Company No.

689263	M

CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2011

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CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

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CIMB AVIVA TAKAFUL BERHAD
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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2011.

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 nature of these principal activities during the financial year.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	12,303

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 2011.

ISSUANCE OF SHARES

On 29 April 2011, the issued and paid up capital of the Company was increased to RM100,010,000 by issuance of an additional 67,000 Islamic Perpetual Non-Cumulative Preference Shares ("IPPS") of RM0.10 each at an issue price of RM1,000 per IPPS for working capital purposes.

RESERVES AND PROVISIONS

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

PROVISION FOR INSURANCE LIABILITIES

Before the statement of comprehensive income and statement of financial position 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.

BAD AND DOUBTFUL DEBTS

Before the statement of comprehensive income and statement of financial position 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 statement of comprehensive income and statement of financial position 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 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.

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:

	Attendance
Encik Mohd Yusof bin Hussian	6/6
Encik Izlan bin Izhab	5/6
Encik Peter William England	6/6
Encik Pushpanathan A/L S.A. Kanagarayar	6/6
Encik Allan Raymond Griffiths	5/6
Cik Saw Teow Yam (appointed on 1 March 2011)	5/5
Encik Ooi Say Teng (appointed on 4 April 2011)	4/4

In accordance with Article 69 of the Company's Articles of Association, Encik Allan Raymond Griffiths and Encik Peter William England retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

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

	Attendance
Encik Pushpanathan A/L S.A. Kanagarayar - Chairman (Independent and Non-Executive Director) (appointed on 11 July 2011)	9/9
Encik Mohd Yusof bin Hussian (Independent and Non-Executive Director)	9/9
Encik Izlan bin Izhab (Independent and Non-Executive Director)	7/9
Encik Allan Raymond Griffiths (Non-Independent and Non-Executive Director) (appointed on 27 January 2011 and resigned on 6 April 2011)	0/1

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 APRO Regional Internal Auditors as and when necessary.

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee (“AC”) (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; and

(iv) To meet with the external auditors at least twice a year without the presence of management.

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 is indicated below:

	Attendance
Encik Izlan bin Izhab - Chairman (Independent and Non-Executive Director)	3/3
Encik Mohd Yusof bin Hussian (Independent and Non-Executive Director)	3/3
Encik Pushpanathan A/L S.A.Kanagarayar (Independent and Non-Executive Director)	3/3
Encik Allan Raymond Griffith (Non-Independent and Non-Executive Director) (appointed on 27 January 2011)	0/2
Encik Peter William England (Non-Independent and Non-Executive Director) (appointed on 31 October 2011)	0/0

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 application for approval would be submitted to Bank Negara Malaysia;

(iv) To establish a mechanism for formal assessment and assessing 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 recommending to the Board the removal of key senior officers if they were ineffective, errant and negligent in discharging their responsibilities;

(viii) To recommend a framework of remuneration for Directors, Chief Executive Officer and key senior officers; and

(ix) To recommend specific remuneration packages for Directors, Chief Executive Officer and key senior officers.

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 is indicated below:

	Attendance
Encik Pushpanathan A/L S.A. Kanagarayar (Independent and Non-Executive Director) (appointed as Chairman on 27 July 2011)	3/3
Encik Izlan bin Izhab (Independent and Non-Executive Director) (resigned as Chairman on 27 July 2011)	3/3
Encik Mohd Yusof bin Hussian (Independent and Non-Executive Director)	3/3
Encik Allan Raymond Griffiths (Non Independent and Non-Executive Director (appointed on 27 January 2011)	1/3
Encik Ooi Say Teng (Non Independent and Non-Executive Director (appointed on 31 October 2011)	0/0

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 risk 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.

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, Risk Management Committee ("RMC"), Asset and Liability Committee ("ALCO") and Investment Committee ("IC"), that provide key focus on operational, financial and insurance risks respectively.

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, 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, we regularly monitor the appropriateness of our risk policies to ensure that they remain up-to-date.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party 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.

During and at the end of the 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.

CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS’ INTERESTS IN SHARES

None of the Directors in office at the end of the financial year held any interest in shares in the Company during the financial year.

AUDITORS

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

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

MOHD YUSOF BIN HUSSIAN
CHAIRMAN

SAW TEOW YAM
DIRECTOR

Kuala Lumpur
29 March 2012

Company No.	
689263	M

CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

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

We, Mohd Yusof bin Hussian and Saw Teow Yam, 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 14 to 116 are drawn up in accordance with the Financial Reporting Standards in Malaysia as modified by the Guidelines on Financial Statements for Takaful Operators ("GPT 6") issued by Bank Negara Malaysia pursuant to the Takaful Act, 1984 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 2011 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.

MOHD YUSOF BIN HUSSIAN
CHAIRMAN

SAW TEOW YAM
DIRECTOR

Kuala Lumpur
29 March 2012

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 14 to 116 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 2012, before me.

COMMISSIONER FOR OATHS

Company No.

689263	M

CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

REPORT OF THE SHARIAH COMMITTEE

In the name of Allah, the Beneficent, the Merciful

We, 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 during the financial year ended 31 December 2011. We have also conducted our review to form an opinion as to whether CIMB Aviva Takaful Berhad has complied with the Shariah and with the Shariah rulings issued by Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

The management of CIMB Aviva Takaful Berhad is responsible for ensuring that the financial institution conducts its business in accordance with Shariah. It is our responsibility to form an independent opinion, based on review of the operations of CIMB Aviva Takaful Berhad, and to report to you.

We opined that the items below are in order:

1. The Qardhul Hasan recovery to Shareholders Fund from Family Takaful Fund and General Takaful Fund is fair and reasonable.

2. The allocation of profit sharing and surplus sharing relating to Participant Accounts and Participant Special Account (i.e. Tabarru' Funds) if any conform to the basis stipulated in Takaful Fund Spilt policy, that had been approved by us.

3. To the best of our knowledge, all the contracts, transactions and dealings entered into by CIMB Aviva Takaful Berhad are in compliance with the Shariah.

We, the members of the Shariah Committee of CIMB Aviva Takaful Berhad, do hereby confirm that the operations of CIMB Aviva Takaful Berhad for the financial year ended 31 December 2011 have been conducted in conformity with the Shariah.

SHEIKH ASSOCIATE PROFESSOR DR. SHAFAAI BIN MUSA
CHAIRMAN

SHEIKH PROFESSOR DR. MOHAMMAD HASHIM KAMALI
MEMBER

Kuala Lumpur
29 March 2012

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 2011 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 14 to 116.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards in Malaysia as modified by the Guidelines on Financial Statements for Takaful Operators ("GPT 6") issued by Bank Negara Malaysia pursuant to the Takaful Act, 1984 and comply with the provisions of 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 the Financial Reporting Standards in Malaysia as modified by the Guidelines on Financial Statements for Takaful Operators ("GPT 6") issued by Bank Negara Malaysia pursuant to the Takaful Act,1984 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 2011 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"), we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 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. 1778/08/12 (J))
Chartered Accountant

Kuala Lumpur
29 March 2012

Company No.

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CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Note	2011 RM'000	2010 RM'000
ASSETS			
SHAREHOLDERS' FUND ASSETS			
Property and equipment	3	107	987
Intangible assets	4	3,653	4,861
Available-for-sale financial assets	5	6,830	9,326
Loans and receivables	6	123,000	53,952
Other receivables	9	73,350	56,112
Deferred tax assets	10	-	2,014
Current tax assets		61	327
Cash and bank balances	11	3,450	2,650
TOTAL SHAREHOLDERS' FUND ASSETS		210,451	130,229
TOTAL GENERAL TAKAFUL FUND ASSETS		87,123	127,168
TOTAL FAMILY TAKAFUL FUND ASSETS		607,811	613,986
TOTAL ASSETS		905,385	871,383
EQUITY AND LIABILITIES			
Share capital	16	100,010	100,003
Share premium		99,990	32,997
Available-for-sale reserve		623	694
Accumulated losses		(56,912)	(69,215)
TOTAL EQUITY		143,711	64,479
LIABILITIES			
SHAREHOLDERS' FUND LIABILITIES			
Other payables	14	61,308	61,972
Other financial liabilities	15	3,558	3,778
Deferred tax liabilities	10	1,874	-
TOTAL SHAREHOLDERS' FUND LIABILITIES		66,740	65,750
TOTAL GENERAL TAKAFUL FUND LIABILITIES		87,123	127,168
TOTAL FAMILY TAKAFUL FUND LIABILITIES		607,811	613,986
TOTAL LIABILITIES		761,674	806,904
TOTAL EQUITY AND LIABILITIES		905,385	871,383

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

Company No.

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CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	2011 RM'000	2010 RM'000
Operating revenue	17	158,254	189,696
Shareholders' fund			
Wakalah fee income		50,127	41,837
Investment income	19	3,392	543
Realised gains	20	338	184
Other operating income	22	20,252	12,846
Total income		74,109	55,410
Commission expenses		(16,945)	(18,101)
Management expenses	24	(33,614)	(38,374)
Other operating expenses	25	(4,627)	(20,296)
Total expenses		(55,186)	(76,771)
Profit/(loss) before taxation		18,923	(21,361)
Taxation	26	(6,620)	3,594
Net profit/(loss) after taxation for the financial year		12,303	(17,767)
Other comprehensive income for the financial year			
Fair value change on available-for-sale financial assets:			
- Gross fair value change		(95)	1,469
- Deferred taxation (note 10)		24	(368)
- Net fair value change		(71)	1,101
Total comprehensive income/(loss) for the financial year		12,232	(16,666)
Basic earnings/(loss) per share (sen)	27	12.30	(17.77)

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

CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

GENERAL TAKAFUL STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Note	2011 RM'000	2010 RM'000
ASSETS			
Available-for-sale financial assets	5	22,760	25,013
Loans and receivables	6	35,285	34,185
Takaful receivables	7	4,218	10,302
Retakaful assets	8	13,501	33,634
Other receivables	9	5,738	16,156
Deferred tax assets	10	3,794	6,602
Current tax assets		-	133
Cash and bank balances	11	1,827	1,143
TOTAL ASSETS		87,123	127,168
LIABILITIES			
Takaful contract liabilities	12	66,319	92,263
Takaful payables	13	9,858	8,561
Other payables	14	10,231	26,344
Current tax liabilities		715	-
TOTAL LIABILITIES		87,123	127,168

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

Company No.	
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CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

GENERAL TAKAFUL STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	2011 RM'000	2010 RM'000
Gross earned contribution	18(a)	26,032	23,395
Contribution ceded to retakaful operators	18(b)	(5,266)	(7,985)
Net earned contribution		20,766	15,410
Investment income	19	2,102	2,236
Realised (losses)/gains	20	(209)	106
Commission income		197	350
Other operating income	22	6,743	10
Total income		29,599	18,112
Gross claims paid	23(a)	(14,363)	(51,800)
Claims ceded to retakaful operators	23(b)	3,561	24,075
Gross change to contract liabilities	23(c)	20,323	62,604
Change in contract liabilities ceded to retakaful operators	23(d)	(20,225)	(35,750)
Net claims		(10,704)	(871)
Wakalah fee expenses		(13,269)	(8,873)
Other operating expenses	25	(5,626)	(8,368)
Total expenses		(18,895)	(17,241)
Surplus transfer to Shareholders		-	-

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

Company No.

