ERNST & YOUNG

ING PUBLIC TAKAFUL EHSAN BERHAD
(935955-M)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2012

ING PUBLIC Takaful Ehsan Berhad
(Incorporated in Malaysia)

Contents

ING PUBLIC Takaful Ehsan Berhad
(Incorporated in Malaysia)

Directors' report

The directors hereby present their report together with the audited financial statements of the Company for the year ended 31 December 2012.

Principal activity

The Company is principally engaged in managing family takaful business including takaful investment linked business.

There has been no significant change in the principal activity during the financial year.

Results

	RM'000
Net loss for the year	(7,909)

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

In the opinion of the directors, the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividend

No dividend has been paid or declared by the Company since the date of incorporation. The directors do not recommend the payment of any dividend in respect of the current financial year.

ING PUBLIC Takaful Ehsan Berhad
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Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Chang Kat Kiam
Abu Hassan Assari bin Ibrahim
Dato' Haji Abdul Aziz bin Dato' Dr. Omar
Dato' Majid bin Mohamad (appointed on 18 December 2012)
Mohd Daruis bin Zainuddin (appointed on 18 December 2012)
William Lisle (appointed on 15 March 2013)
Dato' Thomas Mun Lung Lee (Chairman) (appointed on 18 December 2012)
Foong Sai Cheong (appointed on 18 December 2012 resigned on 15 March 2013)
YAM Tengku Abdullah Ibni Almarhum Sultan Abu Bakar (resigned on 31 July 2012)
Dato' Dr. Nirmala Menon a/p Y.B. Menon (resigned on 31 July 2012)
Dato' Abdullah bin Mat Zaid (resigned on 18 December 2012)
Jorge Manuel Euclides Noronha (resigned on 18 December 2012)
Bruce Murray Hodges (appointed on 1 August 2012 and resigned on 18 December 2012)
Tan Sri Rastam bin Mohd Isa (appointed on 1 August 2012 and resigned on 18 December 2012)

Directors' benefits

Neither at the end of the financial year, nor at any time during that period, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

No director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Notes 7 and 24 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest.

Directors' interests

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

	Number of ordinary shares of USD1.0 each			
	As at 1.1.2012	Acquired	Disposed	As at 31.12.2012
Direct interest:				
Ordinary shares of AIA Group Limited				
William Lisle	-	-	-	1,339,298

	Options to subscribe for ordinary shares of USD1.0 each			
	As at 1.1.2012	Acquired	Disposed	As at 31.12.2012
Direct interest:				
Ordinary shares of AIA Group Limited				
William Lisle	-	-	-	1,789,373

Corporate governance

The Board of Directors ("the Board") confirms that the Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with, the principles prescribed under Bank Negara Malaysia's ("BNM") Guidelines, BNM/RH/GL/004-1 *Guidelines on Directorship for Takaful Operators* and BNM/RH/GL/003-2 *Prudential Framework of Corporate Governance for Insurers.*

The attendance of the directors in office at the end of the financial year at the 6 Board meetings held during the financial year is as follows:

	Attendance
Dato' Chang Kat Kiam Non-independent, non-executive director	6/6
Abu Hassan Assari bin Ibrahim Non-independent, non-executive director	6/6
Dato' Haji Abdul Aziz bin Dato' Omar Independent, non-executive director	6/6
Dato' Majid bin Mohamad (appointed on 18 December 2012) Independent, non-executive director	0/0

Corporate governance (cont'd.)

	Attendance
William Lisle (appointed on 15 March 2013) Non-independent, non-executive director	0/0
Mohd Daruis bin Zainuddin (appointed on 18 December 2012) Independent, non-executive director	0/0
Dato' Thomas Mun Lung Lee (appointed on 18 December 2012) Independent, non-executive director	0/0
YAM Tengku Abdullah Ibni Almarhum Sultan Abu Bakar (resigned on 31 July 2012) Non-independent, non-executive director	2/3
Dato' Dr. Nirmala Menon a/p Y.B. Menon (resigned on 31 July 2012) Non-independent, non-executive director	2/3
Dato' Abdullah bin Mat Zaid (resigned on 18 December 2012) Independent, non-executive director	6/6
Jorge Manuel Euclides Noronha (resigned on 18 December 2012) Non-independent, non-executive director	6/6
Bruce Murray Hodges (appointed on 1 August 2012 and resigned on 18 December 2012) Non-independent, non-executive director	3/3
Tan Sri Rastam bin Mohd Isa (appointed on 1 August 2012 and resigned on 18 December 2012) Independent, non-executive director	3/3
Foong Sai Cheong (appointed on 18 December 2012 and resigned on 15 March 2013) Non-independent, non-executive director	0/0

Corporate governance (cont'd.)

Shariah committee

The Company is advised by a Shariah Committee, whose composition since the date of the last report and at the date of this report are as follows:

	Attendance
Chairman:	
Professor Dato' Dr. Mahmood Zuhdi bin Hj Ab Majid	6/6
Members:	
Professor Madya Mohd Ridzuan Awang	6/6
Asst. Professor Dr. Mohd Afandi Awang Hamat	6/6
Asst. Professor Dr. Abdul Bari Awang	6/6
Dr. Rusnah Muhamad	6/6

Corporate governance standards

The membership, roles and terms of reference of the Audit, Nomination, Remuneration, Investment and Risk Management Committees of the Board during the financial year are as follows:

(i) Audit committee

The Audit Committee comprises two independent non-executive directors and one non-independent non-executive director. One member of the Committee is a qualified Accountant and a member of the Malaysian Institute of Accountants. The attendance of the members of the Committee in office at the end of the financial year at the 6 meetings of the Committee held during the financial year is as follows:

	Attendance
Chairman:	
Dato' Haji Abdul Aziz bin Dato' Dr. Omar	6/6
Members:	
Dato' Chang Kat Kiam	6/6
Mohd Daruis bin Zainuddin (appointed on 18 December 2012)	0/0
Dato' Abdullah bin Mat Zaid (resigned on 18 December 2012)	6/6

The Audit Committee's terms of reference include the review of and deliberation of the Company's financial statements, findings of the External and Internal Auditors, any related party transactions and any conflict of interest situations as well as making recommendation to the Board on the appointment / reappointment of External Auditors.

Corporate governance (cont'd.)

Corporate governance standards (cont'd.)

(i) Audit committee (cont'd)

The Committee's primary duties are as spelt out in the Guidelines, BNM/RH/GL/003-22: *Guidelines on Audit Committee and Internal Audit Department (Part A)* and BNM/RH/GL/013-4: *Guidelines on Internal Audit Function of Licensed Institutions* issued by BNM.

(ii) Nominating committee

The Nominating Committee ("NC") comprises two independent non-executive directors and three non-independent non-executive directors. The attendance of the members of the Committee in office at the end of the financial year at the 2 meetings of the Committee held during the financial year is as follows:

	Attendance
Chairman:	
Dato' Majid bin Mohamad (appointed on 18 December 2012)	0/0
Dato' Thomas Mun Lung Lee (appointed as NC chairman on 18 December 2012 and resigned as NC chairman and member on 15 March 2013)	0/0
Dato' Abdullah bin Mat Zaid (resigned on 18 December 2012)	2/2
Members:	
Dato' Haji Abdul Aziz bin Dato' Dr. Omar	2/2
Dato' Chang Kat Kiam	2/2
Mohd Daruis bin Zainuddin (appointed on 18 December 2012)	0/0
William Lisle (appointed on 15 March 2013)	0/0
YAM Tengku Abdullah Ibni Almarhum Sultan Abu Bakar (resigned on 31 July 2012)	2/2
Dato' Dr. Nirmala Menon a/p Y.B. Menon (resigned on 31 July 2012)	1/2
Tan Sri Rastam bin Mohd (appointed on 1 August 2012 and resigned on 18 December 2012)	0/0
Bruce Murray Hodges (appointed on 1 August 2012 and resigned on 18 December 2012)	0/0

The Nominating Committee considers and evaluates the appointment of new directors of the Company and the composition of the various Committees of the Board. In this regard, the Committee is of the opinion that the current composition of the Board reflects a good mix of skills and experience in various fields. The Committee also makes recommendations to the Board for the appointment, reappointment or re-election of directors.

Corporate governance (cont'd.)

Corporate governance standards (cont'd.)

(ii) Nominating committee (cont'd)

In addition, the Committee is also entrusted with the responsibility for both the appointment and evaluation of directors and key senior officers of the Company. The Nominating Committee also establishes the minimum requirements for the Chief Executive Officer ("CEO") to perform his duties effectively. The Committee is responsible to review the performance of the CEO and key senior officers in managing the day to day operations of the Company.

(iii) Remuneration committee

The Remuneration Committee ("RC") comprises two independent non-executive directors and one non-independent non-executive director. The attendance of the members of the Committee in office at the end of the financial year at the 2 meetings of the Committee held during the financial year is as follows:

	Attendance
Chairman:	
Dato' Majid bin Mohamad (appointed on 18 December 2012)	0/0
Dato' Thomas Mun Lung Lee (appointed as RC chairman on 18 December 2012 and resigned as RC chairman and member on 15 March 2013)	0/0
Dato' Abdullah bin Mat Zaid (resigned on 18 December 2012)	2/2
Members:	
Dato' Chang Kat Kiam	2/2
William Lisle (appointed on 15 March 2013)	0/0
Dato' Dr. Nirmala Menon a/p Y.B. Menon (resigned on 31 July 2012)	1/1
Bruce Murray Hodges (appointed on 1 August 2012 and resigned on 18 December 2012)	1/1

The Remuneration Committee's primary objective is to provide a formal and transparent procedure for developing a remuneration policy for the directors, Shariah Committee members, the CEO and key senior officers to ensure that their compensation is competitive and consistent with the Company's culture, objective and strategy. The Committee is responsible for recommending the framework of remuneration for directors, Shariah Committee members, the CEO and key senior officers as well as recommending specific remuneration packages for directors, Shariah Committee members, the CEO and key senior officers.

Corporate governance (cont'd.)

Corporate governance standards (cont'd.)

(vi) Risk management committee

The Risk Management Committee comprises two independent non-executive directors and one non-independent non-executive director. The attendance of the members of the Committee in office at the end of the financial year at the 5 meetings of the Committee held during the financial year is as follows:

	Attendance
Chairman:	
Mohd Daruis bin Zainuddin (appointed on 18 December 2012)	0/0
Dato' Abdullah bin Mat Zaid (resigned on 18 December 2012)	5/5
Members:	
Dato' Chang Kat Kiam	5/5
Dato' Majid bin Mohamad (appointed on 18 December 2012)	0/0
YAM Tengku Abdullah Ibni Almarhum Sultan Abu Bakar (resigned on 31 July 2012)	1/2
Jorge Manuel Euclides Noronha (resigned on 18 December 2012)	4/5

The Risk Management Committee reviews and recommends risk management strategies, policies and risk tolerance limits for the Board's approval. The Committee reviews the progress and assesses the effectiveness and adequacy of the risk management policies and framework adopted by the Company for identifying, measuring, monitoring and controlling risks within the Company. The Committee also reviews the adequacy and effectiveness of the infrastructure, resources and systems in place to ensure effective and timely reporting of risk management activities.

Other statutory information

(a) Before the income statement, statement of comprehensive income and statement of financial position of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was required; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

Other statutory information (cont'd.)

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) it necessary to write off any bad debts or to make any provision for doubtful debts; and

  (ii) the values attributed to the current assets in the financial statements of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

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

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

  (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

  (ii) any contingent liability in respect of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

  (i) no contingent liability 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 will or may affect the ability of the Company to meet its obligations as and when they fall due; and

  (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

For the purpose of paragraphs (e)(ii) and (f)(i), contingent and other liabilities do not include liabilities arising from contracts of takaful underwritten in the ordinary course of business of the Company.

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Other statutory information (cont'd.)

(g) Before the income statement, statement of comprehensive income and statement of financial position of the Company were made out, the directors took reasonable steps to ascertain that there was adequate provision for its takaful contract liabilities.

Significant events

Details of significant event is disclosed in Note 31 to the financial statements.

