(7,470)
ULRs for Personal Accident class for all loss years	+20	7,967	2,755	(2,755)	(2,066)
ULRs for Fire class for all loss years	+20	840	712	(712)	(534)
<u>31.12.2011</u>					
ULRs for all business classes for all loss years	+10	22,797	19,647	(19,647)	(14,735)
ULRs for Motor Act class for all loss years	+20	13,000	12,933	(12,933)	(9,700)
ULRs for Personal Accident class for all loss years	+20	5,236	2,585	(2,585)	(1,939)
ULRs for Fire class for all loss years	+20	1,423	615	(615)	(461)

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

30 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Sensitivities (continued)

	<u>Change in assumptions</u> %	<u>Impact on gross Takaful claims liabilities</u> RM'000	<u>Impact on net Takaful claims liabilities</u> RM'000	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity*</u> RM'000
<u>01.01.2011</u>					
ULRs for all business classes for all loss years	+10	26,680	17,560	(17,560)	(13,170)
ULRs for Motor Act class for all loss years	+20	12,495	11,756	(11,756)	(8,817)
ULRs for Personal Accident class for all loss years	+20	10,417	1,912	(1,912)	(1,434)
ULRs for Fire class for all loss years	+20	2,053	649	(649)	(487)

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

** ULR denotes for ultimate loss ratio.

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

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30 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table

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

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is the greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

Gross General Takaful claims liabilities for 31 December 2012

<u>Gross claims incurred</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>								
At end of accident year	3,851	77,169	81,866	88,551	11,983	9,012	11,692	
One year later	18,141	64,286	101,362	70,263	5,967	8,521		
Two years later	7,276	55,373	98,189	59,942	4,031			
Three years later	8,620	60,815	93,678	54,893				
Four years later	9,645	58,837	89,896					
Five years later	8,919	50,829						
Six years later	8,118							
Current estimate of cumulative claims incurred	8,118	50,829	89,896	54,893	4,031	8,521	11,692	227,980

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30 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Gross General Takaful claims liabilities for 31 December 2012 (continued)

<u>Gross claims paid</u>	<u>2006</u> RM'000	<u>2007</u> RM'000	<u>2008</u> RM'000	<u>2009</u> RM'000	<u>2010</u> RM'000	<u>2011</u> RM'000	<u>2012</u> RM'000	<u>Total</u> RM'000
<u>Accident year</u> (continued)								
At end of accident year	(776)	(12,034)	(22,122)	(14,656)	(860)	(1,940)	(1,333)	
One year later	(4,376)	(31,197)	(52,867)	(37,580)	(3,220)	(3,366)		
Two years later	(5,537)	(36,918)	(71,621)	(40,654)	(3,330)			
Three years later	(6,259)	(44,579)	(76,230)	(41,358)				
Four years later	(7,861)	(46,957)	(77,408)					
Five years later	(7,863)	(47,383)						
Six years later	(7,883)							
Cumulative payments to-date	(7,883)	(47,383)	(77,408)	(41,358)	(3,330)	(3,366)	(1,333)	(182,061)
Gross General Takaful claims liabilities	235	3,446	12,488	13,535	701	5,155	10,359	45,919

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30 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Gross General Takaful claims liabilities for 31 December 2011

<u>Gross claims incurred</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>							
At end of accident year	3,851	77,169	81,866	88,551	11,983	9,012	
One year later	18,141	64,286	101,362	70,263	5,967		
Two years later	7,276	55,373	98,189	59,942			
Three years later	8,620	60,815	93,678				
Four years later	9,645	58,837					
Five years later	8,919						
Current estimate of cumulative claims incurred	<u>8,919</u>	<u>58,837</u>	<u>93,678</u>	<u>59,942</u>	<u>5,967</u>	<u>9,012</u>	<u>236,355</u>

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30 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Gross General Takaful claims liabilities for 31 December 2011 (continued)

<u>Gross claims paid</u>	<u>2006</u> RM'000	<u>2007</u> RM'000	<u>2008</u> RM'000	<u>2009</u> RM'000	<u>2010</u> RM'000	<u>2011</u> RM'000	<u>Total</u> RM'000
<u>Accident year</u> (continued)							
At end of accident year	(776)	(12,034)	(22,122)	(14,656)	(860)	(1,940)	
One year later	(4,376)	(31,197)	(52,867)	(37,580)	(3,220)		
Two years later	(5,537)	(36,918)	(71,621)	(40,654)			
Three years later	(6,259)	(44,579)	(76,230)				
Four years later	(7,861)	(46,957)					
Five years later	(7,863)						
Cumulative payments to-date	(7,863)	(46,957)	(76,230)	(40,654)	(3,220)	(1,940)	(176,864)
Gross General Takaful claims liabilities	1,056	11,880	17,448	19,288	2,747	7,072	59,491

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30 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Gross General Takaful claims liabilities for 1 January 2011

<u>Gross claims incurred</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>						
At end of accident year	3,851	77,169	81,866	88,551	11,983	
One year later	18,141	64,286	101,362	70,263		
Two years later	7,276	55,373	98,189			
Three years later	8,619	60,815				
Four years later	9,644					
Current estimate of cumulative claims incurred	9,644	60,815	98,189	70,263	11,983	250,894
<u>Gross claims paid</u>						
At end of accident year	(776)	(12,034)	(22,122)	(14,656)	(860)	
One year later	(4,376)	(31,197)	(52,867)	(37,580)		
Two years later	(5,537)	(36,918)	(71,621)			
Three years later	(6,259)	(44,579)				
Four years later	(7,861)					
Cumulative payments to-date	(7,861)	(44,579)	(71,621)	(37,580)	(860)	(162,501)
Gross General Takaful claims liabilities	1,783	16,236	26,568	32,683	11,123	88,393

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30 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Net General Takaful claims liabilities for 31 December 2012

<u>Net claims incurred</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>								
At end of accident year	3,851	55,964	63,095	40,371	3,302	4,272	4,852	
One year later	7,118	55,113	68,384	36,699	3,063	3,477		
Two years later	6,507	50,913	70,865	39,268	2,198			
Three years later	7,261	56,532	68,238	36,473				
Four years later	8,196	55,449	66,871					
Five years later	7,429	47,453						
Six years later	6,723							
Current estimate of cumulative claims incurred	<u>6,723</u>	<u>47,453</u>	<u>66,871</u>	<u>36,473</u>	<u>2,198</u>	<u>3,477</u>	<u>4,852</u>	<u>168,047</u>

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30 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Net General Takaful claims liabilities for 31 December 2012 (continued)

<u>Net claims paid</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u> (continued)								
At end of accident year	(776)	(11,627)	(16,749)	(11,562)	(509)	(891)	(757)	
One year later	(4,079)	(29,516)	(38,729)	(20,312)	(1,741)	(1,474)		
Two years later	(5,214)	(35,212)	(49,607)	(23,202)	(1,762)			
Three years later	(5,937)	(42,071)	(53,828)	(23,861)				
Four years later	(6,667)	(43,810)	(54,727)					
Five years later	(6,496)	(44,092)						
Six years later	(6,507)							
Cumulative payments to-date	(6,507)	(44,092)	(54,727)	(23,861)	(1,762)	(1,474)	(757)	(133,180)
Net General Takaful claims liabilities	216	3,361	12,144	12,612	436	2,003	4,095	34,867

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

30 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Net General Takaful claims liabilities for 31 December 2011