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CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

FAMILY TAKAFUL STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Note	2011 RM'000	2010 RM'000
ASSETS			
Available-for-sale financial assets	5	206,092	134,427
Fair value through profit or loss financial assets	5	187,341	244,111
Loans and receivables	6	89,326	63,167
Takaful receivables	7	1,929	1,866
Retakaful assets	8	74,612	72,373
Other receivables	9	16,523	23,420
Current tax assets		-	33
Cash and bank balances	11	31,988	74,589
TOTAL ASSETS		607,811	613,986
LIABILITIES			
Takaful contract liabilities	12	534,076	555,798
Takaful payables	13	4,598	1,511
Other payables	14	67,270	56,603
Deferred tax liabilities	10	1,733	74
Current tax liabilities		134	-
TOTAL LIABILITIES		607,811	613,986

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

Company No.

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CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

FAMILY TAKAFUL STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	2011 RM'000	2010 RM'000
Gross earned contribution	18(a)	113,768	155,907
Contribution ceded to retakaful operators	18(b)	(10,314)	(9,221)
Net earned contribution		103,454	146,686
Investment income	19	10,811	7,260
Commission income		13	156
Realised gains	20	80	92
Net fair value gains	21	7,349	7,314
Other operating income	22	11	-
Total income		121,718	161,508
Gross benefits and claims paid	23(a)	(102,702)	(41,972)
Claims ceded to retakaful operators	23(b)	4,263	5,319
Gross change to contract liabilities	23(c)	18,690	(91,916)
Change in contract liabilities ceded to retakaful operators	23(d)	2,239	19,411
Net benefits and claims		(77,510)	(109,158)
Wakalah fee expenses		(36,858)	(32,964)
Other operating expenses	25	(7,350)	(19,386)
Total expenses		(44,208)	(52,350)
Surplus transfer to Shareholders		-	-

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 2011

	Note	Share capital RM'000	Share premium RM'000	Non-distributable Available-for-sale reserve RM'000	Accumu-lated losses RM'000	Total RM'000
At 1 January 2011		100,003	32,997	694	(69,215)	64,479
Issuance of shares during the financial year	16	7	66,993	-	-	67,000
Total comprehensive income for the financial year		-	-	(71)	12,303	12,232
At 31 December 2011		100,010	99,990	623	(56,912)	143,711
At 1 January 2010						
- As previously reported		100,000	-	-	(46,541)	53,459
Effect of adoption of FRS 4		-	-	-	(5,634)	(5,634)
- As restated after adoption of FRS 4		100,000	-	-	(52,175)	47,825
Effect of adoption of FRS 139		-	-	(407)	727	320
- As restated after adoption of FRS 139		100,000	-	(407)	(51,448)	48,145
Issuance of shares during the financial year	16	3	32,997	-	-	33,000
Total comprehensive income/(loss) for the financial year		-	-	1,101	(17,767)	(16,666)
At 31 December 2010		100,003	32,997	694	(69,215)	64,479

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 2011

	Note	2011 RM'000	2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit/(loss) after taxation for the financial year		12,303	(17,767)
Adjustments for:			
Depreciation of property and equipment		101	261
Write off of property and equipment		161	38
Amortisation of intangible assets		2,181	3,081
(Write back)/impairment of Qardhul Hasan		(16,152)	20,296
Accretion of discounts		(203)	(216)
Gain on disposal of property and equipment		(63)	-
Gain on disposal of financial assets		(209)	(382)
Profit income		(14,917)	(9,390)
Dividend income		(1,185)	(433)
Net fair value gains		(7,349)	(7,314)
Writeback of provision for expense liability		(220)	(1,856)
(Writeback of)/allowance for doubtful debts on Takaful receivables		(3,848)	20,754
Writeback of allowance for doubtful debts on Takaful receivables in General Takaful fund, borne by Shareholders' fund		-	(8,266)
Decrease in General Takaful contract liabilities		(26,753)	(54,457)
(Decrease)/increase in Family Takaful contract liabilities		(24,761)	95,894
Taxation expense for General Takaful fund		3,611	(1,358)
Taxation expense for Family Takaful fund		2,279	615
Taxation		6,620	(3,594)
(Loss)/profit from operations before changes in operating assets and liabilities		(68,404)	35,906
Proceeds from disposal and maturity of investments		84,407	65,526
Purchase of investments		(81,562)	(39,194)
Decrease/(increase) in other receivables		15,980	(38,032)
Decrease in Takaful receivables		9,869	527
Increase in loans and receivables		(96,105)	(39,008)
Decrease in retakaful assets		17,894	16,069
(Decrease)/increase in other payables		(6,110)	42,098
Increase/(decrease) in Takaful payables		4,384	(12,697)
		(119,647)	31,195
Income tax paid net of refund		(3,197)	-
Profit income received		13,772	9,543
Dividend income received		1,247	433
Net cash (used in)/generated from operating activities		(107,825)	41,171

CIMB AVIVA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

	Note	2011 RM'000	2010 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(355)	(811)
Proceeds from disposal of property and equipment		63	-
Net cash used in investing activities		(292)	(811)
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of preference shares		67,000	33,000
Net cash generated from financing activities		67,000	33,000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(41,117)	73,360
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		78,382	5,022
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	11	37,265	78,382
Cash and cash equivalents comprise:			
Cash and bank balances		37,265	78,382

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.

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 nature of these activities 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 11th Floor, No 338, Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur, Malaysia.

The principal place of business of the Company is located at 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 2012.

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 Financial Reporting Standards ("FRS") 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 and comply with the provisions of the Companies Act, 1965.

Based on GPT 6, the primary statements of the Company's financial statements comprise of the statement of financial position of the Company, statement of comprehensive income of the Company and separate statements of financial position and comprehensive income for the General Takaful fund and Family Takaful fund respectively, statement of changes in equity and cash flows.

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the statements of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

The preparation of financial statements in conformity with the FRS, 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 revenues 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 to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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 the 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
Motor vehicles	5 years
Renovation, office equipment, furniture and fittings	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 reporting date, 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.

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 reporting date, 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”), held-to-maturity (“HTM”), loans and other receivables (“LAR”) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Financial assets (continued)

FVTPL (continued)

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.

HTM

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company has the positive intention and ability to hold until maturity. These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the financial assets. After initial measurement, HTM financial assets 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.

LAR

LAR 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 cost, being the fair value of the consideration paid for the acquisition of the financial assets. All transaction costs directly attributable to the acquisition are also included in the cost of the LAR. After initial measurement, LAR 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 three preceding categories. These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the financial assets. After initial measurement, AFS are remeasured at fair value.

Fair value gains and losses of AFS are reported as a separate component of equity or Takaful contract liabilities until the AFS are derecognised or the AFS are determined to be impaired.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity or Takaful contract liabilities are transferred to profit or loss.

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 for assets and offer prices for liabilities, at the close of business on the reporting date.

For financial instruments where there is not an active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of 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 reporting date.

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

(e) Impairment

(i) Financial assets

The Company assesses at each reporting date 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 and the impairment loss is recorded in profit or loss.

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 at each reporting date.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. 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 other comprehensive income, is transferred from equity or Takaful contract liabilities to profit or loss. Reversals in respect of equity instruments classified as AFS are not recognised in profit or loss. Reversals of impairment losses on debt instruments classified as AFS are reversed through profit or loss 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 profit or loss.

(ii) Non-financial assets

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

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 reporting date. 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 instrument 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Product classification (continued)

Takaful contracts are those contracts that transfer significant Takaful risk. A Takaful contract is a contract under which the Takaful operator (the provider) has accepted significant Takaful risk from another party (the participants) by agreeing to compensate the participants 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 an insured event that are at least 5% more than the benefits payable if the insured 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. The Company however has the discretion over the amount and timing of the distribution of these surpluses to participants, subject to the advice of the Company's Appointed Actuary. The Company does not recognise the guaranteed component separately from the DPF and the whole contract liabilities, including both guaranteed and discretionary and unallocated surplus at the end of the reporting period are held within the Takaful contract liabilities.

For financial options and guarantees which are not closely related to the host Takaful contract, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself a Takaful contract, or embedded options to surrender Takaful contracts for a fixed amount (or an amount based on a fixed amount and a profit rate).

2 SIGNIFICANT ACOUNTING 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 reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the 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.

2 SIGNIFICANT ACOUNTING 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 include 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 in accordance with the terms and conditions prescribed by the Company's Shariah Committee.

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

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 in accordance with the principles of Shariah as advised by the Company's Shariah Committee. Initial contribution is recognised from inception date and subsequent contributions are recognised on due dates.

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

Contribution income of the investment-linked funds include 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.

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:

2 SIGNIFICANT ACOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Benefits and claims expenses (continued)

- 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 reporting date, 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 comprised of 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 of the Insurance Regulations, 1996 for the conventional insurance business. The actuarial liabilities are derecognised when the Takaful contract expires, is discharged or is cancelled.

2 SIGNIFICANT ACOUNTING 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)

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the actuarial liabilities. In performing these tests, current best estimates of future contractual cashflows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. These 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.

Any deficiency is immediately charged to profit or loss and by subsequently establishing a provision for losses arising from liability adequacy tests. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

(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) Available-for-sale reserve

Fair value gains and losses of AFS financial assets of the Family Takaful fund are reported as a separate component of the Takaful contract liabilities until the AFS financial assets are derecognised or the financial assets are determined to be impaired.