Auditors

The auditors, Ernst & Young, retire and do not wish to seek re-appointment. A resolution to appoint PricewaterhouseCoopers will be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 March 2013.

William Lisle

Dato' Chang Kat Kiam

ING PUBLIC Takaful Ehsan Berhad
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Statement by Directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, William Lisle and Dato' Chang Kat Kiam, being two of the directors of ING PUBLIC Takaful Ehsan Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 15 to 101 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2012 and of its financial performance and the cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 March 2013.

William Lisle

Dato' Chang Kat Kiam

Statutory Declaration
Pursuant to Section 169(16) of the Companies Act, 1965

I, Mohd Raizal Mohd Rais, being the officer primarily responsible for the financial management of ING PUBLIC Takaful Ehsan Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 15 to 101 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Mohd Raizal Mohd Rais
at Kuala Lumpur in the Federal Territory
on 29 March 2013

Mohd Raizal Mohd Rais

Before me,

PESURUHJAYA SUMPAH
NO: W 590
M. SIVANASON
MALAYSIA

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Independent auditors' report to the members of
ING PUBLIC Takaful Ehsan Berhad
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Report on the financial statements

We have audited the financial statements of ING PUBLIC Takaful Ehsan Berhad, which comprise the statement of financial position as at 31 December 2012, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 15 to 101.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, 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 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.

ERNST & YOUNG

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Independent auditors' report to the members of ING PUBLIC Takaful Ehsan Berhad (cont'd.) (Incorporated in Malaysia)

Opinion

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

Report on other legal and regulatory requirements

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

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Nik Rahmat Kamarulzaman bin Nik Ab. Rahman
No. 1759/02/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia
29 March 2013

ING PUBLIC Takaful Ehsan Berhad
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Report of the Shariah Committee

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

The management of IPTEB is responsible for ensuring that the financial institution conducts its business in accordance with relevant requirements including Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of IPTEB, and to report to Bank Negara Malaysia.

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

In 2012, we have performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that IPTEB has not violated the Shariah principles.

In our opinion:

1. the contracts, transactions and dealings entered into by IPTEB during the year ended 31 December 2012 in respect of the scope of matters which we have reviewed are in compliance with the Shariah principles;

2. the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles.

We, the members of the Shariah Committee of IPTEB, do hereby confirm that in our opinion the operations of IPTEB for the year ended 31 December 2012 have been conducted in conformity with the Shariah principles.

Signed on behalf of the Shariah Committee.

Professor Dato' Dr. Mahmood Zuhdi bin Hj Ab Majid

Professor Madya Mohd Ridzuan Awang

Kuala Lumpur, Malaysia
29 March 2013

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Income statement
For the year ended 31 December 2012

	Note	01.01.2012 to 31.12.2012 Shareholders' fund RM'000	01.01.2012 to 31.12.2012 Family takaful fund RM'000	01.01.2012 to 31.12.2012 Company RM'000	11.03.2011 to 31.12.2011 Shareholders' fund RM'000	11.03.2011 to 31.12.2011 Family takaful fund RM'000	11.03.2011 to 31.12.2011 Company RM'000
Gross earned contributions	4(a)	-	76,197	76,197	-	14,784	14,784
Contributions ceded to retakaful	4(b)	-	(1,562)	(1,562)	-	(59)	(59)
Net earned contributions		-	74,635	74,635	-	14,725	14,725
Investment income	5	3,141	878	4,019	2,514	36	2,550
Fees and commission income	6	18,499	-	-	3,656	-	-
Realised gains and losses		-	8	8	-	-	-
Fair value gains and losses		-	131	131	-	-	-
Other operating income		21	-	21	-	-	-
Other income		21,661	1,017	4,179	6,170	36	2,550
Gross benefits and claims paid	16	-	(4,482)	(4,482)	-	(60)	(60)
Gross change to certificate liabilities	16	-	(52,661)	(52,661)	-	(11,045)	(11,045)
Net benefits and claims		-	(57,143)	(57,143)	-	(11,105)	(11,105)
Fees and commission expenses	6	(8,058)	(18,499)	(8,058)	(1,473)	(3,656)	(1,473)
Management expenses	7	(15,266)	-	(15,266)	(8,881)	-	(8,881)
Other operating expenses		(2)	(10)	(12)	-	-	-
Change to expense liability	15	(6,244)	-	(6,244)	(3,204)	-	(3,204)
Other expenses		(29,570)	(18,509)	(29,580)	(13,558)	(3,656)	(13,558)
Loss before taxation		(7,909)	-	(7,909)	(7,388)	-	(7,388)
Taxation		-	-	-	-	-	-
Net loss for the year/period		(7,909)	-	(7,909)	(7,388)	-	(7,388)
Loss per share (sen)							
Basic and diluted	20	(7.91)	-	(7.91)	(7.84)	-	(7.84)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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Statement of comprehensive income
For the year ended 31 December 2012

	01.01.2012 to 31.12.2012			11.03.2011 to 31.12.2011		
	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Net loss for the year/period	(7,909)	-	(7,909)	(7,388)	-	(7,388)
Other comprehensive income:						
Fair value change of available-for-sale financial assets, net of tax	406	49	455	762	9	771
Surplus attributable to takaful operator	-	(49)	(49)	-	(9)	(9)
Other comprehensive income for the year/period	406	-	406	762	-	762
Total comprehensive loss for the year/period	(7,503)	-	(7,503)	(6,626)	-	(6,626)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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Statement of financial position
As at 31 December 2012

	Note	As at 31.12.2012 Shareholders' fund RM'000	As at 31.12.2012 Family takaful fund RM'000	As at 31.12.2012 Company RM'000	As at 31.12.2011 Shareholders' fund RM'000	As at 31.12.2011 Family takaful fund RM'000	As at 31.12.2011 Company RM'000
Assets							
Property and equipment	9	1,874	-	1,874	1,245	-	1,245
Intangible assets	10	4,429	-	4,429	3,308	-	3,308
Investments	11	87,177	69,357	156,534	92,986	12,416	105,402
Other receivables	12	4,866	461	1,186	1,167	55	567
Takaful certificates receivables	13	-	2,381	2,381	-	429	429
Cash and bank balances		1,603	8,703	10,306	675	2,299	2,974
Total assets		99,949	80,902	176,710	99,381	15,199	113,925
Equity							
Share capital		100,000	-	100,000	100,000	-	100,000
Accumulated losses		(15,297)	-	(15,297)	(7,388)	-	(7,388)
Available-for-sale fair value reserves		1,168	-	1,168	762	-	762
Total equity		85,871	-	85,871	93,374	-	93,374
Liabilities							
Expense liabilities	15	9,448	-	9,448	3,204	-	3,204
Takaful contract liabilities	16	-	64,729	63,764	-	11,108	11,054
Takaful certificates payables	17	-	4,000	4,000	-	823	823
Deferred tax liabilities	14	-	-	-	-	-	-
Other payables	18	4,630	12,173	13,627	2,803	3,268	5,470
Taxation		-	-	-	-	-	-
Total liabilities		14,078	80,902	90,839	6,007	15,199	20,551
Total equity and liabilities		99,949	80,902	176,710	99,381	15,199	113,925

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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Statements of changes in equity for the year ended 31 December 2012

	Share capital	Non-distributable available-for-sale fair value reserves	Accumulated losses	Total equity
	RM'000	RM'000	RM'000	RM'000
At date of incorporation on 11 March 2011	-*	-	-	-*
Increase during the period (Note 19)	100,000	-	-	100,000
Total comprehensive loss for the period	-	762	(7,388)	(6,626)
At 31 December 2011	100,000	762	(7,388)	93,374
At 1 January 2012	100,000	762	(7,388)	93,374
Total comprehensive loss for the year	-	406	(7,909)	(7,503)
At 31 December 2012	100,000	1,168	(15,297)	85,871

* Denotes share capital of RM10

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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Statement of cash flows
For the year ended 31 December 2012

	01.01.2012 to 31.12.2012 RM'000	11.03.2011 to 31.12.2011 RM'000
Operating activities		
Loss before taxation	(7,909)	(7,388)
Adjustments for:		
Depreciation of property, plant and equipment	440	231
Amortisation of intangible assets	1,248	348
Net accretion of discounts on investments	171	40
Profit on investment accounts	(4,198)	(2,590)
Fair value gain on FVTPL financial assets	(131)	(1)
Increase in contribution liabilities	52,664	11,045
Operating profit before working capital changes	42,285	1,685
Increase in placements and deposits	1,668	(22,287)
Purchase of other investments	(53,915)	(82,382)
Proceeds on sale on investment	1,540	-
Increase in takaful receivables	(261)	(429)
Increase in other receivables	(4,521)	(1,221)
Increase in takaful payables	1,486	823
Increase in other payables	18,304	8,051
Net change in balance with related companies	(14)	1,276
	6,572	(94,484)
Profit received	4,198	2,590
Net cash flow generated from/(used in) operating activities	10,770	(91,894)
Investing activities		
Purchase of property and equipment	(1,069)	(1,476)
Purchase of intangible assets	(2,369)	(3,656)
Net cash used in investing activities	(3,438)	(5,132)
Financing activity		
Issuance of ordinary shares	-	100,000
Net cash flows from financing activity	-	100,000

ING PUBLIC Takaful Ehsan Berhad
(Incorporated in Malaysia)

Statement of cash flows
For the year ended 31 December 2012 (cont'd.)

	01.01.2012 to 31.12.2012 RM'000	11.03.2011 to 31.12.2011 RM'000
Net increase in cash and cash equivalents	7,332	2,974
Cash and cash equivalents at the beginning of year/period	2,974	-
Cash and cash equivalents at the end of year/period	10,306	2,974

Cash and cash equivalents comprise:

Cash and bank balances of:		
Shareholders' fund	1,603	675
Family takaful fund	8,703	2,299
	10,306	2,974

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

The Company is principally engaged in managing family takaful business including investment linked business. There has been no significant change in the principal activity during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The address of principal place of business and registered office of the Company are as follows:

Principal place of business
Level 3, Menara Boustead
71 Jalan Raja Chulan
50200 Kuala Lumpur

Registered office
Level 18, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
50200 Kuala Lumpur

The ultimate holding company of the Company is AIA Group Limited, a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited.

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

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in the accounting policies below and comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the Companies Act, 1965 in Malaysia. These are the Company's first financial statements prepared in accordance with MFRS and MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

2. Significant accounting policies (cont'd.)

2.1 Basis of preparation (cont'd.)

The Company has adopted all MFRS, Amendments to MFRS and Issues Committee ("IC") Interpretations which have become mandatory since the beginning of the financial year, except for those which have been issued but are not yet effective as disclosed in Note 2.26.

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

2.2 The takaful operator and its fund

The statement of financial position, income statement and statement of comprehensive income of the shareholders' fund and family takaful fund which are presented on pages 15 to 17 of the financial statements have been provided as supplementary financial information and to comply with the requirements of Bank Negara Malaysia Guideline BNM/RH/GL 004-6: Guidelines on Financial Reporting for Takaful Operator. The Takaful Act, 1984, in Malaysia requires the clear segregation of the assets, liabilities, income and expenses of the shareholders' funds and the respective Takaful funds. Accordingly, the statement of financial position, income statement and statement of comprehensive income prepared for the shareholder's fund and family takaful fund as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the individual funds.

The statement of financial position, income statement and statement of comprehensive income of the Company has been prepared to comply with the requirements of Malaysian Financial Reporting Standards ("MFRS") and reflects the financial position and results of the shareholders' fund and family takaful fund presented as a single economic entity for the respective financial years / period disclosed. The accounting policies applied in deriving the consolidated financial statements of the Company are as disclosed in Note 2.3 to Note 2.24.

2. Significant accounting policies (cont'd.)

2.3 Family takaful fund

The family takaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 and includes the amount attributable to participants and Available-for-sale ("AFS") fair value reserves.

The family takaful fund surplus or deficit is determined by an annual actuarial valuation of the family takaful fund. Any actuarial deficit in the family takaful fund will be made good by the shareholders' fund via a benevolent loan or Qard. Surplus distributable to the participants is determined after retakaful, benefits paid and payable, expenses, provisions, reserves and witholding tax. The surplus may be distributed to the shareholders and participants in accordance with the terms and conditions prescribed by the Shariah Committee of the Company.