<u>Net claims incurred</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>							
At end of accident year	3,851	55,964	63,095	40,371	3,302	4,272	
One year later	7,118	55,113	68,384	36,699	3,063		
Two years later	6,507	50,913	70,865	39,268			
Three years later	7,261	56,532	68,238				
Four years later	8,196	55,449					
Five years later	7,429						
Current estimate of cumulative claims incurred	<u>7,429</u>	<u>55,449</u>	<u>68,238</u>	<u>39,268</u>	<u>3,063</u>	<u>4,272</u>	<u>177,719</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

30 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Net General Takaful claims liabilities for 31 December 2011 (continued)

<u>Net claims paid</u>	<u>2006</u> RM'000	<u>2007</u> RM'000	<u>2008</u> RM'000	<u>2009</u> RM'000	<u>2010</u> RM'000	<u>2011</u> RM'000	<u>Total</u> RM'000
<u>Accident year</u> (continued)							
At end of accident year	(776)	(11,627)	(16,749)	(11,562)	(509)	(891)	
One year later	(4,079)	(29,516)	(38,729)	(20,312)	(1,741)		
Two years later	(5,214)	(35,212)	(49,607)	(23,202)			
Three years later	(5,937)	(42,071)	(53,828)				
Four years later	(6,667)	(43,810)					
Five years later	(6,496)						
Cumulative payments to-date	(6,496)	(43,810)	(53,828)	(23,202)	(1,741)	(891)	(129,968)
Net General Takaful claims liabilities	933	11,639	14,410	16,066	1,322	3,381	47,751

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30 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Net General Takaful claims liabilities for 1 January 2011

<u>Net claims incurred</u>	<u>2006</u> RM'000	<u>2007</u> RM'000	<u>2008</u> RM'000	<u>2009</u> RM'000	<u>2010</u> RM'000	<u>Total</u> RM'000
<u>Accident year</u>						
At end of accident year	3,851	55,964	63,095	40,371	3,302	
One year later	7,118	55,113	68,384	36,699		
Two years later	6,507	50,913	70,865			
Three years later	7,261	56,532				
Four years later	8,196					
Current estimate of cumulative claims incurred	8,196	56,532	70,865	36,699	3,302	175,594
<u>Net claims paid</u>						
At end of accident year	(776)	(11,627)	(16,749)	(11,562)	(509)	
One year later	(4,079)	(29,516)	(38,729)	(20,312)		
Two years later	(5,214)	(35,212)	(49,607)			
Three years later	(5,937)	(42,071)				
Four years later	(6,667)					
Cumulative payments to-date	(6,667)	(42,071)	(49,607)	(20,312)	(509)	(119,166)
Net General Takaful claims liabilities	1,529	14,461	21,258	16,387	2,793	56,428

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31 FINANCIAL RISKS

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counter-party to meet the payment obligations of the principal and/or profit. Exposure to such risk arises primarily from default risk of corporate bonds purchased.

The Company manages the exposure to individual counterparties, by measuring exposure against internal and regulatory limits. These limits are governed by BNM's regulatory limits and the Company's internal limits, taking into account credit ratings issued by authorised rating agencies. The Company is also exposed to credit risk through its use of retakaful. Retakaful arrangements are only placed with providers who meet the Company's counterparty credit standards.

The Company only purchases corporate bonds of high standing (with minimum rating of AA) as rated by authorised rating agencies. The Company also actively monitors and considers the risk of fall in the value of fixed profit securities from changes in the perceived credit worthiness of the issuer by conducting credit reviews and credit bond analysis on a regular basis as stipulated in the Investment Guidelines.

The method used in monitoring the credit risk of corporate bonds did not change from the previous financial year.

Credit exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position.

	Shareholders' fund <u>RM'000</u>	General Takaful fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	Investment- linked fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>31.12.2012</u>					
<u>Financing and receivables</u>					
Fixed and call deposits	116,916	35,851	57,375	3,113	213,255
Accrued profit	136	56	58	-	250
<u>FVTPL - designated upon initial recognition</u>					
Unquoted Sukuk	-	-	-	3,825	3,825
Quoted equity securities *	-	-	9,455	8,966	18,421
Structured investment	-	-	-	30,246	30,246
Accrued profit	-	-	-	30	30
<u>Available-for-sale financial assets</u>					
Government Investment Issues	37,496	9,078	217,771	-	264,345
Unquoted Sukuk	-	6,760	24,020	-	30,780
Investments in investment-linked funds *	7,286	-	-	-	7,286
Accrued profit	228	210	2,904	-	3,342

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NOTES TO THE FINANCIAL STATEMENTS
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31 FINANCIAL RISKS

Credit risk (continued)

Credit exposure (continued)

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Investment- linked fund RM'000	Company RM'000
<u>31.12.2012</u> (continued)					
Takaful receivables	-	4,570	4,814	-	9,384
Retakaful assets	-	11,410	5,062	-	16,472
Other receivables	13,850	232	722	3	677
Cash and bank balances	4,259	4,024	11,692	166	20,141
	<u>180,171</u>	<u>72,191</u>	<u>333,873</u>	<u>46,349</u>	<u>618,454</u>
<u>31.12.2011</u>					
<u>Financing and receivables</u>					
Fixed and call deposits	122,702	35,226	87,722	1,508	247,158
Staff financing	119	-	-	-	119
Accrued profit	179	59	96	-	334
<u>FVTPL - designated upon initial recognition</u>					
Unquoted Sukuk	-	-	-	3,967	3,967
Quoted equity securities *	-	-	509	15,805	16,314
Structured investments	-	-	-	167,048	167,048
Accrued profit	-	-	-	12	12
<u>Available-for-sale financial assets</u>					
Government Investment Issues	-	13,180	195,372	-	208,552
Unquoted Sukuk	-	9,376	8,879	-	18,255
Investments in investment-linked funds *	6,830	-	-	-	6,830
Accrued profit	-	204	1,841	-	2,045
Takaful receivables	-	4,218	1,929	-	6,147
Retakaful assets	-	12,375	74,612	-	86,987
Other receivables	66,232	5,095	16,418	105	9,430
Cash and bank balances	3,450	1,827	30,690	1,298	37,265
	<u>199,512</u>	<u>81,560</u>	<u>418,068</u>	<u>189,743</u>	<u>810,463</u>

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31 FINANCIAL RISKS

Credit risk (continued)

Credit exposure (continued)

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Investment- linked fund RM'000	Company RM'000
<u>01.01.2011</u>					
<u>Financing and receivables</u>					
Fixed and call deposits	53,785	34,130	56,438	6,692	151,045
Staff financing	127	-	-	-	127
Accrued profit	40	55	37	-	132
<u>FVTPL - designated upon initial recognition</u>					
Unquoted Sukuk	-	-	-	3,945	3,945
Quoted equity securities *	-	-	-	17,308	17,308
Structured investments	-	-	-	222,846	222,846
Accrued profit	-	-	-	12	12
<u>Available-for-sale financial assets</u>					
Government Investment Issues	-	13,229	124,750	-	137,979
Unquoted Sukuk	-	11,468	8,891	-	20,359
Investments in investment- linked funds *	9,326	-	-	-	9,326
Accrued profit	-	316	786	-	1,102
Takaful receivables	-	10,302	1,866	-	12,168
Retakaful assets	-	33,634	72,373	-	106,007
Other receivables	50,497	15,891	22,744	676	5,982
Cash and bank balances	2,650	1,143	74,420	169	78,382
	<u>116,425</u>	<u>120,168</u>	<u>362,305</u>	<u>251,648</u>	<u>766,720</u>

* Not subject to credit risk

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31 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure (continued)

It is the Company's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Company's rating policy. The attributable risk ratings are assessed and updated regularly.

