

Company No.

924363	W
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AIA AFG TAKAFUL BHD.
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2013**

Company No.

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AIA AFG TAKAFUL BHD.
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2013

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AIA AFG TAKAFUL BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Company for the financial year ended 30 November 2013.

PRINCIPAL ACTIVITIES

The Company is engaged principally in managing Family Takaful including Investment-Linked Takaful business.

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

RESULTS

	RM'000
Net loss for the financial year	<u>(19,633)</u>

DIVIDEND

No dividend was paid or declared by the Company since the date of incorporation and the Directors do not recommend any dividend for the current financial year.

RESERVES AND PROVISIONS

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

PROVISION FOR OUTSTANDING CLAIMS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there were adequate provisions for incurred claims, including incurred but not reported ('IBNR') claims.

BAD AND DOUBTFUL DEBTS

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

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

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DIRECTORS' REPORT (CONTINUED)

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

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AIA AFG TAKAFUL BHD.
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DIRECTORS' REPORT (CONTINUED)

ITEMS OF AN UNUSUAL NATURE

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

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

SIGNIFICANT AND SUBSEQUENT EVENTS

On 5 March 2013, the Company was authorised to enter into a Deed of Release and Termination with Alliance Bank Malaysia Berhad and AIA Bhd. (formerly known as American International Assurance Bhd.), to terminate the existing Exclusive Bancatakaful Agreement.

On 21 October 2013, approval for the proposed business transfer scheme to transfer the whole business of the Company to its related entity, AIA PUBLIC Takaful Bhd. ("AIA PUBLIC", formerly known as ING PUBLIC Takaful Ehsan Berhad) was given by the relevant authorities. The businesses and operations of the Company are targeted to be transferred to AIA PUBLIC on 1 March 2014 whereby the purchase consideration will be satisfied via issuance of new ordinary shares of AIA PUBLIC.

DIRECTORS

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

Dato' Thomas Mun Lung Lee
Dato' Majid bin Mohamad
Mohd Daruis bin Zainuddin
Foong Sai Cheong
Lim Kheng Swee
William Lisle

(Resigned on 15.03.2013)
(Appointed on 15.03.2013)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than Directors' remuneration as shown in Note 16 to the financial statements) by reason of a contract made by the Company or a related corporation with any Directors or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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AIA AFG TAKAFUL BHD.
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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTEREST

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

	<u>Number of ordinary shares of US\$1.00 each</u>			
	<u>As at 01.12.2012</u>	<u>Bought</u>	<u>Sold</u>	<u>As at 30.11.2013</u>
<u>AIA Group Limited</u>				
Direct Interest				
Foong Sai Cheong	27,191	3,508	-	30,699

	<u>Number of ordinary shares of US\$1.00 each</u>			
	<u>As at 15.03.2013</u>	<u>Bought</u>	<u>Sold</u>	<u>As at 30.11.2013</u>
<u>AIA Group Limited</u>				
Direct Interest				
William Lisle	5,310	1,402	-	6,712

	<u>Number of matching shares over ordinary shares of US\$1.00 each under Employee Share Purchase Plan</u>			
	<u>As at 01.12.2012</u>	<u>Granted</u>	<u>Exercised</u>	<u>As at 30.11.2013</u>
<u>AIA Group Limited</u>				
Foong Sai Cheong	2,576	1,714	-	4,290

	<u>Number of matching shares over ordinary shares of US\$1.00 each under Employee Share Purchase Plan</u>			
	<u>As at 15.03.2013</u>	<u>Granted</u>	<u>Exercised</u>	<u>As at 30.11.2013</u>
<u>AIA Group Limited</u>				
William Lisle	2,636	669	-	3,305

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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTEREST (CONTINUED)

	Number of restricted share units over ordinary shares of US\$1.00 each			
	As at <u>01.12.2012</u>	<u>Granted</u>	<u>Exercised</u>	As at <u>30.11.2013</u>
<u>AIA Group Limited</u>				
Foong Sai Cheong	180,023	67,523	-	247,546

	Number of restricted share units over ordinary shares of US\$1.00 each			
	As at <u>15.03.2013</u>	<u>Granted</u>	<u>Exercised</u>	As at <u>30.11.2013</u>
<u>AIA Group Limited</u>				
William Lisle	1,607	-	-	1,607

	Number of share options over ordinary shares of US\$1.00 each			
	As at <u>01.12.2012</u>	<u>Granted</u>	<u>Exercised</u>	As at <u>30.11.2013</u>
<u>AIA Group Limited</u>				
Foong Sai Cheong	179,028	37,371	-	216,399

	Number of share options over ordinary shares of US\$1.00 each			
	As at <u>15.03.2013</u>	<u>Granted</u>	<u>Exercised</u>	As at <u>30.11.2013</u>
<u>AIA Group Limited</u>				
William Lisle	2,247	-	-	2,247

Employee share purchase plan, restricted share units and share options are granted to certain employees, directors and officers of the Company under the Employee Share Purchase Plan, Restricted Share Unit Scheme and Share Option Scheme of AIA Group Limited. Details of the employee share purchase plan, restricted share units and share options are set out in Note 25 to the financial statements.

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AIA AFG TAKAFUL BHD.
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DIRECTORS' REPORT (CONTINUED)

IMMEDIATE AND ULTIMATE HOLDING COMPANIES

At the date of the Statement of Financial Position, the Company was a wholly-owned subsidiary of AIA Bhd, a company incorporated in Malaysia. The Directors regard AIA Group Limited ("AIAGL"), a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited as its ultimate holding company.

STATEMENT ON CORPORATE GOVERNANCE

The Company has taken concerted steps to ensure compliance with Bank Negara Malaysia's ("BNM") Guidelines on Directorship for Takaful Operators and Shariah Governance Framework for Islamic Financial Institutions.

(A) BOARD RESPONSIBILITIES AND OVERSIGHT

The Board of Directors ("the Board") is responsible for the overall governance of the Company and discharges this responsibility through compliance with the Islamic Financial Services Act, 2013 ("the Act"), Guidelines on Directorship for Takaful Operators and Shariah Governance Framework for Islamic Financial Institutions issued by BNM and other directives, in addition to adopting other best practices on corporate governance.

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

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

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

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AIA AFG TAKAFUL BHD.
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DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

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

<u>Name of Directors</u>		<u>No. of attendance</u>
Dato' Thomas Mun Lung Lee	Chairman (Independent Non-Executive)	7/7
Khor Hock Seng (Resigned on 7 December 2012)	Member (Non-Independent Non-Executive)	0/0
Dato' Majid bin Mohamad	Member (Independent Non-Executive)	7/7
Mohd Daruis bin Zainuddin	Member (Independent Non-Executive)	7/7
Foong Sai Cheong	Member (Non-Independent Non-Executive)	7/7
Lim Kheng Swee (Resigned on 15 March 2013)	Member (Non-Independent Non-Executive)	1/1
William Lisle (Appointed on 15 March 2013)	Member (Non-Independent Non-Executive)	6/6

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

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

Nominating Committee

Dato' Majid bin Mohamad	Chairman (Independent Non-Executive)
Dato' Thomas Mun Lung Lee (Appointed on 7 December 2012)	Member (Independent Non-Executive)
Mohd Daruis bin Zainuddin	Member (Independent Non-Executive)
Khor Hock Seng (Resigned on 7 December 2012)	Member (Non-Independent Non-Executive)
Foong Sai Cheong	Member (Non-Independent Non-Executive)
Lim Kheng Swee (Resigned on 15 March 2013)	Member (Non-Independent Non-Executive)
William Lisle (Appointed on 15 March 2013)	Member (Non-Independent Non-Executive)

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

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AIA AFG TAKAFUL BHD.
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DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

The principal duties and responsibilities of NC are:

- (a) establishing minimum requirements for the Board, the CEO and Shariah Committee members to perform their responsibilities effectively. It is also responsible for overseeing the overall composition of the Board in terms of the appropriate size and mix of skills, the balance between executive, non-executive and independent Directors, and other core competencies required;
- (b) recommending and assessing the nominees for Directorship, the Directors to fill Board Committees, as well as nominees for the CEO and Shariah Committee members position. This includes assessing Directors, the CEO and Shariah Committee members proposed for reappointment before an application for approval is submitted to BNM;
- (c) establishing a mechanism for formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the CEO and Shariah Committee members. The assessments should also include ascertaining that the Director is not disqualified under the relevant law and fulfill the 'fit and proper' criteria;
- (d) recommending to the Board the removal of a Director or CEO or Shariah Committee member if he is ineffective, errant or negligent in discharging his responsibilities;
- (e) ensuring that all Directors undergo appropriate induction programmes and receive continuous training; and
- (f) overseeing the appointment, management succession planning and performance evaluation of KSOs, and recommending to the Board the removal of KSOs if they are ineffective, errant and negligent in discharging their responsibilities.