Family takaful revenue consists of gross contributions and investment income. Revenue is accounted for on accrual basis and as approved by the Company's Shariah Committee. Unrealised income is deferred and receipts in advance are treated as liabilities on the statement of financial position.

(a) Contribution income

Contribution is recognised as soon as the amount of the contribution can be reliably measured in accordance with the principles of Shariah as advised by the Shariah Committee.

- ***Investment-linked business***

  First contribution income is recognised on the assumption of risk and subsequent contribution is recognised on a cash basis. Subsequent risk is assumed based on sufficiency of units of the participant.

- ***Ordinary family takaful business***

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

  Inward treaty retakaful contributions are recognised on the basis of statements received from ceding companies.

2. Significant accounting policies (cont'd.)

2.3 Family takaful fund (cont'd.)

(b) Claims liabilities

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

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

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

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

(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.

(c) Creation/cancellation of units

Net creation of units which represents contributions paid by participants or unitholders as payment for a new contract or subsequent payments to increase the amount of that contract are reflected in the income statement of the investment-linked fund. Net creation of units is recognised on a receipt basis.

Creation/cancellation of units is recognised in the financial statements at the next valuation date, after the request to purchase/sell units is received from the participants or unitholders.

(d) Investments of the investment-linked fund

Investment of investment-linked business are stated at fair value. Any increase or decrease in value of investments is taken into the investment-linked fund's income statement.

All investments of the investment-linked fund are stated at closing market prices as at financial year end.

2. Significant accounting policies (cont'd.)

2.3 Family takaful fund (cont'd.)

(e) Family takaful certificates liabilities

Family takaful certificates liabilities are recognised when certificates are in-forced and contributions are charged.

Actuarial liability for the investment linked products, the Participant Risk Fund (PRF) reserves are calculated by taking the maximum of present value with provision of risk margin for adverse deviation (PRAD) at 75th percentile of gross benefit less the present value of gross tabarru and the unearned tabarru. This unearned tabarru is provided as 50% of current monthly tabarru per certificate basis. In addition, Incurred But Not Reported (IBNR) provision of 50% of current monthly tabarru is held. This assumes a two week delay in reporting.

For long term group credit products, the liabilities are calculated as the present value of gross benefit discounted at the appropriate risk discount rate. The liability is taken based on the higher of Best Estimate (BE) plus PRAD reserves at 75th percentile and surrender value per certificate.

In the case of yearly renewable term products, the liabilities are calculated by applying the 1/24th method on annual risk contribution. In addition, IBNR provision has been set aside by assuming a two week delay in reporting for Retakaful Accepted, half month delay in reporting for Group Term Takaful and two month delay in reporting for Group Hospitalisation and Surgical.

Contingency reserves are set up as additional reserves for stabilization as the company is still in the infancy stage and does not yet have a credible claims experience.

The family takaful certificate liabilities are derecognised when the contract expires, is discharged or is cancelled. At each reporting date, an assessment is made of whether the recognised family takaful contract liabilities are adequate by using an existing liability adequacy test.

Surplus arising from the difference between the value of the family fund and the liabilities, if any, will be distributed in equal proportion to the participants and shareholders in accordance with the terms and conditions prescribed by the Shariah Committee of the Company.

If the difference between the value of the family fund and the liabilities results in a deficit, the Company will arrange a Qard (benevolent loan) which will be repaid when the fund returns to a surplus position. An impairment test may be conducted to a Qard which has not been repaid within a specific period of time.

2. Significant accounting policies (cont'd.)

2.4 Shareholders' Fund

(a) Commission expenses/acquisition cost

Commission expenses, which are costs directly incurred in securing contributions on takaful certificates, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income. Commission expenses are borne by the shareholders' fund in the shareholders' fund income statement at an agreed percentage for each certificate underwritten. This is in accordance with the principles of Wakalah as approved by the Shariah Committee and as agreed between the participants and the Company.

(b) Expense liability

The contract underlying takaful operations defines a unique relationship between takaful operator and participants of a takaful scheme. While takaful fund is responsible to meet contractual benefits accorded to participants on the basis of mutual assistance amongst participants, the Company is expected to duly observe fundamental obligations toward participants, particularly in term of adhering to Shariah principles and undertaking fiduciary duties to prudently manage the takaful fund as well as meet costs involved in managing the takaful business.

In carrying out the fiduciary duty, the Company must put in place sufficient measures to ensure sustainability of family takaful fund to meet takaful benefits and shareholders' fund to support the takaful certificates for the full term. These measures include setting up of appropriate provisions for liabilities in shareholders' fund and on behalf of participants in family takaful fund, to ensure that adequate funds would be available to meet all contractual obligations and commitments as they fall due, with a reasonable level of certainty.

Expense liability of family takaful fund

Expense liability in the sharehoder's fund for investment linked products are calculated as the present value of management expenses plus commission plus fund management expenses minus wakalah fees minus fund management charges minus certificate fees and for long term group credit products, the expense liabilities are calculated as the present value of maintenance expenses. Sterling reserving method is used to calculate the liability for both investment linked product and long term group credit products.

For yearly renewable term products, expense liabilities are calculated using the 1/24th method on the annual wakalah fee.

2. Significant accounting policies (cont'd.)

2.4 Shareholders' Fund (cont'd.)

(b) Expense liability (cont'd.)

Expense liability of family takaful fund (cont'd.)

In setting up the expense overun reserve, the total management expenses for all plans were split between initial expenses and maintenance expenses, with maintenance expenses compared to maintenance expense loading for certificates inforce.

(c) Liability adequacy test

At each reporting date, the Company reviews the expense liabilities of the shareholders' fund to ensure that the carrying amount is sufficient or adequate to cover the obligations of the shareholders' fund for all managed takaful certificates.

In performing this review, the Company considers all contractual cash flows and compares this against the carrying value of expense liabilities. Any deficiency is recognised in the income statement.

2.5 Property and equipment and depreciation

(a) Recognition and measurement

All items of property and equipment are initially recorded at cost. Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

On disposal of property and equipment, the difference between net proceeds and the carrying amount is recognised in the income statement.

(b) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in the income statement as incurred.

2. Significant accounting policies (cont'd.)

2.5 Property and equipment and depreciation (cont'd.)

(c) Depreciation

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

Computer equipment	25%
Furniture and fittings	20%
Office equipment	20% - 33.33%
Motor vehicles	25%
Renovation	20%

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

2.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Subsequent to recognition, intangible assets are stated at cost less accumulated amortisation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

On disposal of intangible assets, the difference between net proceeds and the carrying amount is recognised in the income statement.

The useful lives of intangible assets are assessed to be either finite or indefinite. 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 the end of each reporting period.

Amortisation is charged to the income statement.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

2. Significant accounting policies (cont'd.)

2.6 Intangible assets (cont'd.)

(a) Software development in progress

Software development in progress are tested for impairment annually and represent development expenditure on software. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. When development is complete and the asset is available for use, the asset is reclassified to computer software and amortisation of the asset begins. It is amortised over the period of expected future use. During the period in which the asset is not yet in use, it is tested for impairment annually.

(b) Computer software and licences

The useful lives of computer software and licenses are considered to be finite because computer software and licenses are susceptible to technological obsolescence.

The acquired computer software and licenses are amortised using the straight line method over their estimated useful lives not exceeding 4 years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least at the end of each reporting period.

2.7 Financial assets

(a) Initial recognition

Financial assets are recognised in the financial statements when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial asset is recognised initially, at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

2. Significant accounting policies (cont'd.)

2.7 Financial assets (cont'd.)

(b) Classification and subsequent measurement

The Company determines the classification of its financial assets at initial recognition and this depends on the purpose for which the financial assets were acquired or originated. The following classifications are used by the Company in categorising its financial assets.

(i) Financial assets at fair value through profit and loss ("FVTPL")

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in the income statement. Net gains or net losses on financial assets at FVTPL do not include exchange differences, profit and dividend income. Exchange differences, profit and dividend income on financial assets at FVTPL are recognised separately in the the income statement as part of investment income.

(ii) Loans and receivables ("LAR")

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as LAR.

Subsequent to initial recognition, LAR are measured at amortised cost using the effective profit method. Gains and losses are recognised in the income statement when the LAR are derecognised or impaired, and through the amortisation process.

(iii) AFS financial assets

AFS financial assets are financial assets that are designated as available for sale or are not classified in any of the two preceding categories.

2. Significant accounting policies (cont'd.)

2.7 Financial assets

(iii) AFS financial assets (cont'd.)

After initial recognition, AFS financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and profit calculated using the effective profit method are recognised in the income statement. The cumulative gain or loss previously recognised in other comprehensive income are reclassified to the income statement as a reclassification adjustment when the financial asset is derecognised. Profit calculated using the effective profit method is recognised in the income statement.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

(c) Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

2.8 Fair value of financial instruments

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business at the end of each reporting period.

The fair value of investments in unit and real estate investment trusts is determined by reference to published bid prices.

2. Significant accounting policies (cont'd.)

2.8 Fair value of financial instruments (cont'd.)

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

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

If the fair value of a financial asset cannot be measured reliably, the asset is measured at cost, being the fair value of the consideration paid for the acquisition of the asset. All transaction costs directly attributable to the acquisition are also included in the cost of the financial asset.

2.9 Impairment of assets

(a) Financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

(i) Financial assets carried at amortised cost

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

2. Significant accounting policies (cont'd.)

2.9 Impairment of assets (cont'd.)

(a) Financial assets (cont'd.)

The impairment assessment is to be performed at the end of each reporting period.

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

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

(ii) AFS financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as AFS financial assets are impaired.

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity or the takaful fund to the income statement.

Impairment losses on AFS equity investments are not reversed in the income statement in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For AFS debt investments, impairment losses are subsequently reversed in the income statement if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in the income statement.

2. Significant accounting policies (cont'd.)

2.9 Impairment of assets (cont'd.)

(b) Non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the period in which the reversals are recognised.

2.10 Measurement and impairment of Qard

Any deficit in the takaful fund is made good via a benevolent loan, or Qard, granted by the shareholders' fund to the takaful fund. The Qard is stated at cost less any impairment losses in the shareholder's fund. In the takaful fund, the Qard is stated at cost.

The Qard shall be repaid from future surpluses of the takaful fund.

2. Significant accounting policies (cont'd.)

2.10 Measurement and impairment of Qard (cont'd.)

The Qard is tested for impairment on an annual basis via an assessment of the estimated surpluses or cash flows from the takaful fund to determine whether there is objective evidence of impairment. If the Qard is impaired, an amount comprising the difference between its cost and its recoverable amount, less any impairment loss previously recognised in the income statement, is recognised in the income statement.

Impairment losses are subsequently reversed in the income statement if objective evidence exists that the Qard is no longer impaired.

2.11 Share capital and dividend expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks, excluding fixed and call deposits with licensed financial institutions, which have an insignificant risk of changes in value. The cash flow statement has been prepared using the indirect method.

2.13 Product classification

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

A takaful contract is a contract under which the Company ("the takaful operator") has accepted significant takaful risk from another party ("the participant") by agreeing to compensate the cedants if a specified uncertain future event ("the insured event") adversely affects the cedants. As a general guideline, the Company determines whether significant takaful risk has been accepted by comparing benefits paid on the occurrence of an insured event with benefits payable if the insured event had not occurred.

2. Significant accounting policies (cont'd.)

2.13 Product classification (cont'd.)

Conversely, investment contracts are those contracts that transfer financial risk with no significant takaful risk. Based on this definition, all certificates issued by the Company have been assessed to be takaful contracts as at the reporting date.

Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its life-time, even if the takaful risk reduces significantly during the period, unless all rights and obligations are extinguished or expire.

2.14 Retakaful

The Company cedes takaful risk in the normal course of business for all its business. Ceded retakaful arrangements do not relieve the Company from their obligations to cedants. For both ceded and assumed retakaful, contributions and claims are presented on a gross basis.