The Company has not provided the credit risk analysis for the financial assets of the investment-linked business. This is due to the fact that in investment-linked business, the liabilities to certificateholders are linked to the performance and value of the assets that back those liabilities and the shareholders have no direct exposure to any credit risk in these assets. The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

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31 **FINANCIAL RISKS (CONTINUED)**

Credit risk (continued)

Credit exposure by credit rating (continued)

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

<u>Shareholders' fund</u>	<u>Neither past due nor impaired</u>					<u>Not subject to credit risk</u>	<u>Past due but not impaired</u>	<u>Past due and impaired</u>	<u>Total</u>
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>				
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>31.12.2012</u>									
<u>AFS financial assets</u>									
Government Investment Issues	-	-	-	-	37,496	-	-	-	37,496
Investment-linked funds	-	-	-	-	-	7,286	-	-	7,286
Accrued profit	-	-	-	-	228	-	-	-	228
<u>Financing and receivables</u>									
Fixed and call deposits	50,869	65,356	691	-	-	-	-	-	116,916
Accrued profit	51	83	2	-	-	-	-	-	136
Other receivables	-	-	-	-	13,850	-	-	-	13,850
Cash and bank balances	4,259	-	-	-	-	-	-	-	4,259
	<u>55,179</u>	<u>65,439</u>	<u>693</u>	<u>-</u>	<u>51,574</u>	<u>7,286</u>	<u>-</u>	<u>-</u>	<u>180,171</u>

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31 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)Credit exposure by credit rating (continued)

<u>Shareholders' fund</u>	Neither past due nor impaired					Not subject to credit risk	Past due but not impaired	Past due and impaired	<u>Total</u>
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31.12.2011</u>									
<u>AFS financial assets</u>									
Investment-linked funds	-	-	-	-	-	6,830	-	-	6,830
<u>Financing and receivables</u>									
Fixed and call deposits	22,267	83,807	16,628	-	-	-	-	-	122,702
Staff financing	-	-	-	-	119	-	-	-	119
Accrued profit	22	130	27	-	-	-	-	-	179
Other receivables	-	-	-	-	66,232	-	-	-	66,232
Cash and bank balances	3,450	-	-	-	-	-	-	-	3,450
	<u>25,739</u>	<u>83,937</u>	<u>16,655</u>	<u>-</u>	<u>66,351</u>	<u>6,830</u>	<u>-</u>	<u>-</u>	<u>199,512</u>

Company No.

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CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

<u>Shareholders' fund</u>	Neither past due nor impaired					Not subject to credit risk	Past due but not impaired	Past due and impaired	<u>Total</u>
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>01.01.2011</u>									
<u>AFS financial assets</u>									
Investment-linked funds	-	-	-	-	-	9,326	-	-	9,326
<u>Financing and receivables</u>									
Fixed and call deposits	-	40,413	13,372	-	-	-	-	-	53,785
Staff financing	-	-	-	-	127	-	-	-	127
Accrued profit	-	30	10	-	-	-	-	-	40
Other receivables	-	-	-	-	50,497	-	-	-	50,497
Cash and bank balances	-	2,638	-	-	12	-	-	-	2,650
	<u>-</u>	<u>43,081</u>	<u>13,382</u>	<u>-</u>	<u>50,636</u>	<u>9,326</u>	<u>-</u>	<u>-</u>	<u>116,425</u>

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CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)Credit exposure by credit rating (continued)

<u>General Takaful fund</u>	Neither past due nor impaired					Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	AAA	AA	A	BBB	Not rated				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31.12.2012</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	2,550	4,210	-	-	-	-	-	-	6,760
Government Investment Issues	-	-	-	-	9,078	-	-	-	9,078
Accrued profit	50	42	-	-	118	-	-	-	210
<u>Financing and receivables</u>									
Fixed and call deposits	35,851	-	-	-	-	-	-	-	35,851
Accrued profit	56	-	-	-	-	-	-	-	56
Takaful receivables	-	-	34	-	3,586	-	950	10,536	15,106
Other receivables	-	-	-	-	232	-	-	-	232
Retakaful assets	-	-	572	-	10,838	-	-	-	11,410
Cash and bank balances	1,786	-	36	-	2,202	-	-	-	4,024
Allowance for impairment losses	-	-	-	-	-	-	-	(10,536)	(10,536)
	<u>40,293</u>	<u>4,252</u>	<u>642</u>	<u>-</u>	<u>26,054</u>	<u>-</u>	<u>950</u>	<u>-</u>	<u>72,191</u>

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CIMB AVIVA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31 **FINANCIAL RISKS (CONTINUED)**

Credit risk (continued)

Credit exposure by credit rating (continued)

<u>General Takaful fund</u>	<u>Neither past due nor impaired</u>					<u>Not subject to credit risk</u>	<u>Past due but not impaired</u>	<u>Past due and impaired</u>	<u>Total</u>
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>				
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>31.12.2011</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	5,084	4,292	-	-	-	-	-	-	9,376
Government Investment Issues	-	-	-	-	13,180	-	-	-	13,180
Accrued profit	-	42	-	-	162	-	-	-	204
<u>Financing and receivables</u>									
Fixed and call deposits	15,962	16,083	3,181	-	-	-	-	-	35,226
Accrued profit	56	-	3	-	-	-	-	-	59
Takaful receivables	-	65	1,367	-	466	-	2,320	17,250	21,468
Other receivables	-	-	-	-	5,095	-	-	-	5,095
Retakaful assets	-	-	-	-	12,375	-	-	-	12,375
Cash and bank balances	-	-	1	-	1,826	-	-	-	1,827
Allowance for impairment losses	-	-	-	-	-	-	-	(17,250)	(17,250)
	<u>21,102</u>	<u>20,482</u>	<u>4,552</u>	<u>-</u>	<u>33,104</u>	<u>-</u>	<u>2,320</u>	<u>-</u>	<u>81,560</u>

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CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)Credit exposure by credit rating (continued)

<u>General Takaful fund</u>	<u>Neither past due nor impaired</u>					<u>Not subject to credit risk</u>	<u>Past due but not impaired</u>	<u>Past due and impaired</u>	<u>Total</u>
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>				
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>01.01.2011</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	4,835	4,242	-	2,391	-	-	-	-	11,468
Government Investment Issues	-	-	-	-	13,229	-	-	-	13,229
Accrued profit	62	54	-	31	169	-	-	-	316
<u>Financing and receivables</u>									
Fixed and call deposits	-	17,002	17,128	-	-	-	-	-	34,130
Accrued profit	-	27	28	-	-	-	-	-	55
Takaful receivables	-	-	-	-	5,589	-	4,713	23,993	34,295
Other receivables	-	-	-	-	15,891	-	-	-	15,891
Retakaful assets	-	-	-	-	33,634	-	-	-	33,634
Cash and bank balances	-	367	762	-	14	-	-	-	1,143
Allowance for impairment losses	-	-	-	-	-	-	-	(23,993)	(23,993)
	<u>4,897</u>	<u>21,692</u>	<u>17,918</u>	<u>2,422</u>	<u>68,526</u>	<u>-</u>	<u>4,713</u>	<u>-</u>	<u>120,168</u>

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CIMB AVIVA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