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

		<u>No. of attendance</u>
Dato' Majid bin Mohamad	Chairman (Independent Non-Executive)	5/5
Dato' Thomas Mun Lung Lee	Member (Independent Non-Executive)	5/5
Mohd Daruis bin Zainuddin	Member (Independent Non-Executive)	5/5
Khor Hock Seng	Member (Non-Independent Non-Executive)	0/0
Foong Sai Cheong	Member (Non-Independent Non-Executive)	5/5
Lim Kheng Swee	Member (Non-Independent Non-Executive)	1/1
William Lisle	Member (Non-Independent Non-Executive)	4/4

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DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Remuneration Committee

The Remuneration Committee ("RC") comprises three members as follows:

Dato' Majid bin Mohamad	Chairman (Independent Non-Executive)
Dato' Thomas Mun Lung Lee (Appointed on 7 December 2012) (Resigned on 15 March 2013)	Member (Independent Non-Executive)
Mohd Daruis bin Zainuddin	Member (Independent Non-Executive)
Khor Hock Seng (Resigned on 7 December 2012)	Member (Non-Independent Non-Executive)
William Lisle (Appointed on 15 March 2013)	Member (Non-Independent Non-Executive)

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

The principal duties and responsibilities of RC are:

- (a) recommending a framework for the remuneration of Directors, the CEO, KSOs and Shariah Committee members. The remuneration policy should:
- be documented and approved by the full Board and any changes thereto should be subject to the endorsement of the full Board;
 - reflect the experience and level of responsibility borne by individual Directors, the CEO, KSOs and Shariah Committee members;
 - be sufficient to attract and retain Directors, CEO, KSOs and Shariah Committee members of calibre needed to manage the Company successfully; and
 - be balanced against the need to ensure that the funds of the Company are not used to subsidise excessive remuneration packages and should not create incentives for irresponsible behaviour or insider excesses.

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DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Remuneration Committee (continued)

(b) recommending specific remuneration packages for Directors, CEO, KSOs and Shariah Committee members. The remuneration packages should :

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

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

		<u>No. of attendance</u>
Dato' Majid bin Mohamad	Chairman (Independent Non-Executive)	2/2
Dato' Thomas Mun Lung Lee	Member (Independent Non-Executive)	1/1
Mohd Daruis bin Zainuddin	Member (Independent Non-Executive)	2/2
Khor Hock Seng	Member (Non-Independent Non-Executive)	0/0
William Lisle	Member (Non-Independent Non-Executive)	1/1

Risk Management Committee

The Risk Management Committee ("RMC") comprises three members as follows:

Mohd Daruis bin Zainuddin	Chairman (Independent Non-Executive)
Dato' Majid bin Mohamad	Member (Independent Non-Executive)
Lim Kheng Swee (Resigned on 15 March 2013)	Member (Non-Independent Non-Executive)
William Lisle (Appointed on 15 March 2013)	Member (Non-Independent Non-Executive)

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

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AIA AFG TAKAFUL BHD.
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DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Risk Management Committee (continued)

The principal duties and responsibilities of RMC are:

- (a) reviewing and recommending risk management strategies, policies and risk tolerance levels for the Board's approval;
- (b) reviewing and assessing the adequacy of the risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- (c) ensuring that adequate infrastructure, resources and systems are in place for effective risk management; e.g. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Company's risk taking activities; and
- (d) reviewing the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

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

		<u>No. of attendance</u>
Mohd Daruis bin Zainuddin	Chairman (Independent Non-Executive)	4/4
Dato' Majid bin Mohamad	Member (Independent Non-Executive)	4/4
Lim Kheng Swee	Member (Non-Independent Non-Executive)	1/1
William Lisle	Member (Non-Independent Non-Executive)	3/3

Audit Committee

The Audit Committee ("AC") comprises three members as follows:

Mohd Daruis bin Zainuddin	Chairman (Independent Non-Executive)
Dato' Thomas Mun Lung Lee	Member (Independent Non-Executive)
Dato' Majid bin Mohamad	Member (Independent Non-Executive)

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

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AIA AFG TAKAFUL BHD.
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DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Audit Committee (continued)

The principal duties and responsibilities of the AC are:

- (a) ensuring that the internal audit department is distinct and has the appropriate status within the overall organisational structure for the internal auditors to effectively accomplish their audit objectives;
- (b) reviewing and concurring the annual audit plan, audit charter and annual budget of the internal audit department and the appointment of the external auditors;
- (c) ensuring that internal audit staff have free and unrestricted access to the Company's records, assets, personnel or processes relevant to and within the scope of the audits;
- (d) reviewing various relationships between the external auditors and the Company or any other entity that may impair or appear to impair the external auditors' judgement or independence in respect of the Company;
- (e) reviewing with the external auditors that appropriate audit plans are in place and the scope of the audit plans reflect the terms of the engagement letter;
- (f) reviewing with the external auditors the financial statements, audit reports, including obligation reports to BNM and discuss the findings and issues arising from the external audit;
- (g) ensuring that management's remediation efforts with respect to all findings and recommendations are resolved effectively and in a timely manner;
- (h) approving the provision of non-audit services by the external auditors and ensuring that the level of provision of non-audit services is compatible with maintaining auditor independence;
- (i) reviewing the Chairman's statement, interim financial reports, preliminary announcements and corporate governance disclosures in the Directors' Report;
- (j) reviewing any related party transactions and conflicts of interest situations that may arise including any transaction, procedure or conduct that raises questions of management integrity;
- (k) ensuring that the Company's accounts are prepared and published in a timely and accurate manner for regulatory, management and general reporting purposes; and
- (l) submitting to BNM annually, a summary of material concerns/weaknesses in the internal control environment of the Company noted during the year and the corresponding measures taken to address those weaknesses.

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DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD RESPONSIBILITIES AND OVERSIGHT (CONTINUED)

Audit Committee (continued)

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

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

		<u>No. of attendance</u>
Mohd Daruis bin Zainuddin	Chairman (Independent Non-Executive)	4/4
Dato' Thomas Mun Lung Lee	Member (Independent Non-Executive)	4/4
Dato' Majid bin Mohamad	Member (Independent Non-Executive)	4/4

(B) MANAGEMENT ACCOUNTABILITY

The Company has an organisational structure that clearly establishes the job descriptions, authority limits and other operating boundaries of each management and executive employee and formal performance appraisal is done annually. Information is effectively communicated to the relevant employee within the Company. The Company has a formal and transparent procedure for developing policy on executive remuneration. None of the Directors and senior management of the Company has, in any circumstances, conflict of interest referred to in Sections 19 of the Act.

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

(C) CORPORATE INDEPENDENCE

All material related party transactions are conducted on agreed terms as specified under BNM's Guidelines on Related-Party Transactions for Takaful Operators. Related parties transactions and balances have been disclosed in the financial statements in compliance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

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DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(D) INTERNAL CONTROLS AND OPERATIONAL RISKS MANAGEMENT

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

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

(E) INTERNAL AUDIT

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

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

(F) PUBLIC ACCOUNTABILITY

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

(G) FINANCIAL REPORTING

The Board has the overall responsibilities to ensure that accounting records are properly kept and that the Company's financial statements are prepared in accordance with MFRS, IFRS and comply with the provisions of the Companies Act, 1965. The Company meets all prescriptive requirements under this section relating to proper records, annual reports, public disclosure and statutory reporting. In addition, the Company also meets the best practice requirements relating to management reporting, where the key performance indicators are reported on a monthly basis.

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DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

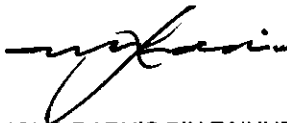
(H) AUDIT COMMITTEE

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

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors passed on 19 February 2014.



MOHD DARUIS BIN ZAINUDDIN
DIRECTOR



WILLIAM LISLE
DIRECTOR

Kuala Lumpur, Malaysia

Company No.