Retakaful arrangements entered into by the Company that meet the classification requirements of takaful contracts as described in Note 2.12 are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets. As at the reporting date, all retakaful arrangements entered into by the Company during the year the classification requirements of takaful contracts.

Retakaful assets represent amounts recoverable from retakaful operators for takaful contract liabilities which have yet to be settled at the reporting date. Amounts recoverable from retakaful operators are measured consistently with the amounts associated with the underlying takaful contract and the terms of the relevant retakaful arrangement.

At each reporting date, or more frequently, the Company assesses whether objective evidence exists that retakaful assets are impaired. Objective evidence of impairment for retakaful assets are similar to those noted for takaful receivables as described in Note 2.8(a)(i). If any such evidence exists, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective profit rate. The impairment loss is recognised in income statement.

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

2. Significant accounting policies (cont'd.)

2.15 Takaful receivables

Takaful receivables are amounts receivable under the contractual terms of a takaful contract. On initial recognition, takaful receivables are measured at fair value based on the consideration received or receivable. Subsequent to initial recognition, takaful receivables are measured at amortised cost, using the effective yield method.

Takaful receivables are assessed at each reporting date for objective evidence of impairment. If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the takaful receivable's original effective profit rate. The impairment loss is recognised in the income statement. The basis for recognition of such impairment loss is as described in Note 2.9(a)(i).

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

2.16 Balances with related companies

Balances with related companies are stated at the amounts which these balances are due and expected to be settled.

2.17 Leases

(a) Classification

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(b) Operating leases - company as lessee

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.

2.18 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

2. Significant accounting policies (cont'd.)

2.18 Financial liabilities (cont'd.)

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Company and the takaful fund become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

(a) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities held for trading include derivatives entered into by the Company or the takaful fund that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in the income statement. Net gains or losses on derivatives include exchange differences.

The Company and the takaful fund had not designated any financial liabilities as at FVTPL nor were there any financial liabilities held for trading.

(b) Other financial liabilities

The Company's and takaful fund's other financial liabilities include takaful and other payables.

Takaful and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective profit method.

For other financial liabilities, gains and losses are recognised in the income statement when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2. Significant accounting policies (cont'd.)

2.19 Provisions for liabilities

Provisions for liabilities are recognised when the Company or the takaful fund have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation.

2.20 Income tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date 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, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in other comprehensive income, in which case the deferred tax is also charged or credited directly in other comprehensive income.

2.21 Employee benefits

(a) 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 Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated balances. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

2. Significant accounting policies (cont'd.)

2.21 Employee benefits (cont'd.)

(b) Defined contribution plan

As required by law, the Company makes contributions to the national pension scheme, the Employees Provident Fund ("EPF"). The Company also makes additional contributions to the EPF for eligible employees by reference to their length of service and earnings. Such contributions are recognised as an expense in the income statement as incurred.

2.22 Foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated into Ringgit Malaysia at rates of exchange ruling at the reporting date. All exchange differences are taken to the income statement.

2.23 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Contribution income

Contributions are recognised in accordance with the policies stated in Note 2.2(a).

(b) Profit income

Profit income is recognised using the effective yield method.

(c) Dividend income

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

(d) Wakalah fees

Wakalah fees are recognised as soon as the amount of contribution can be reliably computed.

2.24 Zakat

This represents an obligatory amount payable by the Company to comply with the principles of Shariah in accordance with the method as approved by the Shariah Committee.

2. Significant accounting policies (cont'd.)

2.25 First time adoption of MFRS

These financial statements, for the year ended 31 December 2012, are the first the Company have prepared in accordance with MFRS. For periods up to and including the period ended 31 December 2011, the Company prepared its financial statements in accordance with Financial Reporting Standards ("FRS") in Malaysia. Except for certain differences, the requirements under FRS and MFRS are similar.

Accordingly, the Company have prepared its financial statements which comply with MFRS applicable for periods ending on or after 31 December 2012, together with the comparative period data as at and for the period ended 31 December 2011, as described in the accounting policies. In preparing these financial statements, the Company's opening statement of financial position were prepared as at 11 March 2011 (date of incorporation), Company's date of transition to MFRS.

The significant accounting policies adopted in preparing these financial statements are consistent with those of the audited financial statements for the period ended 31 December 2011. The transition from FRS to MFRS did not have any material impact on the financial statements of the Company. Accordingly, no notes related to the statements of financial position as at the date of transition to MFRS are presented.

2.26 Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following MFRSs, amendments to MFRSs and IC Interpretations have been issued by the MASB but are not yet effective and have not been adopted by the Company.

Effective for financial periods beginning on or after 1 July 2012
- Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income

Effective for financial periods beginning on or after 1 January 2013
- Amendments to MFRS 1 Government Loans
- Amendments to MFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities
- MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
- MFRS 10 Consolidated Financial Statements
- MFRS 11 Joint Arrangements
- MFRS 12 Disclosure of Interests in Other Entities
- MFRS 13 Fair Value Measurement
- MFRS 119 Employee Benefits (IAS 19 as amended by IASB in June 2011)
- Amendments to MFRS 10, MFRS 11 and MFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)

2. Significant accounting policies (cont'd.)

2.26 Standards issued but not yet effective (cont'd.)

Effective for financial periods beginning on or after 1 January 2013 (cont'd)

- MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
- MFRS 128 Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
- IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- Annual Improvements 2009-2011 Cycle:
  - *Amendment to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards*
  - *Amendment to MFRS 101 Presentation of Financial Statements*
  - *Amendment to MFRS 116 Property, Plant and Equipment*
  - *Amendment to MFRS 132 Financial Instruments: Presentation*
  - *Amendment to MFRS 134 Interim Financial Reporting*
  - *Amendment to IC 2 Members' Shares in Co-operatives Entities and Similar Instruments*

Effective for financial periods beginning on or after 1 January 2014
- Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities

Effective for financial periods beginning on or after 1 January 2015
- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in Nov 2009)
- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in Oct 2010)

The Company plans to adopt the above pronouncements when they become effective in the respective financial periods. The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements of the Company in the period of initial application, except as described below:

MFRS 9 Financial Instruments

MFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of MFRS 139 and applies to classification and measurement of financial assets and liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9 Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address impairment and hedge accounting.

The Company will quantify the effect in conjunction with the other phases when the final standard including all phases is issued.

3. Significant accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

Judgements made by management in the process of applying the Company's accounting policies are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Depreciation and amortisation

Depreciation and amortisation is based on management's estimates of the future estimated average useful lives and residual values of property, plant and equipment and intangible assets. Estimates may change due to technological developments, expected level of usage, competition, market conditions and other factors, and could impact the estimated average useful lives and the residual values of these assets.

Accordingly, at the end of each reporting period, the residual values and estimated useful lives of property, plant and equipment and intangible assets are assessed to determine that they continue to be consistent as disclosed in Notes 2.4 and 2.5, respectively.

This may result in future changes in the estimated useful lives and in the depreciation or amortisation expenses. As at the reporting date, management has determined that the estimated useful lives of property, plant and equipment and intangible assets of the Company remain consistent and there are no residual values.

3. Significant accounting judgements and estimates (cont'd.)

3.2 Key sources of estimation uncertainty (cont'd.)

(b) Impairment of non-financial assets

Assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business, significant adverse industry or economic changes.

Recoverable amounts of assets are based on management's estimates and assumptions of the net realisable value, cash flows arising from the future operating performance and revenue generating capacity of the assets and CGUs, and future market conditions. Changes in circumstances may lead to changes in estimates and assumptions, and result in changes to the recoverable amounts of assets and impairment losses needed.

As at the reporting date, management has determined that all impairment required to be recognised has been accounted for.

(c) Uncertainty in accounting estimates for family takaful certificate liabilities

The estimation of the ultimate liability arising from claims made under family takaful certificates is a critical accounting estimate. There are several sources of uncertainty that need to be considered in estimation of the liabilities that the family takaful fund will ultimately be required to pay as claims.

For family takaful certificates, estimates are made for future deaths, disabilities, maturities and investment returns in accordance with contractual and regulatory requirements. The family takaful fund bases the estimate of expected number of deaths on statutory mortality tables, adjusted where appropriate to reflect the fund's unique risk exposures. The estimated number of deaths determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future contributions.

At each reporting date, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

3. Significant accounting judgements and estimates (cont'd.)

3.2 Key sources of estimation uncertainty (cont'd.)

(c) Uncertainty in accounting estimates for family takaful certificate liabilities (cont'd.)

BNM has issued new Guidelines on Valuation Basis for Liabilities of Family Takaful Business which take effect beginning on and after 1 July 2011. The guidelines sets out prudential requirements that should be observed by takaful operators in valuing liabilities of their family takaful business, with the aim of providing for those liabilities at a specified level of adequacy with explicit prudential margins. The Guidelines is intended to reflect the takaful operator's fiduciary duty to manage the takaful funds prudently, treat participants fairly as well as to ensure that the shareholders' fund can adequately support the takaful business. The Company had adopted the guidelines earlier in its financial statement for the period ended 31 December 2011.

(d) Uncertainty in accounting estimates for shareholders' fund expenses liabilities

The principal uncertainty in the shareholders' fund takaful certificate liabilities arises from the technical provisions which includes the unearned wakalah fees reserve and expenses liabilities of family takaful fund.

The expense liabilities for family business is estimated assuming that the block of in-force contracts are to be maintained on a 'going concern' basis. Under a 'going concern' scenario, the contracts so valued are taken as a particular sub-block of contracts and the maintenance expenses for which are valued to the point the last certificate goes off the books.

The maintenance expenses related to such contracts include the cost of functions that would normally associated with operation of the business on a 'going concern' basis.

The expense liabilities is calculated using adjusted parameters to provide sufficiency at the appropriate percentile of statistical variation that is higher than the best estimate values.

The expense liabilities is the present value of future maintenance expenses on the current in-force family takaful contracts and is further reduced by the present value of future shareholders income realisable with reasonable certainty relating to those in-force family takaful contracts.

The present value of the future shareholders income relates to future renewal wakalah fees, certificate fee and fund management charges of Investment Linked Participants' Account (PA).

4. Net earned contributions

Family takaful fund	01.01.2012 to 31.12.2012 RM'000	11.03.2011 to 31.12.2011 RM'000
(a) Gross contributions		
Takaful contracts	76,353	14,355
Retakaful contracts	(156)	429
	76,197	14,784
(b) Contributions ceded		
Takaful contracts	(1,562)	(59)
Net earned contributions	74,635	14,725

5. Investment income

01.01.2012 to 31.12.2012	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
AFS financial assets:			
Profit income	2,844	895	3,739
Loans and receivables::			
Profit income	388	63	451
Net amortisation of premiums on investments	(91)	(80)	(171)
	3,141	878	4,019
11.03.2011 to 31.12.2011			
AFS financial assets:			
Profit income	1,387	25	1,412
Loans and receivables::			
Profit income	1,165	13	1,178
Net amortisation of premiums on investments	(38)	(2)	(40)
	2,514	36	2,550

6. Fees and commission income/(expenses)

01.01.2012 to 31.12.2012	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Fees and commission income			
Wakalah fees income	18,426	-	-
Certificate fees	73	-	-
	18,499	-	-
Fees and commission expense			
Commission paid to agents	(8,058)	-	(8,058)
Wakalah fees expense	-	(18,426)	-
Certificate fees	-	(73)	-
	(8,058)	(18,499)	(8,058)
11.03.2011 to 31.12.2011			
Fees and commission income			
Wakalah fees income	3,654	-	-
Certificate fees	2	-	-
	3,656	-	-
Fees and commission expense			
Commission paid to agents	(1,473)	-	(1,473)
Wakalah fees expense	-	(3,654)	-
Certificate fees	-	(2)	-
	(1,473)	(3,656)	(1,473)

All fees and commission income and expenses are related to takaful/retakaful contracts issued by the family takaful fund.