<u>Family Takaful fund</u>	Neither past due nor impaired					Not subject to credit risk RM'000	Investment-linked fund RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000					
<u>31.12.2012</u>										
<u>AFS financial assets</u>										
Unquoted Sukuk	20,904	3,116	-	-	-	-	-	-	-	24,020
Government Investment Issues	-	-	-	-	217,771	-	-	-	-	217,771
Accrued profit	379	2	-	-	2,523	-	-	-	-	2,904
<u>FVTPL financial assets</u>										
Unquoted Sukuk	-	-	-	-	-	-	3,825	-	-	3,825
Quoted equity securities	-	-	-	-	-	9,455	8,966	-	-	18,421
Structured investment	-	-	-	-	-	-	30,246	-	-	30,246
Accrued interest	-	-	-	-	-	-	30	-	-	30
<u>Financing and receivables</u>										
Fixed and call deposits	35,246	22,129	-	-	-	-	3,113	-	-	60,488
Accrued profit	7	51	-	-	-	-	-	-	-	58
Takaful receivables	-	-	-	-	4,814	-	-	-	-	4,814
Retakaful assets	-	4,940	-	-	122	-	-	-	-	5,062
Other receivables	-	-	-	-	722	-	3	-	-	725
Cash and bank balances	11,141	-	-	-	551	-	166	-	-	11,858
	<u>67,677</u>	<u>30,238</u>	<u>-</u>	<u>-</u>	<u>226,503</u>	<u>9,455</u>	<u>46,349</u>	<u>-</u>	<u>-</u>	<u>380,222</u>

CIMB AVIVA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

<u>Family Takaful fund</u>	Neither past due nor impaired					Not subject to credit risk RM'000	Investment-linked fund RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	<u>Total</u> RM'000
	<u>AAA</u> RM'000	<u>AA</u> RM'000	<u>A</u> RM'000	<u>BBB</u> RM'000	<u>Not rated</u> RM'000					
<u>31.12.2011</u>										
<u>AFS financial assets</u>										
Unquoted Sukuk	5,280	3,599	-	-	-	-	-	-	-	8,879
Government Investment Issues	-	-	-	-	195,372	-	-	-	-	195,372
Accrued profit	33	2	-	-	1,806	-	-	-	-	1,841
<u>FVTPL financial assets</u>										
Unquoted Sukuk	-	-	-	-	-	-	3,967	-	-	3,967
Quoted equity securities	-	-	-	-	-	509	15,805	-	-	16,314
Structured investments	-	-	-	-	-	-	167,048	-	-	167,048
Accrued interest	-	-	-	-	-	-	12	-	-	12
<u>Financing and receivables</u>										
Fixed and call deposits	26,746	48,545	12,431	-	-	-	1,508	-	-	89,230
Accrued profit	30	54	12	-	-	-	-	-	-	96
Takaful receivables	-	-	-	-	1,929	-	-	-	18,526	20,455
Retakaful assets	32	74,580	-	-	-	-	-	-	-	74,612
Other receivables	-	-	-	-	16,418	-	105	-	-	16,523
Cash and bank balances	30,605	-	69	-	16	-	1,298	-	-	31,988
Allowance for impairment losses	-	-	-	-	-	-	-	-	(18,526)	(18,526)
	<u>62,726</u>	<u>126,780</u>	<u>12,512</u>	<u>-</u>	<u>215,541</u>	<u>509</u>	<u>189,743</u>	<u>-</u>	<u>-</u>	<u>607,811</u>

CIMB AVIVA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

<u>Family Takaful fund</u>	Neither past due nor impaired					Not subject to credit risk RM'000	Investment-linked fund RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	<u>Total</u> RM'000
	<u>AAA</u> RM'000	<u>AA</u> RM'000	<u>A</u> RM'000	<u>BBB</u> RM'000	<u>Not rated</u> RM'000					
<u>01.01.2011</u>										
<u>AFS financial assets</u>										
Unquoted Sukuk	3,656	3,642	-	1,593	-	-	-	-	-	8,891
Government Investment Issues	-	-	-	-	124,750	-	-	-	-	124,750
Accrued profit	22	21	-	9	734	-	-	-	-	786
<u>FVTPL financial assets</u>										
Unquoted Sukuk	-	-	-	-	-	-	3,945	-	-	3,945
Quoted equity securities	-	-	-	-	-	-	17,308	-	-	17,308
Structured investments	-	-	-	-	-	-	222,846	-	-	222,846
Accrued interest	-	-	-	-	-	-	12	-	-	12
<u>Financing and receivables</u>										
Fixed and call deposits	-	33,812	22,626	-	-	-	6,692	-	-	63,130
Accrued profit	-	22	15	-	-	-	-	-	-	37
Takaful receivables	-	-	-	-	1,866	-	-	-	15,631	17,497
Retakaful assets	-	72,346	-	-	27	-	-	-	-	72,373
Other receivables	-	-	-	-	22,744	-	676	-	-	23,420
Cash and bank balances	-	71,592	2,828	-	-	-	169	-	-	74,589
Allowance for impairment losses	-	-	-	-	-	-	-	-	(15,631)	(15,631)
	<u>3,678</u>	<u>181,435</u>	<u>25,469</u>	<u>1,602</u>	<u>150,121</u>	<u>-</u>	<u>251,648</u>	<u>-</u>	<u>-</u>	<u>613,953</u>

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CIMB AVIVA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

<u>Company</u>	<u>Neither past due nor impaired</u>					<u>Not subject to credit risk</u>	<u>Investment-linked fund</u>	<u>Past due but not impaired</u>	<u>Past due and impaired</u>	<u>Total</u>
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>					
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>31.12.2012</u>										
<u>AFS financial assets</u>										
Unquoted Sukuk	23,454	7,326	-	-	-	-	-	-	-	30,780
Government Investment Issues	-	-	-	-	264,345	-	-	-	-	264,345
Investment-linked funds	-	-	-	-	-	7,286	-	-	-	7,286
Accrued profit	429	44	-	-	2,869	-	-	-	-	3,342
<u>FVTPL financial assets</u>										
Unquoted Sukuk	-	-	-	-	-	-	3,825	-	-	3,825
Quoted equity securities	-	-	-	-	-	9,455	8,966	-	-	18,421
Structured investment	-	-	-	-	-	-	30,246	-	-	30,246
Accrued interest	-	-	-	-	-	-	30	-	-	30
<u>Financing and receivables</u>										
Fixed and call deposits	121,966	87,485	691	-	-	-	3,113	-	-	213,255
Accrued profit	114	134	2	-	-	-	-	-	-	250
Takaful receivables	-	-	34	-	8,400	-	-	950	10,536	19,920
Retakaful assets	-	4,940	572	-	10,960	-	-	-	-	16,472
Other receivables	-	-	-	-	674	-	3	-	-	677
Cash and bank balances	17,186	-	36	-	2,753	-	166	-	-	20,141
Allowance for impairment losses	-	-	-	-	-	-	-	-	(10,536)	(10,536)
	<u>163,149</u>	<u>99,929</u>	<u>1,335</u>	<u>-</u>	<u>290,001</u>	<u>16,741</u>	<u>46,349</u>	<u>950</u>	<u>-</u>	<u>618,454</u>

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CIMB AVIVA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