924363

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AIA AFG TAKAFUL BHD.
(Incorporated in Malaysia)

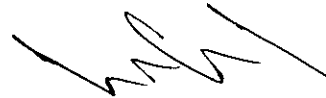
**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, Mohd Daruis bin Zainuddin and William Lisle, two of the Directors of AIA AFG Takaful Bhd., state that, in the opinion of the Directors, the accompanying financial statements set out on pages 21 to 107 are drawn up so as to show a true and fair view of the state of affair of the Company as at 30 November 2013 and of the results and cash flows of the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Director in accordance with their resolution dated 19 February 2014.



MOHD DARUIS BIN ZAINUDDIN
DIRECTOR



WILLIAM LISLE
DIRECTOR

Kuala Lumpur, Malaysia

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

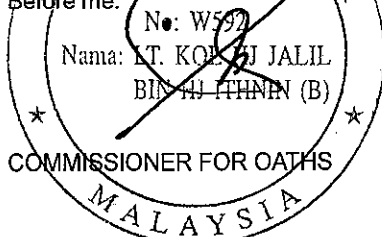
I, Mohd Raizal Mohd Rais, the officer primarily responsible for the financial management of AIA AFG Takaful Bhd., do solemnly and sincerely declare that the financial statements for the financial year ended 30 November 2013 set out on pages 21 to 107 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.



MOHD RAIZAL MOHD RAIS

Subscribed and solemnly declared by the abovenamed Mohd Raizal Mohd Rais at Kuala Lumpur in the Federal Territory of Kuala Lumpur on 19 February 2014.

Before me:



Company No.

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AIA AFG TAKAFUL BHD.
(Incorporated in Malaysia)

SHARIAH COMMITTEE'S REPORT

In the name of Allah, the Most Beneficent, the Most Merciful

SHARIAH COMMITTEE MEMBERS

The Shariah Committee Members who served office since the date of the last report and at the date of this report as well as the number of meetings attended by each Shariah Committee member during the financial year are as follows:

<u>Name of Shariah Committee Members</u>		<u>No. of attendance</u>
Professor Dr. Abdullah @ Alwi Haji Hassan (appointment ceased on 11 November 2013)	Chairman (effective 2 May 2013)	3/4
Dr. Asyraf Wajdi Dato' Dusuki (appointment ceased on 11 November 2013)	Chairman (ceased on 2 May 2013)	3/4
Associate Prof. Dr. Abdul Rahman Awang (appointment ceased on 11 November 2013)	Member	4/4
Associate Prof. Dr. Hussin Salamon (appointment ceased on 11 November 2013)	Member	4/4
Dr. Asmak Ab Rahman (appointment ceased on 11 November 2013)	Member	4/4
Emeritus Prof. Dato' Paduka Dr. Mahmood Zuhdi Haji Ab. Majid (appointed on 11 November 2013)	Chairman (present)	2/2
Assistant Prof. Dr. Abdul Bari Awang (appointed on 11 November 2013)	Member	2/2
Assistant Prof. Dr. Mohd Afandi Awang Hamat (appointed on 11 November 2013)	Member	2/2
Mohd Ridzuan Awang (appointed on 11 November 2013)	Member	2/2
Associate Prof. Datin Dr. Rusnah Muhamad (appointed on 11 November 2013)	Member	2/2

SHARIAH COMMITTEE'S REPORT

In compliance with the letter of appointment, we are required to submit the following report:

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Company during the financial year ended 30 November 2013. We have also conducted our review to form an opinion as to whether the Company has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as decisions made by us.

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

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

Company No.

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AIA AFG TAKAFUL BHD.
(Incorporated in Malaysia)

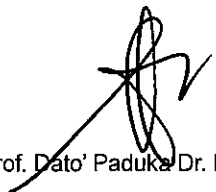
SHARIAH COMMITTEE'S REPORT (CONTINUED)

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

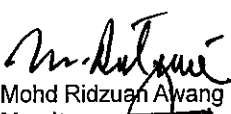
In our opinion:

1. The product structure and contracts offered by the Company during the financial year ended 30 November 2013 that 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; and
3. The sharing of surplus arising from the Participants' Risk Fund (i.e. Tabarru' fund) conforms with the respective internal policies that had been approved by us.

We, the members of the Shariah Committee of AIA AFG Takaful Bhd. do hereby confirm that the operations of the Company for the financial year ended 30 November 2013 have been conducted in conformity with the Shariah principles.



Emeritus Prof. Dato' Paduka Dr. Mahmood Zuhdi Haji Ab. Majid
Chairman
Shariah Committee



Mohd Ridzuan Awang
Member
Shariah Committee

Kuala Lumpur, Malaysia
19 February 2014



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AIA AFG TAKAFUL BHD.
(Incorporated in Malaysia)
(Company No. 924363-W)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AIA AFG Takaful Bhd., which comprise the statement of financial position as at 30 November 2013, and the statements of income, comprehensive income, changes in equity and cash flows of the Company for the financial year then ended, and a summary of significant policies and other explanatory notes, as set out on pages 21 to 107.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AIA AFG TAKAFUL BHD. (CONTINUED)
(Incorporated in Malaysia)
(Company No. 924363-W)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as of 30 November 2013 and of their financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report 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.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers'.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Shirley Goh'.

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

Kuala Lumpur
19 February 2014

Company No.
924363 W

AIAAFG TAKAFUL BHD.
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 30 NOVEMBER 2013

Note	As at 30.11.2013			As at 30.11.2012			As at 01.12.2011		
	Shareholders' Fund	Family Fund	Company	Shareholders' Fund	Family Fund	Company	Shareholders' Fund	Family Fund	Company
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS									
3	1,341	-	1,341	1,303	-	1,303	1,070	-	1,070
4(a)	66,322	-	66,322	73,591	-	73,591	84,371	-	84,371
4(b)	-	102,424	102,424	-	73,764	73,764	-	16,521	16,521
	166	-	166	78	-	78	12	(10)	2
9	-	10	10	-	-	-	-	-	-
5	-	746	746	-	-	-	-	-	-
6	14,990	301	3,829	2,360	432	774	540	499	597
7	1,148	26,886	28,034	14,167	15,928	30,095	10,103	8,231	18,334
	83,967	130,367	202,872	91,499	90,124	179,605	96,136	25,241	120,895
TOTAL ASSETS									
EQUITY AND LIABILITIES									
LIABILITIES									
8	-	116,138	116,138	-	84,100	84,100	-	23,594	23,594
9	-	-	-	-	113	113	482	20	502
	-	174	174	-	27	27	-	-	-
	-	877	877	-	224	224	-	85	85
	-	-	-	-	-	-	-	-	-

Company No.

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AIAAFG TAKAFUL BHD.
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION
AS AT 30 NOVEMBER 2013 (CONTINUED)**

Note	As at 30.11.2013			As at 30.11.2012			As at 01.12.2011		
	Shareholders' Fund RM'000	Family Fund RM'000	Company RM'000	Shareholders' Fund RM'000	Family Fund RM'000	Company RM'000	Shareholders' Fund RM'000	Family Fund RM'000	Company RM'000
10	23,869	13,178	25,585	11,020	5,660	14,662	5,199	1,542	6,299
Sundry creditors and other liabilities	-	-	-	-	-	-	-	40	-
Quard payable	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	23,869	130,367	142,774	11,020	90,124	99,126	5,681	25,281	30,480
SHAREHOLDERS' EQUITY									
11	100,000	-	100,000	100,000	-	100,000	100,000	-	100,000
Share capital	1,624	-	1,624	2,372	-	2,372	1,447	-	1,447
Available for sale reserve	(41,526)	-	(41,526)	(21,893)	-	(21,893)	(10,992)	(40)	(11,032)
Accumulated loss	60,098	-	60,098	80,479	-	80,479	90,455	(40)	90,415
Total Shareholders' equity	83,967	130,367	202,872	91,499	90,124	179,605	96,136	25,241	120,895
TOTAL EQUITY AND LIABILITIES									

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

Company No.