7. Management expenses

	01.01.2012 to 31.12.2012 RM'000	11.03.2011 to 31.12.2011 RM'000
Shareholders' fund/Company		
Employee benefits expense (Note 7(a))	6,124	2,979
Directors' remuneration (Note 7(b))	207	156
Auditors' remuneration		
- statutory audit	140	125
Management fees paid to a fellow subsidiary	1,820	1,754
Office rental	576	213
Depreciation of property and equipment	440	231
Amortisation of intangible assets	1,248	348
Travelling expenses	279	91
Advertisement and promotion	1,209	1,019
Professional and legal fees	1,000	138
Market training expenses	179	155
Printing and stationeries	192	175
Repair and maintenance	107	253
Other expenses	1,745	1,244
	15,266	8,881

(a) Employee benefits expense

Salaries, bonus and other related costs	5,353	2,603
Pension costs - EPF	738	343
Social security costs	33	33
	6,124	2,979

7. Management expenses (cont'd.)

(b) Directors' remuneration

The details of remuneration receivable by non-executive directors during the period are as follows:

	01.01.2012 to 31.12.2012 RM'000	11.03.2011 to 31.12.2011 RM'000
Fees	168	135
Allowances	39	21
	207	156

The number of directors whose total remuneration during the period fall within the following band is analysed below:

	01.01.2012 to 31.12.2012	11.03.2011 to 31.12.2011
Number of directors		
Non-executive directors		
RM50,001 - RM100,000	4	3

(c) Chief executive officer's remuneration

	01.01.2012 to 31.12.2012 RM'000	11.03.2011 to 31.12.2011 RM'000
Salaries, bonus and other related costs	507	402
Pension costs - EPF	61	48
Social security costs	1	1
	569	451

8. Taxation

	01.01.2012 to 31.12.2012 RM'000	11.03.2011 to 31.12.2011 RM'000
Shareholders' fund		
Tax expense for the year/period	-	-

Domestic income tax for the shareholders' fund is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the year.

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

Shareholders' fund	01.01.2012 to 31.12.2012 RM'000	11.03.2011 to 31.12.2011 RM'000
Loss before taxation	(7,909)	(7,388)
Taxation at Malaysian statutory tax rate of 25%	(1,977)	(1,847)
Expenses not deductible for tax purposes	1,784	357
Deferred tax assets not recognised	193	1,490
Tax expense for the year/period	(0)	-

Family takaful fund

Tax expense for the year/period	-	-

Family takaful business is taxed at the preferential tax rate of 8% of taxable investment income for the year.

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8. Taxation (cont'd.)

Family takaful fund (cont'd.)

A reconciliation of income tax expense applicable to surplus before taxation at the statutory income tax rate to income tax expense at the preferential income tax rate of the family takaful fund is as follows:

	01.01.2012 to 31.12.2012 RM'000	11.03.2011 to 31.12.2011 RM'000
Loss before taxation	-	-
Taxation at Malaysian statutory tax rate of 8%	-	-
Income not subject to tax	-	-
Tax expense for the year/period	-	-

9. Property and equipment

	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Shareholders' fund/Company					
Cost					
At 1 January 2012	1,152	124	140	60	1,476
Additions	188	326	-	555	1,069
At 31 December 2012	1,340	450	140	615	2,545
Accumulated depreciation					
At 1 January 2012	188	12	26	5	231
Depreciation charge for the year	303	52	35	50	440
At 31 December 2012	491	64	61	55	671
Net carrying amount					
At 31 December 2012	849	386	79	560	1,874

9. Property and equipment (cont'd.)

	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Shareholders' fund/Company					
Cost					
At 11 March 2011 (date of incorporation)	-	-	-	-	-
Additions	1,152	124	140	60	1,476
At 31 December 2011	1,152	124	140	60	1,476
Accumulated depreciation					
At 11 March 2011 (date of incorporation)	-	-	-	-	-
Depreciation charge for the period	188	12	26	5	231
At 31 December 2011	188	12	26	5	231
Net carrying amount					
At 31 December 2011	964	112	114	55	1,245

10. Intangible assets

Shareholders' fund/Company	Computer software and licenses RM'000
Cost	
At 1 January 2012	3,656
Additions	2,369
At 31 December 2012	6,025
Accumulated amortisation	
At 1 January 2012	348
Amortisation charge for the year	1,248
At 31 December 2012	1,596
Net carrying amount	
At 31 December 2012	4,429
Cost	
At 11 March 2011 (date of incorporation)	-
Additions	3,656
At 31 December 2011	3,656
Accumulated amortisation	
At 11 March 2011 (date of incorporation)	-
Amortisation charge for the period	348
At 31 December 2011	348
Net carrying amount	
At 31 December 2011	3,308

11. Investments

31.12.2012	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
AFS financial assets:			
Government investment issues	76,790	41,876	118,666
Islamic debts securities	-	10,948	10,948
Financial assets at FVTPL:			
Shariah approved unit trust funds	-	6,303	6,303
Loans and receivables:			
Islamic investment accounts	10,387	10,230	20,617
	87,177	69,357	156,534
31.12.2011			
AFS financial assets:			
Government investment issues	74,708	8,359	83,067
Financial assets at FVTPL:			
Shariah approved unit trust funds	-	49	49
Loans and receivables:			
Islamic investment accounts	18,278	4,008	22,286
	92,986	12,416	105,402

The weighted average effective profit rate of Islamic investment accounts as at the end of the financial period are as follows:

31.12.2012	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Loans and receivables:			
Islamic investment accounts	3.08	2.88	2.98
31.12.2011			
Loans and receivables:			
Islamic investment accounts	3.26	3.06	3.16

12. Other receivables

Receivables of the Company are classified as loans and receivables and are as follows:

31.12.2012	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Qard to family takaful fund*	965	-	-
Income due and accrued	536	422	958
Due from family takaful fund** (Note 18)	3,176	-	-
Other receivables and deposits	189	39	228
	4,866	461	1,186
31.12.2011			
Qard to family takaful fund*	54	-	-
Income due and accrued	511	54	565
Due from family takaful fund** (Note 18)	601	-	-
Other receivables and deposits	1	1	2
	1,167	55	567

* Qard represents a loan to the family takaful fund to make good any underwriting deficit experienced by the family takaful fund. The amount is unsecured, not subject to any profit elements and recoverable from future surplus of the family takaful fund.

** This amount is non-trade in nature, are unsecured, not subject to any profit elements and are repayable on demand.

13. Takaful certificates receivables

	31.12.2012 RM'000	31.12.2011 RM'000
Family takaful fund		
Outstanding contribution	2,332	-
Amount due from ceding company	49	429
	2,381	429

14. Deferred taxation

Deferred tax assets have not been recognised in respect of the following items:

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
31.12.2012			
Income statement:			
Unutilised business losses	313	-	313
Unabsorbed capital allowances	-	6,450	6,450
	313	6,450	6,763
Statement of comprehensive income:			
Available-for-sale fair value reserve	(1,168)	-	(1,168)
Takaful contract liabilities			
Available-for-sale fair value reserve	-	(58)	(58)
	(855)	6,392	5,537
31.12.2011			
Income statement:			
Unutilised business losses	680	-	680
Unabsorbed capital allowances	-	234	234
	680	234	914
Statement of comprehensive income:			
Available-for-sale fair value reserve	(762)	-	(762)
Takaful contract liabilities			
Available-for-sale fair value reserve	-	(9)	(9)
	(82)	225	143

The temporary differences above do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Company can utilise the benefits.

15. Expense liabilities

31.12.2012	Shareholders' fund RM'000
Expense liabilities for family takaful fund:	
Unexpired expense reserve	4,296
Provision for expenses deficiency	5,152
	9,448
At 1 January 2012	3,204
Wakalah fee received during the year	18,426
Wakalah fee earned during the year	(18,426)
Change to expense liability	6,244
Movement in provision for unexpired expense reserve	3,573
Movement in provision for expenses deficiency	2,671
At 31 December 2012	9,448

31.12.2011	Shareholders' fund RM'000
Expense liabilities for family takaful fund:	
Unexpired expense reserve	723
Provision for expenses deficiency	2,481
	3,204
At 11 March 2011 (date of incorporation)	-
Wakalah fee received during the period	-
Wakalah fee earned during the period	-
Movement in provision for unexpired expense reserve	723
Movement in provision for expenses deficiency	2,481
At 31 December 2011	3,204

16. Takaful certificates liabilities

	<------------------ 31.12.2012	------------------	------------------>
	Gross RM'000	Retakaful RM'000	Net RM'000
Family takaful fund			
Participants Account ("PA")	6,988	-	6,988
Participants' Special Account ("PSA")	56,718	-	56,718
	63,706	-	63,706
Qard from shareholders' fund	965	-	965
AFS fair value reserves	58	-	58
	64,729	-	64,729
Less: Qard elimination	(965)	-	(965)
	63,764	-	63,764
At 1 January 2012	11,108	-	11,108
Gross change to certificate liabilities	52,661	-	52,661
Increase in PA reserve	121	-	121
Increase in participants' risk fund	886	-	886
Contributions received	74,635	-	74,635
Liabilities paid for death, maturities, surrender benefits and claims	(4,482)	-	(4,482)
Fees deducted	(18,499)	-	(18,499)
Qard from shareholders' fund	911	-	911
AFS fair value reserves	49	-	49
At 31 December 2012	64,729	-	64,729

16. Takaful certificates liabilities (cont'd.)

	<------------------ 31.12.2011	----------------------	--------------------->
	Gross RM'000	Retakaful RM'000	Net RM'000
Family takaful fund			
Participants Account ("PA")	74	-	74
Participants' Special Account ("PSA")	10,971	-	10,971
	11,045	-	11,045
Qard from shareholders' fund	54	-	54
AFS fair value reserves	9	-	9
	11,108	-	11,108
Less: Qard elimination	(54)	-	(54)
	11,054		11,054
At 11 March 2011 (date of incorporation)	-	-	-
Gross change to certificate liabilities	11,045		11,045
Increase in PA reserve	74	-	74
Increase in participants' risk fund	(97)	-	(97)
Contributions received	14,784	-	14,784
Liabilities paid for death claims	(60)	-	(60)
Fees deducted	(3,656)	-	(3,656)
Qard from shareholders' fund	54	-	54
AFS fair value reserves	9	-	9
At 31 December 2011	11,108	-	11,108

17. Takaful certificates payables

	31.12.2012 Family takaful fund RM'000	31.11.2011 Family takaful fund RM'000
Amount due to retakaful	307	59
Amount due to participants	1,691	-
Outstanding claims payable	886	-
Deposit contribution	1,116	764
	4,000	823

18. Other payables

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
31.12.2012			
Sundry payables	222	8,997	9,219
Accruals and provisions	3,146	-	3,146
Due to shareholders' fund* (Note 12)	-	3,176	-
Due to fellow subsidiary*	1,262	-	1,262
	4,630	12,173	13,627
31.12.2011			
Sundry payables	1	2,667	2,668
Accruals and provisions	1,526	-	1,526
Due to shareholders' fund* (Note 12)	-	601	-
Due to fellow subsidiary*	1,276	-	1,276
	2,803	3,268	5,470

* These amounts are unsecured, not subject to any profit elements and are repayable on demand.

19. Share capital

	31.12.2012		31.12.2011	
	No. of shares ('000)	Amount RM'000	No. of shares ('000)	Amount RM'000
Authorised:				
Ordinary shares of RM1 each				
At beginning and end of year/period	100,000	100,000	100,000	100,000
Issued and paid-up:				
Ordinary shares of RM1 each				
At 1 January 2012/	100,000	100,000		
11 March 2011			-*	-*
Issued during the period	-	-	100,000	100,000
At 31 December 2012/2011	100,000	100,000	100,000	100,000

* *Denotes share capital of RM10*

19. Share capital (cont'd.)

On 28 March 2011, the Company increased its issued and fully paid share capital from RM10 to RM100,000,000 via the issuance of 99,999,990 new ordinary shares of RM1.00 each to the shareholders of the Company for cash. The new ordinary shares issued ranked pari passu with the shares in issue at the date of incorporation.

20. Loss per share

Loss per share is calculated by dividing the loss for the financial year/period attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the financial year/period.