<u>Company</u>	<u>Neither past due nor impaired</u>					<u>Not subject to credit risk</u>	<u>Investment-linked fund</u>	<u>Past due but not impaired</u>	<u>Past due and impaired</u>	<u>Total</u>
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>					
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>31.12.2011</u>										
<u>AFS financial assets</u>										
Unquoted Sukuk	10,364	7,891	-	-	-	-	-	-	-	18,255
Government Investment Issues	-	-	-	-	208,552	-	-	-	-	208,552
Investment-linked funds	-	-	-	-	-	6,830	-	-	-	6,830
Accrued profit	33	44	-	-	1,968	-	-	-	-	2,045
<u>FVTPL financial assets</u>										
Unquoted Sukuk	-	-	-	-	-	-	3,967	-	-	3,967
Quoted equity securities	-	-	-	-	-	509	15,805	-	-	16,314
Structured investments	-	-	-	-	-	-	167,048	-	-	167,048
Accrued interest	-	-	-	-	-	-	12	-	-	12
<u>Financing and receivables</u>										
Fixed and call deposits	64,975	148,435	32,240	-	-	-	1,508	-	-	247,158
Staff costs	-	-	-	-	119	-	-	-	-	119
Accrued profit	108	184	42	-	-	-	-	-	-	334
Takaful receivables	-	65	1,367	-	2,395	-	-	2,320	35,776	41,923
Retakaful assets	32	74,580	-	-	12,375	-	-	-	-	86,987
Other receivables	-	-	-	-	9,325	-	105	-	-	9,430
Cash and bank balances	34,055	-	70	-	1,842	-	1,298	-	-	37,265
Allowance for impairment	-	-	-	-	-	-	-	-	(35,776)	(35,776)
	<u>109,567</u>	<u>231,199</u>	<u>33,719</u>	<u>-</u>	<u>236,576</u>	<u>7,339</u>	<u>189,743</u>	<u>2,320</u>	<u>-</u>	<u>810,463</u>

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CIMB AVIVA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)Credit exposure by credit rating (continued)

<u>Company</u>	Neither past due nor impaired					Not subject to credit risk	Investment-linked fund	Past due but not impaired	Past due and impaired	Total
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>01.01.2011</u>										
<u>AFS financial assets</u>										
Unquoted Sukuk	8,491	7,884	-	3,984	-	-	-	-	-	20,359
Government Investment Issues	-	-	-	-	137,979	-	-	-	-	137,979
Investment-linked funds	-	-	-	-	-	9,326	-	-	-	9,326
Accrued profit	84	75	-	40	903	-	-	-	-	1,102
<u>FVTPL financial assets</u>										
Unquoted Sukuk	-	-	-	-	-	-	3,945	-	-	3,945
Quoted equity securities	-	-	-	-	-	-	17,308	-	-	17,308
Structured investments	-	-	-	-	-	-	222,846	-	-	222,846
Accrued interest	-	-	-	-	-	-	12	-	-	12
<u>Financing and receivables</u>										
Fixed and call deposits	-	91,227	53,126	-	-	-	6,692	-	-	151,045
Staff financing	-	-	-	-	127	-	-	-	-	127
Accrued profit	-	79	53	-	-	-	-	-	-	132
Takaful receivables	-	-	-	-	7,455	-	-	4,713	39,624	51,792
Retakaful assets	-	72,346	-	-	33,661	-	-	-	-	106,007
Other receivables	-	-	-	-	5,306	-	676	-	-	5,982
Cash and bank balances	-	74,597	3,590	-	26	-	169	-	-	78,382
Allowance for impairment losses	-	-	-	-	-	-	-	-	(39,624)	(39,624)
	<u>8,575</u>	<u>246,208</u>	<u>56,769</u>	<u>4,024</u>	<u>185,457</u>	<u>9,326</u>	<u>251,648</u>	<u>4,713</u>	<u>-</u>	<u>766,720</u>

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CIMB AVIVA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Aged analysis of financial assets past due but not impaired

<u>General Takaful fund/Company</u>	<u>< 90 days RM'000</u>	<u>> 90 days RM'000</u>	<u>Total RM'000</u>
<u>31.12.2012</u>			
Takaful receivables	264	686	950
<u>31.12.2011</u>			
Takaful receivables	311	2,009	2,320
<u>01.01.2011</u>			
Takaful receivables	84	4,629	4,713

Impaired takaful receivables

At 31 December 2012, there are impaired takaful receivables of RM10.536 million (2011: RM35.776 million, 2010: RM39.624 million). Impairment of takaful receivables is performed based on individual assessment of receivables where the contractual payments are in arrears for more than three months. No collateral is held as security for any past due or impaired assets.

A reconciliation of the allowance for impairment losses for takaful receivables is as follows:

	<u>2012</u>			<u>2011</u>		
	<u>General Takaful fund RM'000</u>	<u>Family Takaful fund RM'000</u>	<u>Company RM'000</u>	<u>General Takaful fund RM'000</u>	<u>Family Takaful fund RM'000</u>	<u>Company RM'000</u>
As at 1 January	17,250	18,526	35,776	23,993	15,631	39,624
(Writeback of)/provision for the financial year	(6,714)	(2,943)	(9,657)	(6,743)	2,895	(3,848)
Write off against Takaful receivables	-	(15,583)	(15,583)	-	-	-
As at 31 December	10,536	-	10,536	17,250	18,526	35,776

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31 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Liquidity risk

Liquidity risk is the risk where the Company is unable to meet its obligations at reasonable cost or at any time. The Investment department manages this risk by monitoring daily as well as monthly, projected and actual cash inflows/outflows and by ensuring that a reasonable amount of financial assets are kept in liquid instruments at all times. The Company has a strong liquidity position and seeks to maintain sufficient financial resources to meet its obligations as they fall due.

Maturity profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations. For Takaful contract liabilities, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised Takaful liabilities.

Available-for-sale fair value adjustment, unearned contribution reserve and retakaful's share of unearned contribution have been excluded from the analysis as they are not contractual obligations.

Investment-linked fund liabilities are repayable or transferable upon notice by certificate holders and are disclosed separately under the "Investment-linked fund" column. Repayments which are subject to notice are treated as if such notice was to be given immediately.

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31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
<u>Shareholders' fund</u>								
<u>31.12.2012</u>								
<u>AFS financial assets</u>								
Government Investment Issues	37,496	12,600	-	-	35,152	-	-	47,752
Investment-linked funds	7,286	-	-	-	-	-	7,286	7,286
Accrued profit	228	228	-	-	-	-	-	228
<u>Financing and receivables</u>								
Fixed and call deposits	116,916	116,983	-	-	-	-	-	116,983
Accrued profit	136	136	-	-	-	-	-	136
Other receivables	13,850	13,850	-	-	-	-	-	13,850
Cash and bank balances	4,259	4,259	-	-	-	-	-	4,259
Total financial assets	180,171	148,056	-	-	35,152	-	7,286	190,494
Other payables	18,990	18,990	-	-	-	-	-	18,990
Expense liabilities	4,603	4,603	-	-	-	-	-	4,603
Total financial liabilities	23,593	23,593	-	-	-	-	-	23,593

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31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
<u>Shareholders' fund</u>								
<u>31.12.2011</u>								
<u>AFS financial assets</u>								
Investment-linked funds	6,830	-	-	-	-	-	6,830	6,830
<u>Financing and receivables</u>								
Fixed and call deposits	122,702	122,887	-	-	-	-	-	122,887
Accrued profit	179	179	-	-	-	-	-	179
Staff financing	119	119	-	-	-	-	-	119
Other receivables	66,232	66,232	-	-	-	-	-	66,232
Cash and bank balances	3,450	3,450	-	-	-	-	-	3,450
Total financial assets	199,512	192,867	-	-	-	-	6,830	199,697
Other payables	60,665	60,665	-	-	-	-	-	60,665
Expense liabilities	3,558	3,558	-	-	-	-	-	3,558
Total financial liabilities	64,223	64,223	-	-	-	-	-	64,223