(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.

2 SIGNIFICANT ACOUNTING 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 debit notes. Gross contributions in respect of risks incepted for which debit notes have not been issued as of the reporting date 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 give rise to income.

Commission costs are deferred to the extent that these costs are recoverable out of future contribution. All other costs are charged to profit or loss in the financial year in which they are incurred. Subsequent to initial recognition, deferred comission costs are amortised on a straight-line basis based on the term of expected future contribution. Amortisation is recognised in profit or loss.

An impairment review is performed at each date of statement of financial position or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in profit or loss.

Deferred commission cost is also considered in the liability adequacy test for each accounting period. Deferred commission cost is derecognised when the related contracts are either settled or disposed off. For presentation purposes, deferred commission cost is net-off against unearned contribution reserve in the financial statements.

Wakalah fee is allocated to the Shareholders' fund and recognised as income upon issuance of certificates.

2 SIGNIFICANT ACOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) General Takaful contracts (continued)

General Takaful contract liabilities

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

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

(i) Outstanding claims provision

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and 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 reporting date. 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") represent the portion of the gross contributions of Takaful certificates written net of the related retakaful contributions ceded to qualified retakaful operators that relate to the unexpired periods of the certificates at the end of the financial year.

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

- 1/365th method for all classes of General Takaful business; 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 and agency related 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.

2 SIGNIFICANT ACOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) General Takaful contracts (continued)

General Takaful contract liabilities (continued)

(ii) Unearned contribution reserve (continued)

At each reporting date, the Company reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims over unearned contribution. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of the investment return expected to arise on assets relating to the relevant General Takaful technical provisions. If these estimates show that the carrying amount of the unearned contribution less related deferred acquisition costs is inadequate, the deficiency is recognised in profit or loss by setting up a provision for liability adequacy. In respect of claims liabilities, the liability adequacy test has been in-built in the estimation of claims liabilities and hence no separate assessment is to be carried out.

(l) Takaful receivables

Takaful receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. 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).

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

(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.

2 SIGNIFICANT ACOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(m) Contingent liabilities and contingent assets (continued)

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 at each reporting date, 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.

(o) 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.

A liability adequacy test is performed on the sufficiency of Wakalah fees charged by the Shareholder's fund by estimating the expected future management expenses using best estimate assumptions and with due regard to significant recent experience.

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.

2 SIGNIFICANT ACOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Other revenue recognition (continued)

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.

(p) 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 reporting date.

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 reporting date.

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.

(q) 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 reporting date and adjusted to reflect the current best estimate.

2 SIGNIFICANT ACOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(r) 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.

(s) 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.

(t) Other financial liabilities and Takaful payables

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

(u) 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 reporting date. 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.

(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 2011, 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 five 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 following:

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting judgements, estimates and assumptions (continued)

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

(i) Provision for Incurred But Not Reported ("IBNR") claims (continued)

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.

(ii) Actuarial liabilities for Family Takaful fund

Actuarial liabilities as determined by the annual actuarial valuation are based on the Takaful Act, 1984.

Reserving basis of the actuarial liabilities for the five main product types of the Company are as follows:

(a) Single Contribution Credit Related Term Takaful

Actuarial liabilities were computed based on the net contribution valuation method, where the net liability had been valued as the present value of the unexpired sums covered decremented with 90% of the Statutory Valuation Mortality table 1996 at 4.0% per annum ("p.a.") profit rate, less Participants' Account. A half month risk charge each was set aside for unexpired risk reserves and IBNR.

(b) Yearly Renewable Plans

The actuarial liabilities were computed as the sum of the contribution liability and claims liability. Claims and contribution liabilities were computed at a 75 percentile confidence level.

(c) Regular Contribution Individual Family Takaful Plan

Actuarial liabilities were computed based on the net contribution method, where the present value of future benefits less sum of present value of future contribution (net of Wakalah fees) and Participants' Account was used to calculate to compute actuarial liability. A half month risk charge each was set aside for unexpired risk reserves and IBNR.

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 (continued)

(d) Investment-linked Capital Protected

The non-unit net liability set aside in Tabarru fund was valued by projection of future cash flows to meet all future mortality benefits. The mortality basis used was based on the M8388 mortality tables, which are mortality trends in Malaysia compiled by the Family Takaful Association of Malaysia. As no investment protection is provided for this plan, a prudent 3.5% p.a. profit rate was used in projecting the return of the investment-linked fund assets. For implicit prudence, no withdrawal rates have been assumed.

(e) Easylife Takaful Investment-linked Series

The non-unit net liability is set aside in the non-surplus sharing Tabarru' fund. It is valued by projection of best estimate future cash flows to meet all future mortality benefits. Government Investment Issue ("GII") rates as at 31 December 2011 were used in discounting Tabarru' funds best estimate cash flows. A half month risk charge was set aside for the unexpired risk reserves and IBNR respectively for these plans.

(iii) Impairment review of Qardhul Hasan

The Company performs an impairment review whenever changes in circumstances indicate that the carrying amount of Qardhul Hasan may not be recoverable. The Qardhul Hasan balance was allocated to the cash-generating units ("CGU") comprising the General Takaful and Family Takaful businesses respectively.

General Takaful fund

The recoverability of Qardhul Hasan as at 31 December 2011 was assessed by taking into account the future investment income (assumed to be at a rate of 3% p.a.) arising from the total outstanding claims liability (i.e. case estimates and IBNR at a 75% probability of adequacy) as at 31 December 2011, which are mainly from the run-off business. The investment income assumption of 3% p.a. is similar to that assumed under the Company's business projection.

In addition, the expected profit arising from the unexpired portion of the Fire and Personal Accident businesses, which are the only classes that are not on a run-off mode, was also considered in this assessment. This was calculated as the sum of the difference between the Company's Unearned Contribution Reserves (UCR) and Actuarial Partners' estimated Unexpired Risk Reserves of each of these two classes.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting judgements, estimates and assumptions (continued)

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

(iii) Impairment review of Qardhul Hasan (continued)

Family Takaful fund

In arriving at the recoverable amount of the Qardhul Hasan, actuarial reserves of the Family Takaful fund were estimated based on a "best estimate" basis instead of the statutory valuation basis required by BNM, on the surplus and non-surplus sharing funds. The estimated recoverable amount represents the net surplus or deficit position of the CGU after taking into account the "best estimate" actuarial reserve.

The "best estimate" basis incorporates mortality and withdrawal rates based on the experience of the Family Takaful Fund and current market profit rates of approximately 3.5% p.a.

2.4 Changes in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations ("IC Interpretations")

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

FRSs/Interpretations	Effective date
Amendment to FRS 132 "Financial instruments: Presentation" on classification of rights issues	1 March 2010
FRS 3 (revised) "Business combinations"	1 July 2010
FRS 127 (revised) "Consolidated and separate financial statements"	1 July 2010
Amendments to FRS 5 "Non-current assets held for sale and discontinued operations"	1 July 2010
Amendments to FRS 138 "Intangible Assets"	1 July 2010
Amendments to IC Interpretation 9 "Reassessment of embedded derivatives"	1 July 2010
Amendments to FRS 2 "Share-based Payment"	1 July 2010
Amendment to FRS 2 "Share-based payment: Group cash-settled share-based payment transactions"	1 January 2011
Amendments to FRS 1 "First-time adoption of financial reporting Standards"	1 January 2011
Amendments to FRS 7 "Financial instruments: Disclosures"	1 January 2011
IC Interpretation 4 "Determining whether an arrangement contains a lease"	1 January 2011
Improvements to FRSs (2010)	1 January 2011

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Changes in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations ("IC Interpretations") (continued)

The adoption of the above new accounting standards, amendments and improvements to published standards and interpretations does not have any significant impact to the financial statements of the Company, except as stated below:

- FRS 7 (Amendment) "Financial instruments: Disclosures" effective for annual period beginning or after 1 January 2011

  Fair value

  An entity shall disclose for each class of financial instruments, the methods and when valuation techniques are used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities. If there has been a change in valuation technique, the entity shall disclose that change and the reasons for making it. An entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

  Liquidity risk

  An entity shall disclose:

  (a) A maturity analysis for non-derivative financial liabilities that shows the remaining contractual maturities;

  (b) A maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows; and

  (c) A description of how it managed the liquidity risk inherent in (a) and (b).

- Improvements to FRS 101 "Presentation of financial statements" effective from 1 January 2011 clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

  The adoption of the above amendment does not have any significant impact to the financial statements of the Company other than additional disclosures.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Changes in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations ("IC Interpretations") (continued)

(ii) The new accounting standards, amendments and improvements to published standards and interpretations that are effective but not applicable for the Company's financial year beginning on or after 1 January 2011 are as follows:

FRSs/Interpretations	Effective date
IC Interpretation 12 "Service concession arrangements"	1 July 2010
IC Interpretation 16 "Hedges of a net investment in a foreign operation"	1 July 2010
IC Interpretation 17 "Distribution of non-cash assets to owners"	1 July 2010
IC Interpretation 18 "Transfers of assets from customers"	1 January 2011

(iii) Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Company but not yet effective are as follows:

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

Financial year beginning on/after 1 January 2012

In the next financial year, the Company will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS"). MFRS 1 "First-time adoption of MFRS" provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters.

The Company does not expect any significant financial impact to arise from the adoption of MFRS. These MFRSs include the following:

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

  The Company will apply this standard from financial period beginning on 1 January 2012.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Changes in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations ("IC Interpretations") (continued)

(iii) Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Company but not yet effective are as follows: (continued)

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

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

- Amendment to MFRS 1 "First time adoption on fixed dates and hyperinflation" (effective from 1 January 2012) includes two changes to MFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to MFRSs', thus eliminating the need for entities adopting MFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to MFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with MFRSs after a period when the entity was unable to comply with MFRSs because its functional currency was subject to severe hyperinflation. The Company will apply this standard from financial period beginning on 1 January 2012.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Changes in accounting policies and effects arising from adoption of new and revised FRSs and Issues Committee Interpretations ("IC Interpretations") (continued)

(iii) Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Company but not yet effective are as follows: (continued)

Financial year beginning on/after 1 January 2013

- MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2013 and deferred to 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income ("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. The Company will apply this standard from financial period beginning on 1 January 2015.