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AIAAFG TAKAFUL BHD.
(Incorporated in Malaysia)

**INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2013**

Note	01.12.2012 to 30.11.2013			01.12.2011 to 30.11.2012		
	Shareholders' Fund RM'000	Family Fund RM'000	Company RM'000	Shareholders' Fund RM'000	Family Fund RM'000	Company RM'000
	-	86,409	86,409	-	98,879	98,879
	-	(2,589)	(2,589)	-	(1,197)	(1,197)
	-	83,820	83,820	-	97,682	97,682
Gross earned contributions	36,781	-	-	37,213	-	-
Contributions ceded to retakaful operator	2,141	4,024	6,165	3,127	1,914	5,041
Net earned contributions	-	(368)	(368)	-	1,318	1,318
Wakalah fee income	86	-	86	698	-	698
Investment income	-	102	102	-	123	123
Fair value (loss)/gain	464	-	-	245	-	-
Realised gain	3,945	-	-	-	-	-
Commission income	866	398	488	529	-	83
Investment profit shared from Family Takaful fund						
Underwriting surplus shared from Family Takaful fund						
Other operating revenue	44,283	87,976	90,293	41,812	101,037	104,945
Total revenue	-	(15,108)	(15,108)	-	(2,940)	(2,940)
Gross benefits and claims paid	-	551	551	-	496	496
Claims ceded to retakaful operator	-	(32,038)	(32,038)	-	(60,506)	(60,506)
Change in Takaful contract liabilities	-	746	746	-	-	-
Change in Takaful contract liabilities ceded to retakaful operator						
Net benefits and claims	-	(45,849)	(45,849)	-	(62,950)	(62,950)

Company No.

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AIAAFG TAKAFUL BHD.
(Incorporated in Malaysia)

**INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2013 (CONTINUED)**

Note	01.12.2012 to 30.11.2013			01.12.2011 to 30.11.2012		
	Shareholders' Fund RM'000	Family Fund RM'000	Company RM'000	Shareholders' Fund RM'000	Family Fund RM'000	Company RM'000
16	(22,314)	-	(22,314)	(19,582)	-	(19,582)
	(35,697)	-	(35,697)	(33,922)	-	(33,922)
17	-	(36,781)	-	-	(37,213)	-
	-	(879)	(103)	-	(463)	(17)
	(5,655)	-	(5,655)	-	-	-
	-	(464)	-	-	(245)	-
	-	(3,945)	-	-	-	-
	(63,666)	(42,069)	(63,769)	(53,504)	(37,921)	(53,521)
	(19,383)	58	(19,325)	(11,692)	166	(11,526)
	-	(58)	(58)	-	(126)	(126)
	(19,383)	-	(19,383)	(11,692)	40	(11,652)
18	(250)	(58)	(308)	791	(126)	665
	-	58	58	-	126	126
	(250)	-	(250)	791	-	791
	(19,633)	-	(19,633)	(10,901)	40	(10,861)
20	-	-	(19,63)	-	-	(10,90)

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

Company No.

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AIA AFG TAKAFUL BHD.
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2013

	Share capital RM'000	Available- for-sale fair value reserves RM'000	Share- based payment reserve RM'000	Accumulated losses RM'000	Total equity
At 1 December 2012	100,000	2,372	-	(21,893)	80,479
Total comprehensive loss for the financial year	-	(748)	-	(19,633)	(20,381)
Share-based compensation	-	-	388	-	388
Settlement during the financial year	-	-	(388)	-	(388)
At 30 November 2013	<u>100,000</u>	<u>1,624</u>	<u>-</u>	<u>(41,526)</u>	<u>60,098</u>
At 1 December 2011	100,000	1,447	-	(11,032)	90,415
Total comprehensive income/ (loss) for the financial year	-	925	-	(10,861)	(9,936)
Share-based compensation	-	-	320	-	320
Settlement during the financial year	-	-	(320)	-	(320)
At 30 November 2012	<u>100,000</u>	<u>2,372</u>	<u>-</u>	<u>(21,893)</u>	<u>80,479</u>

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

Company No.

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AIA AFG TAKAFUL BHD.
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2013

	01.12.2012 to 30.11.2013 RM'000	01.12.2011 to 30.11.2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the financial year	(19,633)	(10,861)
Adjustments:		
Profit income	(6,358)	(4,916)
Dividend income	(535)	(287)
Realised gain	(86)	(698)
Fair value loss/(gain)	368	(1,318)
Taxation	308	(665)
Depreciation of property, plant and equipment	471	330
Changes to expense liabilities	5,655	-
Amortisation of premiums - net	147	125
Changes in gross / net Takaful contract liabilities	31,292	60,506
	<u>11,629</u>	<u>42,216</u>
Changes in working capital:		
Increase in financial investment	(22,669)	(42,693)
Increase in other receivables	(3,055)	(177)
Increase in Takaful payable	653	139
Increase in sundry creditors and other liabilities	5,268	8,363
	<u>(8,174)</u>	<u>7,848</u>
Income taxes paid	(122)	(82)
Profit income received	6,209	4,286
Dividend received	535	272
Net cash (outflows)/inflows from operating activities	<u>(1,552)</u>	<u>12,324</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(509)	(563)
Net cash outflows from investing activities	<u>(509)</u>	<u>(563)</u>

Company No.

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AIA AFG TAKAFUL BHD.
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 NOVEMBER 2013 (CONTINUED)

	01.12.2012 to 30.11.2013 RM'000	01.12.2011 to 30.11.2012 RM'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,061)	11,761
Cash and cash equivalents at the beginning of the financial year	30,095	18,334
Cash and cash equivalents at the end of the financial year	<u>28,034</u>	<u>30,095</u>
CASH AND CASH EQUIVALENTS COMPRISE:		
Shareholders' Fund	1,148	14,167
Family Fund	26,886	15,928
	<u>28,034</u>	<u>30,095</u>

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

Company No.

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AIA AFG TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013

1 CORPORATE INFORMATION

The Company is engaged principally in managing Family Takaful including Investment-Linked Takaful business.

The Company is a public limited liability company, incorporated under the Companies Act, 1965 and Islamic Financial Services Act, 2013 and domiciled in Malaysia. The registered office of the Company is located at Level 29, Menara AIA, 99 Jalan Ampang, 50450 Kuala Lumpur and principal place of business is located at Concourse Level, Wisma AIA, 99 Jalan Ampang, 50450 Kuala Lumpur.

The immediate holding company of the Company is AIA Bhd, a company incorporated in Malaysia. The Directors regard AIA Group Limited, a company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong Limited, as the ultimate holding company.

The financial statements are authorised for issue by the Board on 19 February 2014.

2 SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

The financial statements of the Company are prepared under the historical cost convention, except as disclosed in the summary of significant accounting policies and comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Company for the financial year ended 30 November 2013 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1 "First time adoption of MFRS". The Company have consistently applied the same accounting policies in its opening MFRS statement of financial position at 1 December 2011 (transition date) and throughout all years presented, as if the policies had always been in effect. The impact of the transition to MFRS on the Company's comparative figures for 2012 in reported financial position, financial performance and cash flows have been disclosed in Note 2.5.

Following the adoption of MFRS, a Takaful Operator is required to present its financial statements for itself (hereafter referred to as "Shareholders' fund") and the Takaful funds it manages.

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

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AIA AFG TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of Preparation (continued)

The inclusion of separate financial information of the Takaful funds and the Takaful Operator together with the financial information of the Company as whole in the statement of financial position, the statement of comprehensive income as well as certain relevant notes to the financial statements represents additional supplementary information presented in accordance with the requirements of BNM pursuant to the Islamic Financial Services Act, 2013 in Malaysia to separate assets, liabilities, income and expenses of the Takaful funds from its own. The accounting policies adopted for the Shareholders' fund and Takaful funds are uniform for like transactions and events in similar circumstances.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise its judgment in the process of applying the Company's accounting policies. Although these estimates and judgement are based the Directors' best knowledge of current events and actions, actual result may differ.

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

2.2 Summary of Significant Accounting Policies

(a) Property, plant and equipment

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

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

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

The gain and loss on disposal of an asset is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss of the respective funds.

Company No.

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AIA AFG TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(a) Property, plant and equipment (continued)

Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate cost less any residual value over the estimated useful life, as summarised as follows:

Furniture, fixtures and fittings	5 -10 years
Office equipment	2 - 5 years
Computer equipments	2 - 3 years

(b) Impairment of Non-Financial Assets

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

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

(c) Financial Instruments

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

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

Company No.

