Company No.

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# AMERICAN INTERNATIONAL ASSURANCE BHD.
**(Incorporated in Malaysia)**

**REPORTS AND FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012**

Company No.

| 790895 | D |
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# AMERICAN INTERNATIONAL ASSURANCE BHD.
**(Incorporated in Malaysia)**

## REPORTS AND FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012

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## AMERICAN INTERNATIONAL ASSURANCE BHD.
**(Incorporated in Malaysia)**

## DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the annual audited financial statements of the Group and of the Company for the financial year ended 30 November 2012.

### PRINCIPAL ACTIVITIES

The Company is engaged principally in the underwriting of life insurance business, including investment-linked business and all classes of general insurance business.

The principal activities of the subsidiaries are stated in Note 7 to the financial statements.

There have been no significant changes in these activities during the financial year.

### RESULTS

| | Group<br>RM'000 | Company<br>RM'000 |
|---|---|---|
| Profit for the financial year | 280,474 | 301,852 |

### DIVIDEND

The amount of dividend declared and paid by the Company since the end of the previous financial year was as follows:

| | RM'000 |
|---|---|
| In respect of the financial year ended 30 November 2011: | |
| Final single tier dividend of 124.1% (RM1.24 per ordinary share) on 241,706,000 ordinary shares, paid on 19 April 2012 | 300,000 |

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the current financial year ended 30 November 2012, of 124.1% on 241,706,000 ordinary shares, amounting to RM300 million (RM1.24 per ordinary share), subject to the approval of Bank Negara Malaysia ("BNM"), will be proposed for shareholders' approval.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year, other than those disclosed in the financial statements.

## DIRECTORS' REPORT (CONTINUED)

### PROVISION FOR INSURANCE LIABILITIES

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that there were adequate provisions for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital ("RBC") Framework for Insurers issued by BNM.

### BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that 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 Group and of the Company inadequate to any substantial extent.

### CURRENT ASSETS

Before the financial statements of the Group and 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 Group and 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 current assets in the financial statements of the Group and 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 method of valuation of assets or liabilities of the Group and 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 Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

## AMERICAN INTERNATIONAL ASSURANCE BHD.
**(Incorporated in Malaysia)**

## DIRECTORS' REPORT (CONTINUED)

### CONTINGENT AND OTHER LIABILITIES (CONTINUED)

No contingent or other liability 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 Group and of the Company to meet their obligations when they fall due.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group and 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 Group and 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 Group and of the Company during 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 Group and of the Company for the financial year in which this report is made.

### SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR

On 18 December 2012, the ultimate holding company of the Company, AIA Group Limited announced that it has successfully completed the acquisition of ING Management Holdings (Malaysia) Sdn. Bhd. ("IMH") following receipt of the required regulatory approvals.

On 3 January 2013, an application was submitted to Bank Negara Malaysia for approval to transfer the business of IMH's wholly-owned subsidiary, ING Insurance Berhad to the Company subject to confirmation by the Court and any other regulatory approvals required for the Scheme of Transfer.

### DIRECTORS

The Directors who served office since the date of the last report are:

| | |
|---|---|
| Khor Hock Seng | (Resigned on 7 December 2012) |
| Dato' Thomas Mun Lung Lee | |
| Mohd Daruis bin Zainuddin | |
| Foong Sai Cheong | |
| Dato' Wee Hoe Soon @ Gooi Hoe Soon | |
| Ng Keng Hooi | |

## AMERICAN INTERNATIONAL ASSURANCE BHD.
**(Incorporated in Malaysia)**

## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full time employee of the Company as shown in Note 28 to the financial statements) by reason of a contract made by the Company or a related corporation with any Directors or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

### DIRECTORS' INTEREST

According to the Register of Directors' shareholdings, the interests of the Directors in the office at the end of the financial year in shares and options over shares in the Company's ultimate holding company during the financial year were as follows :

| | Number of ordinary shares of US$1.00 each | | | |
|---|---|---|---|---|
| | As at 1 December 2011/ date of appointment | Bought | Sold | As at 30 November 2012 |
| **AIA Group Limited** | | | | |
| **Direct Interest** | | | | |
| Khor Hock Seng | 30,762 | 4,218 | - | 34,980 |
| Foong Sai Cheong | 22,807 | 4,384 | - | 27,191 |
| Ng Keng Hooi | 34,200 | 3,504 | - | 37,704 |
| **Indirect Interest** | | | | |
| Ng Keng Hooi | 61,200 | - | - | 61,200 |

| | Number of matching restricted stock purchase unit over ordinary shares of US$1.00 each under Employee Share Purchase Share Plan | | | |
|---|---|---|---|---|
| | As at 1 December 2011/ date of appointment | Granted | Exercised | As at 30 November 2012 |
| **AIA Group Limited** | | | | |
| Khor Hock Seng | 381 | 2,091 | - | 2,472 |
| Foong Sai Cheong | 403 | 2,173 | - | 2,576 |
| Ng Keng Hooi | - | 1,743 | - | 1,743 |

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# AMERICAN INTERNATIONAL ASSURANCE BHD.
**(Incorporated in Malaysia)**

## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS' INTEREST (CONTINUED)

| | Number of restricted share units over ordinary shares of US$1.00 each | | | |
|---|---|---|---|---|
| | As at 1 December 2011/ date of appointment | Granted | Exercised | As at 30 November 2012 |
| **AIA Group Limited** | | | | |
| Khor Hock Seng | 127,953 | 121,902 | - | 249,855 |
| Foong Sai Cheong | 107,399 | 72,624 | - | 180,023 |
| Ng Keng Hooi | 2,235,579 | 457,952 | - | 2,693,531 |

| | Number of share options over ordinary shares of US$1.00 each | | | |
|---|---|---|---|---|
| | As at 1 December 2011/ date of appointment | Granted | Exercised | As at 30 November 2012 |
| **AIA Group Limited** | | | | |
| Khor Hock Seng | 63,977 | 60,951 | - | 124,928 |
| Foong Sai Cheong | 142,716 | 36,312 | - | 179,028 |
| Ng Keng Hooi | 1,847,980 | 686,928 | - | 2,534,908 |

Employee share purchase plan, restricted share units and share options are granted to certain employees, directors and officers of the Company under the Employee Share Purchase Plan, Restricted Share Unit Scheme and Share Option Scheme of AIA Group Limited. Details of the employee share purchase plan, restricted share units and share options are set out in Note 37 to the financial statements.

### IMMEDIATE AND ULTIMATE HOLDING COMPANIES

At the date of Statement of Financial Position, the Company is a wholly-owned entity of AIA Company Limited (formerly known as American International Assurance Company, Limited) ("AIA"), whose ultimate holding company is AIA Group Limited ("AIAGL"), a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited.

### STATEMENT ON CORPORATE GOVERNANCE

The Company has taken concerted steps to ensure compliance with BNM's Prudential Framework of Corporate Governance for Insurers and its best practice applications at all times.

## DIRECTORS' REPORT (CONTINUED)

### (A) BOARD RESPONSIBILITIES AND OVERSIGHT

The Board of Directors ("the Board") is responsible for the overall governance of the Company and discharges this responsibility through compliance with the Insurance Act, 1996 ("the Act"), Insurance Regulations, 1996 ("the Regulations"), Guidelines on Minimum Standards for Prudential Management of Insurers (Consolidated) and Prudential Framework of Corporate Governance for Insurers issued by BNM and other directives, in addition to adopting other best practices on corporate governance.

The Board has an overall responsibility to lead the Company, including setting the strategic future direction, review viability of the corporate objective and overseeing the conduct and performance of business.

The Board comprises three Independent Non-Executive Directors, two Non-Independent Non-Executive Directors and one Executive Director to enable a balanced and objective consideration of issues, hence facilitating optimal decision-making.

The Board met eight times during the financial year. All Directors in office at the end of the financial year complied with the 75% minimum attendance requirement at such meeting.

The number of meetings attended by each Director during the financial year are as follows:

| **Name of Directors** | | **No. of attendance** |
|---|---|---|
| Khor Hock Seng (Resigned on 7 December 2012) | Member (Executive) | 8/8 |
| Dato' Thomas Mun Lung Lee | Member (Independent Non-Executive) | 7/8 |
| Mohd Daruis bin Zainuddin | Member (Independent Non-Executive) | 8/8 |
| Dato' Wee Hoe Soon @ Gooi Hoe Soon (Appointed on 5 December 2011) | Member (Independent Non-Executive) | 7/7 |
| Foong Sai Cheong | Member (Non-Independent Non-Executive) | 7/8 |
| Ng Keng Hooi (Appointed on 2 February 2012) | Member (Non-Independent Non-Executive) | 7/7 |
| Huynh Phong Thanh (Resigned on 2 February 2012) | Member (Non-Independent Non-Executive) | 1/1 |

To support sound corporate governance and processes, the Board formed various Board Committees namely the Nominating Committee, the Remuneration Committee, the Risk Management Committee and the Audit Committee ("the Committees") in accordance with the requirements of BNM's Guidelines on Minimum Standards for Prudential Management of Insurers (Consolidated).

The roles and members of the Committees are as provided below.

## DIRECTORS' REPORT (CONTINUED)

### (A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

**Nominating Committee**

As at the date of this report, the Nominating Committee ("NC") comprises five members as follows:

| | |
|---|---|
| Dato' Thomas Mun Lung Lee | Chairman (Independent Non-Executive) |
| Mohd Daruis bin Zainuddin | Member (Independent Non-Executive) |
| Dato' Wee Hoe Soon @ Gooi Hoe Soon | Member (Independent Non-Executive) |
| Foong Sai Cheong | Member (Non-Independent Non-Executive) |
| Ng Keng Hooi | Member (Non-Independent Non-Executive) |

The objective of the NC is to establish a documented, formal and transparent procedure for the appointment of directors, Chief Executive Officer ("CEO") and key senior officers ("KSOs") and to assess the effectiveness of individual directors, the Board as a whole (including various committees of the Board), CEO and KSOs on an on-going basis.

The principal duties and responsibilities of the NC are:

(a) establishing minimum requirements for the Board and the CEO to perform their responsibilities effectively. It is also responsible for overseeing the overall composition of the Board in terms of the appropriate size and mix of skills, the balance between executive, non-executive and independent directors, and other core competencies required;

(b) recommending and assessing the nominees for directorship, the directors to fill Board Committees, as well as nominees for the CEO position. This includes assessing directors and the CEO proposed for reappointment before an application for approval is submitted to BNM;

(c) establishing a mechanism for formal assessment and assessing 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 CEO. The assessments should also include ascertaining that the director is not disqualified under the relevant law and fulfill the 'fit and proper' criteria;

(d) recommending to the Board the removal of a director or CEO if he is ineffective, errant or negligent in discharging his responsibilities;

(e) ensuring that all directors undergo appropriate induction programmes and receive continuous training; and

(f) overseeing the appointment, management succession planning and performance evaluation of KSOs, and recommending to the Board the removal of KSOs if they are ineffective, errant and negligent in discharging their responsibilities.

### (A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

**Nominating Committee (continued)**

During the financial year, the NC held five meetings and discharged its responsibilities as prescribed by the terms of reference. The number of meetings attended by each member of the NC are as follows:

| | | No. of attendance |
|---|---|---|
| Dato' Thomas Mun Lung Lee | Chairman (Independent Non-Executive) | 5/5 |
| Mohd Daruis bin Zainuddin | Member (Independent Non-Executive) | 5/5 |
| Khor Hock Seng (Resigned on 7 December 2012) | Member (Executive) | 5/5 |
| Dato' Wee Hoe Soon @ Gooi Hoe Soon (Appointed on 5 December 2011) | Member (Independent Non-Executive) | 4/4 |
| Ng Keng Hooi (Appointed on 2 February 2012) | Member (Non-Independent Non-Executive) | 4/4 |
| Foong Sai Cheong (Resigned on 5 December 2011 and re-appointed on 7 December 2012) | Member (Non-Independent Non-Executive) | 1/1 |
| Huynh Phong Thanh (Resigned on 2 February 2012) | Member (Non-Independent Non-Executive) | 1/1 |

**Remuneration Committee**

As at the date of this report, the Remuneration Committee ("RC") comprises three members as follows:

| | |
|---|---|
| Dato' Thomas Mun Lung Lee | Chairman (Independent Non-Executive) |
| Mohd Daruis bin Zainuddin | Member (Independent Non-Executive) |
| Ng Keng Hooi | Member (Non-Independent Non-Executive) |

The objective of the RC is to provide a formal and transparent procedure for developing a remuneration policy for directors, CEO and KSOs and ensuring that their compensation is competitive and consistent with the Company's culture, objectives and strategy.

The principal duties and responsibilities of the RC are:

(a) recommending a framework for the remuneration of directors, the CEO and KSOs. The remuneration policy should:

- be documented and approved by the full Board and any changes thereto should be subject to the endorsement of the full Board;

- reflect the experience and level of responsibility borne by individual directors, the CEO and KSOs;

- be sufficient to attract and retain directors, CEO and KSOs of calibre needed to manage the Company successfully; and

- be balanced against the need to ensure that the funds of the Company are not used to subsidies excessive remuneration packages and should not create incentives for irresponsible behavior or insider excesses.

## DIRECTORS' REPORT (CONTINUED)

### (A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

**Remuneration Committee (continued)**

(b) recommending specific remuneration packages for directors, CEO and KSOs. The remuneration packages should:

- be based on objective considerations and approved by the full Board;
- take due consideration of the assessments of the Nominating Committee of the effectiveness and contribution of the directors, CEO or KSOs concerned;
- not be decided by the exercise of sole discretion by any one individual or restricted group of individuals; and
- be competitive and consistent with the Company's culture, objectives and strategy.

During the financial year, the RC held three meetings and discharged its responsibilities as prescribed by the terms of reference. The number of meetings attended by each member of the RC is as follows:

| | | No. of attendance |
|---|---|---|
| Dato' Thomas Mun Lung Lee | Chairman (Independent Non-Executive) | 3/3 |
| Mohd Daruis bin Zainuddin | Member (Independent Non-Executive) | 3/3 |
| Ng Keng Hooi | Member (Non-Independent Non-Executive) | 3/3 |

**Risk Management Committee**

As at the date of this report, the Risk Management Committee ("RMC") comprises three members as follows:

| | |
|---|---|
| Mohd Daruis bin Zainuddin | Chairman (Independent Non-Executive) |
| Dato' Thomas Mun Lung Lee | Member (Independent Non-Executive) |
| Ng Keng Hooi | Member (Non-Independent Non-Executive) |

The objective of the RMC is to oversee the senior management's activities in managing the key risk areas of the Company and to ensure that an appropriate risk management process is in place and functioning effectively.

### (A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

**Risk Management Committee (continued)**

The principal duties and responsibilities of the RMC are:

(a) reviewing and recommending risk management strategies, policies and risk tolerance levels for the Board's approval;

(b) reviewing and assessing the adequacy of the risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;

(c) ensuring that adequate infrastructure, resources and systems are in place for effective risk management; e.g. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Company's risk taking activities; and

(d) reviewing the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

During the financial year, the RMC held four meetings and discharged its responsibilities as prescribed by the terms of reference. The number of meetings attended by each member of the RMC are as follows:

| | | No. of attendance |
|---|---|---|
| Mohd Daruis bin Zainuddin | Chairman (Independent Non-Executive) | 4/4 |
| Dato' Thomas Mun Lung Lee | Member (Independent Non-Executive) | 3/4 |
| Ng Keng Hooi | Member (Non-Independent Non-Executive) | 4/4 |

**Audit Committee**

As at the date of this report, the Audit Committee ("AC") comprises three members as follows:

| | |
|---|---|
| Mohd Daruis bin Zainuddin | Chairman (Independent Non-Executive) |
| Dato' Thomas Mun Lung Lee | Member (Independent Non-Executive) |
| Dato' Wee Hoe Soon @ Gooi Hoe Soon | Member (Independent Non-Executive) |

## DIRECTORS' REPORT (CONTINUED)

### (A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

**Audit Committee (continued)**

The primary objective of the AC is to ensure the integrity and transparency of the financial reporting process.

The principal duties and responsibilities of the AC are:

(a) ensuring that the internal audit department is distinct and has the appropriate status within the overall organisational structure for the internal auditors to effectively accomplish their audit objectives;

(b) reviewing and concurring the annual audit plan, audit charter and annual budget of the internal audit department and the appointment of the external auditors;

(c) ensuring that internal audit staff have free and unrestricted access to the Company's records, assets, personnel or processes relevant to and within the scope of the audits;

(d) reviewing various relationships between the external auditors and the Company or any other entity that may impair or appear to impair the external auditors' judgement or independence in respect of the Company;

(e) reviewing with the external auditors that appropriate audit plans are in place and the scope of the audit plans reflect the terms of the engagement letter;

(f) reviewing with the external auditors the financial statements, audit reports, including obligation reports to BNM and discuss the findings and issues arising from the external audit;

(g) ensuring that management's remediation efforts with respect to all findings and recommendations are resolved effectively and in a timely manner;

(h) approving the provision of non-audit services by the external auditors and ensuring that the level of provision of non-audit services is compatible with maintaining auditor independence;

(i) reviewing the Chairman's statement, interim financial reports, preliminary announcements and corporate governance disclosures in the Directors' Report;

## DIRECTORS' REPORT (CONTINUED)

### (A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

**Audit Committee (continued)**

(j) reviewing any related party transactions and conflicts of interest situations that may arise including any transaction, procedure or conduct that raises questions of management integrity;

(k) ensuring that the Company's accounts are prepared and published in a timely and accurate manner for regulatory, management and general reporting purposes; and

(l) submitting to BNM annually, a summary of material concerns/weaknesses in the internal control environment of the Company noted during the financial year and the corresponding measures taken to address those weaknesses.

The AC has the authority to investigate any matter within its terms of reference and has unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to employees and agents of the Company.

During the financial year, the AC held six meetings and discharged its responsibilities as prescribed by the terms of reference. The number of meetings attended by each member of the AC are as follows :

| | | No. of attendance |
|---|---|---|
| Mohd Daruis bin Zainuddin | Chairman (Independent Non-Executive) | 6/6 |
| Dato' Thomas Mun Lung Lee | Member (Independent Non-Executive) | 5/6 |
| Dato' Wee Hoe Soon @ Gooi Hoe Soon (Appointed on 5 December 2011) | Member (Independent Non-Executive) | 5/5 |
| Foong Sai Cheong (Resigned on 5 December 2011) | Member (Non-Independent Non-Executive) | 1/1 |

During the financial year, the AC members have met twice with the external auditors without the presence of the management.

## DIRECTORS' REPORT (CONTINUED)

### (B) MANAGEMENT ACCOUNTABILITY

The Company has an organisational structure that clearly establishes the job descriptions, authority limits and other operating boundaries of each management and executive employee and formal performance appraisal is done annually. Information is effectively communicated to the relevant employee within the Company. The Company has a formal and transparent procedure for developing policy on executive remuneration. None of the Directors and senior management of the Company has, in any circumstances, conflict of interest referred to in Sections 54 and 55 of the Act.

The Management meets all prescriptive requirements under this section, and has already adopted best practices in the areas of organisational structure and allocation of responsibilities, conflicts of interest, goal setting and the area of communication.

### (C) CORPORATE INDEPENDENCE

All material related party transactions are conducted on agreed terms as specified under BNM's Guidelines on Related-Party Transactions and Prudential Framework of Corporate Governance for Insurers. Related parties transactions and balances have been disclosed in the financial statements in compliance with Financial Reporting Standards in Malaysia ("FRS"), being the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities as modified by the Guidelines on Financial Reporting for Insurers issued by BNM pursuant to the Act.

### (D) INTERNAL CONTROLS AND OPERATIONAL RISKS MANAGEMENT

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company through designated management functions and internal controls, which includes the setting of operational risk limits for all core activities. The Company has established internal controls which cover all levels of personnel that is capable of recognising and continually assessing material risks, including underwriting risk, reinsurance risk, investment risk, operational and legal risk, that could affect its performance and financial condition.

Continuous review and assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures corrective action where necessary, is taken on a timely manner.

## (E) INTERNAL AUDIT

The internal audit function is provided by Group Internal Audit ("GIA"), which reports directly to the Company's Audit Committee and also to the ultimate holding company, AIAGL's Audit Committee.

The main function of GIA includes assessment of effectiveness and adequacy of internal controls, which includes an independent examination of controls and ensure corrective actions, where necessary, are taken in a timely manner.

## (F) PUBLIC ACCOUNTABILITY

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally. The Company meets all prescriptive and best practice requirements under this section relating to unfair practices.

## (G) FINANCIAL REPORTING

The Board has the overall responsibilities to ensure that accounting records are properly kept and that the Company's financial statements are prepared in accordance with FRS, being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities as modified by the Guidelines on Financial Reporting for Insurers issued by BNM pursuant to the Act and comply with the provisions of the Companies Act, 1965. The Company meets all prescriptive requirements under this section relating to proper records, annual reports, public disclosure and statutory reporting. In addition, the Company also meets the best practice requirements relating to management reporting, where the key performance indicators are reported on a monthly basis.

## (H) AUDIT COMMITTEE

The Company's financial reporting and internal control system are overseen by the Audit Committee, which comprises three Independent Non-Executive Directors. The Audit Committee's role is to provide a direct link between the Board and the internal and external audit functions of the Company. The business covered by the Audit Committee is governed by a charter approved by the Board, which includes the review of financial information provided to shareholders and BNM to ensure compliance with the Act, the Regulations, BNM's guidelines, the Companies Act, 1965 and other regulations.

# AMERICAN INTERNATIONAL ASSURANCE BHD.
**(Incorporated in Malaysia)**

## DIRECTORS' REPORT (CONTINUED)

### AUDITORS

Messrs PricewaterhouseCoopers have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors passed on 18 February 2013.

| | |
|---|---|
| DATO' THOMAS MUN LUNG LEE<br>DIRECTOR | MOHD DARUIS BIN ZAINUDDIN<br>DIRECTOR |

Kuala Lumpur

Company No.

| 790895 | D |
|---|---|

**AMERICAN INTERNATIONAL ASSURANCE BHD.**
**(Incorporated in Malaysia)**

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

We, Dato' Thomas Mun Lung Lee and Mohd Daruis bin Zainuddin, two of the Directors of American International Assurance Bhd., state that, in the opinion of the Directors, the accompanying financial statements set out on pages 19 to 183 are drawn up so as to show a true and fair view of the state of affair of the Group and of the Company as at 30 November 2012 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with Financial Reporting Standards in Malaysia, being the Malaysian Accounting Standards Board Approved Accounting Standards in Malaysia for Entities Other than Private Entities as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia pursuant to Insurance Act, 1996, and comply with the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors passed on 18 February 2013.

| | |
|---|---|
| DATO' THOMAS MUN LUNG LEE<br>DIRECTOR | MOHD DARUIS BIN ZAINUDDIN<br>DIRECTOR |

Kuala Lumpur

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

I, Anusha A/P Thavarajah, the officer primarily responsible for the financial management of American International Assurance Bhd., do solemnly and sincerely declare that the financial statements for the financial year ended 30 November 2012 set out on pages 19 to 183 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 Declaration Act, 1960.

ANUSHA A/P THAVARAJAH

Subscribed and solemnly declared by the abovenamed Anusha A/P Thavarajah at Kuala Lumpur in the Federal Territory on 18 February 2013.

Before me:

COMMISSIONER FOR OATHS

# INDEPENDENT AUDITORS' REPORT
# TO THE MEMBER OF AMERICAN INTERNATIONAL ASSURANCE BHD.
(Company No. 790895-D)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of American International Assurance Bhd., which comprise the statements of financial position as at 30 November 2012 of the Group and of the Company, the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and explanatory notes, as set out on pages 19 to 183.

### Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards in Malaysia, being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia pursuant to the Insurance Act, 1996, and comply with the provisions of the Companies Act, 1965, and for such internal controls as the Directors determine is 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 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.

*PricewaterhouseCoopers (AF 1146), Chartered Accountants,*
*Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia*
*T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my*

# INDEPENDENT AUDITORS' REPORT
# TO THE MEMBER OF AMERICAN INTERNATIONAL ASSURANCE BHD.
(CONTINUED)
(Company No. 790895-D)

## REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

### Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards in Malaysia, being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia pursuant to the Insurance Act, 1996 and comply with the provisions of Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 30 November 2012 and of their 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 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

JAYARAJAN A/L U. RATHINASAMY
(No. 2059/06/14(J))
Chartered Accountant

Kuala Lumpur

Company No.

| 790895 | D |
|---|---|

## AMERICAN INTERNATIONAL ASSURANCE BHD.
**(Incorporated in Malaysia)**

## STATEMENTS OF FINANCIAL POSITION
## AS AT 30 NOVEMBER 2012

| | Note | Group 2012 RM'000 | Group 2011 RM'000 | Company 2012 RM'000 | Company 2011 RM'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant and equipment | 3 | 139,485 | 145,523 | 138,247 | 144,408 |
| Investment properties | 4 | 38,505 | 40,191 | 38,505 | 40,191 |
| Prepaid land lease payments | 5 | 671 | 689 | 671 | 689 |
| Intangible assets | 6 | 10,007 | 60,635 | 10,007 | 60,635 |
| Investment in subsidiaries | 7 | - | - | 104,600 | 76,600 |
| Investment in associate | 8 | 22,795 | 36,989 | 88 | 12,035 |
| Available-for-sale financial assets | 9 | 3,174,384 | 3,147,491 | 3,111,915 | 3,073,470 |
| Fair value through profit or loss financial assets | 10 | 16,805,196 | 14,504,103 | 16,731,432 | 14,487,598 |
| Loans and receivables | 11 | 1,986,618 | 2,091,714 | 1,986,607 | 2,091,952 |
| Reinsurance/ retakaful assets | 12 | 12,048 | 11,096 | 12,048 | 11,096 |
| Insurance/ takaful receivables | 13 | 153,502 | 143,302 | 153,502 | 143,302 |
| Cash and cash equivalents | | 384,008 | 789,364 | 319,639 | 762,399 |
| **Total assets** | | 22,727,219 | 20,971,097 | 22,607,261 | 20,904,375 |
| **Equity and liabilities** | | | | | |
| Share capital | 14 | 241,706 | 241,706 | 241,706 | 241,706 |
| Retained earnings | 15 | 249,447 | 214,784 | 269,709 | 217,857 |
| Available-for-sale fair value reserves | | 20,802 | 18,972 | 19,141 | 18,143 |
| Proposed dividend reserves | | 300,000 | 350,000 | 300,000 | 350,000 |
| Foreign currency translation reserves | | (941) | (661) | - | - |
| Total equity attributable to: | | | | | |
| Shareholder of the Company | | 811,014 | 824,801 | 830,556 | 827,706 |
| Non-controlling interest | | 23,833 | 27,666 | - | - |
| **Total equity** | | 834,847 | 852,467 | 830,556 | 827,706 |
| Insurance/takaful contract liabilities | 16 | 18,338,913 | 16,960,953 | 18,243,620 | 16,928,561 |
| Deferred tax liabilities | 17 | 118,017 | 95,348 | 112,512 | 91,688 |
| Insurance/takaful payables | 18 | 2,910,881 | 2,763,404 | 2,910,161 | 2,763,295 |
| Current tax liabilities | | 13,497 | 33,084 | 13,449 | 33,079 |
| Other payables | 19 | 511,064 | 265,841 | 496,963 | 260,046 |
| **Total liabilities** | | 21,892,372 | 20,118,630 | 21,776,705 | 20,076,669 |
| **Total equity and liabilities** | | 22,727,219 | 20,971,097 | 22,607,261 | 20,904,375 |

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

Company No.

| 790895 | D |
|---|---|

## AMERICAN INTERNATIONAL ASSURANCE BHD.
**(Incorporated in Malaysia)**

## INCOME STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012

| | Note | Group 2012 RM'000 | Group 2011 RM'000 | Company 2012 RM'000 | Company 2011 RM'000 |
|---|---|---|---|---|---|
| Gross earned premiums/ contributions | | 3,348,611 | 2,860,998 | 3,249,735 | 2,838,301 |
| Premiums/contributions ceded to reinsurers/ retakaful operators | | (99,606) | (91,633) | (98,409) | (91,437) |
| **Net earned premiums/ contributions revenue** | 22 | 3,249,005 | 2,769,365 | 3,151,326 | 2,746,864 |
| Investment income | 23 | 954,128 | 937,000 | 950,831 | 933,002 |
| Net realised gains | 24 | 6,909 | 5,926 | 6,211 | 5,820 |
| Fair value gains/(losses) | 25 | 496,890 | (19,500) | 496,343 | (18,370) |
| Other operating (expense)/ income | 26 | (85,197) | 18,711 | (75,987) | 15,467 |
| **Net income** | | 1,372,730 | 942,137 | 1,377,398 | 935,919 |
| Gross benefits and claims paid | 27 (a) | (2,050,293) | (2,337,444) | (2,046,460) | (2,326,781) |
| Claims ceded to reinsurers/ retakaful operators | 27 (b) | 33,326 | 35,232 | 33,326 | 35,232 |
| Gross change to insurance/ takaful contract liabilities | 27 (c) | (1,391,301) | (242,709) | (1,328,398) | (234,676) |
| Change in insurance/takaful contract liabilities ceded to reinsurers/retakaful operators | 27 (d) | 785 | (718) | 785 | (707) |
| **Net insurance/takaful benefits and claims** | | (3,407,483) | (2,545,639) | (3,340,747) | (2,526,932) |
| Fee and commission expenses | | (430,428) | (397,200) | (410,844) | (391,954) |
| Management expenses | 28 | (329,248) | (286,755) | (303,150) | (269,135) |
| Taxation of life insurance fund/family takaful business | 29 | (101,467) | (65,557) | (101,242) | (65,522) |
| **Other expenses** | | (861,143) | (749,512) | (815,236) | (726,611) |

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

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# AMERICAN INTERNATIONAL ASSURANCE BHD.
**(Incorporated in Malaysia)**

## INCOME STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

| | Note | Group 2012 RM'000 | Group 2011 RM'000 | Company 2012 RM'000 | Company 2011 RM'000 |
|---|---|---|---|---|---|
| **Profit before share of (loss)/ profit from associate** | | 353,109 | 416,351 | 372,741 | 429,240 |
| Share of (loss)/profit from associate | | (392) | 11,253 | - | - |
| **Profit before taxation** | | 352,717 | 427,604 | 372,741 | 429,240 |
| Taxation | 29 | (72,243) | (66,136) | (70,889) | (65,391) |
| **Profit for the financial year** | | 280,474 | 361,468 | 301,852 | 363,849 |
| Profit attributable to: | | | | | |
| Shareholder of the Company | | 284,663 | 364,157 | 301,852 | 363,849 |
| Non-controlling interest | | (4,189) | (2,689) | - | - |
| | | 280,474 | 361,468 | 301,852 | 363,849 |
| Basic earnings per share (sen) | 30 | 117.7 | 150.7 | 124.9 | 150.5 |

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

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**AMERICAN INTERNATIONAL ASSURANCE BHD.**
**(Incorporated in Malaysia)**

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| **Profit for the financial year** | 280,474 | 361,468 | 301,852 | 363,849 |
| **Other comprehensive income/(loss):** | | | | |
| Change in available-for-sale fair value reserves | | | | |
| Net gain arising during the financial year | 4,533 | 2,687 | 2,251 | 1,002 |
| Net realised gain transferred to Income Statement | (1,618) | (337) | (920) | (231) |
| Deferred taxation | (729) | (588) | (333) | (193) |
| Foreign currency translation adjustments | (280) | (145) | - | - |
| **Other comprehensive income - net of tax, for the financial year** | 1,906 | 1,617 | 998 | 578 |
| **Total comprehensive income for the financial year** | 282,380 | 363,085 | 302,850 | 364,427 |
| Total comprehensive income attributable to: | | | | |
| Shareholder of the Company | 286,213 | 365,419 | 302,850 | 364,427 |
| Non-controlling interest | (3,833) | (2,334) | - | - |
| | 282,380 | 363,085 | 302,850 | 364,427 |

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

Company No.

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|---|---|

## AMERICAN INTERNATIONAL ASSURANCE BHD.
**(Incorporated in Malaysia)**

## STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012

| | Attributable to equity holders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| **Group** | **Share capital RM'000** | **Foreign currency translation reserves RM'000** | **Available-for-sale fair value reserves RM'000** | **Retained earnings RM'000** | **Proposed dividend reserves RM'000** | **Non-controlling interest RM'000** | **Total RM'000** |
| At 1 December 2011 | 241,706 | (661) | 18,972 | 214,784 | 350,000 | 27,666 | 852,467 |
| Total comprehensive (loss)/income for the financial year | - | (280) | 1,830 | 284,663 | - | (3,833) | 282,380 |
| Dividend paid for the financial year ended 30 November 2011 (Note 31) | - | - | - | - | (300,000) | - | (300,000) |
| Earnings transfer to proposed dividend reserves | - | | | (250,000) | 250,000 | - | - |
| At 30 November 2012 | 241,706 | (941) | 20,802 | 249,447 | 300,000 | 23,833 | 834,847 |
| At 1 December 2010 | 241,706 | (516) | 17,565 | 200,627 | 350,000 | - | 809,382 |
| Contribution from non-controlling interest in newly incorporated subsidiary | - | - | - | - | - | 30,000 | 30,000 |
| Total comprehensive (loss)/income for the financial year | - | (145) | 1,407 | 364,157 | - | (2,334) | 363,085 |
| Dividend paid for the financial year ended 30 November 2010 (Note 31) | - | - | - | - | (350,000) | - | (350,000) |
| Earnings transfer to proposed dividend reserves | - | - | - | (350,000) | 350,000 | - | - |
| At 30 November 2011 | 241,706 | (661) | 18,972 | 214,784 | 350,000 | 27,666 | 852,467 |

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

Company No.