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

- Amendment to MFRS 101 "Financial statement presentation" (effective from 1 July 2012) requires entities to separate items presented in 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. The Company will apply this standard from financial period beginning on 1 January 2013.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

3 PROPERTY AND EQUIPMENT

Shareholders' fund

	Computer equipments RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipments RM'000	Renovation RM'000	Work-in-progress RM'000	Total RM'000
Cost							
At 1 January 2010	1,630	40	350	51	7	1,283	3,361
Additions	-	5	-	-	-	806	811
Write off	(9)	(5)	-	(14)	-	(26)	(54)
Transfer to intangible assets (Note 4)	-	-	-	-	-	(1,284)	(1,284)
At 31 December 2010/1 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	1,621	40	230	37	7	-	1,935

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

3 PROPERTY AND EQUIPMENT (CONTINUED)

Shareholders' fund

	Computer equipments RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipments RM'000	Renovation RM'000	Work-in-progress RM'000	Total RM'000
Accumulated depreciation							
At 1 January 2010	1,403	12	174	10	3	-	1,602
Charge for the financial year	180	5	70	5	1	-	261
Write off	(9)	(3)	-	(4)	-	-	(16)
At 31 December 2010/1 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	1,620	19	170	14	5	-	1,828
Net carrying amount							
31 December 2010	47	26	106	26	3	779	987
31 December 2011	1	21	60	23	2	-	107

4 INTANGIBLE ASSETS

	Shareholders' fund	
	2011	2010
	RM'000	RM'000
Cost		
As at 1 January	13,151	11,867
Transfer from property and equipment (Note 3)	973	1,284
As at 31 December	14,124	13,151
Accumulated amortisation		
As at 1 January	8,290	5,209
Amortisation for the financial year	2,181	3,081
As at 31 December	10,471	8,290
Net carrying amount	3,653	4,861

5 FINANCIAL ASSETS

	Shareholders' fund	General Takaful fund	Family Takaful fund
	RM'000	RM'000	RM'000
2011			
Government Investment Issues	-	13,180	195,372
Islamic bonds	-	9,376	12,846
Equity securities	-	-	16,314
Investments in investment-linked funds	6,830	-	-
Structured investments	-	-	167,048
Accrued interest	-	204	1,853
Total	6,830	22,760	393,433
2010			
Government Investment Issues	-	13,229	124,750
Islamic bonds	-	11,468	12,836
Equity securities	-	-	17,308
Investments in investment-linked funds	9,326	-	-
Structured investments	-	-	222,846
Accrued interest	-	316	798
Total	9,326	25,013	378,538

5 FINANCIAL ASSETS (CONTINUED)

The Company's financial assets are summarised as follows:

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000
2011			
AFS	6,830	22,760	206,092
FVTPL – designated upon initial recognition	-	-	187,341
Total	6,830	22,760	393,433
2010			
AFS	9,326	25,013	134,427
FVTPL – designated upon initial recognition	-	-	244,111
Total	9,326	25,013	378,538

The following financial assets mature after 12 months:

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000
2011			
AFS	-	18,537	203,246
FVTPL – designated upon initial recognition	-	-	39,026
	-	18,537	242,272
2010			
AFS	-	24,697	133,641
FVTPL – designated upon initial recognition	-	-	226,791
	-	24,697	360,432

5 FINANCIAL ASSETS (CONTINUED)

(a) AFS

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000
2011			
Government Investment Issues	-	13,180	195,372
Islamic bonds	-	9,376	8,879
Investments in investment-linked funds	6,830	-	-
Accrued interest	-	204	1,841
Total	6,830	22,760	206,092
2010			
Government Investment Issues	-	13,229	124,750
Islamic bonds	-	11,468	8,891
Investments in investment-linked funds	9,326	-	-
Accrued interest	-	316	786
Total	9,326	25,013	134,427

(b) FVTPL – Designated upon initial recognition

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000
2011			
Islamic bonds	-	-	3,967
Equity securities	-	-	16,314
Structured investments	-	-	167,048
Accrued interest	-	-	12
Total	-	-	187,341
2010			
Islamic bonds	-	-	3,945
Equity securities	-	-	17,308
Structured investments	-	-	222,846
Accrued interest	-	-	12
Total	-	-	244,111

5 FINANCIAL ASSETS (CONTINUED)

(c) Carrying values of financial assets

		Available-for-sale		Designated
	Shareholders' fund	General Takaful fund	Family Takaful fund	Family Takaful fund
	RM'000	RM'000	RM'000	RM'000
At 1 January 2010	19,494	40,082	123,445	244,726
Purchases	-	4,990	14,917	19,287
Maturities	-	(13,000)	(5,000)	-
Disposals	(11,634)	(6,807)	(1,592)	(27,112)
Fair value gains/(losses) recorded in:				
Profit or loss	-	-	-	7,198
Other comprehensive income	1,469	-	-	-
Takaful contract liabilities	-	(708)	1,792	-
Movement in accrued interest	-	316	786	12
(Amortisation)/accretion adjustments	(3)	140	79	-
At 31 December 2010/ 1 January 2011	9,326	25,013	134,427	244,111
Purchases	-	-	78,127	3,435
Maturities	-	-	-	(47,022)
Disposals	(2,401)	(3,405)	(10,812)	(19,268)
Fair value gains/(losses) recorded in:				
Profit or loss	-	-	-	6,059
Other comprehensive income	(95)	-	-	-
Takaful contract liabilities	-	1,079	3,303	-
Movement in accrued interest	-	(112)	1,055	-
Accretion/(amortisation) adjustments	-	185	(8)	26
At 31 December 2011	6,830	22,760	206,092	187,341

5 FINANCIAL ASSETS (CONTINUED)

(d) Fair values 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 interest 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.

5 FINANCIAL ASSETS (CONTINUED)

(d) Fair values hierarchy (continued)

The following table presents the Company's financial assets that are carried at fair value as at 31 December 2011.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2011				
Shareholders' fund				
AFS				
- Investments in investment-linked funds	6,830	-	-	6,830
General Takaful fund				
AFS				
- Government Investment Issues	-	13,180	-	13,180
- Islamic bonds	-	9,376	-	9,376
- Accrued interest	-	204	-	204
	-	22,760	-	22,760
Family Takaful fund				
AFS				
- Government Investment Issues	-	195,372	-	195,372
- Islamic bonds	-	8,879	-	8,879
- Accrued interest	-	1,841	-	1,841
FVTPL – designated upon initial recognition				
- Equity securities	16,314	-	-	16,314
- Islamic bonds	-	3,967	-	3,967
- Structured investments	-	167,048	-	167,048
- Accrued interest	-	12	-	12
	16,314	377,119	-	393,433

5 FINANCIAL ASSETS (CONTINUED)

(d) Fair values hierarchy (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2010				
Shareholders' fund				
AFS				
- Investments in investment-linked funds	9,326	-	-	9,326
General Takaful fund				
AFS				
- Government Investment Issues	-	13,229	-	13,229
- Islamic bonds	-	11,468	-	11,468
- Accrued interest	-	316	-	316
	-	25,013	-	25,013
Family Takaful fund				
AFS				
- Government Investment Issues	-	124,750	-	124,750
- Islamic bonds	-	8,891	-	8,891
- Accrued interest	-	786	-	786
FVTPL – designated upon initial recognition				
- Equity securities	17,308	-	-	17,308
- Islamic bonds	-	3,945	-	3,945
- Structured investments	-	222,846	-	222,846
- Accrued interest	-	12	-	12
	17,308	361,230	-	378,538

6 LOANS AND RECEIVABLES

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000
2011			
Staff loans	119	-	-
Fixed and call deposits with licensed financial institutions	122,702	35,226	89,230
Accrued interest	179	59	96
	123,000	35,285	89,326
Receivable within 12 months	123,000	35,285	89,326
Receivable after 12 months	-	-	-
	123,000	35,285	89,326
2010			
Staff loans	127	-	-
Fixed and call deposits with licensed financial institutions	53,785	34,130	63,130
Accrued interest	40	55	37
	53,952	34,185	63,167
Receivable within 12 months	53,938	34,185	63,167
Receivable after 12 months	14	-	-
	53,952	34,185	63,167

7 TAKAFUL RECEIVABLES

	General Takaful fund RM'000	Family Takaful fund RM'000
2011		
Claims recoverable	-	6,097
Less: Allowance for impairment	-	(6,097)
	-	-
Outstanding contributions including agents, brokers and co-takaful balances	19,114	14,358
Less: Allowance for impairment	(17,250)	(12,429)
	1,864	1,929
Amount due from retakaful operators	2,354	-
Less: Allowance for impairment	-	-
	2,354	-
	4,218	1,929
Receivable within 12 months	4,218	1,929

7 TAKAFUL RECEIVABLES (CONTINUED)

	General Takaful fund RM'000	Family Takaful fund RM'000
2010		
Outstanding contributions including agents, brokers and co-takaful balances	25,687	17,497
Less: Allowance for impairment	(21,542)	(15,631)
	4,145	1,866
Amount due from retakaful operators	8,608	-
Less: Allowance for impairment	(2,451)	-
	6,157	-
	10,302	1,866
Receivable within 12 months	10,302	1,866

8 RETAKAFUL ASSETS

	General Takaful fund RM'000	Family Takaful fund RM'000
2011		
Retakaful of Takaful contracts	13,501	74,612
2010		
Retakaful of Takaful contracts	33,634	72,373

9 OTHER RECEIVABLES

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000
2011			
Dividend receivable	43	-	-
Interfund balances	60,999	-	-
Due from a related party	-	93	-
Due from Shareholders' fund – Qardhul Hasan	-	4,778	13,286
Other receivables	5,190	867	3,237
	66,232	5,738	16,523
Qardhul Hasan			
General Takaful fund, at cost	20,765	-	-
Less: Allowance for impairment	(16,460)	-	-
	4,305	-	-
Qardhul Hasan			
Family Takaful fund, at cost	13,423	-	-
Less: Allowance for impairment	(10,610)	-	-
	2,813	-	-
	73,350	5,738	16,523
Receivable within 12 months	66,232	960	3,237
Receivable after 12 months	7,118	4,778	13,286
	73,350	5,738	16,523

9 OTHER RECEIVABLES (CONTINUED)

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000
2010			
Dividend receivable	43	-	62
Interfund balances	48,281	-	3,187
Due from Shareholders' fund – Qardhul Hasan	-	13,357	19,266
Other receivables	2,173	2,799	905
	50,497	16,156	23,420
Qardhul Hasan			
General Takaful fund, at cost	29,344	-	-
Less: Allowance for impairment	(26,843)	-	-
	2,501	-	-
Qardhul Hasan			
Family Takaful fund, at cost	19,493	-	-
Less: Allowance for impairment	(16,379)	-	-
	3,114	-	-
	56,112	16,156	23,420
Receivable within 12 months	2,216	2,799	967
Receivable after 12 months	53,896	13,357	22,453
	56,112	16,156	23,420

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

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.