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AIA AFG TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

FVTPL

Financial assets at FVTPL comprise two sub-categories:

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

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

- financial assets held to back Investment-linked contracts and Family Takaful fund; and
- other financial assets managed on a fair value basis; consisting of the Company's equity portfolio and investments held by the Company's Investment-linked funds.

Financial assets at FVTPL are initially recorded at fair value. Subsequent to initial recognition, financial assets at FVTPL are re-measured at fair value. Fair value adjustments and realised gain and losses on de-recognition are recognised in profit or loss of the respective funds. Transaction costs in respect of financial assets at FVTPL are expensed as they are incurred.

Dividend income from equity instruments designated at fair value through profit or loss is recognised as investment income in profit or loss of the respective funds, generally when the security becomes ex-dividend or the right to receive payment is established. Investment income is recognised in profit or loss using effective profit method.

LAR

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

Profit income from loans and receivables is recognised in profit or loss of the respective funds using the effective profit rate method. Gains and losses are recognised in profit or loss of respective funds when the investments are derecognised or impaired, as well as through the amortisation process.

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

AFS

Financial assets, other than those at FVTPL and LAR are classified as AFS.

AFS category is used where the relevant investments backing shareholders' equity are not managed on a fair value basis. These principally consist of the Company's debt securities (other than those backing Family Takaful funds and Investment-linked contracts) and seed money in Investment-linked funds. AFS financial assets are initially recognised at fair value plus attributable transaction costs. For AFS debt securities, the difference between their cost and par value is amortised. AFS financial assets are subsequently measured at fair value.

Profit income from debt securities classified as AFS is recognised in profit or loss of the respective funds using the effective interest method.

Unrealised gains and losses on securities classified as AFS are analysed between differences resulting from foreign currency translation, and other fair value changes. Foreign currency translation differences on monetary AFS financial assets, such as debt securities, and impairment of AFS financial assets are recognised in profit or loss of the respective funds.

Changes in the fair value of securities classified as AFS, except for impairment losses and relevant foreign exchange gains and losses of monetary AFS financial assets, are recorded in a separate fair value reserve within equity.

On derecognition, the cumulative fair value gains and losses previously reported in equity are transferred to profit or loss of the respective funds.

Financial Liabilities

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(d) Fair Value of Financial Instruments

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

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

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

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(e) Impairment of Financial Instruments

General

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(e) Impairment of Financial Instruments (continued)

Financial Assets Carried at Amortised Cost

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

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

AFS Financial Assets

When a decline in the fair value of an AFS financial asset has been recognised in shareholders' equity and there is objective evidence that the financial asset is impaired, the cumulative loss already recognised directly in shareholders' equity is recognised in current period profit or loss of the Shareholders' Fund. The Company generally considers an AFS debt security for evidence of impairment when it is identified as credit impaired. In the absence of any other evidence of credit impairment, a debt security would be assessed for impairment when there is a significant decline in fair value.

If the fair value of a debt instrument classified as AFS increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss of the Shareholders' Fund, the impairment loss is reversed through profit or loss of the Shareholders' Fund.

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

(f) Derecognition of Financial Assets

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

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(g) Equity Instruments

Ordinary Share Capital

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

Dividends on Ordinary Share Capital

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

(h) Product Classification

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

Investment contracts are those contracts without significant Takaful risk.

Once a contract has been classified as an Takaful or investment contract no reclassification is subsequently performed, unless the terms of the agreement are later amended.

Certain contracts has discretionary participating features ("DPF") which are distinct from other Takaful and investment contracts as the Company has discretion in the amount and/or timing of the benefits declared, and how such benefits are allocated between groups of policyholders. Customers may be entitled to receive, as a supplement to guaranteed benefits, additional benefits or surplus sharing:

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

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(h) Product Classification (continued)

Surpluses in the DPF fund are distributable to participants and the Company in accordance with the relevant terms under the Takaful contracts. The Company has the discretion over the amount and timing of the distribution of these surpluses to participants, subject to the advice of the Company's Appointed Actuary. All DPF liabilities, at the end of the reporting period are held within Takaful contract liabilities.

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

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

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

(i) Family Takaful Contracts

The Family Takaful fund is maintained in accordance with the requirements of Islamic Financial Services Act, 2013 ("IFSA") and includes the amount attributable to participants which represents the participants' share of the returns on the investments of the Family Takaful in accordance with the terms and conditions prescribed in the contracts and approved by the Shariah Committee of the Company.

Surplus distributable to the Company and participants is determined after retakaful, benefits paid and payable, expenses, provision, reserves and withholding tax. The surplus is distributed to the Company and participants in accordance with the terms and conditions prescribed in the contracts.

Any actuarial deficit in the Family Takaful risk fund will be made good by the Takaful Operator via a benevolent loan or Qard. Actuarial deficit arising during the financial year is reported as a loss in the separate financial statements of Family Takaful fund and the Company.

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(i) Family Takaful Contracts (continued)

Gross contribution

Contribution income includes contribution recognised in the Family Takaful business and Investment-Linked Takaful business. Gross contribution is recognised as soon as the amount of the contribution can be reliably measured. First contribution is recognised from inception date and subsequent contribution is recognised when its due.

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

Contribution income of the Investment-linked Takaful business is in respect of the net creation of units which represents contributions paid by participants as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on a receipt basis.

Management Expenses, Commission Expenses and Wakalah Fees

Acquisition costs, commissions and management expenses are borne by the Family Takaful fund in profit or loss of the Family Takaful fund at an agreed percentage of the gross contribution, in accordance with the principles of Wakalah as approved by the Company's Shariah Committee and agreed between the participants and the Company. These expenses are allocated to the Shareholders' Fund via wakalah fee and recognised as income by the Shareholders' Fund upon issuance of certificates.

At each reporting date, the Company estimates its net future expense cash flow required on the maintenance of the Family Takaful fund in accordance with the Guidelines on Valuation Basis for Liability of Family Takaful Business issued by Bank Negara Malaysia. If the estimate shows that there is deficiency in the net future expense cash flow, the deficiency is immediately charged to profit or loss of the Shareholders' Fund with a corresponding credit to a provision of expense liabilities.

Benefits, Claims and Expenses

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

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(i) Family Takaful Contracts (continued)

Benefits and claims arising on Family Takaful contracts, including settlement costs, are accounted for using the case basis method and for this purpose, the benefits payable under Family Takaful contracts are recognised as follows:

- (i) maturity or other policy benefits payments due on specified dates are treated as claims payable on the due dates;
- (ii) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the participant or occurrence of contingency covered;
- (iii) benefit payable under Investment-linked business include net cancellation of units are recognised as surrender; and
- (iv) share of surplus on Family Takaful risk upon its declaration.

Family Takaful Contracts Liabilities

Family Takaful contract liabilities comprise (i) claims liabilities, (ii) actuarial liabilities, (iii) net asset value attributable to participants, and (iv) unallocated surplus.

(i) Claims liabilities

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

(ii) Actuarial liabilities

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

Actuarial liabilities as determined by the annual actuarial valuation are based on the Guidelines on Valuation Basis for Liabilities of Family Takaful Business issued by BNM pursuant to the IFSA.

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

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

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(i) Family Takaful Contracts (continued)

(ii) Actuarial liabilities (continued)

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

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

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

(iii) Net asset value attributable to participants

Net asset value represents contribution received and investment surplus credited to the policy less deduction for mortality and morbidity cost and expenses charges. The net asset value attributable to participants of Investment-linked policy is equal to the net asset value of the Investment-linked funds.

(iv) Unallocated surplus

Unallocated surplus represents undistributable underwriting surplus set aside in accordance with the terms of the contract.

(j) Retakaful contracts

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

Contributions ceded and claims recovered are recognised in the same accounting period as the original contract which the retakaful relates, and are presented on a gross basis in profit or loss of the Family Takaful Fund.

Fee income derived from retakaful operators in the course of retakaful are credited to profit or loss of Takaful fund in the financial year in which they are earned.

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

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(j) Retakaful contracts (continued)

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

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

(k) Takaful Receivables

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

If there is objective evidence that the Takaful receivable is impaired, the Company reduces the carrying amount of the Takaful receivable accordingly and recognises that impairment loss in profit or loss of the Takaful fund. The Company gathers the objective evidence that a Takaful receivable is impaired using the same process adopted for financial assets carried at amortised cost. These processes are described in Note 2.2(e).