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|---|---|

## AMERICAN INTERNATIONAL ASSURANCE BHD.
**(Incorporated in Malaysia)**

## STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

| | Attributable to equity holders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Non-distributable | | Distributable | | | |
| **Company** | **Share capital** | **Foreign currency translation reserves** | **Available-for-sale fair value reserves** | **Retained earnings** | **Proposed dividend reserves** | **Non-controlling interest** | **Total** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| At 1 December 2011 | 241,706 | - | 18,143 | 217,857 | 350,000 | - | 827,706 |
| Total comprehensive income for the financial year | - | - | 998 | 301,852 | - | - | 302,850 |
| Dividend paid for the financial year ended 30 November 2011 (Note 31) | - | - | - | - | (300,000) | - | (300,000) |
| Earnings transfer to proposed dividend reserves | - | - | - | (250,000) | 250,000 | - | - |
| At 30 November 2012 | 241,706 | - | 19,141 | 269,709 | 300,000 | - | 830,556 |
| At 1 December 2010 | 241,706 | - | 17,565 | 204,008 | 350,000 | - | 813,279 |
| Total comprehensive income for the financial year | - | - | 578 | 363,849 | - | - | 364,427 |
| Dividend paid for the financial year ended 30 November 2010 (Note 31) | - | - | - | - | (350,000) | - | (350,000) |
| Earnings transfer to proposed dividend reserves | - | - | - | (350,000) | 350,000 | - | - |
| At 30 November 2011 | 241,706 | - | 18,143 | 217,857 | 350,000 | - | 827,706 |

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

Company No.

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|---|---|

## AMERICAN INTERNATIONAL ASSURANCE BHD.
**(Incorporated in Malaysia)**

## STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012

| | Group | | Company | |
|---|---|---|---|---|
| | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| **Profit before taxation** | **352,717** | **427,604** | **372,741** | **429,240** |
| **Adjustments:** | | | | |
| Taxation of life insurance fund/ family takaful business | 101,467 | 65,557 | 101,242 | 65,522 |
| Investment income | (957,231) | (940,413) | (953,930) | (936,412) |
| Realised gains recorded in Income Statements | (6,763) | (5,926) | (6,065) | (5,820) |
| Fair value (gains)/losses recorded in Income Statements | (496,890) | 19,500 | (496,343) | 18,370 |
| Realised losses/(gains) on foreign exchange | 3,474 | (1,378) | 3,474 | (1,324) |
| Depreciation | | | | |
| - property, plant and equipment | 15,733 | 14,452 | 15,393 | 14,369 |
| - investment properties | 1,686 | 1,672 | 1,686 | 1,672 |
| Amortisation | | | | |
| - prepaid land lease payments | 18 | 18 | 18 | 18 |
| - intangible assets | 5,204 | 4,731 | 5,204 | 4,491 |
| Write off of property, plant and equipment | 2 | 17 | 2 | - |
| Write off of intangible assets | 59,806 | - | 59,806 | - |
| Gain on sale of property, plant and equipment | (146) | - | (146) | - |
| Net unrealised losses/(gains) on foreign exchange | 8,426 | (22,977) | 8,426 | (22,923) |
| Impairment loss on investment | - | - | - | 8,400 |
| Impairment loss on intangible assets | 12,656 | - | 12,656 | - |
| (Reversal of allowance)/allowance for impairment losses | (9,784) | 5,315 | (9,784) | 5,315 |
| Share of loss/(profit) from associate | 392 | (11,253) | - | - |

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

## AMERICAN INTERNATIONAL ASSURANCE BHD.
**(Incorporated in Malaysia)**

## STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| **Changes in working capital:** | | | | |
| Increase in AFS and FVTPL financial assets | (1,814,877) | (346,662) | (1,772,535) | (267,704) |
| (Increase)/decrease in reinsurance/ retakaful assets | (952) | 3,594 | (952) | 3,583 |
| Increase in insurance/takaful receivables | (1,379) | (47,754) | (1,379) | (47,754) |
| Decrease in loans and receivables | 102,087 | 124,144 | 102,365 | 123,238 |
| Increase in insurance/takaful payables | 147,477 | 163,414 | 146,866 | 163,398 |
| Increase in obligation on securities sold under repurchase agreements | 329,056 | - | 329,056 | - |
| (Decrease)/increase in other payables | (83,776) | 90,679 | (92,139) | 86,576 |
| Increase in insurance/takaful contract liabilities | 1,372,759 | 299,558 | 1,309,790 | 291,952 |
| Cash used in operating activities | (858,838) | (156,108) | (864,548) | (65,793) |
| Income taxes paid | (171,813) | (174,863) | (171,727) | (174,852) |
| Interest income received | 820,364 | 794,124 | 820,297 | 794,124 |
| Profit income received | 4,279 | 3,004 | - | - |
| Dividends received | 125,670 | 135,524 | 125,397 | 135,188 |
| **Net cash (outflows)/inflows from operating activities** | (80,338) | 601,681 | (90,581) | 688,667 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Purchase of intangible assets | (27,038) | (19,470) | (27,038) | (19,470) |
| Purchase of property, plant and equipment | (9,697) | (14,122) | (9,234) | (13,002) |
| Purchase of investment properties | - | (78) | - | (78) |
| Investment in subsidiary | - | - | (28,000) | (70,000) |
| Proceeds from capital repayment from investment in associate | 11,947 | - | 11,947 | - |
| Proceeds from disposal of property, plant and equipment | 146 | - | 146 | - |
| **Net cash outflows from investing activities** | (24,642) | (33,670) | (52,179) | (102,550) |

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

## AMERICAN INTERNATIONAL ASSURANCE BHD.
**(Incorporated in Malaysia)**

## STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

| | Group | | Company | |
|---|---|---|---|---|
| | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Dividend paid | (300,000) | (350,000) | (300,000) | (350,000) |
| Proceeds from issue of shares to non-controlling interest | - | 30,000 | - | - |
| **Net cash outflows from financing activities** | (300,000) | (320,000) | (300,000) | (350,000) |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | (404,980) | 248,011 | (442,760) | 236,117 |
| Effect of exchange rate changes | (376) | 280 | - | - |
| **CASH AND CASH EQUIVALENTS AT 1 DECEMBER** | 789,364 | 541,073 | 762,399 | 526,282 |
| **CASH AND CASH EQUIVALENTS AT 30 NOVEMBER** | 384,008 | 789,364 | 319,639 | 762,399 |

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012

### 1 CORPORATE INFORMATION

The Company is engaged principally in the underwriting of life insurance business, including investment-linked business, and all classes of general insurance business. The principal activities of the subsidiaries are stated in Note 7 to the financial statements.

There have been no significant changes in these activities during the financial year.

The Company is a public limited liability company, incorporated on 4 October 2007 under the Companies Act, 1965 and Insurance Act, 1996 and domiciled in Malaysia. The registered office and principal place of business of the Company are located at Level 29, Menara AIA, 99 Jalan Ampang, 50450 Kuala Lumpur and Menara AIA, 99 Jalan Ampang, 50450 Kuala Lumpur respectively.

The immediate holding company of the Company is AIA Company Limited (formerly known as American International Assurance Company Limited), whose ultimate holding company is AIA Group Limited, a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited.

The financial statements are authorised for issue by the Board on 18 February 2013.

### 2 SIGNIFICANT ACCOUNTING POLICIES

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

#### 2.1 Basis of preparation

The financial statements of the Group and of the Company are prepared under the historical cost convention, except as disclosed in the summary of significant accounting policies and comply with Financial Reporting Standards in Malaysia ("FRS"), being the Malaysian Accounting Standards Board (“MASB”) Approved Accounting Standards in Malaysia for Entities Other than Private Entities as modified by the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM") pursuant to the Insurance Act, 1996 and comply with the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with FRS, being the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities as modified by the Guidelines on Financial Reporting for Insurers issued by BNM pursuant to the Insurance Act, 1996 requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise judgment in the process of applying the Company’s accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual result may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2.4.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies

#### (a) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

Non-controlling interests are presented within equity and represent the portion of profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. Non-controlling interests are measured at the non-controlling interests' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and their share of change in the subsidiaries' equity since that date. Acquisition and disposal of non-controlling interests are treated as transactions between equity holders.

Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries’ accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (a) Basis of consolidation (continued)

##### (ii) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the Group's financial statements using the equity method of accounting and are initially recognised at cost. Under the equity method, the investment in associates is carried in the Group's Statement of Financial Position at cost adjusted for post-acquisition changes in the Group’s share of net assets of the associate. The Group’s share of its associates' post-acquistion profit is recognised in the Group's Income Statement and its share of post acquisition movement in other comprehensive income is recognised in the Group's Statement of Comprehensive Income.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associates are eliminated to the extent of the Group’s interest in the associates. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group’s net investment in the associates. The associates are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associates.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group’s share of the net fair value of the associate’s identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group’s share of the associate’s profit or loss in the period in which the investment is acquired.

When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group’s net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

**(a) Basis of consolidation (continued)**

**(ii) Associates (continued)**

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not consistent with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements up to the end of the accounting period. Uniform accounting policies are adopted for transactions and events in similar circumstances.

**(b) Investment in subsidiaries and associates under the Company's separate financial statements**

In the Company's separate financial statements, investments in subsidiaries and associates are stated at cost less impairment losses. Income from investment in associates is recognised in the Income Statement to the extent of dividends received subsequent to the date of acquisition.

**(c) Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statements during the financial year in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the original assessed standard of performance of the existing asset will flow to the Group.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (c) Property, plant and equipment and depreciation (continued)

The residual values, useful life and depreciation method are reviewed and adjusted, if applicable, at each date of the Statement of Financial Position. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain and loss on disposal of an asset is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the Income Statements.

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land, which considered as finance lease, is depreciated over its remaining lease term. Major building improvements are depreciated over the shorter of the remaining useful lives of the related assets or 10 years. Depreciation of other property and equipment is calculated using the straight-line method to allocate cost less any residual value over the estimated useful life, as summarised as follows :

| | |
|---|---|
| Leasehold land | 799 – 999 years |
| Buildings | 30 years |
| Furniture, fixtures and fittings | 5 – 10 years |
| Office equipment | 2 – 5 years |
| Motor vehicles | 5 years |

#### (d) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

The depreciation policy for investment properties are in accordance with that for depreciable property, plant and equipment as described in Note 2.2(c).

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Income Statements in the financial year in which they arise.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each date of Statement of Financial Position. The amortisation expense on intangible assets with finite lives is recognised in the Income Statements.

Gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Income Statements when the asset is derecognised.

**Software**

The cost of acquired computer software licenses 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 life, generally not exceeding a period of 5 years.

The cost of significant development of knowledge-based software and computer application to meet the unique requirements of the insurance/takaful business is capitalised and recognised as an intangible asset in accordance with FRS 138. The Group establishes that these development costs will generate economic benefits beyond one year and are associated with identifiable software applications controlled by the commissioning, on a straight-line basis over its useful economic life. The carrying amount is assessed for impairment when there is an indication of impairment.

**Bancassurance distribution rights**

The exclusive bancassurance agreement provides the Group with an exclusive right to use the bancassurance network of a bank. The agreement fee is amortised over its useful life using the straight-line method. The carrying amount is assessed for impairment when there is an indication of impairment.

**Membership fees**

The membership fees are in relation to club membership subscription. The membership fees with finite lives are amortised over its useful life using the straight-line method and those with infinite lives are subject to impairment test.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (f) Impairment of non-financial assets

Property, plant and equipment, investment properties, intangible assets and other non-financial 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. An impairment loss is recognised to the extent that the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's net selling price and value in use. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit.

An impairment loss is charged to the Income Statements. Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the Income Statements immediately.

#### (g) Financial assets and financial liabilities

The Group classifies its financial assets into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables ("LAR"), held to maturity ("HTM") and available-for-sales ("AFS"). The classification depends on the purpose for which the financial assets were acquired or originated. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

The significant accounting policies by the categories above are as follow:

**<u>FVTPL</u>**

Financial assets at FVTPL comprise two sub-categories:

- financial assets designated at fair value through profit or loss; and
- financial assets held for trading, including derivatives not designated as hedges

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of significant accounting policies (continued)**

**(g) Financial assets and financial liabilities (continued)**

**FVTPL (continued)**

The Group designates financial assets at FVTPL if this eliminates a measurement inconsistency or if the related assets and liabilities are actively managed on a fair value basis, including:

- financial assets held to back investment-linked contracts and participating funds; and
- other financial assets managed on a fair value basis; consisting of the Group's equity portfolio and investments held by the Group's fully consolidated investment-linked fund.

Financial assets at FVTPL are initially recorded at fair value. Subsequent to initial recognition, financial assets at FVTPL are remeasured at fair value. Fair value adjustments and realised gain and losses on de-recognition are recognised in the Income Statements. Transaction costs in respect of financial assets at FVTPL are expensed as they are incurred.

Fair value changes of financial assets at FVTPL are analysed between change resulting from foreign currency fluctuation and other fair value changes. Foreign currency fluctuation and other fair value changes are included under other operating income/(expense) and fair value gains/(losses) in the Income Statements respectively.

Dividend income from equity instruments designated at fair value through profit or loss is recognised as investment income in the Income Statements, generally when the security becomes ex-dividend or the right to receive payment is establised. Interest income is recognised in the Income Statements using effective interest method.

**LAR**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those the Group intends to sell in the short term or that it has designated as FVTPL. They are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest rate method less any impairment losses.

Interest income from loans and receivables is recognised in the Income Statements using the effective interest rate method. Gains and losses are recognised in the Income Statements when the investments are derecognised or impaired, as well as through the amortisation process.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (g) Financial assets and financial liabilities (continued)

**<u>AFS</u>**

Financial assets, other than those at FVTPL, LAR and HTM, are classified as AFS. AFS category is used where the relevant investments backing insurance and investment contract liabilities and shareholders' equity are not managed on a fair value basis. These principally consist of the Group's debt securities (other than those backing participating funds and investment-linked contracts). AFS financial assets are initially recognised at fair value plus attributable transaction costs. For AFS debt securities, the difference between their cost and par value is amortised. AFS financial assets are subsequently measured at fair value.

Interest income from debt securities classified as AFS is recognised in the Income Statements using the effective interest method.

Unrealised gains and losses on securities classified as AFS are analysed between differences resulting from foreign currency translation, and other fair value changes. Foreign currency translation differences on monetary AFS investments, such as debt securities, and impairment of AFS financial assets are recognised under other operating income/(expense) in the Income Statements.

Changes in the fair value of securities classified as AFS, except for impairment losses and relevant foreign exchange gains and losses, are recorded in a separate fair value reserve within equity for the non-life insurance/non-family takaful business or life insurance/family takaful contract liabilities for the life insurance/family takaful business.

On derecognition, the cumulative fair value gains and losses previously reported in equity or life insurance/family takaful contract liabilities are transferred to the Income Statements.

<u>Financial Liabilities</u>

All financial liabilities are initially recorded at fair value. Subsequent to initial recognition, financial liabilities are carried at amortised cost using effective interest rate method.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (h) Fair value of financial instruments

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, having regard to the specific characteristics of the asset or liability concerned, assuming that the transfer takes place in the most advantageous market to which the Group has access. The fair values of financial instruments traded in active markets (such as financial instruments at FVTPL and AFS) are based on quoted market prices at the date of the Statement of Financial Position. The quoted market price used for financial assets held by the Group is the current bid price. The fair values of financial instruments that are not traded in active markets are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions at the date of each Statement of Financial Position. The objective of using a valuation technique is to estimate the price at which an orderly transaction would take place between market participants at the date of the Statement of Financial Position.

The degree of judgment used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value i.e. the cost of the deposits/placements and accrued interest/profits.

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

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of significant accounting policies (continued)**

**(i) Impairment of financial assets**

**General**

Financial assets are assessed for impairment on a regular basis. A financial asset is impaired if its carrying value exceeds the estimated recoverable amount and there is objective evidence of impairment to the financial asset. The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset, or group of financial assets, is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset, or group of assets, is impaired includes observable data that comes to the attention of the Group about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data, including market prices, indicating that there is a potential decrease in the estimated future cash flows since the initial recognition of those assets, including:
    - adverse changes in the payment status of issuers
    - national or local economic conditions that correlate with increased default risk.

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

**AMERICAN INTERNATIONAL ASSURANCE BHD.**
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of significant accounting policies (continued)**

**(i) Impairment of financial assets (continued)**

**Financial assets carried at amortised cost**

For financial assets carried at amortised cost, impairment is considered to have taken place if it is probable that the Group will not be able to collect principal and/or interest due according to the contractual terms of the instrument. When impairment is determined to have occurred, the carrying amount is decreased through a charge to the Income Statements. The carrying amount of mortgage loans or receivables is reduced through the use of an allowance account, and the amount of any allowance is recognised as an impairment loss in the Income Statements.

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 the Income Statements, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

**AFS financial assets**

When a decline in the fair value of an AFS financial asset has been recognised in shareholders' equity or separate fair value reserve in life insurance/family takaful contract liabilities and there is objective evidence that the financial asset is impaired, the cumulative loss already recognised directly in shareholders' equity or life insurance/family takaful contract liabilities is recognised in current period Income Statements. The Group generally considers an AFS debt security for evidence of impairment when it is identified as credit impaired. In the absence of any other evidence of credit impairment, a debt security would be assessed for impairment when there is a significant decline in fair value.

If the fair value of a debt security classified as AFS increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognised in Income Statements, the impairment loss is reversed through Income Statements.

Where, following the recognition of an impairment loss in respect of an AFS debt security, the financial asset suffers further falls in value, such further falls are recognised as an impairment only in the case when objective evidence exists of a further impairment event to which the losses can be attributed.

**(j) Derecognition of financial assets**

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (k) Equity instruments

**Ordinary share capital**

Issued capital represents the nominal value of shares issued plus any share premium received from the issue of share capital, if any. Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the issue.

**Dividends on ordinary share capital**

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the date of Statement of Financial Position. A dividend proposed or declared after the date of Statement of Financial Position, but before the financial statements are authorised for issue, is not recognised as a liability at the date of Statement of Financial Position but as an appropriation from retained earnings to a "proposed dividend reserve". Upon the dividend becoming payable, it will be accounted for as a liability.

#### (l) Repurchase agreement

Obligations on securities sold under repurchase agreements are securities which have been sold from the Group's portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligation to repurchase the securities are reflected as a liability on the Statements of Financial Position.

The securities sold under repurchase agreements are treated as pledged assets and are not derecognised from the Statements of Financial Position.

#### (m) Product classification

Insurance/takaful contracts are those contracts that transfer significant insurance/takaful risk. These contracts may also transfer financial risk. Significant insurance/takaful risk is defined as the possibility of paying significantly more in a scenario where the insured/takaful event occurs than in a scenario in which it does not. Scenarios considered are those with commercial substance.

Investment contracts are those contracts without significant insurance/takaful risk. Once a contract has been classified as an insurance/takaful or investment contract, no reclassification is subsequently performed unless the terms of the agreement are later amended.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (m) Product classification (continued)

Certain contracts with discretionary participation features ("DPF") supplement the amount of guaranteed benefits due to policyholders/certificateholders. These contracts are distinct from other insurance/takaful and investment contracts as the Group has discretion in the amount and/or timing of the benefits declared, and how such benefits are allocated between groups of policyholders/certificateholders. Customers may be entitled to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Group; 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 issuer; or
  - the Income Statement of the Company, fund or other entity that issues the contract.

At least 90% of surpluses in the DPF funds must be distributed to the policyholders as a group in accordance with the relevant terms under the Insurance Act, 1996. The Group has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance contract liabilities.

Certain derivatives embedded in insurance contracts are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the Income Statements.

The Group does not separately measure embedded derivatives that meet the definition of an insurance contract or embedded options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). All other embedded derivatives are separated and carried at fair value if they are not closely related to the host insurance contract and meet the definition of a derivative.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (m) Product classification (continued)

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

The recognition and measurement of life insurance/family takaful contracts and general insurance contracts are set out in Note 2.2(n) and 2.2(o) respectively.

#### (n) Life insurance/family takaful contracts

**<u>Gross premium/contribution</u>**

Premium/contribution income includes premium/contribution recognised in the ordinary life/family takaful and investment-linked business. Gross premium/contribution is recognised as soon as the amount of the premium/contribution can be reliably measured. First premium/contribution is recognised from inception date and subsequent premium/contribution is recognised when it is due.

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

Premium/contribution income of investment-linked business is in respect of the net creation of units which represents premiums/contributions paid by policyholders/certificate holders as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on a receipt basis.

**<u>Commission and agency expenses of life insurance business</u>**

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies are charged to the Income Statements in the year in which they are incurred.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (n) Life insurance/family takaful contracts (continued)

**Management expenses, commission expenses and wakalah fee of family takaful business**

Acquisition costs, commissions and management expenses are borne by the Family Takaful fund at an agreed percentage of the gross contribution, in accordance with the principles of Wakalah as approved by the Shariah Committee of the subsidiary engaged in the takaful business and agreed between the participants and the subsidiary. These expenses are allocated to the shareholders' fund via wakalah fee and recognised as income by the shareholders' fund upon issuance of certificates.

At each reporting date, the Group estimates its net future expense cash flow required on the maintenance of the family takaful fund. If the estimate shows that there is deficiency in the net future expense cash flow, the deficiency is immediately charged to the Income Statements with a corresponding credit to a provision of expense liabilities.

**Benefits, claims and expenses**

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

Benefits and claims arising on life insurance policies/family takaful certificates, including settlement costs, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy/family takaful certificate are recognised as follows:

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

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

(iii) benefits payable under investment-linked business include net cancellation of units and are recognised as surrender; and

(iv) bonus on DPF policy upon declaration.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (n) Life insurance/family takaful contracts (continued)

**Life insurance contract liabilities**

Life insurance contract liabilities comprise (i) claims liabilities, (ii) actuarial liabilities, (iii) unallocated surplus, (iv) AFS fair value reserves and (v) net asset value attributable to unit holders.

**(i) Claim liabilities**

Claims liabilities represent the amounts payable under a life insurance policy in respect of claims including settlement costs, and are accounted for using the case-by-case method as set out above under benefits, claims and expenses.

**(ii) Actuarial liabilities**

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

Actuarial liabilities are valued, where appropriate by using a prospective actuarial valuation based on the sum of the present value of future guaranteed and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate.

The expected future cash flows are determined using best estimate assumptions. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is provided for in the valuation of non-participating policies and non-unit liabilities of investment-linked policies, and in the valuation of participating policies on guaranteed benefits only.

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

In the case of a life policy where the future premiums are indeterminate, the reserve is determined as the higher of the gross premium valuation (“GPV”) reserve or the accumulated amount, plus the unearned cost of insurance. The GPV calculation includes assumptions regarding the pattern of premium payments as the product has a flexible premium nature. In this regard, assumptions are made on the proportion of policyholders taking premium holidays in future.

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

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of significant accounting policies (continued)**

**(n) Life insurance/family takaful contracts (continued)**

**Life insurance contract liabilities (continued)**

**(ii) Actuarial liabilities (continued)**

The valuation of the non-unit liability is conducted for each investment-linked policy by a cash flow projection. The liability in respect of the non-unit component of an investment-linked policy is valued by projecting future cash flows to ensure that all future outflows can be met without recourse to additional finance or capital support at any future time during the duration of the investment-linked policy.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the reserves shall be the higher of the current accumulated amount, or the sum of the current accumulated amount and a reserve calculated on the net cash flows. These cash flows shall, where appropriate, be determined by considering the projected future values of the accumulated amount, at the relevant confidence level.

The actuarial liabilities are derecognised when the insurance contract expires, is discharged or is cancelled.

Adjustments to the actuarial liabilities at each reporting date are recorded in the Income Statements.

The liability adequacy test has been in-built in the valuation of actuarial liabilities and hence no separate assessment is carried out.

**(iii) Unallocated surplus**

Surpluses of contracts with DPF are attributable to policyholders and shareholders and the amount and timing of the distribution to both the policyholders and shareholders are determined by an actuarial valuation of the long term liabilities to policyholders at the date of Statement of Financial Position is made in accordance with the provision of the Insurance Act, 1996 and related regulation by the Group's Appointed Actuary.

Surpluses of contract without DPF are attributable wholly to the shareholders and the amount and timing of the distribution to the shareholders is subject to the recommendation of the Group's Appointed Actuary.

As required by Guidelines on Financial Reporting Standards for Insurers issued by BNM, unallocated surplus of both contracts with DPF and without DPF where the amount are yet to be allocated or distributed to either policyholders or shareholders by the end of the financial year, are held within the insurance contract liabilities.

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of significant accounting policies (continued)**

**(n) Life insurance/family takaful contracts (continued)**

**Life insurance contract liabilities (continued)**

**(iv) AFS fair value reserves**

Fair value gains and losses of AFS financial assets of the Life Insurance business are reported as a separate component of insurance contract liabilities until the AFS financial assets are derecognised or the financial assets are determined to be impaired.

As required by Guidelines on Financial Reporting Standards for Insurers issued by BNM, AFS fair value reserves are held within the insurance contract liabilities.

**(v) Net asset value attributable to unit holders**

The unit liability of investment-linked policy is equal to the net asset value of the investment-linked funds, which represents net premium received and investment returns credited to the policy less deduction for mortality and mobility costs and expense charges.

**<u>Family takaful contract liabilities</u>**

Family takaful contract liabilities comprise (i) claims liabilities, (ii) actuarial liabilities, (iii) AFS fair value reserves, (iv) foreign currency translation reserves, (v) net asset value attributable to certificate holders and (vi) net asset value attributable to participants.

**(i) 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 set out above under benefits, claims and expenses.

**(ii) Actuarial liabilities**

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.

Actuarial liabilities are valued, where appropriate by using a prospective actuarial valuation based on the sum of the present value of future gross benefits (with investment returns net of tax), less the present value of future gross tabarru' arising from the certificate discounted at the appropriate risk discount rate plus unearned tabarru'.

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of significant accounting policies (continued)**

**(n) Life insurance/family takaful contracts (continued)**

**Family takaful contract liabilities (continued)**

**(ii) Actuarial liabilities (continued)**

The expected future cash flows are determined using best estimate assumptions after taking into account of all future contractual cash flows and investment returns net of tax from assets backing such liabilities. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is provided for in the valuation.

The actuarial liabilities are derecognised when the takaful contract expires, is discharged or is cancelled.

Adjustments to the actuarial liabilities at each reporting date are recorded in profit or loss of Takaful fund.

The liability adequacy test has been in-built in the valuation of actuarial liabilities and hence no separate assessment is to be carried out.

**(iii) AFS fair value reserves**

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.

**(iv) Foreign currency translation reserves**

All resulting foreign exchange differences arising from the translation of financial information of the Family Takaful business from functional currency to presentation currency are reported as separate component of the family takaful contract liabilities.

**(v) Net asset value attributable to certificate holders**

The unit liability of investment-linked certificate is equal to the net asset value of the investment-linked funds, which represents net contribution received and investment returns credited to the certificate less deduction for tabarru' charge and wakalah fee.

**(vi) Net asset value attributable to participants**

Net asset value represents contributions received and investment surplus credited to the policy less deduction for mortality and morbidity cost and expense charges.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (o) General insurance contracts

**Gross premium**

Gross premium income is recognised in the period in respect of risks assumed during that particular period.

**Acquisition costs and deferred acquisition costs ("DAC")**

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

Commission costs are deferred to the extent that these cost are recoverable out of future premium. All other acquisition costs are charged to the Income Statements in the period in which they are incurred.

Subsequent to initial recognition, these costs are amortised on a straight-line basis based on the terms of expected future premiums. Amortisation is recognised in the Income Statements.

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 the Income Statements.

DAC is also considered in the liability adequacy test for each accounting period. DAC is derecognised when the related contracts are either settled or disposed of.

For presentation purposes, DAC is netted against premium liabilities in the financial statements.

**Claims and expenses**

Claims and loss adjustment expenses are charged to the Income Statements as incurred based on the estimated liabilities for compensation owed to policyholders or third parties damaged by the policyholders. They include direct and indirect claims settlements 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 Group.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (o) General insurance contracts (continued)

**<u>General insurance contracts liabilities</u>**

General insurance contracts liabilities are recognised when contracts are entered into and premiums are charged. These liabilities comprise of (i) unearned premium reserves and (ii) claims liabilities.

**(i) Unearned Premium Reserves**

The Unearned Premium Reserves ("UPR") represents the portion of the net premiums of insurance policies written that relate to the unexpired periods of policies at the end of the year. In determining the UPR at the date of Statement of Financial Position, the method that most accurately reflects the actual unearned premiums is used as follows:

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

(ii) 1/24th method for all other classes of Malaysian policies; and

(iii) time apportionment method for non-annual policies.

At each reporting date, the Group reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premium. 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 insurance technical provisions and a Provision of Risk Margin for Adverse Deviation (“PRAD”) calculated at the overall fund level. The current estimate of future contractual cash flow is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer’s expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and shall allow for expected future premium refunds.

If these estimates show that the carrying amount of the unearned premium less related deferred acquisition costs is inadequate, the deficiency is recognised in the Income Statements by setting up a provision for liability adequacy.

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of significant accounting policies (continued)**

**(o) General insurance contracts (continued)**

**General insurance contracts liabilities (continued)**

**(ii) Claims liabilities**

Claims liabilities are determined based on the estimated ultimate cost of all claims incurred but not settled at the date of Statement of Financial Position, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the date of Statement of Financial Position.

The liabilities are calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions at best estimate and a PRAD calculated at the overall fund level. The liabilities are 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.

The liability adequacy test has been in-built in the estimation of claims liabilities and hence no separate assessment is carried out.

**(p) Reinsurance/retakaful**

The Group cedes reinsurance/retakaful in the normal course of business, with retentions varying by line of business. The cost of reinsurance/retakaful is accounted for over the life of the underlying reinsured policies/retakaful contracts, using assumptions consistent with those used to account for such policies/contracts.

Premiums/contributions ceded and claims reimbursed are recognised in the same accounting period as the original policy/contract in which the reinsurance/retakaful relates, and are presented on a gross basis in the Income Statements and Statements of Financial Position.

Fee income derived from reinsurers/retakaful operators in the course of reinsurance/retakaful are credited to the Income Statements in the financial year in which they are earned.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (p) Reinsurance/retakaful (continued)

Reinsurance/retakaful assets consist of amounts receivable in respect of ceded insurance/takaful liabilities. Amounts recoverable from reinsurers/retakaful operators are estimated in a manner consistent with the reinsured insurance/takaful's contract or investment contract liabilities or benefits paid and in accordance with the relevant reinsurance contract/retakaful contract.

To the extent that reinsurance/retakaful contracts principally transfer financial risk (as opposed to insurance risk), they are accounted for directly through the Statements of Financial Position and are not included in reinsurance/retakaful assets or liabilities. A deposit asset or liability is recognised, based on the consideration paid or received less any explicitly identified premiums/contributions or fees to be retained by the reinsured/takaful operator.

If a reinsurance/retakaful asset is impaired, the Group reduces the carrying amount accordingly and recognises that impairment loss in the Income Statements. A reinsurance/retakaful asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance/retakaful asset, that the Group may not receive all amounts due to it under the terms of the contract, and the impact on the amounts that the Group will receive from the reinsurer/retakaful operator can be reliably measured.

The Company also assumes reinsurance risk in the normal course of business for general insurance contracts when applicable.

Premiums and claims on assumed facultative reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Premiums, claims and other transactions costs on assumed treaty reinsurance are accounted for upon notification by the ceding companies or upon receipt of the statements of accounts.

#### (q) Insurance/takaful receivables

Insurance/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, insurance/takaful receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that the insurance/takaful receivable is impaired, the Group reduces the carrying amount of the insurance/takaful receivable accordingly and recognises that impairment loss in the Income Statements. The Group gathers the objective evidence that an insurance/takaful receivables is impaired using the same process adopted for financial assets carried at amortised cost. These processes are described in Note 2.2(i).

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of significant accounting policies (continued)**

**(r) Other financial liabilities and insurance payables**

Other 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.