	01.01.2012 to 31.12.2012 RM'000	11.03.2011 to 31.12.2011 RM'000
Loss attributable to ordinary equity holder	(7,909)	(7,388)
Weighted average number of shares in issue during the year/period	100,000	94,237
Basic loss per share (sen)	(7.91)	(7.84)

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

21. Segmental information on cash flow

01.01.2012 to 31.12.2012	Shareholders' fund RM'000	Family takaful fund RM'000	Total RM'000
Net cash flow generated from/(used in):			
Operating activities	4,367	6,403	10,770
Investing activities	(3,438)	-	(3,438)
	929	6,403	7,332
Net increase in cash and cash equivalents	929	6,403	7,332
At 1 January 2012	675	2,299	2,974
As 31 December 2012	1,604	8,702	10,306

21. Segmental information on cash flow(cont'd.)

11.03.2011 to 31.12.2011	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Net cash flow (used in)/generated from:			
Operating activities	(94,193)	2,299	(91,894)
Investing activities	(5,132)	-	(5,132)
Financing activity	100,000	-	100,000
	675	2,299	2,974
Net increase in cash and cash equivalents	675	2,299	2,974
At 11 March 2011 (date of incorporation)	-	-	-
As 31 December 2011	675	2,299	2,974

22. Capital commitments

The capital commitments of the Company as at the end of the financial year are as follows:

Capital expenditure:	31.12.2012 RM'000	31.12.2011 RM'000
Approved and contracted for:		
Intangible assets	-	1,689

23. Operating lease arrangements

The Company as lessee

The future aggregate minimum lease payments under operating lease contracted for as at the reporting date but not recognised as liabilities are as follows:

Future minimum lease rental payments:

Shareholders' fund	31.12.2012 RM'000	31.12.2011 RM'000
Rental of office premises:		
Not later than 1 year	535	284
Later than 1 year and not later than 5 years	379	354
	914	638

24. Related party disclosures

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all Directors of the Company, and certain members of senior management of the Company.

(a) Related party transactions and balances

In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during and at the end of the financial year:

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Significant transactions with related parties during the period:			
01.01.2012 to 31.12.2012			
Expenses/(income):			
ING Insurance Berhad (a fellow subsidiary):			
Outsourcing fees	1,783	-	1,783
Rental of office premises	297	-	297
ING Employee Benefit Sdn Bhd (a fellow subsidiary):			
Outsourcing fees	37	-	37
Public Islamic Bank Berhad (an affiliated company):			
Profit income	(368)	(19)	(387)
Fee and commission expenses	6,901	-	6,901

24. Related party disclosures (cont'd.)

(a) Related party transactions and balances (cont'd.)

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
11.03.2011 to 31.12.2011			
Expenses/(income):			
ING Insurance Berhad (a fellow subsidiary):			
Outsourcing fees	1,754	-	1,754
Rental of office premises	213	-	213
Public Islamic Bank Berhad (an affiliated company):			
Profit income	(1,097)	-	(1,097)
Fee and commission expenses	1,415	-	1,415
Balances with related parties at period-end:			
31.12.2012			
ING Insurance Berhad (a fellow subsidiary):			
Amount due to a fellow subsidiary	(1,213)	-	(1,213)
ING Employee Benefits (a fellow subsidiary):			
Amount due to a fellow subsidiary	(49)	-	(49)
Public Islamic Bank Berhad (an affiliated company):			
Cash and bank balances	1,599	-	1,599
Islamic investment accounts with a licensed bank	7,300	8,522	15,822

24. Related party disclosures (cont'd.)

(a) Related party transactions and balances (cont'd.)

	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
31.12.2011			
ING Insurance Berhad (a fellow subsidiary):			
Amount due to a fellow subsidiary	(1,276)	-	(1,276)
Public Islamic Bank Berhad (an affiliated company):			
Cash and bank balances	672	2,295	2,967
Islamic investment accounts with a licensed bank	16,794	3,027	19,821

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(b) Compensation of key management personnel

Shareholders' fund/Company	01.01.2012 to 31.12.2012 RM'000	11.03.2011 to 31.12.2011 RM'000
Non-executive directors remuneration (Note 8(b)):		
Fees	168	135
Allowances	39	21
Chief executive officer's remuneration	569	451
Other key management personnel:		
Salaries and bonus	1,368	791
Pension costs - EPF	164	95
Social security cost	69	3
Allowances	5	44
	2,382	1,540

All directors, Chief Executive Officer and Senior Management Officers are collectively referred to as key management personnel.

25. Risk management framework

(a) Introduction

The Company operates within the definition of risk management framework under the purview and support given via shared services established with ING Insurance Berhad and subject to the Company's own internal controls' policies & procedures. This ensures that the identification, measurement and control of risks are well monitored, reported and in line with the Company's risk profile and strategic goals.

The mission of the Company's risk management function is to be able to completely adopt and implement an integrated and effective risk management processes throughout all business and operational processes in order to achieve the Company's strategic objectives.

(b) Risk governance

The Company's risk management framework is based on the 'three lines of defence' concept which ensures that risk is managed in line with the risk appetite and is cascaded throughout the Company. This concept provides a clear allocation of responsibilities for the ownership and management of risk, to avoid overlaps and/or gaps in risk governance. Business line management team have primary responsibility for the day-to-day management of risk and form the first line of defence.

The risk management function, which comprises of the risk management, compliance and legal team belongs to the second line of defence and has the primary responsibility to align risk taking with strategic planning e.g. in limit setting. The internal audit function provides an ongoing independent (i.e. outside of the risk organisation) and objective assessment of the effectiveness of internal controls, including financial and operational risk management and forms the third line of defence.

(i) Risk management function

The risk management function is one of the Company's main agenda to ensure that the function is well embedded in all levels of the Company's business and operational processes.

25. Risk management framework (cont'd.)

(b) Risk governance (cont'd)

(i) Risk management function (cont'd)

As a start, the risk management function is structured independently from the business lines and is organised as follows:

- Enterprise Risk Management is responsible for the non-financial (operational, security and information technology) risk management of the Company;

- Compliance Risk Management is responsible for:

  (i) supporting and advising management on fulfilling its compliance responsibilities;

  (ii) identifying, assessing, monitoring and reporting on the compliance risks faced by the Company; and

  (iii) advising employees on their (personal) compliance obligations.

(ii) Risk policies

The Company has adopted a framework of risk management policies, procedures and standards in place to create consistency throughout the organisation, and to define minimum requirements that are binding on all business units. The governance framework of the business units aligns with the Company's framework and meets local (regulatory) requirements. Senior Management is responsible to ensure policies, procedures and standards are implemented and adhered to. Employees within the Company have access to the Group's governance framework through an internal website. Policies, procedures and standards are regularly reviewed and updated via the relevant risk committees to reflect changes in markets, products and emerging best practices.

(c) Policy implementation

To ensure effective non-financial risk management, the Company monitor on a regular basis the progress of implementation of the adopted Company's risk policies and standards. The Company has to demonstrate that the appropriate steps have been taken to control their operational and compliance risk. The Company applies scorecards to measure the quality of the internal control within a business unit. Scoring is based on the ability to demonstrate that the required risk management processes are progressively implemented within the Company.

25. Risk management framework (cont'd.)

(d) Regulatory framework

The Company has to comply with the Takaful Act, 1984 and Regulations which is administered by BNM. BNM is primarily interested in protecting the rights of participants and monitors the Takaful Operators closely to ensure prudent management to fits business operation. At the same time, BNM is also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic cycle or natural disasters.

(e) Capital management framework

The Company conducts stress tests on a half-yearly basis in compliance with the Guidelines of Stress Testing for Takaful Operators (BNM/RH/GL 004-16). The purpose of the stress test is to test the solvency of the family fund under various scenarios according to regulatory guidelines, simulating drastic changes in major parameters such as new business volume, investment environment, mortality/morbidity patterns and lapse rates.

Currently, as at 31 December 2012, the Company maintains a share capital of RM100 million which is in line with the regulatory requirements set by BNM (BNM/RH/CIR 004-13 Minimum Paid-up Capital requirement for Takaful Operators).

26. Takaful risks

(a) Nature of risk

Takaful risk comprises product pricing risks, reserving risks and underwriting risks resulting from the pricing and acceptance of takaful contracts.

Product pricing and reserving risks arise with respect to the adequacy of contribution rate levels, provisions with respect to takaful liabilities and solvency capital. This is taking into consideration the supporting assets, changes in profit rates and developments in mortality, morbidity, lapses and expenses as well as general market conditions. Specific attention is given to the adequacy of provisioning. The Company believes that its takaful provisions are adequate.

The Dynamic Solvency Test (Stress Test) is performed twice a year to project and evaluate the impact of various changing economic and financial factors on the financial position of the Company.

Experience study is carried out annually to monitor the actual experience of the Company and the result of this study is used to set assumptions used in the modelling of liabilities. If actual experience differ from that expected, corrective actions may be undertaken if necessary.

26. Takaful risks (cont'd.)

(a) Nature of risk (cont.d)

Underwriting risks are inherent in the process whereby applications submitted for takaful coverage are reviewed. The maximum underwriting exposure is limited through exclusions, cover limits and reinsurance.

The Company's actuarial and underwriting risks are controlled at ING Group level. The Corporate Actuarial division is responsible for monitoring the adequacy of contribution rate levels, provisions and solvency capital, taking into consideration the supporting assets. The assumptions for pricing and risk management are controlled through a stringent product approval process involving the Regional Office, the Company's Appointed Actuary and related Business Unit Heads.

(b) Concentration of takaful certificates liabilities

The table below sets out the concentration of family takaful certificates liabilities:

31.12.2012	Gross RM'000	Retakaful RM'000	Net RM'000
Family takaful fund			
Mortgage takaful plan	44,476	-	44,476
Hire purchase takaful plan	2,741	-	2,741
Risk fund	280	-	280
Investment linked takaful fund	6,988	-	6,988
Group family takaful	9,221	-	9,221
	63,706	-	63,706
31.12.2011			
Family takaful fund			
Mortgage takaful plan	10,373	-	10,373
Hire purchase takaful plan	593	-	593
Risk Fund	5	-	5
Investment Linked Takaful Fund	74	-	74
	11,045	-	11,045

All the family takaful business is derived from Malaysia. As such, the entire family takaful certificates liabilities are in Malaysia

26. Takaful risks (cont'd.)

(c) Impact on liabilities, profit and equity

Key assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions. The assumptions in use are determined using statistical models based on the Company's actual historical experience, the industry's experience and reinsurer's experience as well as the judgement of the appointed actuary. Assumptions are further evaluated on regular basis in order to ensure realistic and reasonable valuations.

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

- Mortality rate
- Lapse and surrender rates
- Discount rate

Sensitivity analysis

The analysis below is performed to quantify the impact of possible movements in key assumptions with all other assumptions held constant. The impact is shown on gross and net liabilities. The correlation of assumptions will have a significant effect in determining the ultimate liabilities, but to demonstrate the impact due to changes in assumptions, assumptions are 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.

	Changes in variable	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on loss before taxation RM'000	Impact on equity RM'000
31.12.2012					
Family takaful fund					
Mortality rates	+10%	449	449	4	-
	-10%	(449)	(449)	(4)	-
Lapse and surrender rates	+10%	3	3	132	-
	-10%	(3)	(3)	(132)	-
Discount rates	+100bps	1,130	1,130	237	-
	-100bps	(1,130)	(1,130)	(237)	-

26. Takaful risk (cont'd.)

(c) Impact on liabilities, profit and equity (cont'd.)

	Changes in variable	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on loss before taxation RM'000	Impact on equity RM'000
31.12.2011					
Family takaful fund					
Mortality rates	+10%	62	62	-	-
	-10%	-	-	-	-
Lapse and surrender rates	+10%	-	-	-	-
	-10%	-	-	-	-
Discount rates	+100bps	-	-	-	-
	-100bps	-	-	-	-

27. Financial risks

Transactions in financial instruments may result in the Company assuming financial risks. These include credit risk, liquidity risk and market risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing such risks.

(a) Credit risk

Credit risk is the risk of a financial loss resulting from the failure of an intermediary or counterparty to settle its financial and contractual obligations to the Company as when they fall due.