(l) Other Financial Liabilities and Takaful Payables

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

(m) Provisions

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

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(n) Cash and Cash Equivalents

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

(o) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year 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 increases their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Post retirement benefit obligations

Defined Contribution Plans

As required by law, the Company make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss of the Takaful Operator as incurred. Once the contributions have been paid, the Company has no further payment obligations.

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(o) Employee Benefits (continued)

(ii) Post retirement benefit obligations (continued)

Share-based Compensation Plans

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

The AIA Group’s share compensation plans offered to the Company’s employees are equity-settled plans. Under equity-settled share-based compensation plan, the fair value of the employee services received in exchange for the grant of AIAGL’s shares and/or options is recognised as an expense in profit or loss of the Company over the vesting period with a corresponding amount recorded in equity. Any amounts recharged from AIAGL related to equity-settled share-based payment arrangements are offset against the amount recorded in equity.

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

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(o) Employee Benefits (continued)

(ii) Post retirement benefit obligations (continued)

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

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

(p) Foreign Currency

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

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

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

(q) Taxation

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

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(q) Taxation (continued)

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the date of Statement of Financial Position. Deferred tax is recognised in profit or loss of the respective funds, except when it arises from a transaction which is recognised directly in equity.

(r) Other Revenue Recognition

(i) Gains and Losses on Disposal of Investments

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

(s) Measurement and impairment of Qard

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

Deficits reported by Takaful risk fund during the financial year are accounted for as a loss in the financial information of the Takaful fund and the financial statements of the Company. Accordingly, accumulated deficits and available-for-sale loss are treated as equity in the financial information of the Takaful fund and the financial statements of the Company.

Qard is accounted for as receivable and payable in the financial information of the Shareholders' fund and Takaful fund respectively. Qard receivable is stated at cost and as of date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable in the near term. A write down is made if the carrying amount exceeds the recoverable amount, as set out in Note 2.2 (e) on impairment of financial instruments.

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

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(b) Financial year beginning on/after 1 December 2014

- Amendment to MFRS 132 "Financial instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(c) Financial year beginning on/after 1 December 2017

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

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

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Critical Accounting Judgments and Estimates in Applying Accounting Policies

The preparation of the Company's financial statements requires management to make judgments, 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.

(a) Judgments made in applying accounting policies

Judgments 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.

Income taxes

Significant judgment is required in determining the income and deferred taxes applicable to the Company's business as a Takaful operator. There are transactions and calculations for which the ultimate tax determination is subject to agreement with the tax authorities. The Company recognises tax liabilities on anticipated issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. As at the balance sheet date, there is approximately RM173,000 tax liabilities that are subject to final tax outcome. The recognised tax liabilities are estimated by the Company based on the recent tax development and strong ground supporting the judgment made.

(b) Key source 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.

Actuarial liabilities of Family Takaful contracts

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

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

For Family Takaful fund, the cash flow reserves were set up using a discounted cash flow method, with sufficient Provision of Risk Margin for Adverse Deviation ("PRAD"), to ensure that any future negative cash flow resulting from insufficiency of tabarru's charges to meet expected Family Takaful contract benefits are eliminated.

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

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Critical Accounting Judgments and Estimates in Applying Accounting Policies

(b) Key source of estimation uncertainty (continued)

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

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

Uncertainty in accounting estimates for Shareholders’ Fund expenses liabilities

The principal uncertainty in the Shareholders’ Fund Takaful contract liabilities arises from technical provisions which includes the unearned wakalah fees reserve and expenses liabilities of Family Takaful Fund.

The expenses liabilities for Family business are 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 are 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 are the present value of future maintenance expenses on the current in-force Family Takaful contracts and are further reduces by the present value of future Shareholders’ Fund income realizable with reasonable certainty relating to those in-force Family Takaful contracts.

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

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Effect of transition from FRS to MFRS

Presentation of the financial statements

In previous years, the financial statements were prepared in accordance with Financial Reporting Standards ("FRS") in Malaysia, as modified by the BNM Guidelines. Following the adoption of MFRS, the Company is required to present its financial statements as a whole, whereby the assets, liabilities, income and expenses of the Takaful funds are combined with those of the Shareholders' fund. Interfund balances, transactions, Qard receivable and payable are eliminated in arriving at the Company's financial statements.

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Effect of transition from FRS to MFRS (CONTINUED)

Reconciliation of equity

	<u>30.11.2012</u>	<u>01.12.2011</u>
	RM'000	RM'000
Equity as reported under FRS	80,479	90,455
Less transitioning adjustment:		
Accumulated deficit in Takaful fund	-	(40)
Equity as reported under MFRS	<u>80,479</u>	<u>90,415</u>

Reconciliation of total comprehensive loss for the financial year

	<u>2012</u>
	RM'000
Total comprehensive loss as reported under FRS	9,976
Less transitioning adjustment:	
Surplus in Takaful fund during the financial year, treated as repayment of Qard	40
Total comprehensive loss as reported under MFRS	<u>9,936</u>

Statement of financial position

<u>As at 1 December 2011</u>	<u>As previously reported</u>	<u>Adjustments</u>	<u>As restated</u>
	RM'000	RM'000	RM'000
<u>Liabilities</u>			
Qard payable	-	(40)	(40)
<u>Equity</u>			
Accumulated losses	<u>10,992</u>	<u>40</u>	<u>11,032</u>

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

3 PROPERTY, PLANT AND EQUIPMENT

	<u>Computer equipments</u> RM'000	<u>Office equipment</u> RM'000	<u>Furniture and fittings</u> RM'000	<u>Total</u> RM'000
<u>Shareholders' Fund/Company at 30.11.2013</u>				
<u>Cost</u>				
At 1 December 2011	224	25	868	1,117
Addition	208	227	128	563
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 November 2012/ 1 December 2012	432	252	996	1,680
Addition	505	-	4	509
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 November 2013	<u>937</u>	<u>252</u>	<u>1,000</u>	<u>2,189</u>
<u>Accumulated depreciation</u>				
At 1 December 2011	43	4	-	47
Charge for the financial year	119	31	180	330
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 November 2012/ 1 December 2012	162	35	180	377
Charge for the financial year	222	50	199	471
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 November 2013	<u>384</u>	<u>85</u>	<u>379</u>	<u>848</u>
<u>Net carrying amount</u>				
At 1 December 2011	<u>181</u>	<u>21</u>	<u>868</u>	<u>1,070</u>
At 30 November 2012	<u>270</u>	<u>217</u>	<u>816</u>	<u>1,303</u>
At 30 November 2013	<u>553</u>	<u>167</u>	<u>621</u>	<u>1,341</u>

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

4 FINANCIAL INVESTMENTS

(a) AFS	<u>30.11.2013</u> RM'000	<u>30.11.2012</u> RM'000	<u>01.12.2011</u> RM'000
<u>Shareholders' Fund/Company</u>			
<u>At fair value</u>			
Government investment issues	10,175	10,507	34,994
Unquoted corporate Sukuks	43,515	51,289	38,384
Seed money	12,000	11,122	10,350
Investment income due and accrued	632	673	643
	<u>66,322</u>	<u>73,591</u>	<u>84,371</u>
Current	632	673	643
Non-current	65,690	72,918	83,728
	<u>66,322</u>	<u>73,591</u>	<u>84,371</u>
<u>Movement in carrying values</u>			
		<u>01.12.2012 to</u> <u>30.11.2013</u>	<u>01.12.2011 to</u> <u>30.11.2012</u>
		RM'000	RM'000
At 1 December		73,591	84,371
Purchases		2,014	12,151
Disposals at amortised cost		(8,193)	(24,118)
Fair value (loss)/gain:			
Other comprehensive income		(998)	1,234
Amortisation of premiums – net		(51)	(77)
Movement of investment income due and accrued		(41)	30
At 30 November		<u>66,322</u>	<u>73,591</u>