**(s) Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each date of Statement of Financial Position and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

**(t) Cash and cash equivalents**

Cash and cash equivalents consist of cash in hands, deposits held at call with financial institutions with original maturities of three months or less. It excludes deposits which are held for investment purposes. The Group classifies the cash flows for the purchase and disposal of investments in financial assets in its operating cash flows as the purchases are funded from the cash flows associated with the origination of insurance/takaful contracts, net of the cash flows for payments of insurance/takaful benefits and claims benefits.

**(u) Leases**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of lands are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purpose of lease classification.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (v) Employee benefits

**(i) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increases their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**(ii) Post retirement benefit obligations**

**Defined contribution plans**

As required by law, the Group makes contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the Income Statements as incurred. Once the contributions have been paid, the Group has no further payment obligations.

**Define benefit plans**

The Group operates two unfunded post retirement employee benefit schemes, whose members receive benefits on a defined benefit basis (related to length of service). The defined benefit plans provide life and medical benefits for employees after retirement.

For defined benefit plans, the benefit obligation is calculated using the projected unit credit method by independent actuaries. Under this method, the cost of providing benefits is charged to the Income Statements so as to spread the regular cost over the service lives of employees, in accordance with the advice of qualified actuaries. The obligation is measured as the present value of the estimated future cash outflows, using a discount rate based on government bond yield that have terms to maturity approximating the terms of the related liability. The resulting scheme surplus or deficit appears as an asset or liability in the Statements of Financial Position.

For each plan, the Group recognises a portion of its actuarial gains and losses in the Income Statements if the unrecognised actuarial net gain or loss at the end of the previous reporting period exceeds the greater of :

- 10% of the projected benefit obligations at that date; or
- 10% of the fair value of any plan assets at that date.

Any recognised actuarial net gain or loss exceeding the greater of these two values is generally recognised in the Income Statements over the expected average remaining service period of the employees participating in the plans.

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of significant accounting policies (continued)**

**(v) Employee benefits (continued)**

**(iii) Share-based compensation plans**

AIA Group Limited ("AIAGL") launched a number of share-based compensation plans, under which the Company receives services from the employees, directors and officers as consideration for the shares and/or options of AIAGL. These share-based compensation plans comprise the Share Option Scheme ("SO Scheme"), the Restricted Share Unit Scheme ("RSU Scheme"), and the Employee Share Purchase Plan ("ESPP").

The AIA Group's share compensation plans offered to the Group's employees are equity-settled plans. Under the equity-settled share-based compensation plan, the fair value of the employee services received in exchange for the grant of AIAGL's shares and/or options is recognised as an expense in the Income Statements over the vesting period with a corresponding amount recorded in equity for the non-life insurance/non-family takaful business or life insurance/family takaful contract liabilities for the life insurance/family takaful business. Any amounts recharged from AIAGL related to equity-settled share-based payment arrangements are offsetted against the amounts recorded in equity for the non-life insurance/non-family takaful business or life insurance/family takaful contract liabilities for the life insurance/family takaful business.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share and/or options granted. Non-market vesting conditions are included in assumptions for the number of shares and/or options that are expected to be vested. At each period end, the Group revises its estimates of the number of shares and/or options that are expected to be vested. Any impact of the revision to original estimates is recognised in Income Statements with a corresponding adjustment to equity. Where awards of share-based payment arrangements have graded vesting terms, each tranche is recognized as a separate award, and therefore the fair value of each tranche is recognised over the applicable vesting period.

The Group estimates the fair value of options using a binomial lattice model. This model requires inputs such as share price, implied volatility, risk free interest rate, expected dividend rate and the expected life of the option.

Where modification or cancellation of an equity-settled share-based compensation plan occurs, the grant date fair value continues to be recognised, together with any incremental value arising on the date of modification if non-market conditions are met.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (w) Foreign currency

**(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the consolidated financial statements are presented in thousands of Ringgit Malaysia ("RM"), which is the Group's presentation currency.

**(ii) Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statements.

Translation differences on non-monetary items carried at fair value are translated at the rates prevailing on the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not re-translated.

**(iii) Operation denominated in functional currency other than Ringgit Malaysia**

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

(i) equity items are translated at their respective historical rate,

(ii) assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;

(iii) income and expenses for each Income Statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iv) all resulting exchange differences are recognised as a separate component of equity under the foreign currency translation reserve except for that of the family takaful business, such exchange differences are reported as a separate component of family takaful contract liabilities under the foreign currency translation reserve.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of significant accounting policies (continued)

#### (x) Taxation

Income tax on the Income Statements 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 for the financial year and is measured using the tax rates that have been enacted at the date of Statement of Financial Position.

In addition to paying tax on shareholders' profit, life insurance/family takaful business pay tax on policyholders'/certificate holders' investment returns at a tax rate of 8%. Tax on policyholders'/certificate holders is recognised as an expense and disclosed separately under taxation of life insurance fund/family takaful business in the Income Statements.

Deferred tax is provided for, using the liability method, on temporary differences at the date of Statement of Financial Position between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the date of Statement of Financial Position. Deferred tax is recognised in the Income Statements, except when it arises from a transaction which is recognised in other comprehensive income or directly in equity or directly in the life insurance/family takaful contract liabilities, in which case the deferred tax is also charged or credited in other comprehensive income or directly in equity or life insurance/family takaful contract liabilities.

#### (y) Other revenue recognition

##### (i) Rental income

Rental income is recognised on accruals basis.

##### (ii) Gains and losses on disposal of investments

Gains and losses on disposal of investments are arrived at after accounting for cost of investments and credited or charged to the Income Statements. Cost is determined by specific identification.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Changes in accounting policies and effects arising from adoption of revised Financial Reporting Standards (FRS)

**(a) Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Group's financial year beginning on or after 1 December 2011**

On 1 December 2011, the Group adopted the following revised FRSs, amendments to FRSs and Interpretations of the Issues Committee ("IC interpretations") issued by the Malaysian Accounting Standards Board ("MASB"):

| Amendments to FRSs | | Effective date |
|---|---|---|
| FRS 1 | Limited Exemptions from Comparatives FRS 7 Disclosures for First-time Adopters | 1 January 2011 |
| FRS 1 | Additional Exemptions for First-time Adopters | 1 January 2011 |
| FRS 2 | Group Cash-settled Share-based Payment Transactions | 1 January 2011 |
| FRS 7 | Improving Disclosures about Financial Instruments | 1 January 2011 |

Improvements to FRS

| | | |
|---|---|---|
| FRS 3, FRS 7, FRS 101, FRS 121, FRS 128, FRS 132, FRS 139 | Improvements to FRSs (2010) | 1 January 2011 |

IC Interpretations ("IC INT")

| | | |
|---|---|---|
| IC INT 4 | Determining whether an Arrangement contains a Leases | 1 January 2011 |
| IC INT 18 | Transfers of assets from customers | 1 January 2011 |
| IC INT 19 | Extinguishing financial liabilities with equity instrument | 1 July 2011 |

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Changes in accounting policies and effects arising from adoption of revised Financial Reporting Standards (FRS) (continued)

**(a) Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Group's financial year beginning on or after 1 December 2011 (continued)**

The adoption of the above Amendments to FRS, Improvement to FRSs and IC INT did not have any significant effect on the financial performance or position of the Group, except for Amendment to FRS 7: Improving Disclosures about Financial Instruments.

Disclosures on fair value and liquidity have been enhanced upon the adoption of this amendment. In particular, financial instruments measured at fair value are disclosed by class in a three-level fair value measurement hierarchy, with specific disclosures related to transfers between levels in the hierarchy and detailed disclosures on level three of the fair value hierarchy. The adoption of this amendment resulted in additional disclosures but did not have any financial impact to the Group.

**(b) Standards, amendments to published standards and interpretations to existing standards that are relevant to the Group but not yet effective and have not been early adopted**

In the next financial year, the Group will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards (“MFRS”). In adopting the new framework, the Group will be applying MFRS 1 “First-time adoption of MFRS”.

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

<u>Financial year beginning on/after 1 December 2012</u>

- 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.

- 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.

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3 Changes in accounting policies and effects arising from adoption of revised Financial Reporting Standards (FRS) (continued)**

**(b) Standards, amendments to published standards and interpretations to existing standards that are relevant to the Group but not yet effective and have not been early adopted (continued)**

<u>Financial year beginning on/after 1 December 2013</u>

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

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

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

- The revised MFRS 127 "Separate financial statements" (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

- Amendment to MFRS 101 "Presentation of items of other comprehensive income" (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' (OCI) in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3 Changes in accounting policies and effects arising from adoption of revised Financial Reporting Standards (FRS) (continued)**

**(b) Standards, amendments to published standards and interpretations to existing standards that are relevant to the Group but not yet effective and have not been early adopted (continued)**

Financial year beginning on/after 1 December 2013 (continued)

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

Financial year beginning on/after 1 December 2015

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

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

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Changes in accounting policies and effects arising from adoption of revised Financial Reporting Standards (FRS) (continued)

#### (c) Guidelines issued by BNM which are applicable to the Group for the financial year beginning on/after 1 December 2012

In the current financial year, the classification of unallocated surplus and AFS reserves of all life insurance contracts without discretionary participating features (referred to as "Non Par") of the Group as liabilities is made in accordance with the Guidelines issued by BNM and is a modification to FRSs which had been approved by BNM under Section 90 of the Insurance Act 1996.

The Non Par Fund unallocated surplus and AFS reserves of the Group as liabilities is made in accordance with the Guidelines issued by BNM and is a modification to FRSs which had been approved by BNM under Section 90 of the Insurance Act 1996.

In accordance with the revised Guidelines issued by BNM that prescribe the alignment of accounting treatment to that of MFRS, the Non Par Fund unallocated surplus and AFS reserves do not meet the definition of liabilities and shall be accounted for as equity in the financial statements.

Accordingly, the Group has adopted the above revised Guideline and changed its accounting policy on the treatment of unallocated surplus and AFS reserve of its Non Par Fund. The expected effects to the Statements of Financial Position and Income Statements are as follow:

**Statements of Financial Position**

| **At 30 November 2011** | **As reported under "FRS"** | **Adjustment** | **As reported under "MFRS"** |
|---|---|---|---|
| **Group** | **RM'000** | **RM'000** | **RM'000** |
| Insurance contract liabilities | 16,960,953 | (1,290,369) | 15,670,584 |
| Deferred tax liabilities | 95,348 | 248,060 | 343,408 |
| AFS reserve | 18,972 | 102,172 | 121,144 |
| Retained earnings | 214,784 | 940,137 | 1,154,921 |
| | | | |
| **Company** | | | |
| Insurance contract liabilities | 16,928,561 | (1,290,369) | 15,638,192 |
| Deferred tax liabilities | 91,688 | 248,060 | 339,748 |
| AFS reserve | 18,143 | 102,172 | 120,315 |
| Retained earnings | 217,857 | 940,137 | 1,157,994 |

**AMERICAN INTERNATIONAL ASSURANCE BHD.**
**(Incorporated in Malaysia)**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3 Changes in accounting policies and effects arising from adoption of revised Financial Reporting Standards (FRS) (continued)**

**(c) Guidelines issued by BNM which are applicable to the Group for the financial year beginning on/after 1 December 2012 (continued)**

**Statements of Financial Position (continued)**

| At 30 November 2012 | As reported under "FRS" | Adjustment | As reported under "MFRS" |
|---|---|---|---|
| **Group** | **RM'000** | **RM'000** | **RM'000** |
| Insurance contract liabilities | 18,338,913 | (1,352,237) | 16,986,676 |
| Deferred tax liabilities | 118,017 | 262,583 | 380,600 |
| AFS reserve | 20,802 | 106,172 | 126,974 |
| Retained earnings | 249,447 | 983,482 | 1,232,929 |
| **Company** | | | |
| Insurance contract liabilities | 18,243,620 | (1,352,237) | 16,891,383 |
| Deferred tax liabilities | 112,512 | 262,583 | 375,095 |
| AFS reserve | 19,141 | 106,172 | 125,313 |
| Retained earnings | 269,709 | 983,482 | 1,253,191 |

**Income Statements**

| 30 November 2012 | | | |
|---|---|---|---|
| **Group** | | | |
| Gross change to insurance/takaful contract liabilities | (1,391,301) | 56,598 | (1,334,703) |
| Taxation | (72,243) | (13,253) | (85,496) |
| Profit for the financial year | 280,474 | 43,345 | 323,819 |
| **Company** | | | |
| Gross change to insurance contract liabilities | (1,328,398) | 56,598 | (1,271,800) |
| Taxation | (70,889) | (13,253) | (84,142) |
| Profit for the financial year | 301,852 | 43,345 | 345,197 |

Other than above, the Group is yet to assess the full impact of these new standards on its Statements of Financial Position and Income Statements; however, they may have a material impact on the Statement of Financial Position or Income Statements of the Group and require additional disclosures.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Critical accounting estimates and judgements in applying accounting policies

In the preparation of the financial statements, management has made judgements and estimates in applying accounting policies in respect of the reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the judgements made by management that have the most significant effect on the amount recognised in the financial statements:

**Key sources of estimation uncertainty**

**(a) Future policy benefits for life business and accident & health contracts, and medical plans with coverage more than one year under general business**

There are several sources of uncertainty in the estimation of liabilities, including future mortality and morbidity, withdrawals, expenses and discount rates. In developing the operating assumptions, management has utilised the Company's actual historical experience wherever available. For certain products where experience is limited, experience for similar products or pricing assumptions has been used.

Prescribed risk-free discount rates are used for discounting of cash flows to value Ringgit Malaysia denominated liabilities of non-participating life policies, the guaranteed liabilities under participating policies and the non-unit liabilities of investment-linked policies. The risk-free discount rate was based on a weighted average of zero-coupon spot yields of Malaysian Government Securities ("MGS").

For Australian Dollar-denominated non-participating life policies, the discount rate is based on a weighted average zero-coupon yield of Australian government securities.

Where total guaranteed and non-guaranteed benefits of the participating life funds are considered, the discount rate assumed is the current portfolio yield graded to the long-term interest rate assumption for the participating fund.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Critical accounting estimates and judgements in applying accounting policies (continued)

**Key sources of estimation uncertainty (continued)**

**(b) Valuation of general insurance contract liabilities**

For general insurance contract, Bornheutter-Ferguson ("BF") methods are used to estimate ultimate cost of outstanding claims.

BF method basically assumes that the claim experience for an accident year will produce a particular loss ratio and adjusted with subsequent actual claim experience.

The estimates of general insurance contract liabilities are therefore sensitive to various factors and uncertainties. These uncertainties may arise from changes in expected loss ratio used for each accident years and changes in average claim settlement period. Thus, the general settlement of eventual insurance contract liabilities may vary from the estimates.

**(c) Actuarial liabilities of family takaful contracts**

The estimation of the actuarial liabilities of family takaful is made in accordance with the guidelines issued by BNM.

For Shareholders’ fund, the cash flow reserves for operator fund were set up using a discounted cash flow to ensure the present value of expected future expenses payable from Shareholders’ fund in managing the family takaful fund for the full contractual obligation of the family takaful contracts can be covered by present value of expected future income.

For family takaful fund, the cash flow reserves were set up using a discounted cash flow method, with sufficient PRAD, to ensure that any future negative cash flow resulting from insufficiency of tabarru' charges to meet expected family takaful contract benefits are eliminated.

An additional unearned tabarru' reserve was set up for plans with dripping model.

Incurred but not reported (“IBNR”) reserve was set up based on average number of months of expected delayed claims.

A portion of the resulted net surplus was also set aside as reserve for family takaful fund management. In the event of a deficit in the family takaful fund in subsequent years, the reserve will be used as first charge to pay for any shortfall before the Qard Hassan is channeled from the Shareholders’ fund.

## 3 PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold land RM'000 | Leasehold land RM'000 | Buildings owner occupied properties RM'000 | Motor vehicles RM'000 | Furniture fixtures and fittings RM'000 | Office equipment RM'000 | Work in progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **At 30 November 2012** | | | | | | | | |
| **Cost** | | | | | | | | |
| At 1 December 2011 | 3,576 | 3,786 | 222,554 | 856 | 27,919 | 52,139 | 2,634 | 313,464 |
| Additions | - | - | 502 | 471 | 467 | 5,867 | 2,390 | 9,697 |
| Disposals | - | - | - | (429) | - | - | - | (429) |
| Written off | - | - | (4) | - | - | (64) | - | (68) |
| Reclassification | - | - | 788 | - | 2,144 | - | (2,932) | - |
| At 30 November 2012 | 3,576 | 3,786 | 223,840 | 898 | 30,530 | 57,942 | 2,092 | 322,664 |
| **Accumulated Depreciation** | | | | | | | | |
| At 1 December 2011 | - | 108 | 105,044 | 689 | 20,214 | 41,886 | - | 167,941 |
| Depreciation charge for the financial year (Note 28) | - | 4 | 7,911 | 174 | 3,016 | 4,628 | - | 15,733 |
| Disposals | - | - | - | (429) | - | - | - | (429) |
| Written off | - | - | (2) | - | - | (64) | - | (66) |
| At 30 November 2012 | - | 112 | 112,953 | 434 | 23,230 | 46,450 | - | 183,179 |
| **Net Book Value at 30 November 2012** | 3,576 | 3,674 | 110,887 | 464 | 7,300 | 11,492 | 2,092 | 139,485 |

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**AMERICAN INTERNATIONAL ASSURANCE BHD.**
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## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

**3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

| Group | Freehold land RM'000 | Leasehold land RM'000 | Buildings owner occupied properties RM'000 | Motor vehicles RM'000 | Furniture fixtures and fittings RM'000 | Office equipment RM'000 | Work in progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **At 30 November 2011** | | | | | | | | |
| **Cost** | | | | | | | | |
| At 1 December 2010, restated | 3,576 | 3,786 | 222,406 | 875 | 25,386 | 43,382 | - | 299,411 |
| Foreign exchange translation | - | - | - | (19) | (4) | (8) | - | (31) |
| Additions | - | - | 132 | - | 1,253 | 8,769 | 3,968 | 14,122 |
| Written off | - | - | - | - | (34) | (4) | - | (38) |
| Reclassification | - | - | 16 | - | 1,318 | - | (1,334) | - |
| At 30 November 2011 | 3,576 | 3,786 | 222,554 | 856 | 27,919 | 52,139 | 2,634 | 313,464 |
| **Accumulated Depreciation** | | | | | | | | |
| At 1 December 2010, restated | - | 104 | 97,144 | 528 | 17,754 | 38,000 | - | 153,530 |
| Foreign exchange translation | - | - | - | (9) | (3) | (8) | - | (20) |
| Depreciation charge for the financial year (Note 28) | - | 4 | 7,900 | 170 | 2,483 | 3,895 | - | 14,452 |
| Written off | - | - | - | - | (20) | (1) | - | (21) |
| At 30 November 2011 | - | 108 | 105,044 | 689 | 20,214 | 41,886 | - | 167,941 |
| **Net Book Value at 30 November 2011** | 3,576 | 3,678 | 117,510 | 167 | 7,705 | 10,253 | 2,634 | 145,523 |

**AMERICAN INTERNATIONAL ASSURANCE BHD.**
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**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)**

3 **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

| Company | Freehold land RM'000 | Leasehold land RM'000 | Buildings owner occupied properties RM'000 | Motor vehicles RM'000 | Furniture fixtures and fittings RM'000 | Office equipment RM'000 | Work in progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **As at 30 November 2012** | | | | | | | | |
| **Cost** | | | | | | | | |
| At 1 December 2011 | 3,576 | 3,786 | 222,554 | 706 | 27,920 | 51,826 | 1,766 | 312,134 |
| Additions | - | - | 502 | 581 | 338 | 5,423 | 2,390 | 9,234 |
| Disposal | - | - | - | (429) | - | - | - | (429) |
| Written off | - | - | (4) | - | - | - | - | (4) |
| Reclassification | - | - | 788 | - | 1,276 | - | (2,064) | - |
| At 30 November 2012 | 3,576 | 3,786 | 223,840 | 858 | 29,534 | 57,249 | 2,092 | 320,935 |
| **Accumulated Depreciation** | | | | | | | | |
| At 1 December 2011 | - | 108 | 105,044 | 585 | 20,214 | 41,775 | - | 167,726 |
| Depreciation charge for the financial year (Note 28) | - | 4 | 7,911 | 164 | 2,836 | 4,478 | - | 15,393 |
| Disposal | - | - | - | (429) | - | - | - | (429) |
| Written off | - | - | (2) | - | - | - | - | (2) |
| At 30 November 2012 | - | 112 | 112,953 | 320 | 23,050 | 46,253 | - | 182,688 |
| **Net Book Value at 30 November 2012** | 3,576 | 3,674 | 110,887 | 538 | 6,484 | 10,996 | 2,092 | 138,247 |

**3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

| Company | Freehold land RM'000 | Leasehold land RM'000 | Buildings owner occupied properties RM'000 | Motor vehicles RM'000 | Furniture fixtures and fittings RM'000 | Office equipment RM'000 | Work in progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **As at 30 November 2011** | | | | | | | | |
| **Cost** | | | | | | | | |
| At 1 December 2010, restated | 3,576 | 3,786 | 222,406 | 706 | 25,348 | 43,310 | - | 299,132 |
| Additions | - | - | 132 | - | 1,254 | 8,516 | 3,100 | 13,002 |
| Reclassification | - | - | 16 | - | 1,318 | - | (1,334) | - |
| At 30 November 2011 | 3,576 | 3,786 | 222,554 | 706 | 27,920 | 51,826 | 1,766 | 312,134 |
| **Accumulated Depreciation** | | | | | | | | |
| At 1 December 2010, restated | - | 104 | 97,144 | 444 | 17,737 | 37,928 | - | 153,357 |
| Depreciation charge for the financial year (Note 28) | - | 4 | 7,900 | 141 | 2,477 | 3,847 | - | 14,369 |
| At 30 November 2011 | - | 108 | 105,044 | 585 | 20,214 | 41,775 | - | 167,726 |
| **Net Book Value at 30 November 2011** | 3,576 | 3,678 | 117,510 | 121 | 7,706 | 10,051 | 1,766 | 144,408 |

## 4 INVESTMENT PROPERTIES

| Group and Company | Freehold land RM'000 | Investment buildings RM'000 | Total RM'000 |
|---|---|---|---|
| **At 30 November 2012** | | | |
| **Cost** | | | |
| At 1 December 2011/30 November 2012 | 3,582 | 64,018 | 67,600 |
| **Accumulated Depreciation** | | | |
| At 1 December 2011 | - | 27,409 | 27,409 |
| Depreciation charge for the financial year (Note 28) | - | 1,686 | 1,686 |
| At 30 November 2012 | - | 29,095 | 29,095 |
| **Net Book Value at 30 November 2012** | 3,582 | 34,923 | 38,505 |
| **At 30 November 2011** | | | |
| **Cost** | | | |
| At 1 December 2010 | 3,582 | 63,940 | 67,522 |
| Addition | - | 78 | 78 |
| At 30 November 2011 | 3,582 | 64,018 | 67,600 |
| **Accumulated Depreciation** | | | |
| At 1 December 2010 | - | 25,737 | 25,737 |
| Depreciation charge for the financial year (Note 28) | - | 1,672 | 1,672 |
| At 30 November 2011 | - | 27,409 | 27,409 |
| **Net Book Value at 30 November 2011** | 3,582 | 36,609 | 40,191 |

## 4 INVESTMENT PROPERTIES (CONTINUED)

The fair value of the properties was estimated at RM90,600,000 (2011: RM89,350,000) based on valuation by an independent professionally qualified valuer CB Richard Ellis (Malaysia) Sdn. Bhd. . Valuations were based on current prices in an active market for all properties.

No investment properties were pledged as security for banking facilities at the date of Statement of Financial Position.

The following are amounts arising from investment properties that have been recognised in Income Statements during the financial year :

| | Group and Company | |
|---|---|---|
| | **2012** | **2011** |
| | **RM'000** | **RM'000** |
| Rental income | 5,132 | 4,360 |
| Direct operating expenses arising from investment properties that generate rental income | (3,190) | (1,672) |

## 5 PREPAID LAND LEASE PAYMENT

| | Group and Company | |
|---|---|---|
| | **2012** | **2011** |
| | **RM'000** | **RM'000** |
| At beginning of financial year | 689 | 707 |
| Amortisation for the financial year (Note 28) | (18) | (18) |
| At end of financial year | 671 | 689 |
| Analysed as: | | |
| Short term leasehold land | 671 | 689 |

No leasehold land of the Group and of the Company were pledged as security for banking facilities at the date of Statement of Financial Position.

| | Group and Company | |
|---|---|---|
| | **2012** | **2011** |
| | **RM'000** | **RM'000** |
| Current | 18 | 18 |
| Non current | 653 | 671 |
| | 671 | 689 |

**AMERICAN INTERNATIONAL ASSURANCE BHD.**
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**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)**

## 6 INTANGIBLE ASSETS

| Group | Software RM'000 | Membership/ Bancassurance distribution right RM'000 | Work in progress RM'000 | Total RM'000 |
|---|---|---|---|---|
| **At 30 November 2012** | | | | |
| **Cost** | | | | |
| At 30 November 2011 | 104,664 | 447 | 13,691 | 118,802 |
| Additions | 1,122 | 15,000 | 10,916 | 27,038 |
| Written off | (47,446) | - | (19,847) | (67,293) |
| Reclassification | 470 | - | (470) | - |
| At 30 November 2012 | 58,810 | 15,447 | 4,290 | 78,547 |
| **Accumulated amortisation and impairment** | | | | |
| At 30 November 2011 | 58,006 | 161 | - | 58,167 |
| Amortisation for the financial year (Note 28) | 3,795 | 1,409 | - | 5,204 |
| Written off | (7,487) | - | - | (7,487) |
| Impairment loss | - | 12,656 | - | 12,656 |
| At 30 November 2012 | 54,314 | 14,226 | - | 68,540 |
| **Net Book Value at 30 November 2012** | 4,496 | 1,221 | 4,290 | 10,007 |

## AMERICAN INTERNATIONAL ASSURANCE BHD.
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## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

### 6 INTANGIBLE ASSETS (CONTINUED)

| Group | Software RM'000 | Membership/ Bancassurance distribution right RM'000 | Work in progress RM'000 | Total RM'000 |
|---|---|---|---|---|
| **At 30 November 2011** | | | | |
| **Cost** | | | | |
| At 30 November 2010, restated | 98,879 | 447 | - | 99,326 |
| Foreign exchange translation | 6 | - | - | 6 |
| Additions | 5,546 | - | 13,924 | 19,470 |
| Reclassification | 233 | - | (233) | - |
| At 30 November 2011 | 104,664 | 447 | 13,691 | 118,802 |
| **Accumulated amortisation and impairment** | | | | |
| At 30 November 2010, restated | 53,333 | 158 | - | 53,491 |
| Foreign exchange translation | (55) | - | - | (55) |
| Amortisation for the financial year (Note 28) | 4,728 | 3 | - | 4,731 |
| At 30 November 2011 | 58,006 | 161 | - | 58,167 |
| **Net Book Value at 30 November 2011** | 46,658 | 286 | 13,691 | 60,635 |

**6 INTANGIBLE ASSETS (CONTINUED)**

| **Company** | **Software** | **Membership/ Bancassurance distribution right** | **Work in progress** | **Total** |
|---|---|---|---|---|
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **At 30 November 2012** | | | | |
| **Cost** | | | | |
| At 30 November 2011 | 103,557 | 447 | 13,691 | 117,695 |
| Additions | 1,122 | 15,000 | 10,916 | 27,038 |
| Written off | (46,339) | - | (19,847) | (66,186) |
| Reclassification | 470 | - | (470) | - |
| At 30 November 2012 | 58,810 | 15,447 | 4,290 | 78,547 |
| **Accumulated amortisation and impairment** | | | | |
| At 30 November 2011 | 56,899 | 161 | - | 57,060 |
| Amortisation for the financial year (Note 28) | 3,795 | 1,409 | - | 5,204 |
| Written off | (6,380) | - | - | (6,380) |
| Impairment losses | - | 12,656 | - | 12,656 |
| At 30 November 2012 | 54,314 | 14,226 | - | 68,540 |
| **Net Book Value at 30 November 2012** | 4,496 | 1,221 | 4,290 | 10,007 |

**AMERICAN INTERNATIONAL ASSURANCE BHD.**
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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

### 6 INTANGIBLE ASSETS (CONTINUED)

| Company | Software RM'000 | Membership/ Bancassurance distribution right RM'000 | Work in progress RM'000 | Total RM'000 |
|---|---|---|---|---|
| **At 30 November 2011** | | | | |
| **Cost** | | | | |
| At 30 November 2010, restated | 97,778 | 447 | - | 98,225 |
| Additions | 5,546 | - | 13,924 | 19,470 |
| Reclassification | 233 | - | (233) | - |
| At 30 November 2011 | 103,557 | 447 | 13,691 | 117,695 |
| **Accumulated amortisation and impairment** | | | | |
| At 30 November 2010, restated | 52,411 | 158 | - | 52,569 |
| Amortisation for the financial year (Note 28) | 4,488 | 3 | - | 4,491 |
| At 30 November 2011 | 56,899 | 161 | - | 57,060 |
| **Net Book Value at 30 November 2011** | 46,658 | 286 | 13,691 | 60,635 |

During the financial year, the Company has decided to early terminate the exclusive bancassurance agreement with its banking partner. Upon notification of early termination of the agreement, the Company has assessed the carrying amount of the asset for impairment. An impairment loss of RM12,656,000 was recognised after taking into consideration the net recoverable amount of the distribution right. No discount rate was use to obtain the value in use as the remaining period of the distribution right is less than a year.

**7 INVESTMENT IN SUBSIDIARIES**

| | Company | |
|---|---|---|
| | 2012<br>RM'000 | 2011<br>RM'000 |
| Unquoted shares, at cost | 123,000 | 95,000 |
| Less: Accumulated impairment loss | (18,400) | (18,400) |
| | 104,600 | 76,600 |

Impairment loss has been arrived at after taking into consideration the net recoverable value of a subsidiary that has ceased operations.

Details of the subsidiaries are as follows:

| Name | Country of incorporation | Effective interest 2012 | Effective interest 2011 | Principal activity |
|---|---|---|---|---|
| AIA Takaful International Bhd. ("ATIB") | Malaysia | 100 | 100 | Dormant (under members' voluntary liquidation) |
| AIA AFG Takaful Bhd. ("AATB") | Malaysia | 70 | 70 | Managing family takaful, including investment-linked business. |
| AIA Pension and Asset Management Sdn. Bhd. ("APAM") | Malaysia | 100 | - | Managing Private Retirement Scheme and asset management businesses. The company is currently in the process of applying for a Capital Markets Service Licence from Securities Commission Malaysia before commencing business operations. |

## 8 INVESTMENT IN ASSOCIATE

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Unquoted shares, at cost | 88 | 88 | 88 | 88 |
| Redeemable preference shares, at cost | - | 11,947 | - | 11,947 |
| Share of post-acquisition reserve | 22,707 | 24,954 | - | - |
| | 22,795 | 36,989 | 88 | 12,035 |

Details of the associate company are as follows:

| Name | Country of incorporation | Equity interest (%) 2012 | Equity interest (%) 2011 | Principal activity |
|---|---|---|---|---|
| Panareno Sdn. Bhd. | Malaysia | 35 | 35 | Property management and development |

The above associate has a financial year end of 31 December which is not consistent with the financial year end of the Company. For the purpose of applying the equity method of accounting, the management financial statements of the associate for the financial period ended 31 October 2012 have been used and appropriate adjustments have been made for the effects of significant transactions between 30 November 2012 and that date.

The share of summarised financial information of the associate is as follows:

| | 2012 RM'000 | 2011 RM'000 |
|---|---|---|
| **Assets and liabilities** | | |
| Current assets/total assets | 29,526 | 45,929 |
| Current liabilities/total liabilities | 6,731 | 8,940 |
| Net assets | 22,795 | 36,989 |
| **Results** | | |
| Revenue | 934 | 46,275 |
| (Loss)/Profit for the financial year | (392) | 11,253 |

## 9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| At fair value | | | | |
| Malaysian government securities | 896,034 | 973,455 | 866,588 | 938,461 |
| Cagamas papers | 468,571 | 252,236 | 468,571 | 252,236 |
| Unquoted corporate debt securities | 1,749,234 | 1,820,954 | 1,716,883 | 1,782,570 |
| Deposits with licensed bank | 20,229 | 61,881 | 20,229 | 61,881 |
| Accrued interest | 40,316 | 38,965 | 39,644 | 38,322 |
| | 3,174,384 | 3,147,491 | 3,111,915 | 3,073,470 |

| | Group 2012 RM'000 | Group 2011 RM'000 | Company 2012 RM'000 | Company 2011 RM'000 |
|---|---|---|---|---|
| Carrying values of financial instruments | | | | |
| At 1 December | 3,147,491 | 3,231,019 | 3,073,470 | 3,231,019 |
| Purchases | 1,030,111 | 1,129,143 | 1,017,959 | 1,046,989 |
| Maturities | (478,497) | (334,827) | (478,497) | (334,827) |
| Disposals at amortised cost | (526,881) | (872,815) | (502,763) | (862,512) |
| Fair value gains/(losses) recorded in: | | | | |
| Other comprehensive income | 1,793 | 2,350 | 1,331 | 771 |
| Insurance contract liabilities | 5,727 | (2,348) | 5,727 | (2,348) |
| Unrealised foreign exchange (loss)/gain | (300) | 4,592 | (300) | 4,592 |
| Movement in accrued interest | 1,351 | (3,666) | 1,322 | (4,309) |
| Amortisation | (6,411) | (5,957) | (6,334) | (5,905) |
| At 30 November | 3,174,384 | 3,147,491 | 3,111,915 | 3,073,470 |
| | | | | |
| Current | 86,399 | 408,470 | 85,726 | 408,470 |
| Non current | 3,087,985 | 2,739,021 | 3,026,189 | 2,665,000 |
| | 3,174,384 | 3,147,491 | 3,111,915 | 3,073,470 |

Malaysian government securities held for investment of RM35,515,000 have been sold under repurchase agreements for funding purposes and their carrying values remain in the respective asset accounts while obligations to repurchase such securities at an agreed price on a specified future date are accounted for as a liability as mentioned in Note 19.