The amounts due from Shareholders' fund in the Family and General Takaful funds respectively represent benevolent loans 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.

10 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	General Takaful fund	Family Takaful fund
	RM'000	RM'000	RM'000
2011			
Deferred tax (liabilities)/assets	(1,874)	3,794	(1,733)
Current	(1,122)	(5)	(277)
Non-current	(752)	3,799	(1,456)
	(1,874)	3,794	(1,733)
2010			
Deferred tax assets/(liabilities)	2,014	6,602	(74)
Current	2,766	638	138
Non-current	(752)	5,964	(212)
	2,014	6,602	(74)

10 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
2011			
At 1 January	2,014	6,602	(74)
Credited/(charged) to profit or loss (Note 25 and 26)			
- Property and equipment	599	-	-
- Financial assets	-	(216)	(1,395)
- Unabsorbed business losses	(4,511)	(637)	-
- Qardhul Hasan	-	-	-
- Allowance for doubtful debts	-	(1,685)	-
	(3,912)	(2,538)	(1,395)
Charged to Takaful contract liabilities			
- Financial assets (note 12)	-	(270)	(264)
Credited to other comprehensive income			
- Financial assets	24	-	-
At 31 December	(1,874)	3,794	(1,733)
2010			
At 1 January			
- As previously reported	(1,348)	5,158	703
- Effect of adoption of FRS 139	136	(91)	(55)
- As restated	(1,212)	5,067	648
Credited/(charged) to profit or loss (Note 25 and 26)			
- Property and equipment	85	-	-
- Financial assets	(105)	(30)	(579)
- Allowance for doubtful debts	-	1,210	-
- Unabsorbed business losses	485	178	-
- Qardhul Hasan	3,129	-	-
	3,594	1,358	(579)
Charged to Takaful contract liabilities			
- Financial assets (note 12)	-	177	(143)
Credited to other comprehensive income			
- Financial assets	(368)	-	-
At 31 December	2,014	6,602	(74)

10 DEFERRED TAXATION (CONTINUED)

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

	Shareholders' fund	General Takaful fund	Family Takaful fund
	RM'000	RM'000	RM'000
2011			
Subject to income tax:			
Deferred tax assets (before offsetting)			
Allowance for doubtful debts	-	4,313	-
Unabsorbed business losses	-	-	-
	-	4,313	-
Offsetting	-	(519)	-
Deferred tax assets (after offsetting)	-	3,794	-
Deferred tax liabilities (before offsetting)			
Financial assets	208	519	1,733
Property and equipment	914	-	-
Qardhul Hasan	752	-	-
	1,874	519	1,733
Offsetting	-	(519)	-
Deferred tax liabilities (after offsetting)	1,874	-	1,733
2010			
Subject to income tax:			
Deferred tax assets (before offsetting)			
Allowance for doubtful debts	-	5,998	-
Unabsorbed business losses	4,511	637	-
	4,511	6,635	-
Offsetting	(2,497)	(33)	-
Deferred tax assets (after offsetting)	2,014	6,602	-
Deferred tax liabilities (before offsetting)			
Financial assets	232	33	74
Property and equipment	1,513	-	-
Qardhul Hasan	752	-	-
	2,497	33	74
Offsetting	(2,497)	(33)	-
Deferred tax liabilities (after offsetting)	-	-	74

11 CASH AND BANK BALANCES

Cash and cash equivalents comprise cash at bank balances:

	2011 RM'000	2010 RM'000
Shareholders' fund	3,450	2,650
General Takaful fund	1,827	1,143
Family Takaful fund	31,988	74,589
	37,265	78,382

12 TAKAFUL CONTRACT LIABILITIES

		2011			2010		
	Note	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000
Family Takaful	12(a)	534,076	(74,612)	459,464	555,798	(72,373)	483,425
General Takaful	12(b)	66,319	(13,501)	52,818	92,263	(33,634)	58,629
		600,395	(88,113)	512,282	648,061	(106,007)	524,054

(a) Family Takaful contract liabilities

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

	2011			2010		
	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000
Certificateholders' liabilities	337,802	(73,267)	264,535	301,361	(71,539)	229,822
Net asset value attributable to certificateholders	188,754	-	188,754	249,748	-	249,748
Actuarial liabilities (i)	526,556	(73,267)	453,289	551,109	(71,539)	479,570
Claims liabilities	2,254	(1,345)	909	2,349	(834)	1,515
Unallocated surplus (ii)	48	-	48	161	-	161
Available-for-sale reserve (iii)	5,218	-	5,218	2,179	-	2,179
	534,076	(74,612)	459,464	555,798	(72,373)	483,425

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)

(i) Actuarial liabilities

2011	Gross RM'000	Re-takaful RM'000	Net RM'000
At 1 January 2011	551,109	(71,539)	479,570
Projected changes of inforce policies			
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 policies	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)
At 31 December 2011	526,556	(73,267)	453,289

2010	Gross RM'000	Re-takaful RM'000	Net RM'000
At 1 January 2010	456,056	(52,962)	403,094
Projected changes of inforce policies			
Contribution income	1,064	(3,988)	(2,924)
Benefits	(30,706)	15,953	(14,753)
Investment returns	7,534	(2,118)	5,416
Others	1,202	(1,202)	-
Experience variance on inforce policies	(2,339)	-	(2,339)
Reserve on new policies	123,911	(27,222)	96,689
Miscellaneous	(6,242)	-	(6,242)
Movement in net asset value attributable to certificateholders	629	-	629
At 31 December 2010	551,109	(71,539)	479,570

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)

	2011 RM'000	2010 RM'000
(ii) Unallocated surplus		
At 1 January		
- As previously reported	161	195
- Effect of adoption of FRS 139	-	108
As restated	161	303
Movement during the financial year:		
Surplus/(Deficit) arising during the financial year	5,958	(4,111)
(Decrease)/Increase in Qardhul Hasan	(6,071)	3,969
Net movement	(113)	(142)
At 31 December	48	161

	2011 RM'000	2010 RM'000
(iii) Available-for-sale reserve		
At 1 January		
- As previously reported	2,179	-
- Effect of adoption of FRS 139	-	530
As restated	2,179	530
Movement during the financial year:		
- Gross fair value change	3,303	1,792
- Deferred taxation (Note 10)	(264)	(143)
- Net fair value change	3,039	1,649
At 31 December	5,218	2,179

12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful contract liabilities

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

	2011			2010		
	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	8,653	(1,772)	6,881	21,282	(3,959)	17,323
Provision for IBNR	50,838	(9,968)	40,870	67,111	(28,006)	39,105
Provision for outstanding claims (i)	59,491	(11,740)	47,751	88,393	(31,965)	56,428
Unearned contribution reserve (ii)	6,276	(1,761)	4,515	4,127	(1,669)	2,458
Available-for-sale reserve (iii)						
- gross	736	-	736	(343)	-	(343)
- deferred tax	(184)	-	(184)	86	-	86
	552	-	552	(257)	-	(257)
Surplus/(deficit) arising during the financial year	8,579	-	8,579	(7,792)	-	(7,792)
(Decrease)/increase in Qardhul Hasan	(8,579)	-	(8,579)	7,792	-	7,792
	66,319	(13,501)	52,818	92,263	(33,634)	58,629

(i) Provision for outstanding claims

	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000
At 1 January	88,393	(31,965)	56,428	143,205	(67,715)	75,490
Claims incurred in the current accident year	9,012	(4,740)	4,272	695	(239)	456
Other movements in claims incurred in prior accident years	(23,551)	21,404	(2,147)	(3,707)	11,914	8,207
Claims paid during the financial year (Note 23(a) and (b))	(14,363)	3,561	(10,802)	(51,800)	24,075	(27,725)
At 31 December	59,491	(11,740)	47,751	88,393	(31,965)	56,428

12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful contract liabilities (continued)

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

	2011			2010		
	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000
(ii) Unearned contribution reserve						
At 1 January	4,127	(1,669)	2,458	3,772	(1,399)	2,373
Contribution written in the financial year (Note 18(a))	28,181	(5,358)	22,823	23,750	(8,255)	15,495
Contribution earned during the financial year (Note 18(a) and (b))	(26,032)	5,266	(20,766)	(23,395)	7,985	(15,410)
At 31 December	6,276	(1,761)	4,515	4,127	(1,669)	2,458

	2011 RM'000	2010 RM'000
(iii) Available-for-sale reserve		
At 1 January		
- As previously reported	(257)	-
- Effect of adoption of FRS139	-	274
- As restated	(257)	274
Movement during the financial year:		
- Gross fair value change	1,079	(708)
- Deferred taxation (Note 10)	(270)	177
- Net fair value change	809	(531)
At 31 December	552	(257)

13 TAKAFUL PAYABLES

	General Takaful fund RM'000	Family Takaful fund RM'000
2011		
Due to agents and intermediaries	8,537	851
Due to retakaful operators and cedants	1,321	3,747
	9,858	4,598
Payable within 12 months	9,858	4,598
2010		
Due to agents and intermediaries	7,109	-
Due to retakaful operators and cedants	1,452	1,511
	8,561	1,511
Payable within 12 months	8,561	1,511

14 OTHER PAYABLES

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000
2011			
Accrual for professional fees	180	-	-
Due to related parties	38,806	-	2,584
Due to Family Takaful fund – Qardhul Hasan	13,286	-	-
Due to General Takaful fund – Qardhul Hasan	4,778	-	-
Interfund balances	-	738	60,261
Deposits received	-	-	1,329
Other payables and accrued liabilities	4,258	9,493	3,096
	61,308	10,231	67,270
Payable within 12 months	43,244	10,231	67,270
Payable after 12 months	18,064	-	-
	61,308	10,231	67,270

14 OTHER PAYABLES (CONTINUED)

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000
2010			
Accrual for professional fees	201	-	-
Due to related parties	22,599	-	-
Due to Family Takaful fund – Qardhul Hasan	19,266	-	-
Due to General Takaful fund – Qardhul Hasan	13,357	-	-
Interfund balances	-	18,696	32,772
Provision for Zakat	126	-	-
Deposits received	-	-	6,283
Other payables and accrued liabilities	6,423	7,648	17,548
	61,972	26,344	56,603
Payable within 12 months	29,349	26,344	56,603
Payable after 12 months	32,623	-	-
	61,972	26,344	56,603

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

Amounts due to Family and General Takaful funds in the Shareholders' fund represent benevolent loans 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).