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

4 FINANCIAL INVESTMENTS (CONTINUED)

	<u>30.11.2013</u> RM'000	<u>30.11.2012</u> RM'000	<u>01.12.2011</u> RM'000
(b) FVTPL			
<u>Family Fund/Company</u>			
<u>At fair value</u>			
Government investment issues	26,853	15,777	3,859
Unquoted corporate Sukuks	50,923	43,685	9,138
Unit-trust	624	1,104	798
Shariah-approved shares	23,093	12,457	2,600
Investment income due and accrued	931	741	126
	<u>102,424</u>	<u>73,764</u>	<u>16,521</u>
Current	4,506	741	126
Non-current	97,918	73,023	16,395
	<u>102,424</u>	<u>73,764</u>	<u>16,521</u>
<u>Movement in carrying values</u>			
		<u>01.12.2012 to</u> <u>30.11.2013</u> RM'000	<u>01.12.2011 to</u> <u>30.11.2012</u> RM'000
At 1 December		73,764	16,521
Purchases		58,165	71,717
Disposals at amortised cost		(28,573)	(16,212)
Fair value (loss)/gain:			
Income statement		(1,026)	1,171
Amortisation of premiums – net		(96)	(48)
Movement of investment income due and accrued		190	615
At 30 November		<u>102,424</u>	<u>73,764</u>

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

4 FINANCIAL INVESTMENTS (CONTINUED)

(c) The following table show financial investments recorded at fair value analysed by the different basis of fair value as follows:

	<u>30.11.2013</u>	<u>30.11.2012</u>	<u>01.12.2011</u>
	RM'000	RM'000	RM'000
<u>Shareholders' Fund/Company</u>			
Quoted market price (Level 1)	12,000	11,122	10,350
Valuation techniques – market observable inputs (Level 2)	54,322	62,469	74,021
	<u>66,322</u>	<u>73,591</u>	<u>84,371</u>
<u>FVTPL</u>			
<u>Family Fund/Company</u>			
Quoted market price (Level 1)	23,717	13,561	3,398
Valuation techniques – market observable inputs (Level 2)	78,707	60,203	13,123
	<u>102,424</u>	<u>73,764</u>	<u>16,521</u>

Fair value hierarchy

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

Level 1:

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

Level 2:

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

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

4 FINANCIAL INVESTMENTS (CONTINUED)

Fair value hierarchy (continued)

Level 3:

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

5 RETAKAFUL ASSETS

<u>Family Fund/Company</u>	<u>30.11.2013</u> RM'000	<u>30.11.2012</u> RM'000	<u>30.11.2011</u> RM'000
Retakaful of Takaful contract	746	-	-

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

6 OTHER RECEIVABLES

	Shareholders' Fund	Family Fund	Company
<u>30.11.2013</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Statutory deposit	300	-	300
Amount due from Family Takaful Fund	11,462	-	-
Other receivables	196	301	497
Amount due from related-company	3,032	-	3,032
	<u>14,990</u>	<u>301</u>	<u>3,829</u>
<u>30.11.2012</u>			
Statutory deposit	300	-	300
Amount due from Family Takaful Fund	2,018	-	-
Other receivables	42	432	474
	<u>2,360</u>	<u>432</u>	<u>774</u>
<u>01.12.2011</u>			
Statutory deposit	300	-	300
Amount due from Shareholders' Fund	-	442	-
Other receivables	240	57	297
	<u>540</u>	<u>499</u>	<u>597</u>

The carrying amounts approximate fair values due to the relatively short-term maturity of these balances. The receivable from related-company arise mainly from the cross charge for integration. The receivable is unsecured in nature and bear no interest.

7 CASH AND CASH EQUIVALENTS

	Shareholders' Fund	Family Fund	Company
<u>30.11.2013</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Cash and bank balances	1,148	4,536	5,684
Deposit with Islamic financial institutions	-	22,350	22,350
	<u>1,148</u>	<u>26,886</u>	<u>28,034</u>
<u>30.11.2012</u>			
Cash and bank balances	507	4,718	5,225
Deposit with Islamic financial institutions	13,660	11,210	24,870
	<u>14,167</u>	<u>15,928</u>	<u>30,095</u>
<u>01.12.2011</u>			
Cash and bank balances	103	2,611	2,714
Deposit with Islamic financial institutions	10,000	5,620	15,620
	<u>10,103</u>	<u>8,231</u>	<u>18,334</u>

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

8 FAMILY TAKAFUL CONTRACT LIABILITIES

The Family Takaful contract liabilities are further analysed as follows:

Family Fund/Company	30.11.2013		30.11.2012		01.12.2011	
	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000
Participants' Risk Fund:						
- Claim liabilities	2,200	(659)	1,541	945	-	66
- Actuarial liabilities	6,824	(87)	6,737	6,974	-	984
Net asset value attributable to attributable to participants under the participants' fund	97,985	-	97,985	75,165	-	22,544
Investment/underwriting profit distributable to participants	5,723	-	5,723	1,016	-	-
Unallocated surplus	3,406	-	3,406	-	-	-
	116,138	(746)	115,392	84,100	-	23,594

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

8 FAMILY TAKAFUL CONTRACT LIABILITIES (CONTINUED)

Family Fund/Company	01.12.2012 to 30.11.2013		01.12.2011 to 30.11.2012	
	Gross RM'000	Re-takaful RM'000	Net RM'000	Net RM'000
Movement of Family Takaful Contract Liabilities:				
At 1 December	84,100	-	84,100	23,594
Increase in claims liabilities	1,255	(659)	596	879
Policy movement	(150)	(87)	(237)	5,990
Increase in net asset value attributable to participants' fund	22,820	-	22,820	52,621
Increase in investment/underwriting profit distributable to participants	4,707	-	4,707	1,016
Unallocated surplus	3,406	-	3,406	-
At 30 November	116,138	(746)	115,392	84,100

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

9 DEFERRED TAX ASSETS/(LIABILITIES)

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

	<u>Shareholders'</u> <u>Fund</u> RM'000	<u>Family</u> <u>Fund</u> RM'000	<u>Company</u> <u>RM'000</u>
<u>30.11.2013</u>			
Deferred tax assets	-	10	10
<u>30.11.2012</u>			
Deferred tax liabilities	-	(113)	(113)
<u>01.12.2011</u>			
Deferred tax liabilities	(482)	(20)	(502)

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

9 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	Shareholders' Fund			Family Fund	Company
	Gross deferred tax assets-unutilised tax losses RM'000	Gross deferred tax liabilities-financial assets RM'000	Net/total RM'000	Gross/net deferred liabilities-financial assets RM'000	Net/total RM'000
<u>2013</u>					
At 1 December 2012	791	(791)	-	(113)	(113)
Recognised in:					
Profit or loss (Note 18)	(250)	-	(250)	123	(127)
Other comprehensive income	-	250	250	-	250
At 30 November 2013	<u>541</u>	<u>(541)</u>	<u>-</u>	<u>10</u>	<u>10</u>
<u>2012</u>					
At 1 December 2011	-	(482)	(482)	(20)	(502)
Recognised in:					
Profit or loss (Note 18)	791	-	791	(93)	698
Other comprehensive income	-	(309)	(309)	-	(309)
At 30 November 2012	<u>791</u>	<u>(791)</u>	<u>-</u>	<u>(113)</u>	<u>(113)</u>

The Shareholders' Fund and Company have recognised deferred tax assets arising from the unutilised tax losses to the extent of the deferred tax liabilities recorded by the Company of RM541,000 (2012: RM791,000), arising mainly from unrealised investment income in Shareholders' Fund.

The amount of unutilised tax losses for which no deferred tax asset is recognised in Statement of Financial Position of the Shareholders' Fund is RM41,530,000 (2012: RM19,144,000) as the Takaful business of the Company will be transferred to AIA PUBLIC Takaful Bhd. by first quarter 2014 and thereafter cease operation.

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

10	SUNDRY CREDITORS AND OTHER LIABILITIES	Shareholders' Fund RM'000	Family Fund RM'000	Company RM'000
	<u>30.11.2013</u>			
	Amount due to immediate holding company	2,722	-	2,722
	Amount due to a related company	58	-	58
	Amount due to Shareholders' Fund	-	11,462	-
	Amount due to ultimate holding company	84	-	84
	Expense liability	5,655	-	5,655
	Other payables and trade accruals	15,350	1,716	17,066
		<u>23,869</u>	<u>13,178</u>	<u>25,585</u>
	<u>30.11.2012</u>			
	Amount due to immediate holding company	908	-	908
	Amount due to Shareholders' Fund	-	2,018	-
	Other payables and trade accruals	10,112	3,642	13,754
		<u>11,020</u>	<u>5,660</u>	<u>14,662</u>
	<u>01.12.2011</u>			
	Amount due to immediate holding company	1,436	-	1,436
	Amount due to Family Takaful Fund	442	-	-
	Other payables and trade accruals	3,321	1,542	4,863
		<u>5,199</u>	<u>1,542</u>	<u>6,299</u>

The carrying amounts approximate fair values due to the relatively short-term maturity of these balances. The payables from the related parties arise mainly from the fee paid/payables on shared service function provided by the related parties. The payables are unsecured in nature and bear no interest.