## 9 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

**Fair value of financial investment**

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

**Group**

| At 30 November 2012 | Carrying amount RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 |
|---|---|---|---|---|
| Malaysian government securities | 896,034 | - | 896,034 | - |
| Cagamas papers | 468,571 | - | 468,571 | - |
| Unquoted corporate debt securities | 1,749,234 | - | 1,749,234 | - |
| Deposits with licensed bank | 20,229 | - | 20,229 | - |
| Accrued interest | 40,316 | - | 40,316 | - |
| | 3,174,384 | - | 3,174,384 | - |
| **At 30 November 2011** | | | | |
| Malaysian government securities | 973,455 | - | 973,455 | - |
| Cagamas papers | 252,236 | - | 252,236 | - |
| Unquoted corporate debt securities | 1,820,954 | - | 1,820,954 | - |
| Deposits with licensed bank | 61,881 | - | 61,881 | - |
| Accrued interest | 38,965 | - | 38,965 | - |
| | 3,147,491 | - | 3,147,491 | - |

**Company**

| As at 30 November 2012 | Carrying amount RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 |
|---|---|---|---|---|
| Malaysian government securities | 866,588 | - | 866,588 | - |
| Cagamas papers | 468,571 | - | 468,571 | - |
| Unquoted corporate debt securities | 1,716,883 | - | 1,716,883 | - |
| Deposits with licensed bank | 20,229 | - | 20,229 | - |
| Accrued interest | 39,644 | - | 39,644 | - |
| | 3,111,915 | - | 3,111,915 | - |

**9 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)**

**Fair value of financial investment (continued)**

**Company (Continued)**

| At 30 November 2011 | Carrying amount RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 |
|---|---|---|---|---|
| Malaysian government securities | 938,461 | - | 938,461 | - |
| Cagamas papers | 252,236 | - | 252,236 | - |
| Unquoted corporate debt securities | 1,782,570 | - | 1,782,570 | - |
| Deposits with licensed bank | 61,881 | - | 61,881 | - |
| Accrued interest | 38,322 | - | 38,322 | - |
| | 3,073,470 | - | 3,073,470 | - |

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

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

Level 2 - Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services but where prices have not been determined in an active market, instruments with fair values based on broker quotes, investment in unit and property trusts with fair values obtained via fund managers and instruments that are valued using the Group's own models whereby the majority of assumptions are market observable.

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

## 10 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| At fair value | | | | |
| Malaysian government securities | 3,177,715 | 3,909,533 | 3,156,297 | 3,905,673 |
| Cagamas papers | 1,424,405 | 811,894 | 1,424,405 | 811,894 |
| Equity securities of corporations | | | | |
| - Quoted | 3,345,227 | 2,762,412 | 3,332,770 | 2,759,812 |
| - Unquoted | 33 | 33 | 33 | 33 |
| Quoted real estate investment trust | 398,480 | 240,101 | 397,376 | 239,303 |
| Unquoted corporate debt securities | 7,690,592 | 6,124,389 | 7,652,548 | 6,115,251 |
| Mutual Funds | 475,378 | 236,617 | 475,378 | 236,617 |
| Deposits with licensed bank | 159,431 | 312,200 | 159,431 | 312,200 |
| Accrued interest | 133,935 | 106,924 | 133,194 | 106,815 |
| | 16,805,196 | 14,504,103 | 16,731,432 | 14,487,598 |

| | Group 2012 RM'000 | Group 2011 RM'000 | Company 2012 RM'000 | Company 2011 RM'000 |
|---|---|---|---|---|
| Carrying values of financial instruments | | | | |
| At 1 December | 14,504,103 | 14,066,138 | 14,487,598 | 14,056,799 |
| Purchases | 6,316,266 | 4,963,062 | 6,243,779 | 4,935,368 |
| Maturities | (445,656) | (438,865) | (445,656) | (438,865) |
| Disposals at amortised cost | (4,076,055) | (4,090,508) | (4,059,696) | (4,071,304) |
| Fair value gains/(losses) recorded in Income Statements | 496,890 | (19,500) | 496,343 | (18,370) |
| Unrealised foreign exchange (loss)/gain | (8,126) | 18,078 | (8,126) | 18,331 |
| Movement in accrued interest | 27,011 | 15,493 | 26,379 | 15,433 |
| Amortisation | (9,237) | (9,795) | (9,189) | (9,794) |
| At 30 November | 16,805,196 | 14,504,103 | 16,731,432 | 14,487,598 |
| Current | 4,486,676 | 3,461,500 | 4,485,935 | 3,458,102 |
| Non current | 12,318,520 | 11,042,603 | 12,245,497 | 11,029,496 |
| | 16,805,196 | 14,504,103 | 16,731,432 | 14,487,598 |

Malaysian government securities held for investment of RM315,800,000 have been sold under repurchase agreements for funding purposes and their carrying values remain in the respective asset accounts while obligations to repurchase such securities at an agreed price on a specified future date are accounted for as a liability as mentioned in Note 19.

## 10 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS (CONTINUED)

**Fair value of financial investment**

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

**Group**

| At 30 November 2012 | Carrying amount RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 |
|---|---|---|---|---|
| Malaysian government securities | 3,177,715 | - | 3,177,715 | - |
| Cagamas papers | 1,424,405 | - | 1,424,405 | - |
| Equity securities of corporations | | | | |
| - Quoted | 3,345,227 | 3,345,227 | - | - |
| - Unquoted | 33 | - | - | 33 |
| Quoted real estate investment trust | 398,480 | 398,480 | - | - |
| Unquoted corporate debt securities | 7,690,592 | - | 7,690,592 | - |
| Mutual Funds | 475,378 | 475,378 | - | - |
| Deposits with licensed bank | 159,431 | - | 159,431 | - |
| Accrued interest | 133,935 | - | 133,935 | - |
| | 16,805,196 | 4,219,085 | 12,586,078 | 33 |

| At 30 November 2011 | Carrying amount RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 |
|---|---|---|---|---|
| Malaysian government securities | 3,909,533 | - | 3,909,533 | - |
| Cagamas papers | 811,894 | - | 811,894 | - |
| Equity securities of corporations | | | | |
| - Quoted | 2,762,412 | 2,761,907 | 177 | 328 |
| - Unquoted | 33 | - | - | 33 |
| Quoted real estate investment trust | 240,101 | 220,216 | - | 19,885 |
| Unquoted corporate debt securities | 6,124,389 | - | 6,104,389 | 20,000 |
| Mutual Funds | 236,617 | 236,617 | - | - |
| Deposits with licensed bank | 312,200 | - | 312,200 | - |
| Accrued interest | 106,924 | - | 106,924 | - |
| | 14,504,103 | 3,218,740 | 11,245,117 | 40,246 |

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

### 10 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS (CONTINUED)

**Fair value of financial investment (continued)**

**Company**

| **At 30 November 2012** | **Carrying amount RM'000** | **Level 1 RM'000** | **Level 2 RM'000** | **Level 3 RM'000** |
|---|---|---|---|---|
| Malaysian government securities | 3,156,297 | - | 3,156,297 | - |
| Cagamas papers | 1,424,405 | - | 1,424,405 | - |
| Equity securities of corporations | | | | |
| - Quoted | 3,332,770 | 3,332,770 | - | - |
| - Unquoted | 33 | - | - | 33 |
| Quoted real estate investment trust | 397,376 | 397,376 | - | - |
| Unquoted corporate debt securities | 7,652,548 | - | 7,652,548 | - |
| Mutual Funds | 475,378 | 475,378 | - | - |
| Deposits with licensed bank | 159,431 | - | 159,431 | - |
| Accrued interest | 133,194 | - | 133,194 | - |
| | 16,731,432 | 4,205,524 | 12,525,875 | 33 |

| **At 30 November 2011** | | | | |
|---|---|---|---|---|
| Malaysian government securities | 3,905,673 | - | 3,905,673 | - |
| Cagamas papers | 811,894 | - | 811,894 | - |
| Equity securities of corporations | | | | |
| - Quoted | 2,759,812 | 2,759,307 | 177 | 328 |
| - Unquoted | 33 | - | - | 33 |
| Quoted real estate investment trust | 239,303 | 219,418 | - | 19,885 |
| Unquoted corporate debt securities | 6,115,251 | - | 6,095,251 | 20,000 |
| Mutual Funds | 236,617 | 236,617 | - | - |
| Deposits with licensed bank | 312,200 | - | 312,200 | - |
| Accrued interest | 106,815 | - | 106,815 | - |
| | 14,487,598 | 3,215,342 | 11,232,010 | 40,246 |

The tables below set out a summary of changes in the Level 3 financial assets for the financial year ended 30 November 2012.

**Level 3 financial assets**

| **Group and Company** | **Equity Securities RM'000** | **Real estate Investment Trust RM'000** | **Corporate debt Securities RM'000** |
|---|---|---|---|
| At 1 December 2011 | 361 | 19,885 | 20,000 |
| Transfer out to Level 1 | (328) | (19,885) | - |
| Transfer out to Level 2 | - | - | (20,000) |
| At 30 November 2012 | 33 | - | - |

## 11 LOANS AND RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **At amortised cost** | | | | |
| Malaysian government guarantee loans | 175,000 | 175,000 | 175,000 | 175,000 |
| Policy loans | 377,940 | 376,055 | 377,940 | 376,055 |
| Mortgage loans | 1,244,710 | 1,282,039 | 1,244,710 | 1,282,039 |
| Other secured loans | 40 | 48 | 40 | 48 |
| Staff loans | 9,062 | 11,344 | 9,062 | 11,344 |
| Unsecured loans | 210 | 8,852 | 210 | 8,852 |
| Accrued interest | 15,614 | 15,447 | 15,614 | 15,447 |
| | 1,822,576 | 1,868,785 | 1,822,576 | 1,868,785 |
| Allowance for impairment loss | (5,249) | (5,984) | (5,249) | (5,984) |
| | 1,817,327 | 1,862,801 | 1,817,327 | 1,862,801 |
| Fixed and call deposits with: | | | | |
| Licensed financial institutions | 105,029 | 133,880 | 105,029 | 133,880 |
| Other receivables: | | | | |
| Accrued dividend | 9,164 | 13,274 | 9,164 | 13,274 |
| Other receivables | 51,655 | 77,953 | 51,944 | 78,491 |
| Deposits and prepayments | 4,451 | 5,042 | 4,151 | 4,742 |
| | 65,270 | 96,269 | 65,259 | 96,507 |
| Allowance for impairment loss | (1,008) | (1,236) | (1,008) | (1,236) |
| | 64,262 | 95,033 | 64,251 | 95,271 |
| | 1,986,618 | 2,091,714 | 1,986,607 | 2,091,952 |

## 11 LOANS AND RECEIVABLES (CONTINUED)

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Current | 90,976 | 150,180 | 90,964 | 150,418 |
| Non current | 1,895,642 | 1,941,534 | 1,895,643 | 1,941,534 |
| | 1,986,618 | 2,091,714 | 1,986,607 | 2,091,952 |
| **At fair value** | | | | |
| Malaysian government guarantee loans | 184,693 | 181,769 | 184,693 | 181,769 |
| Policy loans | 377,940 | 376,055 | 377,940 | 376,055 |
| Mortgage loans | 1,311,749 | 1,367,843 | 1,311,749 | 1,367,843 |
| Other secured loans | 42 | 50 | 42 | 50 |
| Staff loans | 8,939 | 11,193 | 8,939 | 11,193 |
| Unsecured loans | 85 | 8,893 | 85 | 8,892 |
| Accrued interest | 15,614 | 15,447 | 15,614 | 15,447 |
| | 1,899,062 | 1,961,250 | 1,899,062 | 1,961,249 |
| Fixed and call deposits with: Licensed financial institutions | 114,511 | 145,785 | 114,511 | 145,785 |
| | 2,013,573 | 2,107,035 | 2,013,573 | 2,107,034 |

The carrying amounts of other receivables approximate fair values due to the relatively short-term maturity of these balances.

## 12 REINSURANCE/RETAKAFUL ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Reinsurance of insurance contracts | 12,048 | 11,096 | 12,048 | 11,096 |
| Receivables within 12 months | 12,048 | 11,096 | 12,048 | 11,096 |

## 13 INSURANCE/TAKAFUL RECEIVABLES

| | Group and Company | |
|---|---|---|
| | 2012 RM'000 | 2011 RM'000 |
| Outstanding premium including agents' balances | 148,353 | 146,986 |
| Amount due from reinsurers/ retakaful operators | 5,737 | 5,725 |
| | 154,090 | 152,711 |
| Allowance for impairment loss | (588) | (9,409) |
| | 153,502 | 143,302 |
| Receivables within 12 months | 153,502 | 143,302 |

## 14 SHARE CAPITAL

| | Number of shares at RM1 each | | Amount | |
|---|---|---|---|---|
| | 2012 000 | 2011 000 | 2012 RM'000 | 2011 RM'000 |
| **Group and Company** | | | | |
| **Authorised share capital** | | | | |
| Ordinary shares at RM1 each: | | | | |
| At 1 December/30 November | 500,000 | 500,000 | 500,000 | 500,000 |
| **Issued and paid up share capital** | | | | |
| Ordinary shares at RM1 each: | | | | |
| At 1 December/30 November | 241,706 | 241,706 | 241,706 | 241,706 |

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

### 15 RETAINED EARNINGS

Under the single tier system, there are no restrictions on the Company to frank the payment of dividends out of its entire retained earnings as at the Statement of Financial Position date.

### 16 INSURANCE/TAKAFUL CONTRACT LIABILITIES

| Group | Gross RM'000 | Reinsurance RM'000 | Net RM'000 |
|---|---|---|---|
| **At 30 November 2012** | | | |
| Life insurance/family takaful (Note A) | 17,842,878 | (4,249) | 17,838,629 |
| General insurance (Note B) | 496,035 | (7,799) | 488,236 |
| | 18,338,913 | (12,048) | 18,326,865 |
| **At 30 November 2011** | | | |
| Life insurance/family takaful (Note A) | 16,482,802 | (3,318) | 16,479,484 |
| General insurance (Note B) | 478,151 | (7,778) | 470,373 |
| | 16,960,953 | (11,096) | 16,949,857 |

## 16 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

| **Company** | **Gross RM'000** | **Reinsurance RM'000** | **Net RM'000** |
|---|---|---|---|
| **At 30 November 2012** | | | |
| Life insurance/family takaful (Note A) | 17,747,585 | (4,249) | 17,743,336 |
| General insurance (Note B) | 496,035 | (7,799) | 488,236 |
| | 18,243,620 | (12,048) | 18,231,572 |
| **At 30 November 2011** | | | |
| Life insurance/family takaful (Note A) | 16,450,410 | (3,318) | 16,447,092 |
| General insurance (Note B) | 478,151 | (7,778) | 470,373 |
| | 16,928,561 | (11,096) | 16,917,465 |

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2012 RM'000** | **2011 RM'000** | **2012 RM'000** | **2011 RM'000** |
| Current | 671,543 | 851,584 | 669,457 | 851,206 |
| Non current | 17,667,370 | 16,109,369 | 17,574,163 | 16,077,355 |
| | 18,338,913 | 16,960,953 | 18,243,620 | 16,928,561 |

## 16 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance/Family Takaful

The life insurance/family takaful contract liabilities and its movements are further analysed as follows:

(i) Life insurance/family takaful contract liabilities

| Group | Gross RM'000 | Reinsurance RM'000 | Net RM'000 |
|---|---|---|---|
| **At 30 November 2012** | | | |
| Claims liabilities | 72,189 | (3,965) | 68,224 |
| Actuarial liabilities | 12,115,887 | (284) | 12,115,603 |
| Unallocated surplus | 3,097,258 | - | 3,097,258 |
| AFS fair value reserves | 131,757 | - | 131,757 |
| Net asset value attributable to unitholders / participants | 2,425,787 | - | 2,425,787 |
| | 17,842,878 | (4,249) | 17,838,629 |
| **At 30 November 2011** | | | |
| Claims liabilities | 66,711 | (3,062) | 63,649 |
| Actuarial liabilities | 11,245,991 | (258) | 11,245,733 |
| Unallocated surplus | 3,191,556 | - | 3,191,556 |
| AFS fair value reserves | 126,488 | - | 126,488 |
| Net asset value attributable to unitholders / participants | 1,853,228 | - | 1,853,228 |
| Foreign currency translation reserves | (1,172) | 2 | (1,170) |
| | 16,482,802 | (3,318) | 16,479,484 |

## 16 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance/Family Takaful (continued)

(i) Life insurance/family takaful contract liabilities (continued)

| Company | Gross RM'000 | Reinsurance RM'000 | Net RM'000 |
|---|---|---|---|
| **At 30 November 2012** | | | |
| Claims liabilities | 71,801 | (3,965) | 67,836 |
| Actuarial liabilities | 12,108,852 | (284) | 12,108,568 |
| Unallocated surplus | 3,074,558 | - | 3,074,558 |
| AFS fair value reserves | 131,757 | - | 131,757 |
| Net asset value attributable to unitholders | 2,360,617 | - | 2,360,617 |
| | 17,747,585 | (4,249) | 17,743,336 |
| **At 30 November 2011** | | | |
| Claims liabilities | 66,645 | (3,062) | 63,583 |
| Actuarial liabilities | 11,236,334 | (256) | 11,236,078 |
| Unallocated surplus | 3,173,611 | - | 3,173,611 |
| AFS fair value reserves | 126,488 | - | 126,488 |
| Net asset value attributable to unitholders | 1,847,332 | - | 1,847,332 |
| | 16,450,410 | (3,318) | 16,447,092 |

During the financial year, total amount of shared-based compensation of the Group and of the Company amounting to RM3,216,000 and RM2,896,000 respectively (2011: RM973,000) charged to a separate reserve within the life insurance / family takaful fund has been recharged and settled with the holding company.

**16 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)**

(A) Life Insurance/Family Takaful (continued)

(ii) Movements of life insurance/family takaful contract liabilities

| Group | With DPF RM'000 | Gross without DPF RM'000 | Total RM'000 |
|---|---|---|---|
| At 1 December 2011 | 11,886,003 | 4,596,799 | 16,482,802 |
| Policy movement | 488,565 | (191,879) | 296,686 |
| Movement in claim liabilities | 530 | 4,948 | 5,478 |
| Others | (13,852) | 256 | (13,596) |
| Adjustments due to changes in assumptions: | | | |
| Mortality/ morbidity | 34 | 2,112 | 2,146 |
| Expenses | 57,520 | 1,660 | 59,180 |
| Discount rate | 392,782 | 70,064 | 462,846 |
| Change in asset value attributable to unitholders / participants | 55,509 | 517,050 | 572,559 |
| Change in bonus | 62,634 | - | 62,634 |
| Change in AFS fair value reserves | - | 5,727 | 5,727 |
| Unallocated surplus | (158,173) | 63,875 | (94,298) |
| Movement in foreign currency translation reserves | 16 | 1,156 | 1,172 |
| Deferred tax effect: | | | |
| Change in AFS fair value reserves | - | (458) | (458) |
| At 30 November 2012 | 12,771,568 | 5,071,310 | 17,842,878 |

| Group | With DPF RM'000 | Reinsurance without DPF RM'000 | Total RM'000 |
|---|---|---|---|
| At 1 December 2011 | (542) | (2,776) | (3,318) |
| Policy movement | (1) | (27) | (28) |
| Movement in claim liabilities | 300 | (1,203) | (903) |
| At 30 November 2012 | (243) | (4,006) | (4,249) |

**16 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)**

(A) Life Insurance/Family Takaful (continued)

(ii) Movements of life insurance/family takaful contract liabilities (continued)

| Group | With DPF RM'000 | Gross without DPF RM'000 | Total RM'000 |
|---|---|---|---|
| At 1 December 2010 | 11,284,542 | 4,964,293 | 16,248,835 |
| Policy movement | 488,909 | (448,574) | 40,335 |
| Movement in claim liabilities | 5,059 | (288) | 4,771 |
| Others | (4,376) | (5,992) | (10,368) |
| Adjustments due to changes in assumptions: | | | |
| Mortality/ morbidity | - | (25,308) | (25,308) |
| Expenses | 106,900 | 13,962 | 120,862 |
| Lapse and surrender rates | 2,478 | 916 | 3,394 |
| Discount rate | 98,402 | 48,917 | 147,319 |
| Change in asset value attributable to unitholders / participants | - | (18,498) | (18,498) |
| Change in bonus | 175,834 | - | 175,834 |
| Change in AFS fair value reserves | - | (2,348) | (2,348) |
| Unallocated surplus | (271,757) | 69,863 | (201,894) |
| Movement in foreign currency translation reserves | 12 | (332) | (320) |
| Deferred tax effect: | | | |
| Change in AFS fair value reserves | - | 188 | 188 |
| At 30 November 2011 | 11,886,003 | 4,596,799 | 16,482,802 |

| Group | With DPF RM'000 | Reinsurance without DPF RM'000 | Total RM'000 |
|---|---|---|---|
| At 1 December 2010 | (491) | (2,472) | (2,963) |
| Policy movement | 26 | 188 | 214 |
| Movement in claim liabilities | (77) | (492) | (569) |
| At 30 November 2011 | (542) | (2,776) | (3,318) |

## 16 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(A) Life Insurance/Family Takaful (continued)

(ii) Movements of life insurance/family takaful contract liabilities (continued)

| Company | With DPF RM'000 | Gross without DPF RM'000 | Total RM'000 |
|---|---|---|---|
| At 1 December 2011 | 11,851,074 | 4,599,336 | 16,450,410 |
| Policy movement | 491,187 | (191,879) | 299,308 |
| Movement in claim liabilities | 208 | 4,948 | 5,156 |
| Others | (13,852) | 256 | (13,596) |
| Adjustments due to changes in assumptions: | | | |
| Mortality/ morbidity | 34 | 2,112 | 2,146 |
| Expenses | 57,520 | 1,660 | 59,180 |
| Discount rate | 392,782 | 70,064 | 462,846 |
| Change in asset value attributable to unitholders | - | 513,285 | 513,285 |
| Change in bonus | 62,634 | - | 62,634 |
| Change in AFS fair value reserves | - | 5,727 | 5,727 |
| Unallocated surplus | (155,652) | 56,599 | (99,053) |
| Deferred tax effect: | | | |
| Change in AFS fair value reserves | - | (458) | (458) |
| At 30 November 2012 | 12,685,935 | 5,061,650 | 17,747,585 |

| Company | With DPF RM'000 | Reinsurance without DPF RM'000 | Total RM'000 |
|---|---|---|---|
| At 1 December 2011 | (542) | (2,776) | (3,318) |
| Policy movement | (1) | (27) | (28) |
| Movement in claim liabilities | 300 | (1,203) | (903) |
| At 30 November 2012 | (243) | (4,006) | (4,249) |

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**16 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)**

(A) Life Insurance/Family Takaful (continued)

(ii) Movements of life insurance/family takaful contract liabilities (continued)

| Company | With DPF RM'000 | Gross without DPF RM'000 | Total RM'000 |
|---|---|---|---|
| At 1 December 2010 | 11,270,473 | 4,954,947 | 16,225,420 |
| Policy movement | 479,647 | (448,574) | 31,073 |
| Movement in claim liabilities | 4,993 | (288) | 4,705 |
| Others | (4,377) | (5,992) | (10,369) |
| Adjustments due to changes in assumptions: | | | |
| Mortality/ morbidity | - | (25,308) | (25,308) |
| Expenses | 106,901 | 13,962 | 120,863 |
| Lapse and surrender rates | 2,478 | 916 | 3,394 |
| Discount rate | 98,402 | 48,917 | 147,319 |
| Change in asset value attributable to unitholders | - | (12,451) | (12,451) |
| Change in bonus | 175,834 | - | 175,834 |
| Change in AFS fair value reserves | - | (2,348) | (2,348) |
| Unallocated surplus | (283,277) | 75,367 | (207,910) |
| Deferred tax effect: | | | |
| Change in AFS fair value reserves | - | 188 | 188 |
| At 30 November 2011 | 11,851,074 | 4,599,336 | 16,450,410 |

| Company | With DPF RM'000 | Reinsurance without DPF RM'000 | Total RM'000 |
|---|---|---|---|
| At 1 December 2010 | (480) | (2,472) | (2,952) |
| Policy movement | 15 | 188 | 203 |
| Movement in claim liabilities | (77) | (492) | (569) |
| At 30 November 2011 | (542) | (2,776) | (3,318) |

## 16 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(B) General Insurance

**Group and Company**

| | Gross RM'000 | Reinsurance RM'000 | Net RM'000 |
|---|---|---|---|
| **At 30 November 2012** | | | |
| Provision for claims reported by policyholders | 89,192 | (2,727) | 86,465 |
| Provision for incurred but not reported claims ("IBNR") | 76,821 | (1,622) | 75,199 |
| Claim liabilities (i) | 166,013 | (4,349) | 161,664 |
| Premium liabilities (ii) | 330,022 | (3,450) | 326,572 |
| | 496,035 | (7,799) | 488,236 |
| **At 30 November 2011** | | | |
| Provision for claims reported by policyholders | 70,598 | (2,837) | 67,761 |
| Provision for incurred but not reported claims ("IBNR") | 58,923 | (1,658) | 57,265 |
| Claim liabilities (i) | 129,521 | (4,495) | 125,026 |
| Premium liabilities (ii) | 348,630 | (3,283) | 345,347 |
| | 478,151 | (7,778) | 470,373 |

**16 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)**

(B) General Insurance (continued)

(i) Claim liabilities

**Group and Company**

| | Gross RM'000 | Reinsurance RM'000 | Net RM'000 |
|---|---|---|---|
| At 1 December 2011 | 129,521 | (4,495) | 125,026 |
| Claims incurred in the current accident year | 249,526 | (5,635) | 243,891 |
| Movement in claims incurred in prior accident years | 1,994 | 29 | 2,023 |
| Claims paid during the year | (239,919) | 6,007 | (233,912) |
| Change in expense liabilities and risk margin | 6,571 | (255) | 6,316 |
| Others | 18,320 | - | 18,320 |
| At 30 November 2012 | 166,013 | (4,349) | 161,664 |
| | | | |
| At 1 December 2010 | 121,995 | (5,568) | 116,427 |
| Claims incurred in the current accident year | 233,113 | (6,915) | 226,198 |
| Movement in claims incurred in prior accident years | 3,632 | (317) | 3,315 |
| Claims paid during the year | (222,643) | 7,968 | (214,675) |
| Change in expense liabilities and risk margin | (8,853) | 337 | (8,516) |
| Others | 2,277 | - | 2,277 |
| At 30 November 2011 | 129,521 | (4,495) | 125,026 |

(ii) Premium liabilities

| | Gross RM'000 | Reinsurance RM'000 | Net RM'000 |
|---|---|---|---|
| At 1 December 2011 | 348,630 | (3,283) | 345,347 |
| Premiums written in the year | 403,852 | (10,887) | 392,965 |
| Premium earned during the year | (416,066) | 10,416 | (405,650) |
| Change in expense liabilities, risk margin and loss ratio | (6,398) | 304 | (6,094) |
| Others | 4 | - | 4 |
| At 30 November 2012 | 330,022 | (3,450) | 326,572 |

## 16 INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(B) General Insurance (continued)

(ii) Premium liabilities (continued)

**Group and Company**

| | Gross RM'000 | Reinsurance RM'000 | Net RM'000 |
|---|---|---|---|
| At 1 December 2010 | 291,354 | (6,159) | 285,195 |
| Premiums written in the year | 406,013 | (9,909) | 396,104 |
| Premium earned during the year | (332,819) | 12,539 | (320,280) |
| Change in expense liabilities, risk margin and loss ratio | (15,918) | 246 | (15,672) |
| At 30 November 2011 | 348,630 | (3,283) | 345,347 |

## 17 DEFERRED TAX LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| **At 1 December** | (95,348) | (132,220) | (91,688) | (129,720) |
| Recognised in: | | | | |
| Income Statements | (21,482) | 37,272 | (20,033) | 38,037 |
| Other comprehensive income | (729) | (588) | (333) | (193) |
| Insurance contract liabilities | (458) | 188 | (458) | 188 |
| **At 30 November** | (118,017) | (95,348) | (112,512) | (91,688) |
| Current | (26,825) | (18,766) | (22,287) | (14,166) |
| Non current | (91,192) | (76,582) | (90,225) | (77,522) |
| | (118,017) | (95,348) | (112,512) | (91,688) |

Deferred tax assets and liabilities are offsetted when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net deferred tax assets/liabilities shown in the Statements of Financial Position are determined after appropriate offsetting.

**AMERICAN INTERNATIONAL ASSURANCE BHD.**
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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

### 17 DEFERRED TAX LIABILITIES (CONTINUED)

| | Group 2012 RM'000 | Group 2011 RM'000 | Company 2012 RM'000 | Company 2011 RM'000 |
|---|---|---|---|---|
| Presented after appropriate offsetting as follows: | | | | |
| Deferred tax assets | 10,725 | 11,899 | 10,725 | 10,545 |
| Deferred tax liabilities | (128,742) | (107,247) | (123,237) | (102,233) |
| | (118,017) | (95,348) | (112,512) | (91,688) |

| | Revaluation investment RM'000 | Accelerated depreciation RM'000 | Total RM'000 |
|---|---|---|---|
| **Group** | | | |
| **Deferred tax liabilities** | | | |
| At 30 November 2012 | | | |
| At 1 December 2011 | (101,269) | (5,978) | (107,247) |
| Recognised in: | | | |
| Income Statement | (24,763) | 4,455 | (20,308) |
| Other comprehensive income | (729) | - | (729) |
| Insurance contract liabilities | (458) | - | (458) |
| At 30 November 2012 | (127,219) | (1,523) | (128,742) |
| At 30 November 2011 | | | |
| At 1 December 2010 | (130,364) | (4,752) | (135,116) |
| Recognised in: | | | |
| Income Statement | 29,495 | (1,226) | 28,269 |
| Other comprehensive income | (588) | - | (588) |
| Insurance contract liabilities | 188 | - | 188 |
| At 30 November 2011 | (101,269) | (5,978) | (107,247) |

**AMERICAN INTERNATIONAL ASSURANCE BHD.**
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**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)**

## 17 DEFERRED TAX LIABILITIES (CONTINUED)

| | Tax losses carry forward RM'000 | Impairment allowance RM'000 | Unrealised amortisation RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **Deferred tax assets** | | | | |
| At 30 November 2012 | | | | |
| At 1 December 2011 | 1,354 | 1,465 | 9,080 | 11,899 |
| Recognised in: | | | | |
| Income Statement | (1,354) | (1,182) | 1,362 | (1,174) |
| At 30 November 2012 | - | 283 | 10,442 | 10,725 |
| At 30 November 2011 | | | | |
| At 1 December 2010 | - | - | 2,896 | 2,896 |
| Recognised in: | | | | |
| Income Statement | 1,354 | 1,465 | 6,184 | 9,003 |
| At 30 November 2011 | 1,354 | 1,465 | 9,080 | 11,899 |

| | Revaluation investment RM'000 | Accelerated depreciation RM'000 | Total RM'000 |
|---|---|---|---|
| **Company** | | | |
| **Deferred tax liabilities** | | | |
| At 30 November 2012 | | | |
| At 1 December 2011 | (96,255) | (5,978) | (102,233) |
| Recognised in: | | | |
| Income Statement | (24,668) | 4,455 | (20,213) |
| Other comprehensive income | (333) | - | (333) |
| Insurance contract liabilities | (458) | - | (458) |
| At 30 November 2012 | (121,714) | (1,523) | (123,237) |

## 17 DEFERRED TAX LIABILITIES (CONTINUED)

| | Revaluation investment RM'000 | Accelerated depreciation RM'000 | Total RM'000 |
|---|---|---|---|
| **Company** | | | |
| **Deferred tax liabilities** | | | |
| At 30 November 2011 | | | |
| At 1 December 2010 | (127,864) | (4,752) | (132,616) |
| Recognised in: | | | |
| Income Statement | 31,614 | (1,226) | 30,388 |
| Other comprehensive income | (193) | - | (193) |
| Insurance contract liabilities | 188 | - | 188 |
| At 30 November 2011 | (96,255) | (5,978) | (102,233) |

| | Impairment allowance RM'000 | Unrealised amortisation RM'000 | Total RM'000 |
|---|---|---|---|
| **Deferred tax assets** | | | |
| At 30 November 2012 | | | |
| At 1 December 2011 | 1,465 | 9,080 | 10,545 |
| Recognised in: | | | |
| Income Statement | (1,182) | 1,362 | 180 |
| At 30 November 2012 | 283 | 10,442 | 10,725 |
| At 30 November 2011 | | | |
| At 1 December 2010 | - | 2,896 | 2,896 |
| Recognised in: | | | |
| Income Statement | 1,465 | 6,184 | 7,649 |
| At 30 November 2011 | 1,465 | 9,080 | 10,545 |

## 18 INSURANCE/TAKAFUL PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Dividend payable to policyholders | 2,104,604 | 1,997,989 | 2,104,604 | 1,997,989 |
| Due to reinsurers/retakaful operators | 11,077 | 10,902 | 10,357 | 10,885 |
| Due to agents and insured | 57,408 | 46,292 | 57,408 | 46,200 |
| Premium deposits | 737,792 | 708,221 | 737,792 | 708,221 |
| | 2,910,881 | 2,763,404 | 2,910,161 | 2,763,295 |

The carrying amounts disclosed above approximate fair value at the date of Statement of Financial Position. All amounts are payable within one year.