15 OTHER FINANCIAL LIABILITIES

	Shareholders' fund	
	2011	2010
	RM'000	RM'000
Expense liability	3,558	3,778

16 SHARE CAPITAL

	2011		2010	
	Number of shares	Nominal value	Number of shares	Nominal value
	'000	RM'000	'000	RM'000
Authorised share capital				
Ordinary shares of RM1.00 each				
At beginning/end of the financial year	200,000	200,000	200,000	200,000
Preference shares of RM0.10 each				
At beginning of the financial year	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
Total	300,000	210,000	300,000	210,000

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 at the sole option of the Company subject to Bank Negara Malaysia's approval.

16 SHARE CAPITAL (CONTINUED)

	2011		2010	
	Number of shares	Nominal value	Number of shares	Nominal value
	RM'000	RM'000	RM'000	RM'000
Issued and paid up share capital				
Ordinary shares of RM1.00 each				
At beginning/end of the financial year	100,000	100,000	100,000	100,000
Preference shares of RM0.10 each				
At beginning of the financial year	33	3	-	-
Issued during the financial year	67	7	33	3
At end of the financial year	100	10	33	3
Total	100,100	100,010	100,033	100,003

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.

17 OPERATING REVENUE

	Shareholders' fund	General Takaful fund	Family Takaful fund	Total
	RM'000	RM'000	RM'000	RM'000
2011				
Gross contribution (Note 18)	-	28,181	113,768	141,949
Investment income (Note 19)	3,392	2,102	10,811	16,305
	3,392	30,283	124,579	158,254
2010				
Gross contribution (Note 18)	-	23,750	155,907	179,657
Investment income (Note 19)	543	2,236	7,260	10,039
	543	25,986	163,167	189,696

18 NET EARNED CONTRIBUTION

		2011 RM'000	2010 RM'000
(a)	Gross contribution		
	Takaful contracts:		
	Family Takaful	113,768	155,907
	General Takaful (Note 12(b)(ii))	28,181	23,750
	Movement in unearned contribution reserve	(2,149)	(355)
		26,032	23,395
		139,800	179,302
(b)	Contribution ceded		
	Takaful contracts:		
	Family Takaful	(10,314)	(9,221)
	General Takaful (Note 12(b)(ii))	(5,358)	(8,255)
	Movement in unearned contribution reserve	92	270
		(5,266)	(7,985)
		(15,580)	(17,206)
	Net earned contribution	124,220	162,096

19 INVESTMENT INCOME

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000
2011			
AFS financial assets			
Profit income	-	861	7,180
Accretion of discounts/ (amortisation of premiums) – net	-	185	(8)
FVTPL – designated upon initial recognition			
Profit income	-	-	172
Dividend income	-	-	1,185
Accretion of discounts – net	-	-	26
Loans and receivables			
Profit income	3,392	1,056	2,256
	3,392	2,102	10,811

19 INVESTMENT INCOME (CONTINUED)

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000
2010			
AFS financial assets			
Profit income	-	1,370	5,125
(Amortisation of premiums)/accretion of discounts – net	(3)	140	79
FVTPL – designated upon initial recognition			
Profit income	-	-	108
Dividend income	-	-	433
Loans and receivables			
Profit income	546	726	1,515
	543	2,236	7,260

20 REALISED GAINS/(LOSSES)

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000
2011			
AFS financial assets			
Islamic bonds	338	(209)	80
2010			
AFS financial assets			
Islamic bonds	184	106	92

21 NET FAIR VALUE GAINS

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000
2011			
FVTPL – designated upon initial recognition			
- realised	-	-	1,290
- unrealised	-	-	6,059
	-	-	7,349
2010			
FVTPL – designated upon initial recognition			
- realised	-	-	116
- unrealised	-	-	7,198
	-	-	7,314

22 OTHER OPERATING INCOME

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000
2011			
Writeback of allowance for doubtful debts	-	6,743	-
Writeback of provision for expense liability	220	-	-
Writeback of impairment charge on Qardhul Hasan extended to General Takaful fund	10,383	-	-
Writeback of impairment charge on Qardhul Hasan extended to Family Takaful fund	5,769	-	-
Gain on disposal of property and equipment	63		
Others	3,817	-	11
	20,252	6,743	11
2010			
Writeback of allowance for doubtful debts	8,266	-	-
Writeback of provision for expense liability	1,856	-	-
Others	2,724	10	-
	12,846	10	-

23 NET BENEFITS AND CLAIMS

		2011 RM'000	2010 RM'000
(a)	Gross benefits and claims paid		
	Takaful contracts:		
	Family Takaful	(102,702)	(41,972)
	General Takaful (Note 12 (b)(i))	(14,363)	(51,800)
		(117,065)	(93,772)
(b)	Claims ceded to retakaful operators		
	Takaful contracts:		
	Family Takaful	4,263	5,319
	General Takaful (Note 12 (b)(i))	3,561	24,075
		7,824	29,394
(c)	Gross change in contract liabilities		
	Takaful contracts:		
	Family Takaful		
	Gross change in contract liabilities	21,722	(98,064)
	Less: Movement in Qardhul Hasan	(6,071)	3,969
	Movement in available-for-sale reserve	3,039	2,179
		18,690	(91,916)
	General Takaful		
	Gross change in contract liabilities	25,944	54,714
	Less: Movement in Qardhul Hasan	(8,579)	7,792
	Movement in available-for-sale reserve	809	(257)
	Movement in unearned contribution reserve	2,149	355
		20,323	62,604
		39,013	(29,312)
(d)	Change in contract liabilities ceded to retakaful operators Takaful contracts:		
	Family Takaful	2,239	19,411
	General Takaful		
	Change in contract liabilities ceded to retakaful operators	(20,133)	(35,480)
	Add: Movement in unearned contribution reserve	(92)	(270)
		(20,225)	(35,750)
		(17,986)	(16,339)

24 MANAGEMENT EXPENSES

	2011 RM'000	2010 RM'000
Shareholders' fund		
Staff salaries and bonus	11,246	12,897
Defined contribution plan	1,194	454
Other staff costs	209	1,320
	12,649	14,671
Auditors' remuneration		
- current financial year	395	185
- under provision in prior financial year	307	-
Directors' fees and other emoluments	233	192
Shariah committee remuneration:		
- fees	51	76
Amortisation of intangible assets	2,181	3,081
Depreciation of property and equipment	101	261
Write off of property and equipment	161	38
Third party administrator fee	1,353	-
Printing and stationery	253	552
Advertising and promotion expenses	7,455	11,772
Professional fees	1,274	3,043
Electronic data processing expenses	4,419	820
PIDM levy	250	-
Other expenses	2,532	3,683
	33,614	38,374

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer ("CEO") of the Company during the financial year amounted to RM544,082 (2010: RM534,325).

Included in staff costs are the remuneration for key management personnel, which is disclosed in Note 30.

25 OTHER OPERATING EXPENSES

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000
2011			
Allowance for doubtful debts on Takaful receivables	-	-	2,895
Taxation expense for General Takaful fund			
- deferred tax (Note 10)	-	2,538	-
- current tax	-	1,073	-
Taxation expense for Family Takaful fund			
- deferred tax (Note 10)	-	-	1,395
- current tax	-	-	884
Others	4,627	2,015	2,176
	4,627	5,626	7,350
2010			
Allowance for doubtful debts on Takaful receivables	-	6,008	14,746
Impairment charge on Qardhul Hasan extended to Family Takaful fund	10,353	-	-
Impairment charge on Qardhul Hasan extended to General Takaful fund	9,943	-	-
Taxation expense for General Takaful fund			
- deferred tax (Note 10)	-	(1,358)	-
Taxation expense for Family Takaful fund			
- deferred tax (Note 10)	-	-	579
- current tax	-	-	36
Others	-	3,718	4,025
	20,296	8,368	19,386

The income tax for the General Takaful fund is calculated based on the tax rate of 25% (2010: 25%) of the estimated assessable profit for the financial year. The income tax for the Family Takaful fund is calculated based on tax rate of 8% (2010: 8%) of the assessable investment income net of allowable deductions for the financial year.

26 TAXATION

	2011	2010
Tax expense on the profit for the financial year:	RM'000	RM'000
Income tax:		
Current financial year	2,708	-
	2,708	-
Deferred tax (Note 10):		
Relating to origination and reversal of temporary differences	3,912	(1,839)
Relating to overprovision in prior years	-	(1,755)
	6,620	(3,594)

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

	2011	2010
	RM'000	RM'000
Profit/(loss) before taxation	18,923	(21,361)
Taxation at Malaysian statutory tax rate of 25% (2010: 25%)	4,731	(5,340)
Income not subject to tax	(4,109)	(3,050)
Expenses not deductible for tax purposes	5,998	6,551
Overprovision of deferred tax liability on Qardhul Hasan extended by Shareholders' fund to Family Takaful fund	-	(1,755)
Tax expense/(credit) for the financial year	6,620	(3,594)

27 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the earnings/(loss) for the financial year attributable to equity holders of the Company by the weighted average number of shares in issue during the financial year.

	2011	2010
Pofit/(loss) attributable to equity holders (RM'000)	12,303	(17,767)
Weighted average number of shares in issue ('000)	100,000	100,000
Basic earnings/(loss) per share (sen)	12.30	(17.77)

Diluted earnings/(loss) per share is not presented as there were no dilutive potential shares as at the reporting date.