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31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
<u>Shareholders' fund</u>								
<u>01.01.2011</u>								
<u>AFS financial assets</u>								
Investment-linked funds	9,326	-	-	-	-	-	9,326	9,326
<u>Financing and receivables</u>								
Fixed and call deposits	53,785	53,813	-	-	-	-	-	53,813
Staff financing	127	127	-	-	-	-	-	127
Accrued profit	40	40	-	-	-	-	-	40
Other receivables	50,497	50,497	-	-	-	-	-	50,497
Cash and bank balances	2,650	2,650	-	-	-	-	-	2,650
Total financial assets	116,425	107,127	-	-	-	-	9,326	116,453
Other payables	61,707	61,707	-	-	-	-	-	61,707
Expense liabilities	3,778	3,778	-	-	-	-	-	3,778
Total financial liabilities	65,485	65,485	-	-	-	-	-	65,485

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31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
<u>General Takaful fund</u>								
<u>31.12.2012</u>								
<u>AFS financial assets</u>								
Unquoted Sukuk	6,760	-	-	4,810	3,242	-	-	8,052
Government Investment Issues	9,078	4,035	5,240	-	-	-	-	9,275
Accrued profit	210	210	-	-	-	-	-	210
<u>Financing and receivables</u>								
Fixed and call deposits	35,851	35,876	-	-	-	-	-	35,876
Accrued profit	56	56	-	-	-	-	-	56
Takaful receivables	4,570	4,570	-	-	-	-	-	4,570
Other receivables	232	232	-	-	-	-	-	232
Retakaful assets	11,410	9,516	1,323	547	24	-	-	11,410
Cash and bank balances	4,024	4,024	-	-	-	-	-	4,024
Total financial assets	<u>72,191</u>	<u>58,519</u>	<u>6,563</u>	<u>5,357</u>	<u>3,266</u>	-	-	<u>73,705</u>
Takaful contract liabilities	48,384	40,762	5,326	2,201	95	-	-	48,384
Takaful payables	9,389	9,389	-	-	-	-	-	9,389
Other payables	5,117	5,117	-	-	-	-	-	5,117
Total financial liabilities	<u>62,890</u>	<u>55,268</u>	<u>5,326</u>	<u>2,201</u>	<u>95</u>	-	-	<u>62,890</u>

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31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
<u>General Takaful fund</u>								
<u>31.12.2011</u>								
<u>AFS financial assets</u>								
Unquoted Sukuk	9,376	-	-	9,054	2,500	-	-	11,554
Government Investment Issues	13,180	4,101	9,634	-	-	-	-	13,735
Accrued profit	204	204	-	-	-	-	-	204
<u>Financing and receivables</u>								
Fixed and call deposits	35,226	35,255	-	-	-	-	-	35,255
Accrued profit	59	59	-	-	-	-	-	59
Takaful receivables	4,218	4,218	-	-	-	-	-	4,218
Other receivables	5,095	5,095	-	-	-	-	-	5,095
Retakaful assets	12,375	8,764	2,855	756	-	-	-	12,375
Cash and bank balances	1,827	1,827	-	-	-	-	-	1,827
Total financial assets	81,560	59,523	12,489	9,810	2,500	-	-	84,322
<u>Takaful contract liabilities</u>								
Takaful contract liabilities	59,491	42,130	13,727	3,634	-	-	-	59,491
Takaful payables	9,858	9,858	-	-	-	-	-	9,858
Other payables	10,231	10,231	-	-	-	-	-	10,231
Total financial liabilities	79,580	62,219	13,727	3,634	-	-	-	79,580

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31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
<u>General Takaful fund</u>								
<u>01.01.2011</u>								
<u>AFS financial assets</u>								
Unquoted Sukuk	11,468	-	-	-	16,172	-	-	16,172
Government Investment Issues	13,229	-	8,568	5,668	-	-	-	14,236
Accrued profit	316	316	-	-	-	-	-	316
<u>Financing and receivables</u>								
Fixed and call deposits	34,130	34,146	-	-	-	-	-	34,146
Accrued profit	55	55	-	-	-	-	-	55
Takaful receivables	10,302	10,302	-	-	-	-	-	10,302
Other receivables	15,891	15,891	-	-	-	-	-	15,891
Retakaful assets	33,634	21,952	11,682	-	-	-	-	33,634
Cash and bank balances	1,143	1,143	-	-	-	-	-	1,143
Total financial assets	120,168	83,805	20,250	5,668	16,172	-	-	125,895
<u>Takaful contract liabilities</u>								
Takaful contract liabilities	88,393	57,693	30,700	-	-	-	-	88,393
Takaful payables	8,561	8,561	-	-	-	-	-	8,561
Other payables	26,344	26,344	-	-	-	-	-	26,344
Total financial liabilities	123,298	92,598	30,700	-	-	-	-	123,298

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31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Investment- <u>linked fund</u> RM'000	<u>Total</u> RM'000
<u>Family Takaful fund</u>									
<u>31.12.2012</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	24,020	-	-	3,680	35,267	-	-	-	38,947
Government Investment Issues	217,771	1,009	15,870	-	222,017	66,522	-	-	305,418
Accrued profit	2,904	2,904	-	-	-	-	-	-	2,904
<u>FVTPL financial assets</u>									
Unquoted Sukuk	3,825	-	-	-	-	-	-	3,825	3,825
Quoted equity securities	18,421	-	-	-	-	-	9,455	8,966	18,421
Structured investment	30,246	-	-	-	-	-	-	30,246	30,246
Accrued interest	30	-	-	-	-	-	-	30	30
<u>Financing and receivables</u>									
Fixed and call deposits	60,488	57,396	-	-	-	-	-	3,113	60,509
Accrued profit	58	58	-	-	-	-	-	-	58
Takaful receivables	4,814	4,814	-	-	-	-	-	-	4,814
Retakaful assets	5,062	3,771	145	137	585	424	-	-	5,062
Other receivables	725	722	-	-	-	-	-	3	725
Cash and bank balances	11,858	11,692	-	-	-	-	-	166	11,858
Total financial assets	<u>380,222</u>	<u>82,366</u>	<u>16,015</u>	<u>3,817</u>	<u>257,869</u>	<u>66,946</u>	<u>9,455</u>	<u>46,349</u>	<u>482,817</u>

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31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Investment- <u>linked fund</u> RM'000	<u>Total</u> RM'000
<u>Family Takaful fund</u> (continued)									
<u>31.12.2012</u> (continued)									
Takaful contract liabilities	356,789	20,505	32,476	30,734	130,757	94,677	10,225	45,642	365,016
Takaful payables	2,391	2,391	-	-	-	-	-	-	2,391
Other payables	12,534	12,124	-	-	-	-	-	410	12,534
Total financial liabilities	<u>371,714</u>	<u>35,020</u>	<u>32,476</u>	<u>30,734</u>	<u>130,757</u>	<u>94,677</u>	<u>10,225</u>	<u>46,052</u>	<u>379,941</u>