## 19 OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Amount due to ultimate holding company | 1,004 | 217 | 858 | 217 |
| Post employment benefit obligation - defined benefit plan (Note 20) | 22,479 | 20,550 | 22,479 | 20,550 |
| Obligations on securities sold under repurchase agreements | 329,056 | - | 329,056 | - |
| Other payables and trade accruals | 158,525 | 245,074 | 144,570 | 239,279 |
| | 511,064 | 265,841 | 496,963 | 260,046 |

The carrying amounts disclosed above approximate fair value at the date of Statement of Financial Position. All amounts are payable within one year.

## 20 POST EMPLOYMENT BENEFIT OBLIGATION – DEFINED BENEFIT PLAN

| | Group and Company | |
|---|---|---|
| | 2012 | 2011 |
| | RM'000 | RM'000 |
| **Statements of Financial Position obligation for (Note 19):** | | |
| Pension benefits | 20,050 | 18,539 |
| Post-employment medical benefits | 2,429 | 2,011 |
| | 22,479 | 20,550 |
| **Income Statements charge for (Note 28):** | | |
| Pension benefits | 1,644 | 1,549 |
| Post-employment medical benefits | 461 | 203 |
| | 2,105 | 1,752 |

### (a) Pension benefits

The Group operates defined benefit pension plans based on employee pensionable remuneration and length of service. The plans are unfunded.

The amounts recognised in the Statements of Financial Position are determined as follows:

| | 2012 | 2011 |
|---|---|---|
| | RM'000 | RM'000 |
| Present value of unfunded obligations | 20,050 | 18,539 |
| Liability in the Statements of Financial Position | 20,050 | 18,539 |

## 20 POST EMPLOYMENT BENEFIT OBLIGATION – DEFINED BENEFIT PLAN (CONTINUED)

### (a) Pension benefits (continued)

The movement in the defined benefit obligation during the financial year is as follows:

| | 2012<br>RM'000 | 2011<br>RM'000 |
|---|---|---|
| At 1 December | 18,539 | 17,043 |
| Current service cost | 844 | 843 |
| Interest cost | 800 | 706 |
| Benefits paid | (133) | (53) |
| At 30 November | 20,050 | 18,539 |

The amount recognised in the Income Statements are as follows:

| | 2012<br>RM'000 | 2011<br>RM'000 |
|---|---|---|
| Current service cost | 844 | 843 |
| Interest cost | 800 | 706 |
| Total, included in management expenses (Note 28) | 1,644 | 1,549 |

The principal actuarial assumptions used were as follows:

| | 2012 | 2011 |
|---|---|---|
| *Weighted-average assumptions to determine benefit obligations* | | |
| Discount rate | 4.00% | 4.00% |
| Future salary increases | 6.50% | 6.50% |
| Measurement date | 30-Nov-12 | 30-Nov-11 |
| *Assumptions to determine net cost* | | |
| Discount rate | 4.00% | 4.25% |
| Rate of compensation increases | 6.50% | 5.50% |

## 20 POST EMPLOYMENT BENEFIT OBLIGATION – DEFINED BENEFIT PLAN (CONTINUED)

### (b) Post-employment medical benefits

The Group operates a post-employment medical benefit scheme. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes. The plans are unfunded.

In addition to the assumptions set out above, the main actuarial assumptions were as follows :

*Assumed health care trend rate*

| | **2012** | **2011** |
|---|---|---|
| Immediate trend rate | 9.00% | 10.50% |
| Ultimate trend rate | 4.25% | 4.25% |
| Year that the rate reaches ultimate trend rate | 2016 | 2016 |

The amounts recognised in the Statements of Financial Position are determined as follows:

| | **2012 RM'000** | **2011 RM'000** |
|---|---|---|
| Present value of unfunded obligations | 2,429 | 2,011 |
| Liability in the Statements of Financial Position | 2,429 | 2,011 |

The movement in the defined benefit obligation is as follows:

| | **2012 RM'000** | **2011 RM'000** |
|---|---|---|
| At 1 December | 2,011 | 1,830 |
| Current service cost | 178 | 113 |
| Interest cost | 159 | 88 |
| Amortisation of net loss | 124 | 3 |
| Benefits paid | (43) | (23) |
| At 30 November | 2,429 | 2,011 |

## 20 POST EMPLOYMENT BENEFIT OBLIGATION – DEFINED BENEFIT PLAN (CONTINUED)

### (b) Post-employment medical benefits (continued)

The amount recognised in the Income Statements are as follows:

| | 2012<br>RM'000 | 2011<br>RM'000 |
|---|---|---|
| Current service cost | 178 | 113 |
| Interest cost | 159 | 87 |
| Amortisation of net loss | 124 | 3 |
| Total, included in staff costs (Note 28) | 461 | 203 |

Contributions expected to be paid to post-employment benefit plans subsequent to the financial year ended 30 November 2012 are RM345,000 (2011: RM78,000).

## 21 OPERATING REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| Gross premiums/<br>contributions (Note 22) | 3,330,003 | 2,918,274 | 3,231,127 | 2,895,577 |
| Investment income (Note 23) | 954,128 | 937,000 | 950,831 | 933,002 |
| | 4,284,131 | 3,855,274 | 4,181,958 | 3,828,579 |

## 22 NET EARNED PREMIUMS/CONTRIBUTIONS REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| **(a) Gross earned premiums/ contributions** | | | | |
| Insurance contracts: | | | | |
| Life/family takaful | 2,915,794 | 2,510,035 | 2,816,918 | 2,487,338 |
| General | 414,209 | 408,239 | 414,209 | 408,239 |
| Gross premiums/ contributions (Note 21) | 3,330,003 | 2,918,274 | 3,231,127 | 2,895,577 |
| Change in premium liabilities | 18,608 | (57,276) | 18,608 | (57,276) |
| | 3,348,611 | 2,860,998 | 3,249,735 | 2,838,301 |
| **(b) Premiums/contributions ceded to reinsurers/ retakaful operators** | | | | |
| Insurance contracts: | | | | |
| Life/family takaful | (85,610) | (78,109) | (84,413) | (77,913) |
| General | (14,163) | (10,648) | (14,163) | (10,648) |
| Gross premiums/ contributions (ceded) | (99,773) | (88,757) | (98,576) | (88,561) |
| Change in premium liabilities | 167 | (2,876) | 167 | (2,876) |
| | (99,606) | (91,633) | (98,409) | (91,437) |
| **Net earned premiums/ contributions revenue** | 3,249,005 | 2,769,365 | 3,151,326 | 2,746,864 |

## 23 INVESTMENT INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Rental income | 1,758 | 2,028 | 1,758 | 2,028 |
| Financial assets at FVTPL - designated upon initial recognition | | | | |
| Interest/profit income | 555,447 | 494,637 | 554,020 | 494,283 |
| Dividend/distribution income | | | | |
| - equity securities quoted in Malaysia | 112,551 | 137,923 | 112,317 | 137,828 |
| - equity securities quoted outside Malaysia | 2,356 | 982 | 2,356 | 768 |
| - unit and property trusts | 14,717 | 11,961 | 14,664 | 11,925 |
| Amortisation of premiums - net | (9,237) | (9,795) | (9,189) | (9,794) |
| AFS financial assets | | | | |
| Interest/profit income | 150,013 | 164,322 | 147,226 | 162,221 |
| Amortisation of premiums - net | (6,411) | (5,957) | (6,334) | (5,905) |
| Loan and receivables | | | | |
| Interest/profit income | 110,000 | 115,245 | 110,000 | 115,245 |
| Investment in associate | | | | |
| Dividend income | | | | |
| - equity securities unquoted in Malaysia | - | - | 1,855 | - |
| Cash and cash equivalents | | | | |
| Interest/profit income | 27,795 | 31,095 | 27,015 | 29,841 |
| Others | 1,022 | 240 | 1,022 | 240 |
| | 960,011 | 942,681 | 956,710 | 938,680 |
| Less: | | | | |
| Investment expenses | (5,883) | (5,681) | (5,879) | (5,678) |
| | 954,128 | 937,000 | 950,831 | 933,002 |

## 24 NET REALISED GAINS

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Property, plant and equipment | | | | |
| Realised gains | 146 | - | 146 | - |
| AFS financial assets | | | | |
| Realised gains: | | | | |
| Debt securities | | | | |
| - quoted in Malaysia | 6,545 | 4,114 | 5,847 | 4,008 |
| - quoted outside Malaysia | 726 | 2,741 | 726 | 2,741 |
| Realised losses: | | | | |
| Debt securities | | | | |
| - quoted in Malaysia | (508) | (928) | (508) | (928) |
| - quoted outside Malaysia | - | (1) | - | (1) |
| Total realised gains for AFS financial assets | 6,763 | 5,926 | 6,065 | 5,820 |
| Total net realised gains | 6,909 | 5,926 | 6,211 | 5,820 |

## 25 FAIR VALUE GAINS/(LOSSES)

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Financial assets at FVTPL – | | | | |
| - designated upon initial recognition | 496,890 | (19,500) | 496,343 | (18,370) |

## 26 OTHER OPERATING (EXPENSE)/INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Foreign exchange (loss)/gain: | | | | |
| - realised | (4,548) | 10,138 | (4,777) | 10,141 |
| - unrealised | (8,435) | 12,875 | (8,435) | 12,875 |
| (Allowance)/reversal of allowance for impairment loss of: | | | | |
| - investment in subsidiary | - | - | - | (8,400) |
| - intangibles assets | (12,656) | - | (12,656) | - |
| - loan and receivables | 9,784 | (5,315) | 9,784 | (5,315) |
| Written off of: | | | | |
| - intangible assets | (59,806) | - | (59,806) | - |
| - loan and receivables | (873) | - | (873) | - |
| - property, plant and equipment | (2) | (17) | (2) | - |
| Service Level Agreement charges & other service fees from subsidiaries | - | - | 7,422 | 5,012 |
| Others | (8,661) | 1,030 | (6,644) | 1,154 |
| | (85,197) | 18,711 | (75,987) | 15,467 |

## 27 NET INSURANCE/TAKAFUL BENEFITS AND CLAIMS

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| (a) | Gross benefits and claims paid | | | | |
| | Insurance/takaful contracts: | | | | |
| | Life/family takaful | (1,828,186) | (2,143,232) | (1,824,353) | (2,132,569) |
| | General | (222,107) | (194,212) | (222,107) | (194,212) |
| | | (2,050,293) | (2,337,444) | (2,046,460) | (2,326,781) |
| (b) | Claims ceded to reinsurers/ retakaful operators | | | | |
| | Insurance/takaful contracts: | | | | |
| | Life/family takaful | 27,307 | 29,235 | 27,307 | 29,235 |
| | General | 6,019 | 5,997 | 6,019 | 5,997 |
| | | 33,326 | 35,232 | 33,326 | 35,232 |
| (c) | Gross change to insurance/ takaful contracts liabilities | | | | |
| | Insurance/takaful contracts: | | | | |
| | Life/family takaful | (1,354,809) | (235,183) | (1,291,906) | (227,150) |
| | General | (36,492) | (7,526) | (36,492) | (7,526) |
| | | (1,391,301) | (242,709) | (1,328,398) | (234,676) |
| (d) | Change in insurance/takaful contract liabilities ceded to reinsurers/retakaful operators | | | | |
| | Insurance/takaful contracts: | | | | |
| | Life/family takaful | 931 | 355 | 931 | 366 |
| | General | (146) | (1,073) | (146) | (1,073) |
| | | 785 | (718) | 785 | (707) |

## 28 MANAGEMENT EXPENSES

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Advertising | 4,847 | 4,741 | 3,663 | 3,607 |
| Auditors' remuneration | | | | |
| - current year | 860 | 900 | 780 | 820 |
| - overprovision in prior year | (24) | - | - | - |
| Staff salaries & bonuses | 114,793 | 112,323 | 108,751 | 106,698 |
| Contribution to employees' provident fund | 19,056 | 15,186 | 18,010 | 15,009 |
| Pension benefits (Note 20(a)) | 1,644 | 1,549 | 1,644 | 1,549 |
| Post-employment medical benefits (Note 20(b)) | 461 | 203 | 461 | 203 |
| Share-based payment | 2,539 | 963 | 2,219 | 963 |
| Staff benefits | 5,837 | 4,989 | 4,505 | 4,105 |
| Travelling expenses | 2,976 | 1,682 | 2,004 | 1,256 |
| Office rental | 4,221 | 3,893 | 4,213 | 3,861 |
| Printing and stationery | 3,724 | 3,119 | 3,440 | 2,724 |
| Postage | 9,034 | 5,720 | 8,761 | 5,573 |
| Directors' remuneration and other emoluments | 7,415 | 4,802 | 6,954 | 4,520 |
| Depreciation | | | | |
| - property, plant and equipment (Note 3) | 15,733 | 14,452 | 15,393 | 14,369 |
| - investment properties (Note 4) | 1,686 | 1,672 | 1,686 | 1,672 |
| Amortisation | | | | |
| - prepaid lease land payments (Note 5) | 18 | 18 | 18 | 18 |
| - intangible assets (Note 6) | 5,204 | 4,731 | 5,204 | 4,491 |
| EDP expenses | 18,980 | 15,457 | 18,581 | 15,273 |
| PIDM premiums | 7,710 | 6,081 | 7,710 | 6,081 |
| Medical fees | 1,339 | 978 | 1,339 | 978 |
| Legal expenses | 406 | 559 | 376 | 517 |
| Repairs and maintenance | 6,876 | 5,635 | 6,168 | 5,635 |
| Other expenses | 93,913 | 77,102 | 81,270 | 69,213 |
| | 329,248 | 286,755 | 303,150 | 269,135 |

**28 MANAGEMENT EXPENSES (CONTINUED)**

(i) The director's remuneration and other emoluments is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Executive director | | | | |
| - Remuneration | 5,860 | 4,202 | 5,860 | 4,202 |
| - Share-based payment | 677 | 10 | 677 | 10 |
| - Other remuneration or emoluments | 33 | 40 | 33 | 40 |
| | 6,570 | 4,252 | 6,570 | 4,252 |
| Non-executive directors | | | | |
| - Fees | 755 | 503 | 335 | 240 |
| - Other remuneration or emoluments | 90 | 47 | 49 | 28 |
| | 845 | 550 | 384 | 268 |
| | 7,415 | 4,802 | 6,954 | 4,520 |

The number of executive and non-executive directors whose total remuneration received during the financial year that fall within the following bands are as follow :

| | Number of directors | | | |
|---|---|---|---|---|
| | Group | | Company | |
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Executive director: | | | | |
| RM4,000,001 – RM8,000,000 | 1 | 1 | 1 | 1 |
| Non-executive directors: | | | | |
| RM50,001 – RM100,000 | 1 | 1 | 1 | - |
| RM100,001 – RM200,000 | 1 | 1 | 2 | 2 |
| RM200,001 – RM300,000 | - | 1 | - | - |
| RM300,001 – RM400,000 | 2 | - | - | - |

Total staff cost of the Group and Company (including Executive Director) is RM150,900,000 and RM142,160,000 (2011: RM139,473,000 and RM132,777,000) respectively.

The Executive Director is also the CEO of the Company.

## 29 TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Tax expense/(income): | | | | |
| - current | 71,575 | 70,166 | 71,575 | 70,166 |
| - deferred | 668 | (4,030) | (686) | (4,775) |
| | 72,243 | 66,136 | 70,889 | 65,391 |
| Current tax | | | | |
| Current year | 78,338 | 82,173 | 78,338 | 82,173 |
| Over provision in prior financial years | (6,763) | (12,007) | (6,763) | (12,007) |
| | 71,575 | 70,166 | 71,575 | 70,166 |
| Deferred tax | | | | |
| Origination and reversal of temporary differences | (685) | (2,125) | (685) | (2,870) |
| Under/(over) provision in prior financial years | 1,353 | (1,905) | (1) | (1,905) |
| | 668 | (4,030) | (686) | (4,775) |
| | 72,243 | 66,136 | 70,889 | 65,391 |

The current income tax is calculated at 25% of the estimated assessable profit for the financial year.

The income tax for the Shareholders' and General funds are calculated based on the tax rate of 25% (2011: 25%) of the estimated assessable profit for the financial year.

## 29 TAXATION (CONTINUED)

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Profit before taxation | 352,717 | 427,604 | 372,741 | 429,240 |
| Taxation at Malaysian statutory tax rate of 25% (2011: 25%) | 88,179 | 106,901 | 93,185 | 107,310 |
| Expenses not deductible for tax purposes | 7,199 | 1,777 | 2,193 | 623 |
| Tax relief on actuarial surplus transferred to shareholder's fund | (17,725) | (28,630) | (17,725) | (28,630) |
| Over provision of tax expense in prior financial years | (5,410) | (13,912) | (6,764) | (13,912) |
| Tax expense for the financial year | 72,243 | 66,136 | 70,889 | 65,391 |

**Taxation of life insurance/family takaful business**

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Tax expense/(income): | | | | |
| - current | 80,653 | 98,799 | 80,523 | 98,784 |
| - deferred | 20,814 | (33,242) | 20,719 | (33,262) |
| | 101,467 | 65,557 | 101,242 | 65,522 |
| Current tax | | | | |
| Current year | 80,737 | 97,023 | 80,607 | 97,008 |
| (Over)/under provision in prior financial years | (84) | 1,776 | (84) | 1,776 |
| | 80,653 | 98,799 | 80,523 | 98,784 |
| Deferred tax | | | | |
| Origination and reversal of temporary differences | 20,802 | (32,294) | 20,707 | (32,314) |
| Under/(over) provision in prior financial years | 12 | (948) | 12 | (948) |
| | 20,814 | (33,242) | 20,719 | (33,262) |
| | 101,467 | 65,557 | 101,242 | 65,522 |

## 29 TAXATION (CONTINUED)

**Taxation of life insurance/family takaful business (continued)**

The Malaysian tax charge on the life/family takaful business is based on the method prescribed under the Income Tax Act 1967 for life/family takaful business.

The income tax for the life/family takaful fund is calculated based on tax rate of 8% (2011: 8%) of the assessable investment income net of allowable deductions for the financial year.

## 30 EARNINGS PER SHARE

Basic earnings per share of the Group and the Company is calculated by dividing the profit attributable to ordinary equity holders of the Group and the Company for the financial year by the weighted average number of ordinary shares in issue during the financial year.

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Profit attributable to ordinary equityholders of the Company | 284,663 | 364,157 | 301,852 | 363,849 |
| | **'000** | **'000** | **'000** | **'000** |
| Weighted average number of ordinary shares in issue | 241,706 | 241,706 | 241,706 | 241,706 |
| | **RM** | **RM** | **RM** | **RM** |
| Basic earnings per share | 1.18 | 1.51 | 1.25 | 1.51 |

The Group and the Company have no potential dilutive ordinary shares in issue as at date of Statement of Financial Position and therefore, diluted earning per share has not been presented.

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

## 31 DIVIDENDS

| | Dividends proposed for approval at AGM | | Dividends recognised in financial year | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Final dividends | 300,000 | 350,000 | 300,000 | 350,000 |
| Dividend rate (%), gross | 124.1 | 144.8 | | |
| Dividend per share (sen), net | 124.1 | 144.8 | | |

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 30 November 2012, of 124.1% on 241,706,000 ordinary shares, amounting to RM300 million (RM1.24 per ordinary share) will be proposed for Bank Negara Malaysia and shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by Bank Negara Malaysia and the shareholders, will be accounted for as an appropriation of retained earnings in the financial year ending 30 November 2013.

Of the proposed dividend of RM350 million in respect of the financial year ending 30 November 2011, RM300 million was approved by the Bank Negara Malaysia and shareholders and paid out in the current financial year.

## 32 CAPITAL COMMITMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| **Capital expenditure** | | | | |
| Approved and contracted for: | | | | |
| Property and equipment | 23 | 1,732 | 23 | 1,732 |
| Approved but not contracted for: | | | | |
| Property and equipment | 6,039 | 3,575 | 6,039 | 3,575 |
| Intangible assets | 391 | 160 | 391 | 160 |
| | 6,430 | 3,735 | 6,430 | 3,735 |
| | 6,453 | 5,467 | 6,453 | 5,467 |

## 33 RELATED PARTY DISCLOSURES

In the normal course of business, the Group and the Company undertake on agreed terms and prices, various transactions with the immediate holding company and other related corporations deemed related parties by virtue of them being members of AIA Group Limited and its subsidiaries ("AIA Group").

### (a) Significant related party transactions

The Group had the following significant transactions with related parties during the financial year:

| | Note | Group 2012 RM'000 | Group 2011 RM'000 | Company 2012 RM'000 | Company 2011 RM'000 |
|---|---|---|---|---|---|
| Ultimate holding company: | | | | | |
| - Employees benefits payable | (i) | (3,216) | (973) | (2,896) | (973) |
| Immediate holding company: | | | | | |
| - Group service fee paid | (ii) | (22,664) | (21,224) | (22,664) | (21,224) |
| - Others | (iii) | (276) | 353 | (276) | 353 |
| - Computer services paid | (iv) | (875) | - | (875) | - |
| Fellow related companies | | | | | |
| - Reinsurance | (v) | (25,090) | (24,026) | (25,090) | (24,026) |
| - Computer services | (iv) | | | | |
| - paid | | (16,369) | (15,537) | (16,369) | (15,537) |
| - received | | 704 | 43 | 704 | 43 |
| - Rental received | (vi) | 231 | 5,025 | 231 | 5,025 |
| - Insurance premiums | (vii) | | | | |
| - paid | | - | (410) | - | (410) |
| - received | | 780 | 1,472 | 780 | 1,472 |
| - Interest on loans received | | 239 | 344 | 239 | 344 |
| - Managerial, secretarial or like services | (viii) | | | | |
| - paid | | (1,179) | - | (1,179) | - |
| - received | | 144 | | 144 | - |
| Subsidiary companies | | | | | |
| - Rental received | (vi) | - | - | 697 | 390 |
| - Computer services received | (iv) | - | - | 44 | 36 |
| - Managerial, secretarial or like services | (viii) | | | | |
| - paid | | - | - | (6) | - |
| - received | | - | | 7,427 | 5,012 |
| - Insurance premium received | (vii) | - | - | 105 | 67 |

## 33 RELATED PARTY DISCLOSURES (CONTINUED)

### (a) Significant related party transactions (continued)

(i) Employees benefits refer to cost of AIA Group Ltd shares provided to the employees under the Long Term Incentive Plan and Employee Share Purchase Plan.

(ii) Group service fee paid to immediate holding company for services rendered to the Group, which include management, finance, human resource, operations, actuary and other services.

(iii) Others include expense paid/income received for other services provided.

(iv) Computer services provided by immediate holding company and related companies include SAP service fee, email facilities, IT services and data processing. The computer services rendered include data processing and private automatic branch exchange ("PABX") telephony charge.

(v) Reinsurance includes reinsurance premiums ceded to, reinsurance claims recovered from and profit commission refunded to or earned from related reinsurance companies.

(vi) Rental income received on properties rented for their usage of office.

(vii) Insurance premium expenses incurred on general insurance for crime and other general insurance insured on assets of the Company. Insurance premium received arising from Group Life and Medical insurance for employees of the related parties and subsidiary.

(viii) Management fee arising from providing and rendering of back room services including underwriting, investment accounting, investment operation services, human resource services, secretarial services, claims administrating and IT services to the subsidiaries and related companies.

### (b) Related party balances

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| **Receivables** | | | | |
| Loan and receivables | - | 8,500 | - | 8,500 |
| Other receivables | 147 | 879 | 909 | 2,431 |
| **Payables** | | | | |
| Other payables | (4,061) | (4,690) | (4,061) | (4,690) |

The amount due from/(to) related parties are unsecured, interest free and repayable within 30 days.

## 33 RELATED PARTY DISCLOSURES (CONTINUED)

### (c) Compensation of key management personnel

The compensation of key management personnel during the financial year are as follows:

| | Group and Company | |
|---|---|---|
| | 2012 | 2011 |
| | RM'000 | RM'000 |
| Short-term employee benefits | 2,186 | 2,636 |
| Post-employment benefits | | |
| - Defined contribution plan | 1,028 | 537 |
| Other long-term employee benefits | 2,679 | 1,069 |
| Share-based payment | 677 | 10 |
| | 6,570 | 4,252 |

Included in the compensation of key management personnel are:

| | Group and Company | |
|---|---|---|
| | 2012 | 2011 |
| | RM'000 | RM'000 |
| Executive Director's | | |
| - Remuneration | 5,860 | 4,202 |
| - Share-based payment | 677 | 10 |
| - Other remuneration or emoluments | 33 | 40 |
| | 6,570 | 4,252 |

Members of key management comprise those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

## 34 RISK MANAGEMENT FRAMEWORK

(a) Risk management framework

The managed acceptance of risk is fundamental to the Group's insurance business model. The Group's risk management framework seeks to effectively manage, rather than eliminate, the risks the Group faces. The risk management framework requires all operations to establish processes for identifying, evaluating and managing the key risks faced by the organisation. The risk management framework has evolved in recent years and now encompasses an established risk governance structure with clear oversight and assignment of responsibility for monitoring and management of financial, operational, strategic and shariah risks.

## 34 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(b) Capital management framework

The Company actively manages its capital adequacy by taking into account the potential impact of business strategies on the company's risk profile and overall resilience.

This is in line with Bank Negara Malaysia's ("BNM") Guidelines on Internal Capital Adequacy Assessment Process ("ICAAP") Policy and Procedure for Insurers and Risk Based Capital Framework ("the RBC Framework") which specifies elements of active management of capital adequacy covering:

(i) Determining an individual target capital level ("ITCL") that reflects the risk profile and risk management practices, which is set by conducting appropriate stress and scenario tests;
(ii) A capital management plan that takes into account its strategic business direction and changing business environment; and
(iii) Processes that monitor and ensure maintenance at all times of an appropriate level of capital that commensurate with its risk profile.

The ICAAP Policy and procedure sets out the overall process (including oversight and operational frameworks and processes) where the Company ensures adequate capital to meet its capital requirements on an ongoing basis in line with BNM Guidelines on ICAAP for Insurers, the RBC Framework and BNM Guidelines on Stress Testing for Insurers.

The Company sets an Individual Target Capital Level ("ITCL") that reflects the overall risk tolerance and risk appetite set by the Board, its own risk profile and risk management practices. The Company shall operate at capital levels above ITCL at all times. The ITCL provides a robust threshold in the management of capital adequacy, where a breach of this level would trigger timely responses by management to restore capital to the ITCL and heighten the Board scrutiny based on the Company's Capital Management Plan.

The results of the stress tests shall be considered when evaluating the appropriateness of capital thresholds and corrective actions with consideration of the particular stage of the business cycle in which the Company is operating, given the potential changes in the external environment that could affect the risk profile.

A Capital Management Plan has been established which list the thresholds that act as triggers for actions to ensure maintenance of appropriate capital levels at all times as well as the corresponding corrective action that are required at each specified thresholds. The thresholds set and capture important capital levels such as target operating level, ITCL and supervisory target capital level together with the corresponding corrective actions that are triggered by each threshold.

The planning and assessment of capital and ITCL will be formally conducted by senior management at least annually or as and when the need arises. The result will be reported to the Board and/ or the Board Risk Management Committee ("RMC").

## 34 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(c) Governance and regulatory framework

The Company is required to comply with the requirement of the Insurance Act and Regulations, relevant laws and guidelines from BNM, Life Insurance Association of Malaysia ("LIAM") and Persatuan Insurans Am Malaysia ("PIAM").

The Company has fully complied with the capital requirement prescribed by BNM during the reported financial year.

(d) Operational risks

Operational risk is defined as the potential direct or indirect loss (including reputational loss) resulting from inadequate or failed internal processes, personnel and systems; or from external events. Consequences from such control inadequacies or failures may cause one or a combination of the following: financial loss, operational disruption, damage to reputation, risk to employees as well as legal and regulatory implications.

The Group performs operational risk management to manage operational risk via the process of:

(i) pro-actively identifying operational risks;
(ii) ensuring transparency through a sustainable framework for assessing and measuring such risks; and
(iii) providing decision-making methodologies and tools for mitigating risk exposure and improving business processes.

A holistic risk governance and reporting structure has been established encompassing the Board, Management and operational functions, providing oversight of the operational risk management activities within the Group to ensure operational risk management policies and programmes are implemented appropriately, timely and consistently.

## 35 INSURANCE/TAKAFUL RISK

The Group considers insurance/takaful risk to be a combination of the following component risks:

(a) Product design risk;

(b) Pricing and underwriting risk;

(c) Lapse risk; and

(d) Claims volatility risk.

The Group manages its exposure to insurance/takaful risk across a spectrum of components. The Group have significant underwriting and actuarial resources and have implemented well-defined underwriting and actuarial guidelines and practices. The Group have accumulated substantial experience which assists in the evaluation, pricing and underwriting of its products. The Group's Product Development Committee (“PDC”) and Financial Risk Committee (“FRC”) play an important oversight role in relation to these insurance/takaful related risks, as discussed below. Insurance/takaful risk exposure is also considered when Financial Risk Committee reviews the strategic asset allocation plan and asset-liability management strategies.

### (a) Product design risk

Product design risk refers to potential defects in the development of a particular insurance/takaful product. Product development process is overseen by PDC and FRC, which oversee the pricing guidelines set by AIA Group. The Group seek to manage this risk by completing pre-launch reviews of each new product including product management, actuarial, legal and underwriting. The Group have substantial experience and have developed significant expertise in identifying potential flaws in product development that could expose the Group to excessive risks. The Group monitor closely the performance of new products and focus on actively managing each part of the actuarial control cycle to minimise risk in both in-force policies and new products.

## 35 INSURANCE/TAKAFUL RISK (CONTINUED)

### (b) Pricing and underwriting risk

Pricing and underwriting risk refer to the possibility of product related income being inadequate to support future obligations arising from an insurance/takaful product. The Group seeks to manage pricing and underwriting risk by adhering to its underwriting guidelines.

The Group maintains a team of professional underwriters who review and select risks consistent with our acceptable risk profile and underwriting strategy. A second layer of underwriting review is conducted at the AIA Group level for complex and large risks. In certain circumstances, such as when the Group enters new lines of business, products or markets and do not have sufficient experience data, it makes use of reinsurance/retakaful to obtain product pricing expertise. The use of reinsurance/retakaful subjects the Group to the risk that the reinsurers/retakaful operators become insolvent or fail to make any payment when due to the Group. The Group allows for an appropriate level of expenses in its product pricing that reflects a realistic medium to long term view of its cost structure. In daily operations, the Group adheres to a disciplined expense budgeting and management process that controls expenses within the product pricing allowances over the medium to long term.

### (c) Lapse risk

Lapse risk refers to the possibility of actual lapse experience that diverges from the anticipated experience assumed when products were priced. It includes the potential financial loss incurred due to early termination of policies or contracts in circumstances where the acquisition costs incurred are no longer recoverable from future revenue. The Group carries out regular reviews of persistency experience and the results are assimilated into new and in-force product management. In addition, many of the Group's products include surrender charges that entitle the Group to additional fees upon early termination by policyholders, thereby reducing its exposure to lapse risk.