28 INVESTMENT-LINKED FUNDS

STATEMENT OF FINANCIAL POSITION

	2011 RM'000	2010 RM'000
ASSETS		
Fair value through profit or loss financial assets	186,832	244,111
Loans and receivables	1,508	6,692
Deferred tax assets	-	138
Other receivables	105	676
Cash and bank balances	1,298	169
	189,743	251,786
LIABILITIES		
Other liabilities	616	2,026
Deferred tax liabilities	288	-
Current tax liabilities	85	12
	989	2,038
NET ASSET VALUE	188,754	249,748
REPRESENTED BY:		
CERTIFICATEHOLDERS' ACCOUNT		
At beginning of the financial year	249,748	249,119
Net creation of units	5,276	17,957
Net cancellation of units	(73,248)	(24,065)
Surplus for the financial year after taxation	6,978	6,737
At end of the financial year	188,754	249,748

28 INVESTMENT-LINKED FUNDS (CONTINUED)

	2011 RM'000	2010 RM'000
STATEMENT OF INCOME AND EXPENDITURE		
Net fair value gains	7,205	7,097
Investment income	1,504	611
Other operating expenses	(1,036)	(355)
Surplus before taxation	7,673	7,353
Taxation:		
- current tax	(270)	(36)
- deferred tax	(425)	(580)
Surplus for the financial year after taxation	6,978	6,737

29 SEGMENTAL INFORMATION ON CASH FLOWS

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Total RM'000
2011				
Cash flows from:				
Operating activities	(65,908)	684	(42,601)	(107,825)
Investing activities	(292)	-	-	(292)
Financing activities	67,000	-	-	67,000
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
At end of the financial year	3,450	1,827	31,988	37,265

29 SEGMENTAL INFORMATION ON CASH FLOWS (CONTINUED)

	Shareholders' fund	General Takaful fund	Family Takaful fund	Total
	RM'000	RM'000	RM'000	RM'000
2010				
Cash flows from:				
Operating activities	(31,405)	326	72,250	41,171
Investing activities	(811)	-	-	(811)
Financing activities	33,000	-	-	33,000
Net increase in cash and cash equivalents	784	326	72,250	73,360
Cash and cash equivalents:				
At beginning of the financial year	1,866	817	2,339	5,022
At end of the financial year	2,650	1,143	74,589	78,382

30 SIGNIFICANT RELATED PARTY DISCLOSURES

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

Company	Country of incorporation	Relationship
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 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.

30 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.

	2011 RM'000	2010 RM'000
Shared services expenses paid/payable to CAAB	13,479	14,584
Claims paid to CAAB	1,067	1,571
Recharges of cost paid to APPL	3,503	307
Commissions paid to CIMB Bank and CWAB	11,956	13,913

Related party balances

	2011 RM'000	2010 RM'000
Amount due to CAAB	(39,522)	(22,024)
Amount due to CIGB	-	(575)
Amount due to APPL	(1,775)	-
	(41,297)	(22,599)

Related party balances are unsecured, non-profit bearing and have no fixed repayment terms.

Key management personnel's remuneration

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

	2011 RM'000	2010 RM'000
Salaries	412	402
Defined contribution plan	62	61
Bonus	33	48
	507	511

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 RM37,118 (2010: RM23,231).

31 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, Risk Management Committee ("RMC") and Asset and Liability Committee ("ALCO") and Investment Committee ("IC"), that provides key focus on operational risk and financial and insurance risks respectively.

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).

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 monitor 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 interests of other stakeholders and 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.

31 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(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 assess 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, Risk Management Committee ("RMC"), Asset and Liability Committee ("ALCO") and Investment Committee ("IC"), that provides key focus on operational, financial and insurance risks respectively.

(d) Asset-Liability Management ("ALM") framework

The Company's ALM modelling is based on a projection of both assets and liabilities into the future. A stochastic model is used to set ALM policy for all funds with in-built options. ALM strategy is determined at a sub fund level for a block of closely related liabilities. Alternatively, if ALM strategy is determined at a fund or company level it will usually be appropriate (for pricing, financial reporting and risk management purposes) to develop a hypothecation of assets to notional sub funds with different liability characteristics.

32 TAKAFUL RISKS

(a) <u>Family Takaful</u>

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.

32 TAKAFUL RISKS (CONTINUED)

(a) Family Takaful (continued)

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.

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

	Gross RM'000	Retakaful RM'000	Net RM'000
2011			
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	526,556	(73,267)	453,289
2010			
Mortgage	288,129	(70,912)	217,217
Endowment	250,208	-	250,208
Term	5,166	(627)	4,539
Others	7,606	-	7,606
Total	551,109	(71,539)	479,570

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

32 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).

Key assumptions used in the assessment of liability adequacy test on the actuarial liabilities are not sensitive to the Family Takaful fund.

(b) General Takaful

The General Takaful fund is exposed to underwriting risk which includes risk of incurring claims costs that are higher than expected due to the random nature of claims, frequency, severity and risk of exposure to 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, excluding AFS reserves by type of contracts.

	2011			2010		
	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000
Motor	39,082	-	39,082	49,068	(2,963)	46,105
Fire	8,394	(3,046)	5,348	8,983	(5,174)	3,809
Marine Cargo, Aviation Cargo and Transit	1,360	(1,201)	159	7,668	(6,656)	1,012
Miscellaneous	16,931	(9,254)	7,677	26,801	(18,841)	7,960
	65,767	(13,501)	52,266	92,520	(33,634)	58,886

32 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.

32 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.

	Change in assumptions	Impact on gross Takaful claims liabilities RM'000	Impact on net Takaful claims liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
2011					
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)
2010					
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.

32 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 2011

	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
Accident year							
At end of accident year	3,851	77,169	81,866	88,551	11,983	9,011	
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	8,919	58,837	93,678	59,942	5,967	9,011	236,354

32 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Gross General Takaful claims liabilities for 2011

	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
Accident year (continued)							
At end of accident year	(776)	(12,034)	(22,122)	(14,656)	(860)	(1,939)	
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)	(1,939)	(176,863)
Gross General Takaful claims liabilities	1,056	11,880	17,448	19,288	2,747	7,072	59,491

32 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Gross General Takaful claims liabilities for 2010

	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Total RM'000
Accident year						
At end of accident year	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	9,643					
Current estimate of cumulative claims incurred	9,643	60,815	98,189	70,263	11,983	250,893
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	(7,860)					
Cumulative payments to-date	(7,860)	(44,579)	(71,621)	(37,580)	(860)	(162,500)
Gross General Takaful claims liabilities	1,783	16,236	26,568	32,683	11,123	88,393

32 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Net General Takaful claims liabilities for 2011

	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
Accident year (continued)							
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						
Cumulative payments to-date	7,429	55,449	68,238	39,268	3,063	4,272	177,719

Company No.

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32 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Net General Takaful claims liabilities for 2011 (continued)

	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
Accident year (continued)							
At end of accident year	(776)	(11,627)	(16,749)	(11,562)	(508)	(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

32 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Net General Takaful claims liabilities for 2010

Accident year	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Total RM'000
At end of accident year	3,851	55,964	63,095	40,371	3,301	
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	3,301	175,593
At end of accident year	(776)	(11,627)	(16,749)	(11,562)	(508)	
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)	(508)	(119,165)
Net General Takaful claims liabilities	1,529	14,461	21,258	16,387	2,793	56,428

33 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 monitor and consider 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	General Takaful fund	Family Takaful fund	Investment-linked fund
	RM'000	RM'000	RM'000	RM'000
2011				
Loans and receivables				
Fixed and call deposits	122,702	35,226	87,722	1,508
Staff loans	119	-	-	-
Accrued interest	179	59	96	-
FVTPL - designated upon initial recognition				
Islamic bonds	-	-	-	3,967
Equity securities	-	-	509	15,805
Structured investments	-	-	-	167,048
Accrued interest	-	-	-	12
Available-for-sale financial assets				
Government Investment Issues	-	13,180	195,372	-
Islamic bonds	-	9,376	8,879	-
Investments in investment-linked funds	6,830	-	-	-
Accrued interest	-	204	1,841	-

33 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
2011 (continued)				
Takaful receivables	-	4,218	1,929	-
Retakaful assets	-	13,501	74,612	-
Other receivables	73,350	5,738	16,418	105
Cash and bank balances	3,450	1,827	30,690	1,298
	206,630	83,329	418,068	189,743
2010				
Loans and receivables				
Fixed and call deposits	53,785	34,130	56,438	6,692
Staff loans	127	-	-	-
Accrued interest	40	55	37	-
FVTPL - designated upon initial recognition				
Islamic bonds	-	-	-	3,945
Equity securities	-	-	-	17,308
Structured investments	-	-	-	222,846
Accrued interest	-	-	-	12
Available-for-sale financial assets				
Government Investment Issues	-	13,229	124,750	-
Islamic bonds	-	11,468	8,891	-
Investments in investment-linked funds	9,326	-	-	-
Accrued interest	-	316	786	-
Takaful receivables	-	10,302	1,866	-
Retakaful assets	-	33,634	72,373	-
Other receivables	56,112	16,156	22,744	676
Cash and bank balances	2,650	1,143	74,420	169
	122,040	120,433	362,305	251,648

33 FINANCIAL RISKS (CONTINUED)

Credit risk (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.