The Company's primary exposure to credit risk arises through its investment in shariah compliance fixed income securities and deposits, obligations of retakaful operators through retakaful contracts and receivables from sales of takaful policies. The Company has in place an investment policy to manage its credit risk.

The Company manages the exposure to individual counterparties pertaining to its investment in fixed income securities, by measuring the exposure against internal limits, taking into consideration of the credit ratings issued by the authorized rating agencies.

27. Financial risk (cont'd)

(a) Credit risk (cont'd)

The Company actively monitors and considers the risk of a fall in value of the fixed asset securities from changes in the credit worthiness of the issuer by managing individual exposures as well as the concentration of credit risks in its fixed income portfolio through asset allocation, observing minimum credit rating requirements, maximum duration as well as setting maximum permitted exposure to single counterparty or group of counterparties.

Cash and deposits are placed with financial institutions licensed under the Islamic Banking Act, 1983 which are regulated by BNM, guided by the Company's approved exposure limits and minimum credit rating requirements.

Retakaful arrangements are only placed with providers who meet the Company's counterparty credit standards and satisfy the minimum credit rating requirements of the Company. The Company reviews the credit condition of its retakaful operators on an ongoing basis and reviews its retakaful arrangements periodically. The Company cedes business to retakaful operators that satisfy the minimum credit rating requirements of the Company.

Credit exposure

At the reporting date, the Company's maximum exposure to credit risk is represented by the maximum amount of each class of financial assets recognised in the statement of financial position as shown in the table below:

31.12.2012	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Investment:			
Government investment issues	76,790	41,876	118,666
Islamic debts securities	-	10,948	10,948
Islamic investment accounts with licensed Islamic bank	10,387	10,230	20,617
Shariah approved unit trust funds	-	6,303	6,303
Other receivables:			
Income due and accrued	536	422	958
Other receivables and deposits	4,330	39	228
Takaful certificates receivables	-	2,381	2,381
Cash and bank balances	1,603	8,703	10,306
	93,646	80,902	170,407

27. Financial risks (cont'd.)

(a) Credit risks (cont'd.)

Credit exposure (cont'd.)

31.12.2011	Shareholders' fund RM'000	Family takaful fund RM'000	Company RM'000
Investment:			
Government investment issues	74,708	8,359	83,067
Islamic investment accounts with licensed Islamic bank	18,278	4,008	22,286
Shariah approved unit trust fund	-	49	49
Other receivables:			
Income due and accrued	511	54	565
Other receivables and deposits	656	1	2
Takaful certificates receivables	-	429	429
Cash and bank balances	675	2,299	2,974
	94,828	15,199	109,372

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to Rating Agency of Malaysia and Malaysian Rating Corporation Berhad. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

27. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

31.12.2012	<-------------Neither past-due nor impaired----------------->						
	Government guaranteed RM'000	Investment grade* (BBB - AAA) RM'000	Non-investment grade* (C to BB) RM'000	Not rated RM'000	Not subject to credit risk RM'000	Past-due RM'000	Total RM'000
Shareholders' fund							
Investments:							
Government investment issues	76,790	-	-	-	-	-	76,790
Islamic investment accounts with licensed Islamic bank	-	10,387	-	-	-	-	10,387
Other receivables:							
Income due and accrued	512	24	-	-	-	-	536
Other receivables and deposits	-	-	-	4,330	-	-	4,330
Cash and bank balances	-	1,603	-	-	-		1,603
	77,302	12,014	-	4,330	-	-	93,646

27. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

31.12.2012 (cont'd.)	<----Neither past-due nor impaired---- Government guaranteed RM'000	Investment grade* (BBB - AAA) RM'000	Non-investment grade* (C to BB) RM'000	Not rated RM'000	Not subject to credit risk RM'000	Past-due RM'000	Total RM'000
Family takaful fund							
Investments:							
Government investment issues	41,876	-	-	-	-	-	41,876
Islamic investment accounts with licensed Islamic bank	-	10,230	-	-	-	-	10,230
Islamic debts securities	-	10,948	-	-	-	-	10,948
Shariah approved unit trust fund	-	-	-	-	6,303	-	6,303
Other receivables:							
Income due and accrued	327	95	-	-	-	-	422
Other receivables and deposits	-	-	-	39	-	-	39
Takaful certificates receivables	-	-	-	2,124	-	257	2,381
Cash and bank balances	-	8,703	-	-	-	-	8,703
	42,203	29,976	-	2,163	6,303	257	80,902

27. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

31.12.2012 (cont'd.)	Government guaranteed RM'000	Investment grade* (BBB - AAA) RM'000	Non-investment grade* (C to BB) RM'000	Not rated RM'000	Not subject to credit risk RM'000	Past-due RM'000	Total RM'000
	<----Neither past-due nor impaired			---->			
Company							
Investments:							
Government investment issues	118,666	-	-	-	-	-	118,666
Islamic investment accounts with licensed Islamic bank	-	20,617	-	-	-	-	20,617
Islamic debts securities	-	10,948	-	-	-	-	10,948
Shariah approved unit trust fund	-	-	-	-	6,303	-	6,303
Other receivables:							
Income due and accrued	839	119	-	-	-	-	958
Other receivables and deposits	-	-	-	228	-	-	228
Takaful certificates receivables	-	-	-	2,124	-	257	2,381
Cash and bank balances	-	10,306	-	-	-	-	10,306
	119,505	41,990	-	2,352	6,303	257	170,407

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27. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

	<-------------Neither past-due nor impaired		----------------->				
31.12.2011	Government guaranteed RM'000	Investment grade* (BBB - AAA) RM'000	Non-investment grade* (C to BB) RM'000	Not rated RM'000	Not subject to credit risk RM'000	Past-due** RM'000	Total RM'000
Shareholders' fund							
Investments:							
Government investment issues	74,708	-	-	-	-	-	74,708
Islamic investment accounts with licensed Islamic bank	-	18,278	-	-	-	-	18,278
Other receivables:							
Income due and accrued	497	14	-	-	-	-	511
Other receivables and deposits	-	-	-	656	-	-	656
Cash and bank balances	-	675	-	-	-	-	675
	75,205	18,967	-	656	-	-	94,828

27. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

	<-------------Neither past-due nor impaired----------------->						
31.12.2011 (cont'd.)	**Government guaranteed RM'000**	**Investment grade* (BBB - AAA) RM'000**	**Non-investment grade* (C to BB) RM'000**	**Not rated RM'000**	**Not subject to credit risk RM'000**	**Past-due RM'000**	**Total RM'000**
Family takaful fund							
Investments:							
Government investment issues	8,359	-	-	-	-	-	8,359
Islamic investment accounts with licensed Islamic bank	-	4,008	-	-	-	-	4,008
Shariah approved unit trust fund	-	-	-	-	49	-	49
Other receivables:							
Income due and accrued	47	7	-	-	-	-	54
Other receivables and deposits					1	-	1
Takaful certificates receivables	-	-	-	-	-	429	429
Cash and bank balances	-	2,299	-	-	-	-	2,299
	8,406	6,314	-	-	50	429	15,199

27. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

	<------------Neither past-due nor impaired----------------->						
31.12.2011 (cont'd.)	**Government guaranteed RM'000**	**Investment grade* (BBB - AAA) RM'000**	**Non-investment grade* (C to BB) RM'000**	**Not rated RM'000**	**Not subject to credit risk RM'000**	**Past-due RM'000**	**Total RM'000**
Company							
Investments:							
Government investment issues	83,067	-	-	-	-	-	83,067
Islamic investment accounts with licensed Islamic bank	-	22,286	-	-	-	-	22,286
Shariah approved unit trust fund	-	-	-	-	49	-	49
Other receivables:							
Income due and accrued	544	21	-	-	-	-	565
Other receivables and deposits				1	1	-	2
Takaful certificates receivables	-	-	-	-	-	429	429
Cash and bank balances	-	2,974	-	-	-	-	2,974
	83,611	25,281	-	1	50	429	109,372

27. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

The Company do secondary credit rating assessment and use RAM or MARC rating methodology for the assessment. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business and products.

The Company has not provided the credit risk analysis for the financial assets of the unit-linked business where the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholders do not have direct exposure to any credit risk in those assets.

Age analysis of financial assets past-due but not impaired:

31.12.2012	**< 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**Total**
Family takaful fund					
Takaful certificates receivables	118	47	57	35	257
31.12.2011					
Family takaful fund					
Takaful certificates receivables	429	-	-	-	429

At the reporting date, all other financial assets are neither past-due nor impaired.

27. Financial risks (cont'd.)

(b) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations due to insufficient liquid resources, or would have to incur excessive cost in meeting the obligations. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The Company manages the liquidity risk by monitoring daily cash inflows and outflows and by ensuring a reasonable amount of financial assets are kept in liquid instruments at all times.

Maturity profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including profit payable and receivable.

For takaful certificates liabilities, maturity profiles are determined based on estimated timing of net cash outflows from the recognised takaful liabilities.

Unit-linked liabilities are repayable or transferable on demand and are included in the "up to a year" column. Repayments which are subject to notice are treated as if notice were to be given immediately.

27. Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

31.12.2012	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
Shareholders' fund							
Investments:							
AFS financial assets	76,790	-	54,136	22,654	-	-	76,790
LAR	10,387	10,387	-	-	-	-	10,387
Other receivables:							
Income due and accrued	536	536	-	-	-	-	536
Other receivables and deposits	4,330	4,330	-	-	-	-	4,330
Cash and bank balances	1,603	1,603	-	-	-	-	1,603
	93,646	16,856	54,136	22,654	-	-	93,646
Expense liabilities	9,448	5,151	1,484	743	2,070	-	9,448
Other payables	4,630	4,630	-	-	-	-	4,630
	14,078	9,781	1,484	743	2,070	-	14,078

27. Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

31.12.2012 (cont'd.)	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
Family takaful fund							
Investments:							
AFS financial assets	52,824	-	27,448	25,376	-	-	52,824
LAR	10,230	10,230	-	-	-	-	10,230
Financial assets at FVTPL	6,303		-	-	-	6,303	6,303
Other receivables							
Income due and accrued	422	422	-	-	-	-	422
Other receivables and deposits	39	39	-	-	-	-	39
Takaful certificates receivables	2,381	2,381	-	-	-	-	2,381
Cash and bank balances	8,703	8,703	-	-	-	-	8,703
	80,902	21,775	27,448	25,376	-	6,303	80,902
Takaful certificates liabilities	64,729	-	10,186	2,741	51,744	58	64,729
Takaful certificates payables	4,000	4,000	-	-	-	-	4,000
Other payables	12,173	12,173	-	-	-	-	12,173
	80,902	16,173	10,186	2,741	51,744	58	80,902

27. Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

31.12.2012 (cont'd.)	**Carrying value RM'000**	**Up to a year RM'000**	**1 - 5 years RM'000**	**5-15 years RM'000**	**Over 15 years RM'000**	**No maturity date RM'000**	**Total RM'000**
Family takaful fund							
Investments:							
AFS financial assets	129,614	-	81,584	48,030	-	-	129,614
LAR	20,617	20,617	-	-	-	-	20,617
Financial assets at FVTPL	6,303	-	-	-	-	6,303	6,303
Other receivables							-
Income due and accrued	958	958	-	-	-	-	958
Other receivables and deposits	228	228	-	-	-	-	228
Takaful certificates receivables	2,381	2,381	-	-	-	-	2,381
Cash and bank balances	10,306	10,306	-	-	-	-	10,306
	170,407	34,490	81,584	48,030	-	6,303	170,407
Expense liabilities	9,448	5,151	1,484	743	2,070		9,448
Takaful certificates liabilities	63,764	-	10,186	2,741	50,779	58	63,764
Takaful certificates payables	4,000	4,000	-	-	-	-	4,000
Other payables	13,627	13,627	-	-	-	-	13,627
	90,839	22,778	11,670	3,484	52,849	58	90,839

27. Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

31.12.2011	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
Shareholders' fund							
Investments:							
AFS financial assets	74,708	-	25,190	49,518	-		74,708
LAR	18,278	18,278	-	-	-	-	18,278
Other receivables	1,167	1,167	-	-	-	-	1,167
Cash and bank balances	675	675	-	-	-	-	675
	94,828	20,120	25,190	49,518	-	-	94,828
Expense liabilities	3,204	2,400	-	194	610	-	3,204
Other payables	2,803	2,746	-	57	-	-	2,803
	6,007	5,146	-	251	610	-	6,007

27. Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

31.12.2011 (cont'd)	Carrying value	Up to a year	1 - 5 years	5-15 years	Over 15 years	No maturity date	Total
Family takaful fund							
Investments:							
AFS financial assets	8,359	-	1,008	7,351	-	-	8,359
LAR	4,008	4,008	-	-	-	-	4,008
Financial assets at FVTPL	49	-	-	-	-	49	49
Other receivables	55	55	-	-	-	-	55
Takaful certificates receivables	429	429	-	-	-	-	429
Cash and bank balances	2,299	2,299	-	-	-	-	2,299
	15,199	6,791	1,008	7,351	-	49	15,199
Takaful certificates liabilities	11,108	-	54	593	10,461	-	11,108
Takaful certificates payables	823	823	-	-	-	-	823
Other payables	3,268	3,268	-	-	-	-	3,268
	15,199	4,091	54	593	10,461	-	15,199

27. Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

31.12.2011 (cont'd)	Carrying value	Up to a year	1 - 5 years	5-15 years	Over 15 years	No maturity date	Total
Company							
Investments:							
AFS financial assets	83,067	-	26,198	56,869	-	-	83,067
LAR	22,286	22,286	-	-	-	-	22,286
Financial assets at FVTPL	49	-	-	-	-	49	49
Other receivables	567	567	-	-	-	-	567
Takaful certificates receivables	429	429	-	-	-	-	429
Cash and bank balances	2,974	2,974	-	-	-	-	2,974
	109,372	26,256	26,198	56,869	-	49	109,372
Expense liabilities	3,204	2,400	-	194	610	-	3,204
Takaful certificates liabilities	11,054	-	-	593	10,461	-	11,054
Takaful certificates payables	823	823	-	-	-	-	823
Other payables	5,470	5,470	-	-	-	-	5,470
	20,551	8,693	-	787	11,071	-	20,551

27. Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

The table below summarises the expected utilisation or settlement of assets:

31.12.2012	Current* RM'000	Non-current RM'000	Total RM'000
Shareholders' fund			
Property and equipment	-	1,874	1,874
Intangible assets	-	4,429	4,429
Investments:			
AFS financial assets	-	76,790	76,790
LAR	10,387	-	10,387
Other receivables	4,866	-	4,866
Cash and bank balances	1,603	-	1,603
Total assets	16,856	83,093	99,949

* *expected utilisation or settlement within 12 months from the reporting date.*

27. Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

The table below summarises the expected utilisation or settlement of assets:

31.12.2012 (cont'd.)	Current* RM'000	Non-current RM'000	Total RM'000
Family takaful fund			
Investments:			
AFS financial assets	-	52,824	52,824
LAR	10,230	-	10,230
Financial assets at FVTPL	-	6,303	6,303
Other receivables	461	-	461
Takaful certificates receivables	2,381	-	2,381
Cash and bank balances	8,703	-	8,703
Total assets	21,775	59,127	80,902

* *expected utilisation or settlement within 12 months from the reporting date.*

27. Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

The table below summarises the expected utilisation or settlement of assets:

31.12.2012 (cont'd.)	**Current* RM'000**	**Non-current RM'000**	**Total RM'000**
Company			
Property and equipment	-	1,874	1,874
Intangible assets	-	4,429	4,429
Investments:			
AFS financial assets	-	129,614	129,614
LAR	20,617	-	20,617
Financial assets at FVTPL	-	6,303	6,303
Other receivables	1,186	-	1,186
Takaful certificates receivables	2,381	-	2,381
Cash and bank balances	10,306	-	10,306
Total assets	34,490	142,220	176,710

** expected utilisation or settlement within 12 months from the reporting date.*

27. Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

The table below summarises the expected utilisation or settlement of assets:

31.12.2011	Current* RM'000	Non-current RM'000	Total RM'000
Shareholders' fund			
Property and equipment	-	1,245	1,245
Intangible assets	-	3,308	3,308
Investments:			
AFS financial assets	-	74,708	74,708
LAR	18,278	-	18,278
Other receivables	1,167	-	1,167
Cash and bank balances	675	-	675
Total assets	20,120	79,261	99,381

** expected utilisation or settlement within 12 months from the reporting date.*

27. Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

The table below summarises the expected utilisation or settlement of assets:

31.12.2011 (cont'd.)	Current* RM'000	Non-current RM'000	Total RM'000
Family takaful fund			
Investments:			
AFS financial assets	-	8,359	8,359
LAR	4,008	-	4,008
Financial assets at FVTPL	-	49	49
Other receivables	55	-	55
Takaful certificates receivables	429	-	429
Cash and bank balances	2,299	-	2,299
Total assets	6,791	8,408	15,199

** expected utilisation or settlement within 12 months from the reporting date.*

27. Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

The table below summarises the expected utilisation or settlement of assets:

31.12.2011 (cont'd.)	Current* RM'000	Non-current RM'000	Total RM'000
Company			
Property and equipment	-	1,245	1,245
Intangible assets	-	3,308	3,308
Investments:			
AFS financial assets	-	83,067	83,067
LAR	22,286	-	22,286
Financial assets at FVTPL	-	49	49
Other receivables	567	-	567
Takaful certificates receivables	429	-	429
Cash and bank balances	2,974	-	2,974
Total assets	26,256	87,669	113,925

** expected utilisation or settlement within 12 months from the reporting date.*

27. Financial risks (cont'd.)

(c) Market risk

Market risk is the risk of value of assets or liabilities being adversely affected by movement in the market prices or profit rates. This includes currency risk, profit rate risk and market price risk.

(i) Profit rate risk

The company is exposed to the risk associated with the effects of fluctations in the prevailing levels of profit rates on the investment portfolios. The fluctuation in profit rates can be influenced by changes in profit rates in the market. The company sets out the profit target based on the long term asset allocation and expected return of each asset class. As part of the Company's ALM (Asset Liability Management) process, the Company reviews the market condition and asset strategy to ensure the long term profit rate is determined on a prudent basis.

The carrying amount, by maturity, of the Company's financial instruments that are exposed to profit rate risk is as follows:

31.12.2012	1 year or less RM'000	1 year to 5 years RM'000	More than 5 years RM'000
Shareholders' fund			
Government investment issues	-	25,190	49,518
Islamic investment accounts with licensed Islamic bank	10,387	-	
Family takaful fund			
Government investment issues	-	23,327	18,549
Islamic Debts Securities	-	4,120	6,828
Islamic investment accounts with licensed Islamic bank	10,230	-	

27. Financial risks (cont'd.)

(c) Market risk (cont'd.)

(i) Profit rate risk (cont'd.)

31.12.2011	1 year or less RM'000	1 year to 5 years RM'000	More than 5 years RM'000
Shareholders' fund			
Government investment issues	-	25,190	49,518
Islamic investment accounts with licensed Islamic bank	18,278	-	-
Family takaful fund			
Government investment issues	-	1,008	7,351
Islamic investment accounts with licensed Islamic bank	4,008	-	-

Sensitivity analysis:

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on income or loss and impact on equity. The correlation of variables will have a significant effect in determining the ultimate impact on profit rate 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.

27. **Financial risks (cont'd.)**

(c) **Market risk (cont'd.)**

(i) **Profit rate risk (cont'd.)**

Sensitivity analysis (cont'd.):

31.12.2012	Changes in basis points %	Effect on net income/ (loss) for the period RM'000	Effect on equity RM'000
Shareholders' fund			
Profit rates	+ 100 bps	28	(739)
	- 100 bps	(28)	739
Family takaful fund			
Profit rates	+ 100 bps	20	(528)
	- 100 bps	(20)	528
31.12.2011			
Shareholders' fund			
Profit rates	+ 100 bps	20	(747)
	- 100 bps	(20)	747
Family takaful fund			
Profit rates	+ 100 bps	40	(84)
	- 100 bps	(40)	84

(ii) **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's primary transactions are carried out in Ringgit Malaysia (RM) with minimal exposure to foreign currency risks.

27. Financial risks (cont'd.)

(c) Market risk (cont'd.)

(iii) Equity price risk

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

Sensitivity analysis:

Management's best estimate of the effect on the net income for the year and equity due to a reasonably possible change in the FTSE Bursa Malaysia KLCI Index ("FBMKLCI") with all other variables held constant is indicated in the table below:

31.12.2012	**Change in FBMKLCI %**	**Effect on net income/ (loss) for the period RM'000**	**Effect on equity RM'000**
Family takaful fund			
Market indices:			
FBMKLCI	+5%	315	315
FBMKLCI	-5%	(315)	(315)
31.12.2011			
Family takaful fund			
Market indices:			
FBMKLCI	+5%	2	2
FBMKLCI	-5%	(2)	(2)

28. Fair values of financial assets and liabilities

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31.12.2012	Quoted market price (Level 1) RM	Valuation technique using Observable inputs (Level 2) RM	Valuation technique using Unobservable inputs (Level 3) RM	Total RM
Shareholders' fund				
AFS financial assets:				
Government investment issues	-	76,790	-	76,790
Family takaful fund				
AFS financial assets:				
Government investment issues	-	41,876	-	41,876
Islamic Debts Securities	-	10,948	-	10,948
Investment-linked fund				
Financial assets at FVTPL:				
Shariah approved unit trust funds	6,303	-	-	6,303

28. Fair values of financial assets and liabilities (cont'd.)

31.12.2011	Quoted market price (Level 1) RM	Valuation technique using Observable inputs (Level 2) RM	Valuation technique using Unobservable inputs (Level 3) RM	Total RM
Shareholders' fund				
AFS financial assets:				
Government investment issues	-	74,708	-	74,708
Family takaful fund				
AFS financial assets:				
Government investment issues	-	8,359	-	8,359
Investment-linked fund				
Financial assets at FVTPL:				
Shariah approved unit trust funds	49	-	-	49

29. Operational risk

Operational risk is the risk of loss resulting from inadequate system or failed internal processes, people and systems or external events. Operational risk can lead to financial loss but also to non-financial loss in the form of reputation, regulatory or personal impact.

The Company recognises the following operational risk policy areas:

i. Control Risk
ii. Unauthorised Activity Risk
iii. Processing Risk
iv. Employment Practice Risk
v. Personal & Physical Security Risk
vi. Information (Technology) Risk
vii. Continuity Risk
ix. Fraud Risk
x. Compliance Risk

29. Operational risk (cont'd.)

The adopted Operational Risk Management (ORM) framework provides the foundations and a common infrastructure for delivering, maintaining and governing risk management. This framework is aligned with the COSO Enterprise Risk Management framework.

Control measures are implemented and maintained in accordance with the adopted ORM's policies, minimum standards, guidelines and procedures. Control activities include a range of activities such as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security assets and segregation of duties.

30. Shariah non-compliance risk

Shariah Non-Compliance risk refers to possible failure to meet the obligation of Shariah principles. When controls fail to perform, Shariah non compliance risk can cause reputational and operational damage, have regulatory implications or can even lead to financial loss and finally, impediment from Allah's barakah or blessing. The Company expect to mitigate such risk by initiating, monitoring and responding to robust Shariah control framework. Controls include effective oversight of the Shariah Committee, supported by internal Shariah Department in all aspects of the Company's operations. Other relevant controls include implementation of Shariah Compliance Manual, staff awareness training and internal operating policies, processes and guidelines, including internal Shariah review and the use of internal and external audit.

31. Significant Events

AIA Group Limited ("AIA" or the "Group") announced on December 18th, 2012 that it has successfully completed the acquisition of ING Management Holdings (Malaysia) Sdn. Bhd. ("ING Malaysia") following receipt of the required regulatory approvals. Through the acquisition, AIA has now acquired 60% shareholdings of the Company. The ING name/logo is used under license from ING Groep N.V./its Affiliates (ING Group) and the Company is no longer affiliated with ING Group.