### (d) Claims volatility risk

Claims volatility risk refers to the possibility that the frequency or severity of claims arising from insurance/takaful products exceed the levels assumed when the products were priced. Firstly, the Group seeks to mitigate claims risk by conducting regular experience studies, including reviews of mortality and morbidity experience, reviewing internal and external data, and considering the impact of such information on reinsurance/retakaful needs, product design and pricing. Secondly, the Group mitigates this risk by adhering to the underwriting and claims management policies and procedures that have been developed based on its extensive historical experience. Thirdly, broad product offering and large in-force product portfolio also reduce the Group's exposure to concentration risk. Finally, the Group uses reinsurance/retakaful solutions to help reduce concentration risk.

## 35 INSURANCE/TAKAFUL RISK (CONTINUED)

### (i) Life insurances/family takaful contracts

The insurance/takaful risk of life insurance/family takaful contracts consists of mortality/longevity and calamity risks. Mortality/longevity risk represents the risk of loss attributable to positive or negative changes in the assumed medical prognosis for life expectancy, occupational disability, illness and the need for long-term care as well as under-estimation of these probabilities. Calamity risk represents the risk of loss because of strong short-term fluctuation in the mortality rate, for example as a result of war or epidemics.

The table below shows the concentration of actuarial liabilities by types of contract reflects product features of insurance/takaful risk associated.

**Group**

| | Gross | | | Reinsurance | | | |
|---|---|---|---|---|---|---|---|
| **30 November 2012** | **With DPF** | **Without DPF** | **Total** | **With DPF** | **without DPF** | **Total** | **Net** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Whole life | 8,788,463 | 541,941 | 9,330,404 | (24) | (164) | (188) | 9,330,216 |
| Endowment | 1,743,185 | 215,371 | 1,958,556 | (1) | (2) | (3) | 1,958,553 |
| Term assurance | 244,938 | 452,707 | 697,645 | - | (14) | (14) | 697,631 |
| Riders | (90,092) | (36,317) | (126,409) | - | (79) | (79) | (126,488) |
| Others | 125,498 | 130,193 | 255,691 | - | - | - | 255,691 |
| Total | 10,811,992 | 1,303,895 | 12,115,887 | (25) | (259) | (284) | 12,115,603 |

**35 INSURANCE/TAKAFUL RISK (CONTINUED)**

**(i) Life insurances/family takaful contracts (continued)**

**Group**

| 30 November 2011 | Gross | | | Reinsurance | | | |
|---|---|---|---|---|---|---|---|
| | With DPF RM'000 | Without DPF RM'000 | Total RM'000 | With DPF RM'000 | without DPF RM'000 | Total RM'000 | Net RM'000 |
| Whole life | 7,747,736 | 418,420 | 8,166,156 | (25) | (151) | (176) | 8,165,980 |
| Endowment | 1,721,847 | 405,393 | 2,127,240 | (1) | (2) | (3) | 2,127,237 |
| Term assurance | 291,552 | 525,952 | 817,504 | - | (15) | (15) | 817,489 |
| Riders | (95,590) | (53,189) | (148,779) | - | (64) | (64) | (148,843) |
| Others | 158,764 | 125,106 | 283,870 | - | - | - | 283,870 |
| Total | 9,824,309 | 1,421,682 | 11,245,991 | (26) | (232) | (258) | 11,245,733 |

**Company**

**30 November 2012**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Whole life | 8,788,463 | 541,941 | 9,330,404 | (24) | (164) | (188) | 9,330,216 |
| Endowment | 1,743,184 | 215,371 | 1,958,555 | (1) | (2) | (3) | 1,958,552 |
| Term assurance | 243,244 | 452,707 | 695,951 | - | (14) | (14) | 695,937 |
| Riders | (90,073) | (36,317) | (126,390) | - | (79) | (79) | (126,469) |
| Others | 120,139 | 130,193 | 250,332 | - | - | - | 250,332 |
| Total | 10,804,957 | 1,303,895 | 12,108,852 | (25) | (259) | (284) | 12,108,568 |

**35 INSURANCE/TAKAFUL RISK (CONTINUED)**

**(i) Life insurances/family takaful contracts (continued)**

**Company**

| 30 November 2011 | Gross | | | Reinsurance | | | |
|---|---|---|---|---|---|---|---|
| | With DPF RM'000 | Without DPF RM'000 | Total RM'000 | With DPF RM'000 | without DPF RM'000 | Total RM'000 | Net RM'000 |
| Whole life | 7,747,737 | 418,420 | 8,166,157 | (23) | (151) | (174) | 8,165,983 |
| Endowment | 1,713,220 | 405,393 | 2,118,613 | (1) | (2) | (3) | 2,118,610 |
| Term assurance | 291,375 | 525,952 | 817,327 | - | (15) | (15) | 817,312 |
| Riders | (95,673) | (53,189) | (148,862) | - | (64) | (64) | (148,926) |
| Others | 157,993 | 125,106 | 283,099 | - | - | - | 283,099 |
| Total | 9,814,652 | 1,421,682 | 11,236,334 | (24) | (232) | (256) | 11,236,078 |

## 35 INSURANCE/TAKAFUL RISK (CONTINUED)

### (i) Life insurances/family takaful contracts (continued)

**Key assumptions**

Mortality, Total Permanent Disability and Critical Illness

Mortality, total permanent disability and critical illness assumption was derived based on past experience, and expectation of current and future experience. In the absence of credible experience, reference has been made to pricing assumptions.

Expenses

Expenses assumption was based on 100% of expense unit cost factors as derived in the current expense analysis and expense inflation rate was based on expectation of long-term consumer price index. In the absence of credible experience, reference has been made to pricing assumptions.

Lapse and surrender rates

Lapse rate assumption was derived based on past experience and best estimate of current and future experience. Lapse rate assumptions vary by policy year and product type with different rates for regular and single premium products. Where experience for a particular product was not credible enough to allow any meaningful analysis to be performed, experience for similar products was used as a basis for future persistency experience assumptions. In the case of surrenders, the valuation assumes that current surrender value bases will continue to apply in the future.

Discount rate

The risk-free discount rate was derived from a yield curve, as follows:

1 for policies' duration of less than 15 years: zero-coupon spot yields of Malaysian Government Securities ("MGS") with matching duration; and

2 for policies' duration of 15 years or more: zero-coupon spot yields of MGS with 15 years term to maturity

For Australian Dollar-denominated non-participating life policies, the discount rate was based on zero-coupon yield of Australian government securities.

Where total guaranteed and non-guaranteed benefits were considered, the discount rate was the current portfolio yield (as at the valuation date) of the participating life funds graded linearly to the long-term interest rate over 9 years. Long-term interest rate refers to the long-term interest assumption for the participating fund, which was determined based on the expected long term asset mix for the participating fund, historical yields on these asset classes over the last 5 years, as well as current market yields and future outlook. The 9-year-graded-period was based on a study of the weighted average term to maturity of the current bond portfolio of the participating fund. The methodology for determining the participating portfolio interest rate, the grading period and the long-term interest rate assumption is consistent with methodology adopted in the insurer's annual bonus investigations.

## 35 INSURANCE/TAKAFUL RISK (CONTINUED)

### (i) Life insurances/family takaful contracts (continued)

**Key assumptions (continued)**

**Sensitivities**

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

| | Change in assumption % | Group<br>Impact on gross/net actuarial liabilities RM'000 | Company<br>Impact on gross/net actuarial liabilities RM'000 |
|---|---|---|---|
| **30 November 2012** | | | |
| Mortality | +10 | 278,963 | 278,348 |
| Expenses | +10 | 73,568 | 73,568 |
| Lapse rates | +10 | (18,495) | (18,510) |
| Discount rate | -0.5 | 1,186,913 | 1,186,906 |
| **30 November 2011** | | | |
| Mortality | +10 | 219,919 | 219,919 |
| Expenses | +10 | 78,570 | 75,870 |
| Lapse rates | +10 | (634) | (634) |
| Discount rate | -0.5 | 1,083,910 | 1,083,910 |

The impact from the changes in the above assumptions to the insurance/takaful contracts without DPF is retained within the insurance/takaful contract liabilities and the impact to the insurance/takaful contracts with DPF is minimum as the participating feature of insurance/takaful contracts with DPF gives the Group the flexibility to adjust the policyholders'/certificate holders' bonus or dividends. Accordingly, there is no impact to the profit before tax and equity of the Group arising from the changes in the above assumptions.

**AMERICAN INTERNATIONAL ASSURANCE BHD.**
**(Incorporated in Malaysia)**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

### 35 INSURANCE/TAKAFUL RISK (CONTINUED)

**(ii) General insurance**

The insurance risk of general insurance contracts consists of premium and reserve risks. Premium risk represents the risk of loss because of an unexpected high loss volume resulting in an insufficient coverage of premiums. Reserve risks represents the risk of loss resulting from deviations between payments for incurred losses that have not yet been definitely settled and the reserves set up to cover these payments, or the use of an insufficient basis for the calculation of reserves.

The table below shows the concentration of General insurance contract liabilities by type of contract.

| | 30 November 2012 | | | 30 November 2011 | | |
|---|---|---|---|---|---|---|
| **Claim liabilities** | **Gross** | **Reinsurance** | **Net** | **Gross** | **Reinsurance** | **Net** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Personal Accident | 74,251 | (2,529) | 71,722 | 60,080 | (2,434) | 57,646 |
| Medical | 27,876 | (610) | 27,266 | 23,144 | (707) | 22,437 |
| Motor | 61,231 | (1,069) | 60,162 | 42,962 | (1,182) | 41,780 |
| Fire | 1,075 | (54) | 1,021 | 1,895 | (94) | 1,801 |
| Misc & Liabilities | 1,580 | (87) | 1,493 | 1,440 | (78) | 1,362 |
| Total general insurance | 166,013 | (4,349) | 161,664 | 129,521 | (4,495) | 125,026 |
| **Premium liabilities** | | | | | | |
| Personal Accident | 38,071 | (1,076) | 36,995 | 44,474 | (1,035) | 43,439 |
| Medical | 266,167 | (1,853) | 264,314 | 278,429 | (1,754) | 276,675 |
| Motor | 24,407 | (440) | 23,967 | 24,408 | (430) | 23,978 |
| Fire | 1,026 | (61) | 965 | 1,108 | (54) | 1,054 |
| Misc & Liabilities | 351 | (20) | 331 | 211 | (10) | 201 |
| Total general insurance | 330,022 | (3,450) | 326,572 | 348,630 | (3,283) | 345,347 |

**Key assumptions**

Expenses

Three elements of management expenses were considered, namely marketing, claims-related and premium-related expense. The premium-related expense is further segregated into two parts, i.e. a one-off expense incurred at the policy issuance and an on-going expense incurred during the policy period. Expenses provision only takes into account the provision for claims-related expenses and the on-going premium-related expenses in outstanding claims liabilities and unexpired premium liabilities, respectively.

**35 INSURANCE/TAKAFUL RISK (CONTINUED)**

**(ii) General insurance (continued)**

**Key assumptions (continued)**

Premium liabilities

(a) Medical – Active Life

Premium liabilities for level premium medical plans (such as critical illness and cancer) with a coverage term of more than one year was estimated based on an Active Life reserve. The Health Guard ("HG") Plan and the Critical Illness Protection Plan ("CIPP") makes up the bulk of the Active Life reserve. The Active Life reserve is calculated as the present value of the sum of future benefits and future expenses including commissions minus present value of future office premiums.

(b) Other classes:

Premium liabilities for other classes of general insurance is the higher of Unexpired Risk Reserves ("URR") at 75% probability of adequacy or Unearned Premium Reserves ("UPR").

Unexpired risk reserve was assumed as the adjusted unearned premium reserve (net of reinsurance after adjustment for non-qualifying offshore reinsurance but gross of commission) multiplied by the resultant Ultimate Loss Ratio ("ULR") for the most recent loss year.

Provision for claims related expenses and overheads expenses are added to the ultimate unexpired risk reserves plus Provision of Risk Margin for Adverse Deviation ("PRAD") as follows:

- Provision for claims related expense at 6.8% of the unexpired risk to allow for internal claims expenses including staff costs and administrative expenses expected to be incurred in settling claims on the unexpired portion of risk. This rate was based on the most recent financial year's data of claims-related expenses against outstanding claims reserves held at the beginning of the year.

- Provision for overhead expense at 3.3% of the unearned premium reserve (gross of reinsurance and commission) to allow for on-going premium-related expenses including staff costs and administrative expenses not related to settling claims. This rate was based on a historic comparison of management expenses against gross written premiums over the most recent financial year, apportioned to exclude claims expenses and upfront expenses like marketing and underwriting costs.

## 35 INSURANCE/TAKAFUL RISK (CONTINUED)

### (ii) General insurance (continued)

**Key assumption (continued)**

Claims liabilities

Claims liabilities include provision for outstanding claims of Incurred But Not Reported ("IBNR") and Incurred But Not Enough Reported ("IBNER") claims on best estimate basis using the Link Ratio method with a Bornhueter-Ferguson adjustment on a paid claims basis for all classes of business. Provision for claims-related expense is included.

We do not make explicit allowance for future inflation; however an implicit allowance is made because they project past development rates of claim inflation contained within the data's historical claim development.

Sensitivities

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

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 claim liabilities included in insurance / takaful contract 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 assumption % | Impact on gross insurance contract liabilities RM'000 | Impact on net insurance contract liabilities RM'000 | Impact on profit before tax RM'000 | Impact on equity RM'000 |
|---|---|---|---|---|---|
| **30 November 2012** | | | | | |
| Expected loss ratio | +10 | 41,290 | 40,135 | (40,135) | (30,101) |
| **30 November 2011** | | | | | |
| Expected loss ratio | +10 | 35,066 | 34,075 | (34,075) | (25,556) |

**35 INSURANCE/TAKAFUL RISK (CONTINUED)**

**(ii) General insurance (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 Balance Sheet date, together with cumulative payments to-date.

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

Company No.

| 790895 | D |
|---|---|

**AMERICAN INTERNATIONAL ASSURANCE BHD.**
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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

### 35 INSURANCE/TAKAFUL RISK (CONTINUED)

#### (ii) General insurance (continued)

Gross General Insurance Contract Liabilities for 2012:

| Accident year | Before 2005 RM'000 | 2006 RM'000 | 2007 RM'000 | 2008 RM'000 | 2009 RM'000 | 2010 RM'000 | 2011 RM'000 | 2012 RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| At end of accident year | | 77,019 | 78,886 | 96,898 | 114,556 | 126,548 | 140,064 | 251,779 | |
| One year later | | 101,170 | 111,000 | 127,990 | 152,190 | 168,523 | 211,492 | | |
| Two years later | | 106,778 | 114,525 | 134,953 | 157,782 | 191,178 | | | |
| Three years later | | 108,711 | 116,541 | 136,185 | 168,659 | | | | |
| Four years later | | 113,242 | 117,349 | 142,919 | | | | | |
| Five years later | | 113,676 | 121,625 | | | | | | |
| Six years later | | 117,300 | | | | | | | |
| Current estimate of cumulative claims incurred | 2,456 | 117,300 | 121,625 | 142,919 | 168,659 | 191,178 | 211,492 | 251,779 | 1,207,408 |
| At end of accident year | | (77,013) | (78,791) | (96,732) | (114,439) | (126,340) | (138,185) | (158,718) | |
| One year later | | (101,122) | (110,980) | (127,935) | (152,097) | (168,626) | (177,786) | | |
| Two years later | | (106,677) | (114,730) | (135,108) | (157,786) | (176,546) | | | |
| Three years later | | (108,576) | (116,891) | (136,438) | (158,875) | | | | |
| Four years later | | (113,058) | (117,721) | (137,182) | | | | | |
| Five years later | | (113,482) | (118,505) | | | | | | |
| Six years later | | (113,783) | | | | | | | |
| Cumulative payments to-date | | (113,783) | (118,505) | (137,182) | (158,875) | (176,546) | (177,786) | (158,718) | (1,041,395) |
| Gross general insurance contract liabilities per Statement of Financial Position | 2,456 | 3,517 | 3,120 | 5,737 | 9,784 | 14,632 | 33,706 | 93,061 | 166,013 |

Company No.

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|---|---|

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## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

### 35 INSURANCE/TAKAFUL RISK (CONTINUED)

#### (ii) General insurance (continued)

Net General Insurance Contract Liabilities for 2012:

| Accident year | Before 2005 RM'000 | 2006 RM'000 | 2007 RM'000 | 2008 RM'000 | 2009 RM'000 | 2010 RM'000 | 2011 RM'000 | 2012 RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| At end of accident year | | 74,310 | 77,646 | 93,883 | 110,033 | 121,455 | 135,790 | 246,445 | |
| One year later | | 97,442 | 109,131 | 123,898 | 146,091 | 161,723 | 205,183 | | |
| Two years later | | 102,753 | 112,562 | 130,594 | 151,429 | 183,609 | | | |
| Three years later | | 104,582 | 114,527 | 131,776 | 161,865 | | | | |
| Four years later | | 108,872 | 115,318 | 138,278 | | | | | |
| Five years later | | 109,282 | 119,484 | | | | | | |
| Six years later | | 112,728 | | | | | | | |
| Current estimate of cumulative claims incurred | 2,084 | 112,728 | 119,484 | 138,278 | 161,865 | 183,609 | 205,183 | 246,445 | 1,169,676 |
| At end of accident year | | (74,304) | (77,553) | (93,724) | (109,922) | (121,256) | (131,693) | (155,263) | |
| One year later | | (97,397) | (109,107) | (123,845) | (146,002) | (161,823) | (172,311) | | |
| Two years later | | (102,659) | (112,752) | (130,741) | (151,432) | (169,419) | | | |
| Three years later | | (104,454) | (114,856) | (132,018) | (152,471) | | | | |
| Four years later | | (108,699) | (115,668) | (132,732) | | | | | |
| Five years later | | (109,100) | (116,432) | | | | | | |
| Six years later | | (109,384) | | | | | | | |
| Cumulative payments to-date | | (109,384) | (116,432) | (132,732) | (152,471) | (169,419) | (172,311) | (155,263) | (1,008,012) |
| Net general insurance contract liabilities per Statement of Financial Position | 2,084 | 3,344 | 3,052 | 5,546 | 9,394 | 14,190 | 32,872 | 91,182 | 161,664 |

## 36 FINANCIAL RISKS

As an insurance and takaful group, the Group is exposed to a range of financial risks, including credit risk, liquidity risk and market risk. The Group applies a consistent risk management philosophy that is embedded in management processes and controls such that both existing and emerging risks are considered and addressed.

Financial risks of investment-linked investment is not further provided and analysed as the financial risks in respect of investment-linked investments are generally wholly borne by the policyholders, and do not directly affect the profit before tax. Furthermore, investment-linked policyholders are responsible for allocation of their policy values amongst investment options offered by the Group. Although profit before tax is not affected by Investment-linked Investments, the investment return from such financial investments is included in the Group’s Income Statement, as the Group has selected the fair value option for all Investment-linked Investments with corresponding change in insurance/takaful contract liabilities for investment-linked contracts.

### (a) Credit risk

Credit risk arises from the possibility of financial loss arising from default by borrowers and transactional counterparties and the decrease in the value of financial instruments due to deterioration in credit quality. The key areas where the Group is exposed to credit risk include repayment risk in respect of :

- cash and cash equivalents;
- investments in debt securities;
- loans and receivables (including insurance receivables); and
- reinsurance receivables.

The Group only takes risks that it understands and can manage effectively. In credit risk management this means combining a detailed, bottom-up approach to market and credit analysis that considers individual counterparties with a portfolio approach focusing on sectors, countries and concentrations.

The Group manages credit risk consistent with the AIA Investment Philosophy and Risk Appetite, as endorsed by the Board and the Board Of Directors of AIA Group Limited.

With respect to investing activities, investment objectives including asset allocation limits and permitted variances from such limits (“Investment Guidelines”) are approved by the Financial Risk Committee (“FRC”).

The Group Investment (being the investment team in the Company and in Group Office) manages the investment assets of AIA Group within the Investment Guidelines, utilizing a discipline consistent with an outsourced service provider.

Within Investment Guidelines, credit risk-based Risk Tolerances are set by the FRC. Such tolerances are based on the AIA Group’s internal credit ratings framework as approved by the FRC (the “AIA Credit Ratings Framework”).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

**36 FINANCIAL RISKS (CONTINUED)**

**(a) Credit risk (continued)**

**Credit exposure**

The table below shows the maximum exposure to credit risk for the components on the Statements of Financial Position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

| Group | Insurance and shareholders' fund RM'000 | Investment linked RM'000 | Total RM'000 |
|---|---|---|---|
| **At 30 November 2012** | | | |
| Available-for-sale financial assets | 3,174,384 | - | 3,174,384 |
| Fair value through profit or loss financial assets | 14,566,642 | 2,238,554 | 16,805,196 |
| Loan and receivables | 1,967,311 | 19,307 | 1,986,618 |
| Reinsurance/retakaful assets | 12,048 | - | 12,048 |
| Insurance/takaful receivables | 153,502 | - | 153,502 |
| Cash and cash equivalent | 239,489 | 144,519 | 384,008 |
| | 20,113,376 | 2,402,380 | 22,515,756 |
| **At 30 November 2011** | | | |
| Available-for-sale financial assets | 3,147,491 | - | 3,147,491 |
| Fair value through profit or loss financial assets | 12,952,292 | 1,551,811 | 14,504,103 |
| Loan and receivables | 2,047,716 | 43,998 | 2,091,714 |
| Reinsurance/retakaful assets | 11,096 | - | 11,096 |
| Insurance/takaful receivables | 143,302 | - | 143,302 |
| Cash and cash equivalent | 483,453 | 305,911 | 789,364 |
| | 18,785,350 | 1,901,720 | 20,687,070 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

## 36 FINANCIAL RISKS (CONTINUED)

### (a) Credit risk (continued)

| Company | Insurance and shareholders' fund RM'000 | Investment linked RM'000 | Total RM'000 |
|---|---|---|---|
| **At 30 November 2012** | | | |
| Available-for-sale financial assets | 3,111,915 | - | 3,111,915 |
| Fair value through profit or loss financial assets | 14,512,954 | 2,218,478 | 16,731,432 |
| Loan and receivables | 1,967,732 | 18,875 | 1,986,607 |
| Reinsurance assets | 12,048 | - | 12,048 |
| Insurance receivables | 153,502 | - | 153,502 |
| Cash and cash equivalent | 175,804 | 143,835 | 319,639 |
| | 19,933,955 | 2,381,188 | 22,315,143 |
| **At 30 November 2011** | | | |
| Available-for-sale financial assets | 3,073,470 | - | 3,073,470 |
| Fair value through profit or loss financial assets | 12,947,037 | 1,540,561 | 14,487,598 |
| Loan and receivables | 2,048,032 | 43,920 | 2,091,952 |
| Reinsurance assets | 11,096 | - | 11,096 |
| Insurance receivables | 143,302 | - | 143,302 |
| Cash and cash equivalent | 460,408 | 301,991 | 762,399 |
| | 18,683,345 | 1,886,472 | 20,569,817 |

## 36 FINANCIAL RISKS (CONTINUED)

### (a) Credit risk (continued)

| | Neither past due nor impaired | | | | | | |
|---|---|---|---|---|---|---|---|
| **Group** | **Investment grade** | **Not rated** | **Not subject to credit risks** | **Past due but not impaired** | **Past due and impaired/ partially impaired** | **Investment-linked** | **Total** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **At 30 November 2012** | | | | | | | |
| AFS financial assets | | | | | | | |
| Malaysian government securities | 18,939 | 877,095 | - | - | - | - | 896,034 |
| Cagamas papers | 468,571 | - | - | - | - | - | 468,571 |
| Corporate debt securities | 1,047,860 | 701,374 | - | - | - | - | 1,749,234 |
| Deposits with licensed banks | - | 20,229 | - | - | - | - | 20,229 |
| FVTPL financial assets | | | | | | | |
| Malaysian government securities | 1,011 | 3,175,599 | - | - | - | 1,105 | 3,177,715 |
| Cagamas papers | 1,413,946 | - | - | - | - | 10,459 | 1,424,405 |
| Equity securities | - | - | 2,221,767 | - | - | 1,123,493 | 3,345,260 |
| Real estate investment trust | - | - | 309,800 | - | - | 88,680 | 398,480 |
| Corporate debt securities | 3,449,046 | 3,709,107 | - | - | - | 532,439 | 7,690,592 |
| Mutual fund | - | - | - | - | - | 475,378 | 475,378 |
| Deposits with licensed banks | - | 159,431 | - | - | - | - | 159,431 |

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

### 36 FINANCIAL RISKS (CONTINUED)

### (a) Credit risk (continued)

| Group | Neither past due nor impaired: Investment grade RM'000 | Neither past due nor impaired: Not rated RM'000 | Neither past due nor impaired: Not subject to credit risks RM'000 | Past due but not impaired RM'000 | Past due and impaired/ partially impaired RM'000 | Investment-linked RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **At 30 November 2012** | | | | | | | |
| Loans and receivables | | | | | | | |
| Malaysian government guarantee loans | - | 175,000 | - | - | - | - | 175,000 |
| Loan receivables | - | 1,611,843 | - | 14,150 | 5,969 | - | 1,631,962 |
| Fixed and call deposits with licensed bank | - | 100,000 | - | - | - | 5,029 | 105,029 |
| Other receivables | - | 50,084 | - | - | 1,008 | 14,178 | 65,270 |
| Reinsurance/retakaful assets | - | 12,048 | - | - | - | - | 12,048 |
| Insurance/takaful receivables | - | 153,502 | - | - | 588 | - | 154,090 |
| Cash and cash equivalents | - | 239,489 | - | - | - | 144,519 | 384,008 |
| Accrued interests | - | 182,765 | - | - | - | 7,100 | 189,865 |
| Allowance for impairment losses | - | - | - | - | (6,845) | - | (6,845) |
| | 6,399,373 | 11,167,566 | 2,531,567 | 14,150 | 720 | 2,402,380 | 22,515,756 |

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**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)**

**36 FINANCIAL RISKS (CONTINUED)**

**(a) Credit risk (continued)**

| Group | Neither past due nor impaired: Investment grade | Neither past due nor impaired: Not rated | Neither past due nor impaired: Not subject to credit risks | Past due but not impaired | Past due and impaired/ partially impaired | Investment-linked | Total |
|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **At 30 November 2011** | | | | | | | |
| AFS financial assets | | | | | | | |
| Malaysian government securities | - | 973,455 | - | - | - | - | 973,455 |
| Cagamas papers | 252,236 | - | - | - | - | - | 252,236 |
| Corporate debt securities | 1,239,696 | 581,258 | - | - | - | - | 1,820,954 |
| Deposits with licensed banks | - | 61,881 | - | - | - | - | 61,881 |
| FVTPL financial assets | | | | | | | |
| Malaysian government securities | - | 3,868,028 | - | - | - | 41,505 | 3,909,533 |
| Cagamas papers | 811,894 | - | - | - | - | - | 811,894 |
| Equity securities | - | - | 1,993,546 | - | - | 768,899 | 2,762,445 |
| Real estate investment trust | - | - | 187,996 | - | - | 52,105 | 240,101 |
| Corporate debt securities | 3,265,685 | 2,411,397 | - | - | - | 447,307 | 6,124,389 |
| Mutual fund | - | - | - | - | - | 236,617 | 236,617 |
| Deposits with licensed banks | - | 312,200 | - | - | - | - | 312,200 |

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**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)**

**36 FINANCIAL RISKS (CONTINUED)**

**(a) Credit risk (continued)**

| Group | Neither past due nor impaired: Investment grade RM'000 | Neither past due nor impaired: Not rated RM'000 | Neither past due nor impaired: Not subject to credit risks RM'000 | Past due but not impaired RM'000 | Past due and impaired/ partially impaired RM'000 | Investment-linked RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **At 30 November 2011** | | | | | | | |
| Loans and receivables | | | | | | | |
| Malaysian government guarantee loans | - | 175,000 | - | - | - | - | 175,000 |
| Loan receivables | - | 1,660,991 | - | 8,910 | 8,437 | - | 1,678,338 |
| Fixed and call deposits with licensed bank | - | 100,000 | - | - | - | 33,880 | 133,880 |
| Other receivables | - | 84,915 | - | - | 1,236 | 10,118 | 96,269 |
| Reinsurance/retakaful assets | - | 11,096 | - | - | - | - | 11,096 |
| Insurance/takaful receivables | - | 143,302 | - | - | 9,409 | - | 152,711 |
| Cash and cash equivalents | - | 483,453 | - | - | - | 305,911 | 789,364 |
| Accrued interests | - | 155,959 | - | - | - | 5,377 | 161,336 |
| Allowance for impairment losses | - | - | - | - | (16,629) | - | (16,629) |
| | 5,569,511 | 11,022,935 | 2,181,542 | 8,910 | 2,453 | 1,901,719 | 20,687,070 |

**36 FINANCIAL RISKS (CONTINUED)**

**(a) Credit risk (continued)**

| | Neither past due nor impaired | | | | | | |
|---|---|---|---|---|---|---|---|
| **Company** | **Investment grade** | **Not rated** | **Not subject to credit risks** | **Past due but not impaired** | **Past due and impaired/ partially impaired** | **Investment-linked** | **Total** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **At 30 November 2012** | | | | | | | |
| AFS financial assets | | | | | | | |
| Malaysian government securities | - | 866,588 | - | - | - | - | 866,588 |
| Cagamas papers | 468,571 | - | - | - | - | - | 468,571 |
| Corporate debt securities | 1,017,553 | 699,330 | - | - | - | - | 1,716,883 |
| Deposits with licensed banks | - | 20,229 | - | - | - | - | 20,229 |
| FVTPL financial assets | | | | | | | |
| Malaysian government securities | - | 3,155,291 | - | - | - | 1,006 | 3,156,297 |
| Cagamas papers | 1,413,946 | - | - | - | - | 10,459 | 1,424,405 |
| Equity securities | - | - | 2,218,505 | - | - | 1,114,298 | 3,332,803 |
| Real estate investment trust | - | - | 309,753 | - | - | 87,623 | 397,376 |
| Corporate debt securities | 3,423,619 | 3,706,043 | - | - | - | 522,886 | 7,652,548 |
| Mutual fund | - | - | - | - | - | 475,378 | 475,378 |
| Deposits with licensed banks | - | 159,431 | - | - | - | - | 159,431 |

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

### 36 FINANCIAL RISKS (CONTINUED)

#### (a) Credit risk (continued)

| Company | Neither past due nor impaired: Investment grade RM'000 | Neither past due nor impaired: Not rated RM'000 | Neither past due nor impaired: Not subject to credit risks RM'000 | Past due but not impaired RM'000 | Past due and impaired/ partially impaired RM'000 | Investment-linked RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **At 30 November 2012** | | | | | | | |
| Loans and receivables | | | | | | | |
| Malaysian government guarantee loans | - | 175,000 | - | - | - | - | 175,000 |
| Loan receivables | - | 1,611,843 | - | 14,150 | 5,969 | - | 1,631,962 |
| Fixed and call deposits with licensed bank | - | 100,000 | - | - | - | 5,029 | 105,029 |
| Other receivables | - | 50,505 | - | - | 1,008 | 13,746 | 65,259 |
| Reinsurance assets | - | 12,048 | - | - | - | - | 12,048 |
| Insurance receivables | - | 153,502 | - | - | 588 | - | 154,090 |
| Cash and cash equivalents | - | 175,804 | - | - | - | 143,835 | 319,639 |
| Accrued interests | - | 181,524 | - | - | - | 6,928 | 188,452 |
| Allowance for impairment losses | - | - | - | - | (6,845) | - | (6,845) |
| | 6,323,689 | 11,067,138 | 2,528,258 | 14,150 | 720 | 2,381,188 | 22,315,143 |

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**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)**

**36 FINANCIAL RISKS (CONTINUED)**

**(a) Credit risk (continued)**

| Company | Neither past due nor impaired: Investment grade | Not rated | Not subject to credit risks | Past due but not impaired | Past due and impaired/ partially impaired | Investment-linked | Total |
|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **At 30 November 2011** | | | | | | | |
| AFS financial assets | | | | | | | |
| Malaysian government securities | - | 938,461 | - | - | - | - | 938,461 |
| Cagamas papers | 252,236 | - | - | - | - | - | 252,236 |
| Corporate debt securities | 1,231,254 | 551,316 | - | - | - | - | 1,782,570 |
| Deposits with licensed banks | - | 61,881 | - | - | - | - | 61,881 |
| FVTPL financial assets | | | | | | | |
| Malaysian government securities | - | 3,866,003 | - | - | - | 39,670 | 3,905,673 |
| Cagamas papers | 811,894 | - | - | - | - | - | 811,894 |
| Equity securities | - | - | 1,993,546 | - | - | 766,299 | 2,759,845 |
| Real estate investment trust | - | - | 187,996 | - | - | 51,307 | 239,303 |
| Corporate debt securities | 3,265,187 | 2,408,689 | - | - | - | 441,375 | 6,115,251 |
| Mutual fund | - | - | - | - | - | 236,617 | 236,617 |
| Deposits with licensed banks | - | 312,200 | - | - | - | - | 312,200 |