Credit exposure by credit rating

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

Shareholders' fund	Neither past due nor impaired					Not subject to credit risk	Past due but not impaired	Total
	AAA	AA	A	BBB	Not rated			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2011								
AFS financial assets								
Investment-linked funds	-	-	-	-	-	6,830	-	6,830
Loans and receivables								
Fixed and call deposits	22,267	83,807	16,628	-	-	-	-	122,702
Staff loans	-	-	-	-	119	-	-	119
Accrued interest	22	130	27	-	-	-	-	179
Other receivables	-	-	-	-	73,350	-	-	73,350
Cash and bank balances	3,450	-	-	-	-	-	-	3,450
	25,739	83,937	16,655	-	73,469	6,830	-	206,630

33 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

Shareholders' fund	Neither past due nor impaired AAA	AA	A	BBB	Not rated	Not subject to credit risk	Past due but not impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2010								
AFS financial assets								
Investment-linked funds	-	-	-	-	-	9,326	-	9,326
Loans and receivables								
Fixed and call deposits	-	40,413	13,372	-	-	-	-	53,785
Staff loans	-	-	-	-	127	-	-	127
Accrued interest	-	30	10	-	-	-	-	40
Other receivables	-	-	-	-	56,112	-	-	56,112
Cash and bank balances	-	2,638	-	-	12	-	-	2,650
	-	43,081	13,382	-	56,251	9,326	-	122,040

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33 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

General Takaful fund	Neither past due nor impaired					Not subject to credit risk	Past due but not impaired	Total
	AAA	AA	A	BBB	Not rated			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2011								
AFS financial assets								
Islamic bonds	5,084	4,292	-	-	-	-	-	9,376
Government Investment Issues	-	-	-	-	13,180	-	-	13,180
Accrued interest	-	42	-	-	162	-	-	204
Loans and receivables								
Fixed and call deposits	15,962	16,083	3,181	-	-	-	-	35,226
Accrued interest	56	-	3	-	-	-	-	59
Takaful receivables	-	65	1,367	-	2,786	-	-	4,218
Other receivables	-	-	-	-	5,738	-	-	5,738
Retakaful assets	-	-	-	-	13,501	-	-	13,501
Cash and bank balances	-	-	1	-	1,826	-	-	1,827
	21,102	20,482	4,552	-	37,193	-	-	83,329

33 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

General Takaful fund	Neither past due nor impaired					Not subject	Past due but	
	AAA	AA	A	BBB	Not rated	to credit risk	not impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2010								
AFS financial assets								
Islamic bonds	4,835	4,242	-	2,391	-	-	-	11,468
Government Investment Issues	-	-	-	-	13,229	-	-	13,229
Accrued interest	62	54	-	31	169	-	-	316
Loans and receivables								
Fixed and call deposits	-	17,002	17,128	-	-	-	-	34,130
Accrued interest	-	27	28	-	-	-	-	55
Takaful receivables	-	-	-	-	10,302	-	-	10,302
Other receivables	-	-	-	-	16,156	-	-	16,156
Retakaful assets	-	-	-	-	33,634	-	-	33,634
Cash and bank balances	-	367	762	-	14	-	-	1,143
	4,897	21,692	17,918	2,422	73,504	-	-	120,433

33 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

Family Takaful fund	AAA	AA	A	BBB	Neither past due nor impaired Not rated	Not subject to credit risk	Past due but not impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2011								
AFS financial assets								
Islamic bonds	5,280	3,599	-	-	-	-	-	8,879
Government Investment Issues	-	-	-	-	195,372	-	-	195,372
Accrued interest	33	2	-	-	1,806	-	-	1,841
FVTPL financial assets								
Equity securities	-	-	-	-	-	509	-	509
Loan and receivables								
Fixed and call deposits	26,746	48,545	12,431	-	-	-	-	87,722
Accrued interest	30	54	12	-	-	-	-	96
Takaful receivables	-	-	-	-	1,929	-	-	1,929
Retakaful assets	32	74,580	-	-	-	-	-	74,612
Other receivables	-	-	-	-	16,418	-	-	16,418
Cash and bank balances	30,605	-	69	-	16	-	-	30,690
	62,726	126,780	12,512	-	215,541	509	-	418,068

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33 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

Family Takaful fund	Neither past due nor impaired AAA	AA	A	BBB	Not rated	Not subject to credit risk	Past due but not impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2010								
AFS financial assets								
Islamic bonds	3,656	3,642	-	1,593	-	-	-	8,891
Government Investment Issues	-	-	-	-	124,750	-	-	124,750
Accrued interest	22	21	-	9	734	-	-	786
Loan and receivables								
Fixed and call deposits	-	33,812	22,626	-	-	-	-	56,438
Accrued interest	-	22	15	-	-	-	-	37
Takaful receivables	-	-	-	-	1,866	-	-	1,866
Retakaful assets	-	72,346	-	-	27	-	-	72,373
Other receivables	-	-	-	-	22,744	-	-	22,744
Cash and bank balances	-	71,592	2,828	-	-	-	-	74,420
	3,678	181,435	25,469	1,602	150,121	-	-	362,305

33 FINANCIAL RISKS (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 reserve, 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 were to be given immediately.

33 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
Shareholders' fund								
2011								
AFS financial assets								
Investment-linked funds	6,830	-	-	-	-	-	6,830	6,830
Loans and receivables								
Fixed and call deposits	122,702	122,702	-	-	-	-	-	122,702
Accrued interest	179	179	-	-	-	-	-	179
Staff loans	119	119	-	-	-	-	-	119
Other receivables	73,350	73,350	-	-	-	-	-	73,350
Cash and bank balances	3,450	3,450	-	-	-	-	-	3,450
Total assets	206,630	199,800	-	-	-	-	6,830	206,630
Other payables	61,308	61,308	-	-	-	-	-	61,308
Other financial liabilities	3,558	3,558	-	-	-	-	-	3,558
Total liabilities	64,866	64,866	-	-	-	-	-	64,866

33 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
Shareholders' fund (continued)								
2010								
AFS financial assets								
Investment-linked funds	9,326	-	-	-	-	-	9,326	9,326
Loans and receivables								
Fixed and call deposits	53,785	53,785	-	-	-	-	-	53,785
Staff loans	127	127	-	-	-	-	-	127
Accrued interest	40	40	-	-	-	-	-	40
Other receivables	56,112	56,112	-	-	-	-	-	56,112
Cash and bank balances	2,650	2,650	-	-	-	-	-	2,650
Total assets	122,040	112,714	-	-	-	-	9,326	122,040
Other payables	61,972	61,972	-	-	-	-	-	61,972
Other financial liabilities	3,778	3,778	-	-	-	-	-	3,778
Total liabilities	65,750	65,750	-	-	-	-	-	65,750

33 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
General Takaful fund								
2011								
AFS financial assets								
Islamic bonds	9,376	-	-	8,000	2,500	-	-	10,500
Government Investment Issues	13,180	4,000	9,000	-	-	-	-	13,000
Accrued interest	204	204	-	-	-	-	-	204
Loans and receivables								
Fixed and call deposits	35,226	35,226	-	-	-	-	-	35,226
Accrued interest	59	59	-	-	-	-	-	59
Takaful receivables	4,218	4,218	-	-	-	-	-	4,218
Other receivables	5,738	5,738	-	-	-	-	-	5,738
Retakaful assets	13,501	10,075	2,709	717	-	-	-	13,501
Cash and bank balances	1,827	1,827	-	-	-	-	-	1,827
Total assets	83,329	61,347	11,709	8,717	2,500	-	-	84,273
Claims 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 liabilities	79,580	62,219	13,727	3,634	-	-	-	79,580

33 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
General Takaful fund (continued)								
2010								
AFS financial assets								
Islamic bonds	11,468	-	-	-	13,500	-	-	13,500
Government Investment Issues	13,229	-	8,000	5,000	-	-	-	13,000
Accrued interest	316	316	-	-	-	-	-	316
Loans and receivables								
Fixed and call deposits	34,130	34,130	-	-	-	-	-	34,130
Accrued interest	55	55	-	-	-	-	-	55
Takaful receivables	10,302	10,302	-	-	-	-	-	10,302
Other receivables	16,156	16,156	-	-	-	-	-	16,156
Retakaful assets	33,634	33,634	-	-	-	-	-	33,634
Cash and bank balances	1,143	1,143	-	-	-	-	-	1,143
Total assets	120,433	95,736	8,000	5,000	13,500	-	-	122,236
Claims 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 liabilities	123,298	92,598	30,700	-	-	-	-	123,298

33 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
Family Takaful fund								
2011								
AFS financial assets								
Islamic bonds	8,879	-	-	3,416	-	5,000	-	8,416
Government Investment Issues	195,372	1,000	26,000	-	163,000	-	-	190,000
Accrued interest	1,841	1,841	-	-	-	-	-	1,841
FVTPL financial assets								
Equity securities	509	-	-	-	-	-	509	509
Loans and receivables								
Fixed and call deposits	87,722	87,722	-	-	-	-	-	87,722
Accrued interest	96	96	-	-	-	-	-	96
Takaful receivables	1,929	1,929	-	-	-	-	-	1,929
Retakaful assets	74,612	74,612	-	-	-	-	-	74,612
Other receivables	16,418	16,418	-	-	-	-	-	16,418
Cash and bank balances	30,690	30,690	-	-	-	-	-	30,690
Total assets	418,068	214,308	26,000	3,416	163,000	5,000	509	412,233

33 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
Family Takaful fund (continued)								
2011 (continued)								
Takaful contract liabilities	528,810	277,569	26,895	26,642	124,050	103,194	15,386	573,736
Takaful payables	4,598	4,598	-	-	-	-	-	4,598
Other payables	67,270	67,270	-	-	-	-	-	67,270
Total liabilities	600,678	349,437	26,895	26,642	124,050	103,194	15,386	645,604

33 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
Family Takaful fund (continued)								
2010								
AFS financial assets								
Islamic bonds	8,891	-	-	-	10,416	-	-	10,416
Government Investment Issues	124,750	-	2,000	25,000	95,000	-	-	122,000
Accrued interest	786	786	-	-	-	-	-	786
Loans and receivables								
Fixed and call deposits	56,438	56,438	-	-	-	-	-	56,438
Accrued interest	37	37	-	-	-	-	-	37
Takaful receivables	1,866	1,866	-	-	-	-	-	1,866
Retakaful assets	72,373	72,373	-	-	-	-	-	72,373
Other receivables	22,744	22,744	-	-	-	-	-	22,744
Cash and bank balances	74,420	74,420	-	-	-	-	-	74,420
Total assets	362,305	228,664	2,000	25,000	105,416	-	-	361,080
Takaful contract liabilities	553,458	336,604	23,193	23,173	109,423	93,400	13,154	598,947
Takaful payables	1,511	1,511	-	-	-	-	-	1,511
Other payables	56,603	56,603	-	-	-	-	-	56,603
Total liabilities	611,572	394,718	23,193	23,173	109,423	93,400	13,154	657,061

33 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.

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

(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 flow 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.

33 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.

2011	Impact on profit before tax RM'000	Impact on equity RM'000
Change in variables		
+ 100 basis points	-	(61)
- 100 basis points	-	63
2010		
Change in variables		
+ 100 basis points	-	(48)
- 100 basis points	-	50

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

(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.

33 FINANCIAL RISKS (CONTINUED)

Market risk (continued)

(ii) Price 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 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.

2011	Impact on profit before tax RM'000	Impact on equity RM'000
Change in variables		
Investment-linked funds:		
Decrease in share price by 40%	-	(987)
2010		
Change in variables		
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.

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.