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31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Investment- <u>linked fund</u> RM'000	<u>Total</u> RM'000
<u>Family Takaful fund</u>									
<u>31.12.2011</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	8,879	-	-	4,423	-	9,892	-	-	14,315
Government Investment Issues	195,372	1,025	28,709	-	229,004	-	-	-	258,738
Accrued profit	1,841	1,841	-	-	-	-	-	-	1,841
<u>FVTPL financial assets</u>									
Unquoted Sukuk	3,967	-	-	-	-	-	-	3,967	3,967
Quoted equity securities	16,314	-	-	-	-	-	509	15,805	16,314
Structured investments	167,048	-	-	-	-	-	-	167,048	167,048
Accrued interest	12	-	-	-	-	-	-	12	12
<u>Financing and receivables</u>									
Fixed and call deposits	89,230	87,789	-	-	-	-	-	1,508	89,297
Accrued profit	96	96	-	-	-	-	-	-	96
Takaful receivables	1,929	1,929	-	-	-	-	-	-	1,929
Retakaful assets	74,612	18,951	5,332	5,281	24,591	20,457	-	-	74,612
Other receivables	16,523	16,418	-	-	-	-	-	105	16,523
Cash and bank balances	31,988	30,690	-	-	-	-	-	1,298	31,988
Total financial assets	<u>607,811</u>	<u>158,739</u>	<u>34,041</u>	<u>9,704</u>	<u>253,595</u>	<u>30,349</u>	<u>509</u>	<u>189,743</u>	<u>676,680</u>

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31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Investment- <u>linked fund</u> RM'000	<u>Total</u> RM'000
<u>Family Takaful fund</u> (continued)									
<u>31.12.2011</u> (continued)									
Takaful contract liabilities	528,858	88,863	26,895	26,642	124,050	103,194	15,386	188,754	573,784
Takaful payables	4,598	4,598	-	-	-	-	-	-	4,598
Other payables	67,270	66,654	-	-	-	-	-	616	67,270
Total financial liabilities	<u>600,726</u>	<u>160,115</u>	<u>26,895</u>	<u>26,642</u>	<u>124,050</u>	<u>103,194</u>	<u>15,386</u>	<u>189,370</u>	<u>645,652</u>

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31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Investment- <u>linked fund</u> RM'000	<u>Total</u> RM'000
<u>Family Takaful fund</u>									
<u>01.01.2011</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	8,891	-	-	-	12,541	-	-	-	12,541
Government Investment Issues	124,750	-	2,142	28,677	127,884	-	-	-	158,703
Accrued profit	786	786	-	-	-	-	-	-	786
<u>FVTPL financial assets</u>									
Unquoted Sukuk	3,945	-	-	-	-	-	-	3,945	3,945
Quoted equity securities	17,308	-	-	-	-	-	-	17,308	17,308
Structured investments	222,846	-	-	-	-	-	-	222,846	222,846
Accrued interest	12	-	-	-	-	-	-	12	12
<u>Financing and receivables</u>									
Fixed and call deposits	63,130	56,455	-	-	-	-	-	6,692	63,147
Accrued profit	37	37	-	-	-	-	-	-	37
Takaful receivables	1,866	1,866	-	-	-	-	-	-	1,866
Retakaful assets	72,373	19,324	4,937	4,933	23,295	19,884	-	-	72,373
Other receivables	23,420	22,744	-	-	-	-	-	676	23,420
Cash and bank balances	74,589	74,420	-	-	-	-	-	169	74,589
Total financial assets	<u>613,953</u>	<u>175,632</u>	<u>7,079</u>	<u>33,610</u>	<u>163,720</u>	<u>19,884</u>	<u>-</u>	<u>251,648</u>	<u>651,573</u>

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31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Investment- <u>linked fund</u> RM'000	<u>Total</u> RM'000
<u>Family Takaful fund</u> (continued)									
<u>01.01.2011</u> (continued)									
Takaful contract liabilities	553,619	87,017	23,193	23,173	109,423	93,400	13,154	249,748	599,108
Takaful payables	1,511	1,511	-	-	-	-	-	-	1,511
Other payables	56,603	54,577	-	-	-	-	-	2,026	56,603
Total financial liabilities	<u>611,733</u>	<u>143,105</u>	<u>23,193</u>	<u>23,173</u>	<u>109,423</u>	<u>93,400</u>	<u>13,154</u>	<u>251,774</u>	<u>657,222</u>

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31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Investment- <u>linked fund</u> RM'000	<u>Total</u> RM'000
<u>Company</u>									
<u>31.12.2012</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	30,780	-	-	8,490	38,509	-	-	-	46,999
Government Investment Issues	264,345	17,644	21,110	-	257,169	66,522	-	-	362,445
Investment-linked funds	7,286	-	-	-	-	-	7,286	-	7,286
Accrued profit	3,342	3,342	-	-	-	-	-	-	3,342
<u>FVTPL financial assets</u>									
Unquoted Sukuk	3,825	-	-	-	-	-	-	3,825	3,825
Quoted equity securities	18,421	-	-	-	-	-	9,455	8,966	18,421
Structured investment	30,246	-	-	-	-	-	-	30,246	30,246
Accrued interest	30	-	-	-	-	-	-	30	30
<u>Financing and receivables</u>									
Fixed and call deposits	213,255	210,255	-	-	-	-	-	3,113	213,368
Accrued profit	250	250	-	-	-	-	-	-	250
Takaful receivables	9,384	9,384	-	-	-	-	-	-	9,384
Retakaful assets	16,472	13,287	1,468	684	609	424	-	-	16,472
Other receivables	677	674	-	-	-	-	-	3	677
Cash and bank balances	20,141	19,975	-	-	-	-	-	166	20,141
Total financial assets	<u>618,454</u>	<u>274,811</u>	<u>22,578</u>	<u>9,174</u>	<u>296,287</u>	<u>66,946</u>	<u>16,741</u>	<u>46,349</u>	<u>732,886</u>

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CIMB AVIVA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Investment- <u>linked fund</u> RM'000	<u>Total</u> RM'000
<u>Company</u> (continued)									
<u>31.12.2012</u> (continued)									
Takaful contract liabilities	405,173	61,267	37,802	32,935	130,852	94,677	10,225	45,642	413,400
Takaful payables	11,780	11,780	-	-	-	-	-	-	11,780
Other payables	22,511	22,101	-	-	-	-	-	410	22,511
Expense liabilities	4,603	4,603	-	-	-	-	-	-	4,603
Total financial liabilities	<u>444,067</u>	<u>99,751</u>	<u>37,802</u>	<u>32,935</u>	<u>130,852</u>	<u>94,677</u>	<u>10,225</u>	<u>46,052</u>	<u>452,294</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

<u>Company</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment-linked fund</u> RM'000	<u>Total</u> RM'000
<u>31.12.2011</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	18,255	-	-	13,477	2,500	9,892	-	-	25,869
Government Investment Issues	208,552	5,126	38,343	-	229,004	-	-	-	272,473
Investment-linked funds	6,830	-	-	-	-	-	6,830	-	6,830
Accrued profit	2,045	2,045	-	-	-	-	-	-	2,045
<u>FVTPL financial assets</u>									
Unquoted Sukuk	3,967	-	-	-	-	-	-	3,967	3,967
Quoted equity securities	16,314	-	-	-	-	-	509	15,805	16,314
Structured investments	167,048	-	-	-	-	-	-	167,048	167,048
Accrued interest	12	-	-	-	-	-	-	12	12
<u>Financing and receivables</u>									
Fixed and call deposits	247,158	245,931	-	-	-	-	-	1,508	247,439
Staff financing	119	119	-	-	-	-	-	-	119
Accrued profit	334	334	-	-	-	-	-	-	334
Takaful receivables	6,147	6,147	-	-	-	-	-	-	6,147
Retakaful assets	86,987	27,715	8,187	6,037	24,591	20,457	-	-	86,987
Other receivables	9,430	9,325	-	-	-	-	-	105	9,430
Cash and bank balances	37,265	35,967	-	-	-	-	-	1,298	37,265
Total financial assets	810,463	332,709	46,530	19,514	256,095	30,349	7,339	189,743	882,279