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## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

**36 FINANCIAL RISKS (CONTINUED)**

**(a) Credit risk (continued)**

| | Neither past due nor impaired | | | | | | |
|---|---|---|---|---|---|---|---|
| **Company** | **Investment grade RM'000** | **Not rated RM'000** | **Not subject to credit risks RM'000** | **Past due but not impaired RM'000** | **Past due and impaired/ partially impaired RM'000** | **Investment-linked RM'000** | **Total RM'000** |
| **At 30 November 2011** | | | | | | | |
| Loans and receivables | | | | | | | |
| Malaysian government guarantee loans | - | 175,000 | - | - | - | - | 175,000 |
| Loan receivables | - | 1,660,991 | - | 8,910 | 8,437 | - | 1,678,338 |
| Fixed and call deposits with licensed bank | - | 100,000 | - | - | - | 33,880 | 133,880 |
| Other receivables | - | 85,231 | - | - | 1,236 | 10,040 | 96,507 |
| Reinsurance assets | - | 11,096 | - | - | - | - | 11,096 |
| Insurance receivables | - | 143,302 | - | - | 9,409 | - | 152,711 |
| Cash and cash equivalents | - | 460,408 | - | - | - | 301,991 | 762,399 |
| Accrued interests | - | 155,291 | - | - | - | 5,293 | 160,584 |
| Allowance for impairment losses | - | - | - | - | (16,629) | - | (16,629) |
| | 5,560,571 | 10,929,869 | 2,181,542 | 8,910 | 2,453 | 1,886,472 | 20,569,817 |

## 36 FINANCIAL RISKS (CONTINUED)

### (a) Credit risk (continued)

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

| Group | AAA | AA | A | BBB | Not rated | Not subject to credit risks | Investment-linked | Total |
|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **At 30 November 2012** | | | | | | | | |
| AFS financial assets | | | | | | | | |
| Malaysian government securities | 18,939 | - | - | - | 877,095 | - | - | 896,034 |
| Cagamas papers | 468,571 | - | - | - | - | - | - | 468,571 |
| Corporate debt securities | 723,575 | 306,258 | 18,027 | - | 701,374 | - | - | 1,749,234 |
| Deposits with licensed banks | - | - | - | - | 20,229 | - | - | 20,229 |
| FVTPL financial assets | | | | | | | | |
| Malaysian government securities | 1,011 | - | - | - | 3,175,599 | - | 1,105 | 3,177,715 |
| Cagamas papers | 1,413,946 | - | - | - | - | - | 10,459 | 1,424,405 |
| Equity securities | - | - | - | - | - | 2,221,767 | 1,123,493 | 3,345,260 |
| Real estate investment trust | - | - | - | - | - | 309,800 | 88,680 | 398,480 |
| Corporte debt securities | 2,670,409 | 751,597 | 27,040 | - | 3,709,107 | - | 532,439 | 7,690,592 |
| Mutual fund | - | - | - | - | - | - | 475,378 | 475,378 |
| Deposits with licensed banks | - | - | - | - | 159,431 | - | - | 159,431 |

**AMERICAN INTERNATIONAL ASSURANCE BHD.**
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)**

**36 FINANCIAL RISKS (CONTINUED)**

**(a) Credit risk (continued)**

| Group | AAA | AA | A | BBB | Not rated | Not subject to credit risks | Investment-linked | Total |
|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **At 30 November 2012** | | | | | | | | |
| Loans and receivables | | | | | | | | |
| Malaysian government guarantee loans | - | - | - | - | 175,000 | - | - | 175,000 |
| Loan receivables | - | - | - | - | 1,626,713 | - | - | 1,626,713 |
| Fixed and call deposits with licensed bank | - | - | - | - | 100,000 | - | 5,029 | 105,029 |
| Other receivables | - | - | - | - | 50,084 | - | 14,178 | 64,262 |
| Reinsurance/retakaful assets | - | - | - | - | 12,048 | - | - | 12,048 |
| Insurance/takaful receivables | - | - | - | - | 153,502 | - | - | 153,502 |
| Cash and cash equivalents | - | - | - | - | 239,489 | - | 144,519 | 384,008 |
| Accrued interests | - | - | - | - | 182,765 | - | 7,100 | 189,865 |
| | 5,296,451 | 1,057,855 | 45,067 | - | 11,182,436 | 2,531,567 | 2,402,380 | 22,515,756 |

**AMERICAN INTERNATIONAL ASSURANCE BHD.**
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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

### 36 FINANCIAL RISKS (CONTINUED)

#### (a) Credit risk (continued)

| Group | AAA RM'000 | AA RM'000 | A RM'000 | BBB RM'000 | Not rated RM'000 | Not subject to credit risks RM'000 | Investment-linked RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **At 30 November 2011** | | | | | | | | |
| AFS financial assets | | | | | | | | |
| Malaysian government securities | - | - | - | - | 973,455 | - | - | 973,455 |
| Cagamas papers | 252,236 | - | - | - | - | - | - | 252,236 |
| Corporate debt securities | 1,002,049 | 235,638 | 2,009 | - | 581,258 | - | - | 1,820,954 |
| Deposits with licensed banks | - | - | - | - | 61,881 | - | - | 61,881 |
| FVTPL financial assets | | | | | | | | |
| Malaysian government securities | - | - | - | - | 3,868,028 | - | 41,505 | 3,909,533 |
| Cagamas papers | 811,894 | - | - | - | - | - | - | 811,894 |
| Equity securities | - | - | - | - | - | 1,993,546 | 768,899 | 2,762,445 |
| Real estate investment trust | - | - | - | - | - | 187,996 | 52,105 | 240,101 |
| Corporte debt securities | 2,581,274 | 676,377 | 8,034 | - | 2,411,397 | - | 447,307 | 6,124,389 |
| Mutual fund | - | - | - | - | - | - | 236,617 | 236,617 |
| Deposits with licensed banks | - | - | - | - | 312,200 | - | - | 312,200 |

**36 FINANCIAL RISKS (CONTINUED)**

**(a) Credit risk (continued)**

| Group | AAA | AA | A | BBB | Not rated | Not subject to credit risks | Investment-linked | Total |
|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **At 30 November 2011** | | | | | | | | |
| Loans and receivables | | | | | | | | |
| Malaysian government guarantee loans | - | - | - | - | 175,000 | - | - | 175,000 |
| Loan receivables | - | - | - | - | 1,672,354 | - | - | 1,672,354 |
| Fixed and call deposits with licensed bank | - | - | - | - | 100,000 | - | 33,880 | 133,880 |
| Other receivables | - | - | - | - | 84,915 | - | 10,118 | 95,033 |
| Reinsurance/retakaful assets | - | - | - | - | 11,096 | - | - | 11,096 |
| Insurance/takaful receivables | - | - | - | - | 143,302 | - | - | 143,302 |
| Cash and cash equivalents | - | - | - | - | 483,453 | - | 305,911 | 789,364 |
| Accrued interests | - | - | - | - | 155,959 | - | 5,377 | 161,336 |
| | 4,647,453 | 912,015 | 10,043 | - | 11,034,298 | 2,181,542 | 1,901,719 | 20,687,070 |

**AMERICAN INTERNATIONAL ASSURANCE BHD.**
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## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

### 36 FINANCIAL RISKS (CONTINUED)

#### (a) Credit risk (continued)

| Company | AAA | AA | A | BBB | Not rated | Not subject to credit risks | Investment-linked | Total |
|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **At 30 November 2012** | | | | | | | | |
| AFS financial assets | | | | | | | | |
| Malaysian government securities | - | - | - | - | 866,588 | - | - | 866,588 |
| Cagamas papers | 468,571 | - | - | - | - | - | - | 468,571 |
| Corporate debt securities | 703,684 | 295,842 | 18,027 | - | 699,330 | - | - | 1,716,883 |
| Deposits with licensed banks | - | - | - | - | 20,229 | - | - | 20,229 |
| FVTPL financial assets | | | | | | | | |
| Malaysian government securities | - | - | - | - | 3,155,291 | - | 1,006 | 3,156,297 |
| Cagamas papers | 1,413,946 | - | - | - | - | - | 10,459 | 1,424,405 |
| Equity securities | - | - | - | - | - | 2,218,505 | 1,114,298 | 3,332,803 |
| Real estate investment trust | - | - | - | - | - | 309,753 | 87,623 | 397,376 |
| Corporate debt securities | 2,650,377 | 746,202 | 27,040 | - | 3,706,043 | - | 522,886 | 7,652,548 |
| Mutual fund | - | - | - | - | - | - | 475,378 | 475,378 |
| Deposits with licensed banks | - | - | - | - | 159,431 | - | - | 159,431 |

**AMERICAN INTERNATIONAL ASSURANCE BHD.**
**(Incorporated in Malaysia)**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

### 36 FINANCIAL RISKS (CONTINUED)

#### (a) Credit risk (continued)

| Company | AAA | AA | A | BBB | Not rated | Not subject to credit risks | Investment-linked | Total |
|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **At 30 November 2012** | | | | | | | | |
| Loans and receivables | | | | | | | | |
| Malaysian government guarantee loans | - | - | - | - | 175,000 | - | - | 175,000 |
| Loan receivables | - | - | - | - | 1,626,713 | - | - | 1,626,713 |
| Fixed and call deposits with licensed bank | - | - | - | - | 100,000 | - | 5,029 | 105,029 |
| Other receivables | - | - | - | - | 50,505 | - | 13,746 | 64,251 |
| Reinsurance assets | - | - | - | - | 12,048 | - | - | 12,048 |
| Insurance receivables | - | - | - | - | 153,502 | - | - | 153,502 |
| Cash and cash equivalents | - | - | - | - | 175,804 | - | 143,835 | 319,639 |
| Accrued interests | - | - | - | - | 181,524 | - | 6,928 | 188,452 |
| | 5,236,578 | 1,042,044 | 45,067 | - | 11,082,008 | 2,528,258 | 2,381,188 | 22,315,143 |

Company No.

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|---|---|

**AMERICAN INTERNATIONAL ASSURANCE BHD.**
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## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

**36 FINANCIAL RISKS (CONTINUED)**

**(a) Credit risk (continued)**

| Company | AAA | AA | A | BBB | Not rated | Not subject to credit risks | Investment-linked | Total |
|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **At 30 November 2011** | | | | | | | | |
| AFS financial assets | | | | | | | | |
| Malaysian government securities | - | - | - | - | 938,461 | - | - | 938,461 |
| Cagamas papers | 252,236 | - | - | - | - | - | - | 252,236 |
| Corporate debt securities | 998,824 | 230,422 | 2,008 | - | 551,316 | - | - | 1,782,570 |
| Deposits with licensed banks | - | - | - | - | 61,881 | - | - | 61,881 |
| FVTPL financial assets | | | | | | | | |
| Malaysian government securities | - | - | - | - | 3,866,003 | - | 39,670 | 3,905,673 |
| Cagamas papers | 811,894 | - | - | - | - | - | - | 811,894 |
| Equity securities | - | - | - | - | - | 1,993,546 | 766,299 | 2,759,845 |
| Real estate investment trust | - | - | - | - | - | 187,996 | 51,307 | 239,303 |
| Corporate debt securities | 2,580,776 | 676,377 | 8,034 | - | 2,408,689 | - | 441,375 | 6,115,251 |
| Mutual fund | - | - | - | - | - | - | 236,617 | 236,617 |
| Deposits with licensed banks | - | - | - | - | 312,200 | - | - | 312,200 |

## AMERICAN INTERNATIONAL ASSURANCE BHD.
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## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

**36 FINANCIAL RISKS (CONTINUED)**

**(a) Credit risk (continued)**

| Company | AAA | AA | A | BBB | Not rated | Not subject to credit risks | Investment-linked | Total |
|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **At 30 November 2011** | | | | | | | | |
| Loans and receivables | | | | | | | | |
| Malaysian government guarantee loans | - | - | - | - | 175,000 | - | - | 175,000 |
| Loan receivables | - | - | - | - | 1,672,354 | - | - | 1,672,354 |
| Fixed and call deposits with licensed bank | - | - | - | - | 100,000 | - | 33,880 | 133,880 |
| Other receivables | - | - | - | - | 85,231 | - | 10,040 | 95,271 |
| Reinsurance assets | - | - | - | - | 11,096 | - | - | 11,096 |
| Insurance receivables | - | - | - | - | 143,302 | - | - | 143,302 |
| Cash and cash equivalents | - | - | - | - | 460,408 | - | 301,991 | 762,399 |
| Accrued interests | - | - | - | - | 155,291 | - | 5,293 | 160,584 |
| | 4,643,730 | 906,799 | 10,042 | - | 10,941,232 | 2,181,542 | 1,886,472 | 20,569,817 |

## 36 FINANCIAL RISKS (CONTINUED)

### (a) Credit risk (continued)

The financial assets are classified according to the credit rating by rating agencies approved by BNM.

The financial assets comprise Malaysian Government Securities and certain corporate debt securities are not rated as these investments are issued by government or guaranteed by government which were exempted from the need of getting rating from rating agencies. Other financial assets which are not rated comprise fixed and call deposits with licensed bank, and loans and receivables as the issuer did not obtain any credit rating from the respective rating agencies. Such financial assets although not rated are issued by companies which have sound financial and high creditworthiness. The creditworthiness is monitored on any downgrade news related to any investment in the debt portfolio.

The Group's loans receivable include policy loans, mortgage loans, other secured loans, staff loans and unsecured loans. Policy loans, mortgage loans, other secured loans and secured staff loans are generally secured by collateral. The amount of loan is based on the valuation of collateral as well as an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of the types of collateral and the valuation parameters. The type of collaterals, held by the Group as lender, for which it is entitled to in the event of default is as follows:

| | Type of collaterals | Group and Company 2012 RM'000 | Group and Company 2011 RM'000 |
|---|---|---|---|
| Policy loans | Cash surrender value | 377,940 | 376,055 |
| Mortgage loans | Properties | 1,239,685 | 1,276,310 |
| Other secured loans | Properties | 40 | 48 |
| Staff loans | | | |
| - Secured loans | Motor vehicles and properties | 8,355 | 10,541 |
| - Unsecured loans | Nil | 608 | 676 |
| Unsecured loans | Nil | 85 | 8,724 |
| | | 1,626,713 | 1,672,354 |

**Age analysis of financial assets past-due but not impaired**

| Group and Company | < 30 days RM'000 | 31 to 60 days RM'000 | 61 to 90 days RM'000 | 91 to 180 days RM'000 | Investment-linked RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **At 30 November 2012** | | | | | | |
| Loan and receivables | 7,088 | 96 | 5,323 | 1,643 | - | 14,150 |
| **At 30 November 2011** | | | | | | |
| Loan and receivables | 105 | 6,949 | 1,213 | 643 | - | 8,910 |

**36 FINANCIAL RISKS (CONTINUED)**

**(a) Credit risk (continued)**

**Impaired financial assets**

For assets to be classified as "past-due and impaired", contractual payments must be in arrears for more than three (3) months. The Group records impairment allowance for loans and receivables and insurance receivables in separate allowance for doubtful debts accounts. A reconciliation of the allowance for impairment losses for loans and receivables and insurance receivables is as follows:

| Group and Company | Loan receivables 2012 RM'000 | Loan receivables 2011 RM'000 | Insurance/ takaful receivables 2012 RM'000 | Insurance/ takaful receivables 2011 RM'000 | Other receivables 2012 RM'000 | Other receivables 2011 RM'000 |
|---|---|---|---|---|---|---|
| At 1 December | 5,984 | 7,535 | 9,409 | 1,363 | 1,236 | 2,416 |
| Charged for the year | 8,227 | 1,695 | 1,208 | 8,046 | 608 | 311 |
| Recoveries | (8,962) | (3,246) | (10,029) | - | (836) | (1,491) |
| As at 30 November | 5,249 | 5,984 | 588 | 9,409 | 1,008 | 1,236 |

**(b) Liquidity risk**

Liquidity risk primarily refers to the possibility of having insufficient cash available to meet the payment obligations to counterparties when they become due. This can arise when internal funds are insufficient to meet cash outflow obligations and where the Group is unable to obtain funding at market rates or liquidate assets at fair value resulting in the forced liquidation of assets at depressed prices. The Group is exposed to liquidity risk in respect of insurance/takaful and investment policies/certificates that permit surrender, withdrawal or other forms of early termination for cash surrender value specified in the contractual terms and conditions.

The Group's liquidity position is monitored in compliance with regulatory and internal requirements in combination with maturity gap analyses. To manage liquidity risk, the Group has implemented a variety of measures, including emphasising flexible insurance product design so that it can retain the greatest flexibility to adjust contract pricing or crediting rates.

The Group continually seeks to match, to the extent possible and appropriate, the duration of its investment assets with the duration of insurance policies/certificates issued. The Group constantly monitors its liquidity position and has in place several contingency sources of liquidity in order to minimise the impact of any liquidity risk.

Investment-linked liabilities are repayable or transferable upon notice by policyholders and are disclosed separately under "Investment-linked" column. Liquidity risk of investment-linked liabilities is managed as part of the Group-wide established framework, process and procedures as detailed above. The Group constantly monitors the liquidity position of the respective funds and has in place several contingency sources of liquidity in order to minimise the impact of any liquidity risk, which includes but not limited to funding from the operating fund as well as catastrophe excess-of-loss reinsurance/retakaful cover.

**36 FINANCIAL RISKS (CONTINUED)**

**(b) Liquidity risk (liquidity)**

**Maturity Profiles**

The table below summarises the maturity profile of the financial assets and financial liabilities of the Group based on remaining contractual obligations, including interest/profit payable and receivable. For insurance/takaful contracts liabilities, maturity profiles are determined based on estimated timing of discounted net cash outflows from the recognised insurance/takaful liabilities.

| Group | Carrying value RM'000 | Up to a year RM'000 | 1 – 3 years RM'000 | 3 – 5 years RM'000 | > 5 years RM'000 | No maturity date RM'000 | Investment-linked RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **At 30 November 2012** | | | | | | | | |
| Available-for-sale financial assets | 3,174,384 | 184,934 | 676,010 | 732,425 | 2,890,093 | - | - | 4,483,462 |
| Fair value through profit or loss financial assets | 16,805,196 | 699,788 | 1,424,217 | 2,003,555 | 14,999,701 | 2,531,567 | 2,238,554 | 23,897,382 |
| Loans and receivables | 1,986,618 | 188,980 | 268,592 | 253,261 | 1,791,847 | - | 19,307 | 2,521,987 |
| Reinsurance/retakaful assets | 12,048 | 12,048 | - | - | - | - | - | 12,048 |
| Insurance/takaful receivables | 153,502 | 153,502 | - | - | - | - | - | 153,502 |
| Cash and cash equivalents | 384,008 | 239,489 | - | - | - | - | 144,519 | 384,008 |
| **Total assets** | 22,515,756 | 1,478,741 | 2,368,819 | 2,989,241 | 19,681,641 | 2,531,567 | 2,402,380 | 31,452,389 |
| Insurance/takaful contract liabilities: | | | | | | | | |
| With DPF | 12,771,568 | 256,330 | 440,748 | 314,113 | 9,824,429 | 1,935,948 | - | 12,771,568 |
| Without DPF | 5,567,345 | 415,213 | 168,337 | 37,113 | 1,224,168 | 1,352,236 | 2,370,278 | 5,567,345 |
| Insurance/takaful payables | 2,910,881 | 2,910,881 | - | - | - | - | - | 2,910,881 |
| Other payables | 511,064 | 511,064 | - | - | - | - | - | 511,064 |
| **Total liabilities** | 21,760,858 | 4,093,488 | 609,085 | 351,226 | 11,048,597 | 3,288,184 | 2,370,278 | 21,760,858 |

## 36 FINANCIAL RISKS (CONTINUED)

### (b) Liquidity risk (liquidity)

| Group | Carrying value RM'000 | Up to a year RM'000 | 1 – 3 years RM'000 | 3 – 5 years RM'000 | > 5 years RM'000 | No maturity date RM'000 | Investment-linked RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **At 30 November 2011** | | | | | | | | |
| Available-for-sale financial assets | 3,147,491 | 517,467 | 473,834 | 840,614 | 2,326,549 | - | - | 4,158,464 |
| Fair value through profit or loss financial assets | 14,504,103 | 682,638 | 2,062,884 | 1,849,232 | 11,573,537 | 2,181,541 | 1,551,811 | 19,901,643 |
| Loans and receivables | 2,091,714 | 240,316 | 280,857 | 265,092 | 2,030,984 | - | 43,998 | 2,861,247 |
| Reinsurance/retakaful assets | 11,096 | 11,096 | - | - | - | - | - | 11,096 |
| Insurance/takaful receivables | 143,302 | 143,302 | - | - | - | - | - | 143,302 |
| Cash and cash equivalents | 789,364 | 483,453 | - | - | - | - | 305,911 | 789,364 |
| **Total assets** | 20,687,070 | 2,078,272 | 2,817,575 | 2,954,938 | 15,931,070 | 2,181,541 | 1,901,720 | 27,865,116 |
| Insurance/takaful contract liabilities: | | | | | | | | |
| With DPF | 11,886,003 | 236,520 | 494,019 | 280,606 | 8,839,857 | 2,035,001 | - | 11,886,003 |
| Without DPF | 5,074,950 | 615,064 | 156,979 | 106,337 | 1,061,405 | 1,281,937 | 1,853,228 | 5,074,950 |
| Insurance/takaful payables | 2,763,404 | 2,763,404 | - | - | - | - | - | 2,763,404 |
| Other payables | 265,841 | 265,841 | - | - | - | - | - | 265,841 |
| **Total liabilities** | 19,990,198 | 3,880,829 | 650,998 | 386,943 | 9,901,262 | 3,316,938 | 1,853,228 | 19,990,198 |

**AMERICAN INTERNATIONAL ASSURANCE BHD.**
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**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)**

## 36 FINANCIAL RISKS (CONTINUED)

### (b) Liquidity risk (liquidity)

| Company | Carrying value RM'000 | Up to a year RM'000 | 1 – 3 years RM'000 | 3 – 5 years RM'000 | > 5 years RM'000 | No maturity date RM'000 | Investment-linked RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **At 30 November 2012** | | | | | | | | |
| Available-for-sale financial assets | 3,111,915 | 182,188 | 665,627 | 724,625 | 2,824,530 | - | - | 4,396,970 |
| Fair value through profit or loss financial assets | 16,731,432 | 696,615 | 1,419,969 | 1,999,307 | 14,930,750 | 2,528,258 | 2,218,478 | 23,793,377 |
| Loans and receivables | 1,986,607 | 189,742 | 268,592 | 253,261 | 1,791,506 | - | 18,875 | 2,521,976 |
| Reinsurance assets | 12,048 | 12,048 | - | - | - | - | - | 12,048 |
| Insurance receivables | 153,502 | 153,595 | - | - | - | - | - | 153,595 |
| Cash and cash equivalents | 319,639 | 175,804 | - | - | - | - | 143,835 | 319,639 |
| **Total assets** | 22,315,143 | 1,409,992 | 2,354,188 | 2,977,193 | 19,546,786 | 2,528,258 | 2,381,188 | 31,197,605 |
| Insurance contract liabilities: | | | | | | | | |
| With DPF | 12,685,935 | 254,244 | 440,748 | 314,113 | 9,822,752 | 1,854,078 | - | 12,685,935 |
| Without DPF | 5,557,685 | 415,213 | 168,337 | 37,113 | 1,224,168 | 1,352,237 | 2,360,617 | 5,557,685 |
| Insurance payables | 2,910,161 | 2,910,161 | - | - | - | - | - | 2,910,161 |
| Other payables | 496,963 | 496,963 | - | - | - | - | - | 496,963 |
| **Total liabilities** | 21,650,744 | 4,076,581 | 609,085 | 351,226 | 11,046,920 | 3,206,315 | 2,360,617 | 21,650,744 |

**AMERICAN INTERNATIONAL ASSURANCE BHD.**
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)**

**36 FINANCIAL RISKS (CONTINUED)**

**(b) Liquidity risk (liquidity)**

| Company | Carrying value RM'000 | Up to a year RM'000 | 1 – 3 years RM'000 | 3 – 5 years RM'000 | > 5 years RM'000 | No maturity date RM'000 | Investment-linked RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **At 30 November 2011** | | | | | | | | |
| Available-for-sale financial assets | 3,073,470 | 514,246 | 467,392 | 821,219 | 2,248,378 | - | - | 4,051,235 |
| Fair value through profit or loss financial assets | 14,487,598 | 682,424 | 2,062,456 | 1,848,804 | 11,567,440 | 2,181,541 | 1,540,561 | 19,883,226 |
| Loans and receivables | 2,091,952 | 239,080 | 280,857 | 265,092 | 2,030,984 | - | 43,920 | 2,859,933 |
| Reinsurance assets | 11,096 | 11,096 | - | - | - | - | - | 11,096 |
| Insurance receivables | 143,302 | 143,302 | - | - | - | - | - | 143,302 |
| Cash and cash equivalents | 762,399 | 460,408 | - | - | - | - | 301,991 | 762,399 |
| **Total assets** | 20,569,817 | 2,050,556 | 2,810,705 | 2,935,115 | 15,846,802 | 2,181,541 | 1,886,472 | 27,711,191 |
| Insurance contract liabilities: | | | | | | | | |
| With DPF | 11,851,074 | 236,142 | 494,019 | 280,606 | 8,830,578 | 2,009,729 | - | 11,851,074 |
| Without DPF | 5,077,487 | 615,064 | 156,979 | 106,337 | 1,061,405 | 1,290,370 | 1,847,332 | 5,077,487 |
| Insurance payables | 2,763,295 | 2,763,295 | - | - | - | - | - | 2,763,295 |
| Other payables | 260,046 | 260,046 | - | - | - | - | - | 260,046 |
| **Total liabilities** | 19,951,902 | 3,874,547 | 650,998 | 386,943 | 9,891,983 | 3,300,099 | 1,847,332 | 19,951,902 |

## 36 FINANCIAL RISKS (CONTINUED)

### (c) Market risk

Market risk arises from the possibility of financial loss caused by changes in financial instruments' fair values or future cash flows due to fluctuations in key variables, including interest rates, equity market prices, foreign exchange rates and real estate property market prices. The Group manages the risk of market-based fluctuations in the value of the Group's investments, as well as liabilities with exposure to market risk.

The Group uses various quantitative measures to assess market risk, including sensitivity analysis. The level of movements in market factors on which the sensitivity analysis is based were determined based on economic forecasts and historical experience of variations in these factors. The Group routinely conducts sensitivity analysis of its fixed income portfolios to estimate its exposure to movements in interest rates. The Group's fixed income sensitivity analysis is primarily a duration-based approach.

Policies on asset allocation, portfolio limit structure and diversification benchmark have been set in line with the Group's risk management policy after taking cognizance of the regulatory requirements in respect of maintenance of assets and solvency.

#### (i) Interest rate risk

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

The Group's exposure to interest rate risk predominantly arises from the Group's duration gap between the liabilities and assets for interest rate sensitive products, especially those providing interest rate guarantees. For other products, including those with participation or investment-linked features, interest rate risk is significantly reduced due to the non-guaranteed nature of additional policyholder/certificate holder benefits.

The Group manages its interest rate risk by investing in financial instruments with tenors that match the duration of its liabilities as much as practicable and appropriate. The Group also considers the effect of interest rate risk in its overall product strategy. Certain products such as investment-linked, universal life and participating business, inherently have lower interest rate risk as their design provides flexibility as to crediting rates and policyholder dividend scales. For new products, the Group emphasises flexibility in product design and generally designs products to avoid excessive long-term interest rate guarantees. For in-force policies, policyholder bonus payout and credit interest rates applicable to policyholder account balances are regularly adjusted considering, among others, the earned yields and policyholders'/certificate holders' communications and reasonable expectations.

**36 FINANCIAL RISKS (CONTINUED)**

**(c) Market risk (continued)**

**(i) Interest 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 floating rate/yield financial instruments), AFS fair value reserves and unallocated surplus included in insurance/takaful contract liabilities (that reflects re-valuing fixed rate/yield financial assets of life/family takaful fund) and equity (that reflects adjustments to profit before tax and re-valuing fixed rate/yield AFS financial assets of shareholder and general funds). The correlation of variables will have a significant effect in determining the ultimate impact on interest rate/profit yield risk but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

**Group**

| **Change in variable** | **Impact on profit before tax** | **Impact on insurance/ takaful contract liabilities** | **Impact on equity** |
|---|---|---|---|
| | **RM'000** | **RM'000** | **RM'000** |
| **At 30 November 2012** | | | |
| +50 basis points shift in yield curves | - | (629,417) | (24,294) |
| - 50 basis points shift in yield curves | - | 678,035 | 25,647 |
| **At 30 November 2011** | | | |
| +50 basis points shift in yield curves | - | (448,725) | (16,238) |
| - 50 basis points shift in yield curves | - | 480,903 | 16,996 |

**Company**

| **Change in variable** | **Impact on profit before tax** | **Impact on insurance/ takaful contract liabilities** | **Impact on equity** |
|---|---|---|---|
| | **RM'000** | **RM'000** | **RM'000** |
| **At 30 November 2012** | | | |
| +50 basis points shift in yield curves | - | (627,225) | (22,628) |
| - 50 basis points shift in yield curves | - | 675,677 | 23,889 |
| **At 30 November 2011** | | | |
| +50 basis points shift in yield curves | - | (448,549) | (14,108) |
| - 50 basis points shift in yield curves | - | 480,719 | 14,748 |

**36 FINANCIAL RISKS (CONTINUED)**

**(c) Market risk (continued)**

**(ii) Equity market price risk**

Equity market price risk arises from changes in the market value of equity securities and equity funds. The investment in equity assets on a long-term basis is expected to provide diversification benefits and return enhancements which can improve the risk adjusted return of the portfolios.

The Group manages equity price risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector, market and issuer, having regard also to such limits stipulated by BNM. The Group complies with BNM stipulated limits during the financial year and has no significant concentration risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets whose changes in fair values are recorded in Income Statements) and unallocated surplus included in insurance/takaful contract liabilities (due to changes in fair value of financial assets and liabilities of life/family takaful fund whose changes in fair values are retained in life insurance/family takaful contract liabilities). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

**Group**

| Change in variable | Change in variable | Impact on profit before tax RM'000 | Impact on insurance/ takaful contract liabilities RM'000 | Impact on equity RM'000 |
|---|---|---|---|---|
| **At 30 November 2012** | | | | |
| Equity price | +10% | - | 235,001 | - |
| | -10% | - | (235,001) | - |
| **At 30 November 2011** | | | | |
| Equity price | +10% | - | 204,105 | - |
| | -10% | - | (204,105) | - |

**Company**

| Change in variable | Change in variable | Impact on profit before tax RM'000 | Impact on insurance/ takaful contract liabilities RM'000 | Impact on equity RM'000 |
|---|---|---|---|---|
| **At 30 November 2012** | | | | |
| Equity price | +10% | - | 234,697 | - |
| | -10% | - | (234,697) | - |

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**36 FINANCIAL RISKS (CONTINUED)**

**(c) Market risk (continued)**

**(ii) Equity market price risk (continued)**

**Company**

| Change in variable | Change in variable | Impact on profit before tax RM'000 | Impact on insurance/ takaful contract liabilities RM'000 | Impact on equity RM'000 |
|---|---|---|---|---|
| **At 30 November 2011** | | | | |
| Equity price | +10% | - | 204,105 | - |
| | -10% | - | (204,105) | - |

**(iii) Currency risks**

Currency risk is the risk that the fair value of future cash flows of a financial instrument denominated in currencies other than Ringgit Malaysia ("RM"), will fluctuate because of movements in foreign exchange rates vis-à-vis RM. The Group's primary transactions are carried out in RM and its exposure to foreign exchange risk arises principally with respect to Australian Dollar ("AUD").

The Group has invested in assets denominated in currencies that match the related liabilities, to the extent possible and appropriate, to avoid currency mismatches.

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 foreign currency financial instruments) and unallocated surplus included in insurance/takaful contract liabilities (due to changes in fair value of foreign currency financial instruments of life/family takaful fund are retained in life insurance/family takaful contract liabilities). The correlation of variables will have a significant effect in determining the ultimate impact on interest rate/profit yield risk but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

**Group and Company**

| | Change in variable | Impact on profit before tax RM'000 | Impact on insurance/ takaful contract liabilities RM'000 | Impact on equity RM'000 |
|---|---|---|---|---|
| **At 30 November 2012** | | | | |
| AUD | 10% Strenghtening | - | 10,331 | - |
| **At 30 November 2011** | | | | |
| AUD | 10% Strenghtening | - | 13,737 | - |

## 37 SHARE-BASED PAYMENT

During the year, the AIA Group made further grants of share options, restricted share units and restricted share purchase units to certain employees, directors and officers of the Group under the Share Option ("SO") Scheme, the Restricted Share Unit ("RSU") Scheme and Employee Stock Purchase Plan ("ESPP").

### (a) Restricted Share Unit ("RSU") Scheme

Under the RSU Scheme, the vesting of the granted RSUs is conditional upon the eligible participants remaining in employment with the AIA Group during the respective vesting periods. RSU grants are vested either entirely after a specific period of time or in tranches over the vesting period. If the RSU grants are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the vesting period. For certain RSUs, performance conditions are also attached which include both market and non-market conditions. RSUs subject to performance conditions are released to the employees at the end of vesting period depending on the actual achievement of the performance conditions. During the vesting period, the eligible participants are not entitled to dividends of the underlying shares. The maximum number of shares that can be granted under this scheme is 301,100,000 representing 2.5 per cent of the number of shares in issue of AIAGL at 30 November 2012.

Movement:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2012 Number of shares** | **2011 Number of shares** | **2012 Number of shares** | **2011 Number of shares** |
| Restricted Shares Unit | | | | |
| Outstanding at beginning of financial year | 664,425 | - | 664,425 | - |
| Granted | 798,814 | 699,234 | 688,469 | 699,234 |
| Transferred in | 6,962 | - | 6,962 | - |
| Transferred out | (93,968) | (34,809) | (93,968) | (34,809) |
| Forfeited | (21,017) | - | (21,017) | - |
| Outstanding at end of financial year | 1,355,216 | 664,425 | 1,244,871 | 664,425 |

### (b) Share Option ("SO") Scheme

The objectives of the SO Scheme are to align eligible participants' interests with those of the shareholders of the Company by allowing eligible participants to share in the value created at the point they exercise their options. SO grants are vested either entirely after a specific period of time or in tranches over the vesting period, during which, the eligible participants are required to remain in employment with the AIA Group. If the SO grants are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the vesting period. The granted share options expire ten years from the date of grant. The total number of shares under options that can be granted under the scheme is 301,100,000, representing 2.5 per cent of the number of shares in issue of AIAGL at 30 November 2012.

## 37 SHARE-BASED PAYMENT (CONTINUED)

### (b) Share Option ("SO") Scheme (continued)

Information about options outstanding and options exercisable by the Company's employees and directors as at the end of the reporting period is as follows:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | Number shares | Weighted average exercise price (HK$) | Number shares | Weighted average exercise price (HK$) |
| **Group and Company** | | | | |
| Outstanding at beginning of financial year | 63,977 | 27.35 | - | - |
| Granted | 60,951 | 28.40 | 63,977 | 27.35 |
| Outstanding at end of financial year | 124,928 | 27.86 | 63,977 | 27.35 |
| Options exercisable at end of financial year | - | | - | |
| Weighted average remaining contractual life (years) | 8.88 | | 9.50 | |

The share options outstanding as of 30 November 2012 have an exercise price of between HK$27.35 and HK$28.40.

### (c) Employee Stock Purchase Plan ("ESPP")

Under the plan, eligible employees of the Company can purchase ordinary shares of AIAGL with qualified employee contributions and the AIA Group will award one matching restricted share purchase unit to them at the end of the vesting period for each two shares purchased through the qualified employee contributions (contribution shares). Contribution shares are purchased from the open market. During the vesting period, the eligible employees must hold the contribution shares purchased during the plan cycle and remain employed by the AIA Group. The level of qualified employee contribution is limited to not more than 5% of the annual basic salary subject to a maximum. For the year ended 30 November 2012, eligible employees of the Group and of the Company paid RM790,000 and RM763,000 respectively (2011: RM120,000) to purchase 74,170 and 71,598 ordinary shares respectively (2011: 12,670 ordinary shares) of AIAGL.

**37 SHARE-BASED PAYMENT (CONTINUED)**

***Valuation methodology***

The Company utilises a binomial lattice model to calculate the fair value of the share options grants, a Monte-Carlo simulation model and/or discounted cash flow technique to calculate the fair value of the RSU, and ESPP, taking into account the terms and conditions upon which the awards were granted. The price volatility is estimated on the basis of implied volatility of the AIAGL's shares which is based on an analysis of historical data since they are traded in the Stock Exchange of Hong Kong and takes into consideration the historical volatility of peer companies. The expected life of the options is derived from the output of the valuation model and is calculated based on an analysis of expected exercise behaviour of the Company's employees. The estimate of market condition for performance based RSUs is based on one-year historical data preceding the grant date.

| | | | **2012** |
|---|---|---|---|
| **Assumptions** | **Options** | **Restricted Shares Units** | **ESPP Restricted Shares Purchase Units** |
| **Group and Company** | | | |
| Risk free interest rate | 1.44% | 0.20% - 0.36%* | 0.19% - 0.25% |
| Volatility | 30% | 30% | 30% |
| Dividend yield | 1.2% | 1.2% - 1.3% | 1.3% |
| Option life (in years) | 10.00 | N/A | N/A |
| Exercise price (HK$) | 28.40 | N/A | N/A |
| Expected life (in years) | 7.4 | N/A | N/A |
| Weighted average fair value per option/unit at measurement date (HK$) | 8.71 | 23.70 | 27.73 |

* *Applicable to RSU with market condition.*

**37 SHARE-BASED PAYMENT (CONTINUED)**

**Valuation methodology (continued)**

| | | | 2011 |
|---|---|---|---|
| **Assumptions** | **Options** | **Restricted Shares Units** | **ESPP Restricted Shares Purchase Units** |
| **Group and Company** | | | |
| Risk free interest rate | 2.28% | 0.51%* | 0.32 |
| Volatility | 25% | 25% | 25% |
| Dividend yield | 1.2% | 1.2% | 1.2% |
| Option life (in years) | 9.96 | N/A | N/A |
| Exercise price (HK$) | 27.35 | N/A | N/A |
| Expected life (in years) | 7.42 | N/A | N/A |
| Weighted average fair value per option/unit at measurement date (HK$) | 7.55 | 24.34 | 23.00 |

* *Applicable to RSU with market condition.*

The weighted average share price for share option valuation for grants made during the year ended 30 November 2012 is HK$28.40 (2011: HK$27.25).

*Recognised compensation cost*

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation awards granted under the RSU Scheme, SO Scheme and ESPP for the year ended 30 November 2012 of the Group and of the Company are RM3,216,000 and RM2,896,000 respectively (2011: RM973,000).

## 38 REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company (excluding participating fund) as at 30 November 2012, as prescribed under the Framework is provided below:

| | Company | |
|---|---|---|
| | **2012** | **2011** |
| | **RM'000** | **RM'000** |
| **Eligible Tier 1 Capital** | | |
| Share capital (paid up) | 241,706 | 241,706 |
| Reserves, including retained earnings | 1,790,189 | 1,731,739 |
| | 2,031,895 | 1,973,445 |
| **Tier 2 Capital** | | |
| Available-for-sale fair value reserves | 150,898 | 144,631 |
| | 150,898 | 144,631 |
| **Amount deducted from Capital** | (112,741) | (127,134) |
| **Total Capital Available** | 2,070,052 | 1,990,942 |

## 39 INSURANCE/TAKAFUL FUNDS

The Group's principal activities are organised by funds and segregated into Shareholders, General, Life, Family Takaful and Investment-linked funds in accordance with the Insurance Act, 1996 and Insurance Regulations, 1996.

The Group's Statement of Financial Position, Income Statement and information on cash flow have been further analysed by funds and the Shareholders' and General Funds have been presented together as one fund.

The life insurance/family takaful business offers a wide range of participating and non-participating Whole Life, Term Assurance, Endowment as well as Investment-linked products.

The General insurance business offers general insurance products which include Personal Accident, Medical, Motor and Fire.

Individual fund revenue, expense, assets and liabilities are those amounts resulting from the operating activities of the respective funds that are directly attributable to the respective funds and the relevant portion that can be allocated on a reasonable basis to the respective funds. Individual fund revenue, expense, assets and fund liabilities are determined before inter-fund balances and inter-fund transactions are eliminated as part of the consolidation process.

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## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

### 39 INSURANCE/TAKAFUL FUNDS (CONTINUED)

**STATEMENTS OF FINANCIAL POSITION BY FUNDS**
**AS AT 30 NOVEMBER 2012**

| AT 30 NOVEMBER 2012<br>Group | Shareholders' and General Fund<br>RM'000 | Life/ Family Takaful Fund<br>RM'000 | Inter-fund Elimination<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | 1,382 | 138,170 | (67) | 139,485 |
| Investment properties | - | 38,505 | - | 38,505 |
| Prepaid land lease payments | - | 671 | - | 671 |
| Intangible assets | 858 | 9,149 | - | 10,007 |
| Investment in associate | - | 22,795 | - | 22,795 |
| Available-for-sale financial assets | 829,373 | 2,356,133 | (11,122) | 3,174,384 |
| Fair value through profit or loss financial assets | - | 16,805,196 | - | 16,805,196 |
| Loans and receivables | 395,095 | 1,957,801 | (366,278) | 1,986,618 |
| Reinsurance/retakaful assets | 7,799 | 4,249 | - | 12,048 |
| Insurance/takaful receivables | 71,178 | 82,324 | - | 153,502 |
| Cash and cash equivalents | 71,296 | 312,712 | - | 384,008 |
| **Total assets** | 1,376,981 | 21,727,705 | (377,467) | 22,727,219 |
| **Equity and liabilities** | | | | |
| **Total equity** | 834,914 | - | (67) | 834,847 |
| Insurance/takaful contract liabilities | 496,035 | 17,854,000 | (11,122) | 18,338,913 |
| Deferred tax liabilities | 5,418 | 112,599 | - | 118,017 |
| Insurance/takaful payables | 7,701 | 2,903,180 | - | 2,910,881 |
| Current tax liabilities | 4,072 | 9,425 | - | 13,497 |
| Other payables | 28,841 | 848,501 | (366,278) | 511,064 |
| **Total liabilities** | 542,067 | 21,727,705 | (377,400) | 21,892,372 |
| **Total equity and liabilities** | 1,376,981 | 21,727,705 | (377,467) | 22,727,219 |

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

### 39 INSURANCE/TAKAFUL FUNDS (CONTINUED)

**STATEMENTS OF FINANCIAL POSITION BY FUNDS AS AT 30 NOVEMBER 2012 (CONTINUED)**

| AT 30 NOVEMBER 2011<br>Group | Shareholders' and General Fund<br>RM'000 | Life/ Family Takaful Fund<br>RM'000 | Inter-fund Elimination<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | 1,183 | 144,340 | - | 145,523 |
| Investment properties | - | 40,191 | - | 40,191 |
| Prepaid land lease payments | - | 689 | - | 689 |
| Intangible assets | 7,201 | 53,434 | - | 60,635 |
| Investment in associate | - | 36,989 | - | 36,989 |
| Available-for-sale financial assets | 797,581 | 2,349,910 | - | 3,147,491 |
| Fair value through profit or loss financial assets | 10,350 | 14,504,103 | (10,350) | 14,504,103 |
| Loans and receivables | 432,564 | 2,056,914 | (397,764) | 2,091,714 |
| Reinsurance/retakaful assets | 7,778 | 3,318 | - | 11,096 |
| Insurance/takaful receivables | 72,791 | 70,511 | - | 143,302 |
| Cash and cash equivalents | 39,601 | 749,763 | - | 789,364 |
| **Total assets** | 1,369,049 | 20,010,162 | (408,114) | 20,971,097 |
| **Equity and liabilities** | | | | |
| **Total equity** | 845,191 | - | 7,276 | 852,467 |
| Insurance/takaful contract liabilities | 478,151 | 16,500,428 | (17,626) | 16,960,953 |
| Deferred tax liabilities | 4,020 | 91,328 | - | 95,348 |
| Insurance/takaful payables | 10,656 | 2,752,748 | - | 2,763,404 |
| Current tax liabilities | 12,505 | 20,579 | - | 33,084 |
| Other payables | 18,526 | 645,079 | (397,764) | 265,841 |
| **Total liabilities** | 523,858 | 20,010,162 | (415,390) | 20,118,630 |
| **Total equity and liabilities** | 1,369,049 | 20,010,162 | (408,114) | 20,971,097 |

## 39 INSURANCE/TAKAFUL FUNDS (CONTINUED)

**STATEMENTS OF FINANCIAL POSITION BY FUNDS
AS AT 30 NOVEMBER 2012 (CONTINUED)**

| AT 30 NOVEMBER 2012<br>Company | Shareholders' and General Fund RM'000 | Life Fund RM'000 | Inter-fund Elimination RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | 70 | 138,177 | - | 138,247 |
| Investment properties | - | 38,505 | - | 38,505 |
| Prepaid land lease payments | - | 671 | - | 671 |
| Intangible assets | 858 | 9,149 | - | 10,007 |
| Investment in subsidiaries | 104,600 | - | - | 104,600 |
| Investment in associate | - | 88 | - | 88 |
| Available-for-sale financial assets | 755,782 | 2,356,133 | - | 3,111,915 |
| Fair value through profit or loss financial assets | - | 16,731,432 | - | 16,731,432 |
| Loans and receivables | 392,981 | 1,957,369 | (363,743) | 1,986,607 |
| Reinsurance assets | 7,799 | 4,249 | - | 12,048 |
| Insurance receivables | 71,178 | 82,324 | - | 153,502 |
| Cash and cash equivalents | 22,855 | 296,784 | - | 319,639 |
| **Total assets** | 1,356,123 | 21,614,881 | (363,743) | 22,607,261 |
| **Equity and liabilities** | | | | |
| **Total equity** | 830,556 | - | - | 830,556 |
| Insurance contract liabilities | 496,035 | 17,747,585 | - | 18,243,620 |
| Deferred tax liabilities | 27 | 112,485 | - | 112,512 |
| Insurance payables | 7,701 | 2,902,460 | - | 2,910,161 |
| Current tax liabilities | 4,150 | 9,299 | - | 13,449 |
| Other payables | 17,653 | 843,053 | (363,743) | 496,963 |
| **Total liabilities** | 525,566 | 21,614,882 | (363,743) | 21,776,705 |
| **Total equity and liabilities** | 1,356,122 | 21,614,882 | (363,743) | 22,607,261 |

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

### 39 INSURANCE/TAKAFUL FUNDS (CONTINUED)

**STATEMENTS OF FINANCIAL POSITION BY FUNDS AS AT 30 NOVEMBER 2012 (CONTINUED)**

| AT 30 NOVEMBER 2011<br>Company | Shareholders' and General Fund RM'000 | Life Fund RM'000 | Inter-fund Elimination RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | 68 | 144,340 | - | 144,408 |
| Investment properties | - | 40,191 | - | 40,191 |
| Prepaid land lease payments | - | 689 | - | 689 |
| Intangible assets | 7,201 | 53,434 | - | 60,635 |
| Investment in subsidiaries | 76,600 | - | - | 76,600 |
| Investment in associate | - | 12,035 | - | 12,035 |
| Available-for-sale financial assets | 723,560 | 2,349,910 | - | 3,073,470 |
| Fair value through profit or loss financial assets | - | 14,487,598 | - | 14,487,598 |
| Loans and receivables | 430,762 | 2,056,809 | (395,619) | 2,091,952 |
| Reinsurance assets | 7,778 | 3,318 | - | 11,096 |
| Insurance receivables | 72,791 | 70,511 | - | 143,302 |
| Cash and cash equivalents | 23,029 | 739,370 | - | 762,399 |
| **Total assets** | 1,341,789 | 19,958,205 | (395,619) | 20,904,375 |
| **Equity and liabilities** | | | | |
| **Total equity** | 827,706 | - | - | 827,706 |
| Insurance contract liabilities | 478,151 | 16,450,410 | - | 16,928,561 |
| Deferred tax liabilities | 380 | 91,308 | - | 91,688 |
| Insurance payables | 10,564 | 2,752,731 | - | 2,763,295 |
| Current tax liabilities | 12,516 | 20,563 | - | 33,079 |
| Other payables | 12,472 | 643,193 | (395,619) | 260,046 |
| **Total liabilities** | 514,083 | 19,958,205 | (395,619) | 20,076,669 |
| **Total equity and liabilities** | 1,341,789 | 19,958,205 | (395,619) | 20,904,375 |

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## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

**39 INSURANCE/TAKAFUL FUNDS (CONTINUED)**

**INCOME STATEMENTS BY FUNDS**
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012**

| **30 NOVEMBER 2012** <br> **Group** | **Shareholders' and General Fund** <br> **RM'000** | **Life/ Family Takaful Fund** <br> **RM'000** | **Inter-fund Elimination** <br> **RM'000** | **Total** <br> **RM'000** |
|---|---|---|---|---|
| **Operating revenue** | | | | |
| Gross premiums/contributions | 414,209 | 2,915,794 | - | 3,330,003 |
| Investment income | 39,149 | 914,979 | - | 954,128 |
| | 453,358 | 3,830,773 | - | 4,284,131 |
| Gross earned premiums/contributions | 432,817 | 2,915,794 | - | 3,348,611 |
| Premiums/contributions ceded to reinsurers/retakaful operators | (13,996) | (85,610) | - | (99,606) |
| **Net earned premiums/contributions revenue** | 418,821 | 2,830,184 | - | 3,249,005 |
| Wakalah fee income | 37,214 | - | (37,214) | - |
| Investment income | 39,149 | 914,979 | - | 954,128 |
| Net realised gains | 1,685 | 5,291 | (67) | 6,909 |
| Fair value gains | - | 496,890 | - | 496,890 |
| Other operating expenses | (15,602) | (61,090) | (8,505) | (85,197) |
| **Net income** | 62,446 | 1,356,070 | (45,786) | 1,372,730 |

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## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

### 39 INSURANCE/TAKAFUL FUNDS (CONTINUED)

**INCOME STATEMENTS BY FUNDS**
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)**

| 30 NOVEMBER 2012<br>Group | Shareholders' and General Fund<br>RM'000 | Life/ Family Takaful Fund<br>RM'000 | Inter-fund Elimination<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| Gross benefits and claims paid | (222,107) | (1,828,186) | - | (2,050,293) |
| Claims ceded to reinsurers/ retakaful operators | 6,019 | 27,307 | - | 33,326 |
| Gross change to insurance/ takaful contract liabilities | (36,492) | (1,354,809) | - | (1,391,301) |
| Change in insurance/ takaful contract liabilities ceded to reinsurers/retakaful operators | (146) | 931 | - | 785 |
| **Net insurance/takaful benefits and claims** | (252,726) | (3,154,757) | - | (3,407,483) |
| Wakalah fee expense | - | (37,214) | 37,214 | - |
| Fee and commission expenses | (77,840) | (352,588) | - | (430,428) |
| Management expenses | (108,207) | (229,546) | 8,505 | (329,248) |
| Taxation of life insurance fund/ family takaful business | - | (101,467) | - | (101,467) |
| **Other expenses** | (186,047) | (720,815) | 45,719 | (861,143) |
| **Profit before share of loss from associate** | 42,494 | 310,682 | (67) | 353,109 |
| Share of loss from associate | - | (392) | - | (392) |
| **Profit before taxation and surplus transfer** | 42,494 | 310,290 | (67) | 352,717 |
| Transfer from Revenue Accounts | 310,290 | (310,290) | - | - |
| **Profit before taxation** | 352,784 | - | (67) | 352,717 |
| Taxation | (72,243) | - | - | (72,243) |
| **Profit for the financial year** | 280,541 | - | (67) | 280,474 |

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## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

### 39 INSURANCE/TAKAFUL FUNDS (CONTINUED)

**INCOME STATEMENTS BY FUNDS**
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)**

| 30 NOVEMBER 2011<br>Group | Shareholders' and General Fund<br>RM'000 | Life/ Family Takaful Fund<br>RM'000 | Inter-fund Elimination<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| **Operating revenue** | | | | |
| Gross premiums/contributions | 408,239 | 2,510,035 | - | 2,918,274 |
| Investment income | 34,183 | 902,817 | - | 937,000 |
| | 442,422 | 3,412,852 | - | 3,855,274 |
| Gross earned premiums/contributions | 350,963 | 2,510,035 | - | 2,860,998 |
| Premiums/contributions ceded to reinsurers/retakaful operators | (13,524) | (78,109) | - | (91,633) |
| **Net earned premiums/contributions revenue** | 337,439 | 2,431,926 | - | 2,769,365 |
| Wakalah fee income | 8,054 | - | (8,054) | - |
| Investment income | 34,183 | 902,817 | - | 937,000 |
| Net realised gains | 337 | 5,589 | - | 5,926 |
| Fair value gains/(losses) | 517 | (20,017) | - | (19,500) |
| Other operating (expense)/income | (5,335) | 24,046 | - | 18,711 |
| **Net income** | 37,756 | 912,435 | (8,054) | 942,137 |

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## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

### 39 INSURANCE/TAKAFUL FUNDS (CONTINUED)

**INCOME STATEMENTS BY FUNDS**
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)**

| **30 NOVEMBER 2011**<br>**Group** | **Shareholders' and General Fund**<br>**RM'000** | **Life/ Family Takaful Fund**<br>**RM'000** | **Inter-fund Elimination**<br>**RM'000** | **Total**<br>**RM'000** |
|---|---|---|---|---|
| Gross benefits and claims paid | (194,212) | (2,143,232) | - | (2,337,444) |
| Claims ceded to reinsurers/ retakaful operators | 5,997 | 29,235 | - | 35,232 |
| Gross change to insurance/ takaful contract liabilities | (7,526) | (235,183) | - | (242,709) |
| Change in insurance/ takaful contract liabilities ceded to reinsurers/retakaful operators | (1,073) | 355 | - | (718) |
| **Net insurance/takaful benefits and claims** | (196,814) | (2,348,825) | - | (2,545,639) |
| Wakalah fee expense | - | (8,054) | 8,054 | - |
| Fee and commission expenses | (60,644) | (336,556) | - | (397,200) |
| Management expenses | (67,953) | (218,802) | - | (286,755) |
| Taxation of life insurance fund/ family takaful business | - | (65,557) | - | (65,557) |
| **Other expenses** | (128,597) | (628,969) | 8,054 | (749,512) |
| **Profit before share of profit from associate** | 49,784 | 366,567 | - | 416,351 |
| Share of profit from associate | - | 11,253 | - | 11,253 |
| **Profit before taxation and surplus transfer** | 49,784 | 377,820 | - | 427,604 |
| Transfer from Revenue Accounts | 377,820 | (377,820) | - | - |
| **Profit before taxation** | 427,604 | - | - | 427,604 |
| Taxation | (66,136) | - | - | (66,136) |
| **Profit for the financial year** | 361,468 | - | - | 361,468 |

## 39 INSURANCE/TAKAFUL FUNDS (CONTINUED)

### INCOME STATEMENTS BY FUNDS
### FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

| 30 NOVEMBER 2012<br>Company | Shareholders' and General Fund<br>RM'000 | Life Fund<br>RM'000 | Inter-fund Elimination<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| **Operating revenue** | | | | |
| Gross premiums | 414,209 | 2,816,918 | - | 3,231,127 |
| Investment income | 35,946 | 914,885 | - | 950,831 |
| | 450,155 | 3,731,803 | - | 4,181,958 |
| Gross earned premiums | 432,817 | 2,816,918 | - | 3,249,735 |
| Premiums ceded to reinsurers | (13,996) | (84,413) | - | (98,409) |
| **Net earned premiums** | 418,821 | 2,732,505 | - | 3,151,326 |
| Investment income | 35,946 | 914,885 | - | 950,831 |
| Net realised gains | 920 | 5,291 | - | 6,211 |
| Fair value gains | - | 496,343 | - | 496,343 |
| Other operating expenses | (8,404) | (67,583) | - | (75,987) |
| **Net income** | 28,462 | 1,348,936 | - | 1,377,398 |

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## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

**39 INSURANCE/TAKAFUL FUNDS (CONTINUED)**

**INCOME STATEMENTS BY FUNDS**
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)**

| **30 NOVEMBER 2012** <br> **Company** | **Shareholders' and General Fund** <br> **RM'000** | **Life Fund** <br> **RM'000** | **Inter-fund Elimination** <br> **RM'000** | **Total** <br> **RM'000** |
|---|---|---|---|---|
| Gross benefits and claims paid | (222,107) | (1,824,353) | - | (2,046,460) |
| Claims ceded to reinsurers | 6,019 | 27,307 | - | 33,326 |
| Gross change to insurance contract liabilities | (36,492) | (1,291,906) | - | (1,328,398) |
| Change in insurance contract liabilities ceded to reinsurers | (146) | 931 | - | 785 |
| **Net insurance benefits and claims** | (252,726) | (3,088,021) | - | (3,340,747) |
| Fee and commission expenses | (58,257) | (352,587) | - | (410,844) |
| Management expenses | (73,849) | (229,301) | - | (303,150) |
| Taxation of life insurance fund | - | (101,242) | - | (101,242) |
| **Other expenses** | (132,106) | (683,130) | - | (815,236) |
| **Profit before taxation and surplus transfer** | 62,451 | 310,290 | - | 372,741 |
| Transfer from Revenue Accounts | 310,290 | (310,290) | - | - |
| **Profit before taxation** | 372,741 | - | - | 372,741 |
| Taxation | (70,889) | - | - | (70,889) |
| **Profit for the financial year** | 301,852 | - | - | 301,852 |

## 39 INSURANCE/TAKAFUL FUNDS (CONTINUED)

**INCOME STATEMENTS BY FUNDS**
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)**

| **30 NOVEMBER 2011** <br> **Company** | **Shareholders' and General Fund** <br> **RM'000** | **Life Fund** <br> **RM'000** | **Inter-fund Elimination** <br> **RM'000** | **Total** <br> **RM'000** |
|---|---|---|---|---|
| **Operating revenue** | | | | |
| Gross premiums | 408,239 | 2,487,338 | - | 2,895,577 |
| Investment income | 30,955 | 902,047 | - | 933,002 |
| | 439,194 | 3,389,385 | - | 3,828,579 |
| Gross earned premiums | 350,963 | 2,487,338 | - | 2,838,301 |
| Premiums ceded to reinsurers | (13,524) | (77,913) | - | (91,437) |
| **Net earned premiums** | 337,439 | 2,409,425 | - | 2,746,864 |
| Investment income | 30,955 | 902,047 | - | 933,002 |
| Net realised gains | 231 | 5,589 | - | 5,820 |
| Fair value losses | - | (18,370) | - | (18,370) |
| Other operating (expenses)/income | (13,984) | 29,451 | - | 15,467 |
| **Net income** | 17,202 | 918,717 | - | 935,919 |

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## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

### 39 INSURANCE/TAKAFUL FUNDS (CONTINUED)

**INCOME STATEMENTS BY FUNDS**
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)**

| 30 NOVEMBER 2011<br>Company | Shareholders' and General Fund RM'000 | Life Fund RM'000 | Inter-fund Elimination RM'000 | Total RM'000 |
|---|---|---|---|---|
| Gross benefits and claims paid | (194,212) | (2,132,569) | - | (2,326,781) |
| Claims ceded to reinsurers | 5,997 | 29,235 | - | 35,232 |
| Gross change to insurance contract liabilities | (7,526) | (227,150) | - | (234,676) |
| Change in insurance contract liabilities ceded to reinsurers | (1,073) | 366 | - | (707) |
| **Net insurance benefits and claims** | (196,814) | (2,330,118) | - | (2,526,932) |
| Fee and commission expenses | (55,398) | (336,556) | - | (391,954) |
| Management expenses | (50,861) | (218,274) | - | (269,135) |
| Taxation of life insurance fund | - | (65,522) | - | (65,522) |
| **Other expenses** | (106,259) | (620,352) | - | (726,611) |
| **Profit before taxation and surplus transfer** | 51,568 | 377,672 | - | 429,240 |
| Transfer from Revenue Accounts | 377,672 | (377,672) | - | - |
| **Profit before taxation** | 429,240 | - | - | 429,240 |
| Taxation | (65,391) | - | - | (65,391) |
| **Profit for the financial year** | 363,849 | - | - | 363,849 |

## 39 INSURANCE/TAKAFUL FUNDS (CONTINUED)

### INFORMATION ON CASH FLOWS BY FUNDS

| 2012 | General and Shareholders Fund RM'000 | Life/ Family Takaful Fund RM'000 | Total RM'000 |
|---|---|---|---|
| **Group** | | | |
| Cash flows generated from/(used in): | | | |
| Operating activities | 299,704 | (380,042) | (80,338) |
| Investing activities | (549) | (24,093) | (24,642) |
| Financing activities | (267,179) | (32,821) | (300,000) |
| | 31,976 | (436,956) | (404,980) |
| Net increase/(decrease) in cash and cash equivalents | 31,976 | (436,956) | (404,980) |
| Effect of exchange rate fluctuations | (282) | (94) | (376) |
| Cash and cash equivalents: | | | |
| At beginning of financial year | 39,601 | 749,763 | 789,364 |
| At end of financial year | 71,295 | 312,713 | 384,008 |
| **2011** | | | |
| Cash flows generated from/(used in): | | | |
| Operating activities | 165,272 | 436,409 | 601,681 |
| Investing activities | (1,880) | (31,790) | (33,670) |
| Financing activities | (237,690) | (82,310) | (320,000) |
| | (74,298) | 322,309 | 248,011 |
| Net (decrease)/increase in cash and cash equivalents | (74,298) | 322,309 | 248,011 |
| Effect of exchange rate fluctuations | (116) | 396 | 280 |
| Cash and cash equivalents: | | | |
| At beginning of financial year | 114,015 | 427,058 | 541,073 |
| At end of financial year | 39,601 | 749,763 | 789,364 |

## 39 INSURANCE/TAKAFUL FUNDS (CONTINUED)

### INFORMATION ON CASH FLOWS BY FUNDS (CONTINUED)

| 2012 | General and Shareholders Fund RM'000 | Life Fund RM'000 | Total RM'000 |
|---|---|---|---|
| **Company** | | | |
| Cash flows generated from/(used in): | | | |
| Operating activities | 293,623 | (384,204) | (90,581) |
| Investing activities | (28,086) | (24,093) | (52,179) |
| Financing activities | (265,711) | (34,289) | (300,000) |
| | (174) | (442,586) | (442,760) |
| Net (decrease)/increase in cash and cash equivalents | (174) | (442,586) | (442,760) |
| Cash and cash equivalents: | | | |
| At beginning of financial year | 23,029 | 739,370 | 762,399 |
| At end of financial year | 22,855 | 296,784 | 319,639 |
| **2011** | | | |
| Cash flows generated from/(used in): | | | |
| Operating activities | 257,976 | 430,691 | 688,667 |
| Investing activities | (70,760) | (31,790) | (102,550) |
| Financing activities | (267,397) | (82,603) | (350,000) |
| | (80,181) | 316,298 | 236,117 |
| Net (decrease)/increase in cash and cash equivalents | (80,181) | 316,298 | 236,117 |
| Cash and cash equivalents: | | | |
| At beginning of financial year | 103,210 | 423,072 | 526,282 |
| At end of financial year | 23,029 | 739,370 | 762,399 |

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## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

### 39 INSURANCE/TAKAFUL FUNDS (CONTINUED)

**STATEMENTS OF FINANCIAL POSITION FOR INVESTMENT-LINKED FUNDS AS AT 30 NOVEMBER 2012**

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| **Assets** | | | | |
| Fair value through profit or loss financial assets | 2,238,554 | 1,551,811 | 2,218,478 | 1,540,561 |
| Loans and receivables | 21,720 | 46,437 | 21,288 | 45,543 |
| Current tax assets | 1,139 | - | 1,173 | - |
| Cash and cash equivalents | 144,519 | 305,911 | 143,835 | 301,991 |
| **Total assets** | 2,405,932 | 1,904,159 | 2,384,774 | 1,888,095 |
| **Liabilities** | | | | |
| Other payables | 13,274 | 33,253 | 12,969 | 33,022 |
| Deferred tax liabilities | 11,258 | 4,619 | 11,188 | 4,599 |
| Current tax liabilities | - | 3,154 | - | 3,142 |
| **Total liabilities** | 24,532 | 41,026 | 24,157 | 40,763 |
| **Net asset value of funds** | 2,381,400 | 1,863,133 | 2,360,617 | 1,847,332 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012 (CONTINUED)

**39 INSURANCE/TAKAFUL FUNDS (CONTINUED)**

**INCOME STATEMENTS FOR INVESTMENT-LINKED FUNDS**
**FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2012**

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Investment income | 68,098 | 62,148 | 67,413 | 61,430 |
| Realised (losses)/gains | (10,891) | 3,794 | (10,897) | 3,750 |
| Fair value gains/(losses) | 135,789 | (51,256) | 135,755 | (49,967) |
| | 192,996 | 14,686 | 192,271 | 15,213 |
| Management expenses | (26,267) | (26,117) | (26,029) | (22,609) |
| **Profit/(loss) before taxation** | 166,729 | (11,431) | 166,242 | (7,396) |
| Taxation | (9,709) | 3,499 | (9,626) | 3,531 |
| **Profit/(loss) for the financial year** | 157,020 | (7,932) | 156,616 | (3,865) |