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Investment- <u>linked fund</u> RM'000	<u>Total</u> RM'000
<u>Company</u> (continued)									
<u>31.12.2011</u> (continued)									
Takaful contract liabilities	588,349	130,993	40,622	30,276	124,050	103,194	15,386	188,754	633,275
Takaful payables	14,456	14,456	-	-	-	-	-	-	14,456
Other payables	59,746	59,130	-	-	-	-	-	616	59,746
Expense liabilities	3,558	3,558	-	-	-	-	-	-	3,558
Total financial liabilities	<u>666,109</u>	<u>208,137</u>	<u>40,622</u>	<u>30,276</u>	<u>124,050</u>	<u>103,194</u>	<u>15,386</u>	<u>189,370</u>	<u>711,035</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

<u>Company</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment-linked fund</u> RM'000	<u>Total</u> RM'000
<u>01.01.2011</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	20,359	-	-	-	28,713	-	-	-	28,713
Government Investment Issues	137,979	-	10,710	34,345	127,884	-	-	-	172,939
Investment-linked funds	9,326	-	-	-	-	-	9,326	-	9,326
Accrued profit	1,102	1,102	-	-	-	-	-	-	1,102
<u>FVTPL financial assets</u>									
Unquoted Sukuk	3,945	-	-	-	-	-	-	3,945	3,945
Quoted equity securities	17,308	-	-	-	-	-	-	17,308	17,308
Structured investments	222,846	-	-	-	-	-	-	222,846	222,846
Accrued interest	12	-	-	-	-	-	-	12	12
<u>Financing and receivables</u>									
Fixed and call deposits	151,045	144,414	-	-	-	-	-	6,692	151,106
Staff financing	127	127	-	-	-	-	-	-	127
Accrued profit	132	132	-	-	-	-	-	-	132
Takaful receivables	12,168	12,168	-	-	-	-	-	-	12,168
Retakaful assets	106,007	41,276	16,619	4,933	23,295	19,884	-	-	106,007
Other receivables	5,982	5,306	-	-	-	-	-	676	5,982
Cash and bank balances	78,382	78,213	-	-	-	-	-	169	78,382
Total financial assets	766,720	282,738	27,329	39,278	179,892	19,884	9,326	251,648	810,095

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Investment- <u>linked fund</u> RM'000	<u>Total</u> RM'000
<u>Company</u> (continued)									
<u>01.01.2011</u> (continued)									
Takaful contract liabilities	642,012	144,710	53,893	23,173	109,423	93,400	13,154	249,748	687,501
Takaful payables	10,072	10,072	-	-	-	-	-	-	10,072
Other payables	60,828	58,802	-	-	-	-	-	2,026	60,828
Expense liabilities	3,778	3,778	-	-	-	-	-	-	3,778
Total financial liabilities	<u>716,690</u>	<u>217,362</u>	<u>53,893</u>	<u>23,173</u>	<u>109,423</u>	<u>93,400</u>	<u>13,154</u>	<u>251,774</u>	<u>762,179</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31 FINANCIAL RISKS (CONTINUED)

Market risk

Market risk is the risk of assets/liabilities values being adversely affected by movements in market prices or rates. This includes equity prices and profit rates. It is recognised that such risk is inevitable from the business that the Company undertakes, and that a certain level of market risk is desirable to deliver benefits to both certificateholders and shareholders by achieving the Company's financial objectives.

The Company manages market risk by adopting close asset liability matching criteria, to minimise the impact of mismatches between the value of assets and liabilities from market movements. However where any mismatch is within appetite, the impact is monitored through economic capital measures.

Volatility in market prices is the Company's largest market risk exposure. The Company monitors market price movements through regular stress/sensitivity testing and constant supervision.

(i) Profit rate risk

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

Variable rate instruments expose the Company to cash flows profit rate risk, whereas fixed rate instruments expose the Company to fair value profit rate risk.

The Company's profit rate risk policy requires management to manage the risk by maintaining an appropriate mix of variable and fixed rate instruments. The policy also requires management to manage the maturities of profit-bearing financial assets and liabilities. Variable rate instruments will be re-priced at intervals of not more than one (1) year. Profit on fixed rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The Company has no significant concentration of profit rate risk.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31 FINANCIAL RISKS (CONTINUED)

Market risk (continued)

(i) Profit rate risk (continued)

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 variable rate financial instruments) and equity (that reflects adjustments to profit before tax and re-valuing fixed rate AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on profit rate 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.

<u>2012</u>	Impact on profit <u>before tax</u> RM'000	Impact on <u>equity</u> RM'000
<u>Change in variables</u>		
+ 100 basis points	-	(2,066)
- 100 basis points	-	2,283
	<u> </u>	<u> </u>
 <u>2011</u>		
<u>Change in variables</u>		
+ 100 basis points	-	(61)
- 100 basis points	-	63
	<u> </u>	<u> </u>
 <u>2010</u>		
<u>Change in variables</u>		
+ 100 basis points	-	(48)
- 100 basis points	-	50
	<u> </u>	<u> </u>

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

The impact to the Company's equity arose from AFS financial assets in the Shareholders' fund. The impact arising from changes in profit rate risk to AFS and FVTPL fixed income securities of the General Takaful fund, Family Takaful fund and Investment-linked funds is retained in the Takaful contract liabilities and as such, do not impact the profit before tax and equity of the Company.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31 FINANCIAL RISKS (CONTINUED)

Market risk (continued)

(ii) Price risk

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

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

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector, market and issuer, having regard also to such limits stipulated by BNM. The Company complies with BNM's stipulated limits during the financial year and has no significant concentration of price risk.

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 whose changes in fair values are recorded in profit or loss) and equity (that reflects adjustments to profit before tax and changes in fair value of AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on profit before tax RM'000	Impact on equity RM'000
<u>2012</u>		
<u>Change in variables</u>		
Investment-linked funds:		
Decrease in share price by 40%	-	(907)
	=====	=====
<u>2011</u>		
<u>Change in variables</u>		
Investment-linked funds:		
Decrease in share price by 40%	-	(987)
	=====	=====
<u>2010</u>		
<u>Change in variables</u>		
Investment-linked funds:		
Decrease in share price by 40%	-	(866)
	=====	=====

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31 FINANCIAL RISKS (CONTINUED)

Market risk (continued)

(ii) Price risk (continued)

The impact to the Company's equity arose from the Shareholders' fund's investments in Investment-linked funds which are classified as AFS financial assets. There is no impact to the Company's profit before tax as the impact of changes in price risk to the equities securities of the Family Takaful fund and Investment-linked funds is retained in the Takaful contract liabilities.

Operational risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The Company has in place an operational risk policy ("the Policy") which outlines the approach in managing operational risks. From the governance perspective, the BRC and RMC monitor and oversee the implementation of the Policy to ensure that the risk management process is in place and functioning effectively.