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

11 SHARE CAPITAL

Shareholder's Fund/Company	30.11.2013		30.11.2012		01.12.2011	
	Number of shares at RM1 each '000	Amount RM'000	Number of shares at RM1 each '000	Amount RM'000	Number of shares at RM1 each '000	Amount RM'000
<u>Authorised share capital</u>						
Ordinary shares of RM1 each:	200,000	200,000	200,000	200,000	200,000	200,000
<u>Issued and paid up</u>						
Ordinary shares of RM1 each:						
1 December/at the date of incorporation	100,000	100,000	100,000	100,000	-*	-*
Issuance during the financial period	-	-	-	-	100,000	100,000
	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

* Represents 2 subscribers' shares at date of incorporation.

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

12 INVESTMENT INCOME

	Shareholders' Fund <u>RM'000</u>	Family Fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>01.12.2012 to 30.11.2013</u>			
Financial assets at fair value through profit or loss – designated upon initial recognition			
- profit income	-	3,071	3,071
- dividend/distribution income	-	535	535
- amortisation of premiums – net	-	(96)	(96)
Available-for-sale financial assets			
- profit income	2,462	-	2,462
- amortisation of premiums – net	(51)	-	(51)
Profit income of fixed deposits	257	568	825
Investment expenses	(527)	(54)	(581)
	<u>2,141</u>	<u>4,024</u>	<u>6,165</u>
<u>01.12.2011 to 30.11.2012</u>			
Financial assets at fair value through profit or loss – designated upon initial recognition			
- profit income	-	1,427	1,427
- dividend/distribution income	-	287	287
- amortisation of premiums – net	-	(48)	(48)
Available-for-sale financial assets			
- profit income	2,788	-	2,788
- amortisation of premiums – net	(77)	-	(77)
Profit income of fixed deposits	421	280	701
Investment expenses	(5)	(32)	(37)
	<u>3,127</u>	<u>1,914</u>	<u>5,041</u>

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13 FAIR VALUE (LOSS)/GAIN

	01.12.2012 to <u>30.11.2013</u> RM'000	01.12.2011 to <u>30.11.2012</u> RM'000
<u>Family Fund/Company</u>		
Financial assets at fair value through profit or loss - designated upon initial recognition		
- realised	658	147
- unrealised	(1,026)	1,171
	<u>(368)</u>	<u>1,318</u>

14 REALISED GAIN

	<u>Shareholders'</u> <u>Fund</u> RM'000	<u>Family</u> <u>Fund</u> RM'000	<u>Company</u> RM'000
<u>01.12.2012 to 30.11.2013</u>			
AFS financial asset – Government investment issues	86	-	86
	<u>86</u>	<u>-</u>	<u>86</u>
<u>01.12.2011 to 30.11.2012</u>			
AFS financial asset – Government investment issues	698	-	698
	<u>698</u>	<u>-</u>	<u>698</u>

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

15 OTHER OPERATING REVENUE

	01.12.2012 to 30.11.2013 RM'000	01.12.2011 to 30.11.2012 RM'000
<u>Shareholders' Fund</u>		
Certificate admin fee income	515	281
Fund management fee income	261	165
Others	90	83
	<u>866</u>	<u>529</u>
<u>Family Fund</u>		
Profit shared from Retakaful	398	-
	<u>398</u>	<u>-</u>
<u>Company</u>		
Others	90	83
Profit shared from Retakaful	398	-
	<u>488</u>	<u>83</u>

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

16 MANAGEMENT EXPENSES

	01.12.2012 to 30.11.2013 RM'000	01.12.2011 to 30.11.2012 RM'000
<u>Shareholders' Fund/Company</u>		
Advertising	357	1,176
Auditors' remuneration:		
- current financial year	137	70
- under provision in prior financial years	10	-
Staff salaries & bonuses	6,987	7,167
Staff benefits	1,120	1,325
Share-based payment	388	320
Travelling expenses	394	952
Printing and stationery	379	279
Postage	553	270
Directors' remuneration and other emoluments	681	363
Shariah Supervisory Council committee members' related expenses	142	150
Depreciation	471	330
EDP expenses	225	354
Entertainment	47	267
Marketing	12,001	10,171
Legal expenses	10	27
Management fees	8,594	7,454
Repairs and maintenance	696	708
Training expenses	59	187
Other expenses	2,446	2,352
	<u>35,697</u>	<u>33,922</u>

Total staff cost of the Company is RM8,495,000 (2012: RM8,812,000).

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16 MANAGEMENT EXPENSES (CONTINUED)

(i) The Directors' remuneration and other emolument is as follows:

	01.12.2012 to <u>30.11.2013</u> RM'000	01.12.2011 to <u>30.11.2012</u> RM'000
Non-executive directors - fees	336	323
- allowances	45	40
- other expenses	300	-
	<u>681</u>	<u>363</u>

(ii) The Shariah Advisory Committee's remuneration and other expenses is as follows:

Shariah Advisory Committee - fees	126	126
- allowances	16	20
- other expenses	-	4
	<u>142</u>	<u>150</u>

(iii) The Chief Executive Officer remuneration is as follows:

Chief Executive Officer - remuneration	572	1,083
	<u>572</u>	<u>1,083</u>

17 OTHER OPERATING EXPENSES

	<u>Shareholders'</u> <u>Fund</u> RM'000	<u>Family</u> <u>Fund</u> RM'000	<u>Company</u> RM'000
<u>01.12.2012 to 30.11.2013</u>			
Certificate admin fee expenses	-	515	-
Fund management expenses	-	261	-
Others	-	103	103
	<u>-</u>	<u>879</u>	<u>103</u>
<u>01.12.2011 to 30.11.2012</u>			
Certificate admin fee expenses	-	281	-
Fund management expenses	-	165	-
Others	-	17	17
	<u>-</u>	<u>463</u>	<u>17</u>

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

18 TAXATION

	<u>Shareholders'</u> <u>Fund</u> RM'000	<u>Family</u> <u>Fund</u> RM'000	<u>Company</u> RM'000
<u>01.12.2012 to 30.11.2013</u>			
Tax expenses/(benefits)			
- current	-	181	181
- deferred (Note 9)	250	(123)	127
	<u>250</u>	<u>58</u>	<u>308</u>
<u>01.12.2011 to 30.11.2012</u>			
Tax expenses/(benefits)			
- current	-	33	33
- deferred (Note 9)	(791)	93	(698)
	<u>(791)</u>	<u>126</u>	<u>(665)</u>

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

	01.12.2012 to <u>30.11.2013</u> RM'000	01.12.2011 to <u>30.11.2012</u> RM'000
<u>Company</u>		
Loss before taxation	<u>(19,325)</u>	<u>(11,526)</u>
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	(4,831)	(2,882)
Differential in tax rate on investment income attributable to participants	44	95
Income not subject to tax	(986)	-
Expenses not deductible for tax purposes	484	-
Deductible temporary difference not recognised	5,597	2,122
Tax expenses/(benefits) for the financial year	<u>308</u>	<u>(665)</u>

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

19 CAPITAL COMMITMENTS

The Company does not have any capital commitments as of the financial year end.

20 LOSS PER SHARE

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

	<u>30.11.2013</u> RM'000	<u>30.11.2012</u> RM'000
Loss attributable to Shareholders' Fund	(19,633)	(10,901)
Weighted average number of shares in issue during the year	100,000	100,000
Basic loss per share (sen)	<u>(19.63)</u>	<u>(10.90)</u>

21 CONTINGENT LIABILITY

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

22 RISK MANAGEMENT FRAMEWORK

(a) Risk management framework

The managed acceptance of risk is fundamental to the Company's Takaful business model. The Company's risk management framework seeks to effectively manage, rather than eliminate, the risks the Company faces. The risk management framework requires all operations to establish processes for identifying, evaluating and managing the key risks faced by the organisation. The risk management framework encompasses an established risk governance structure with clear oversight and assignment of responsibility for monitoring and management of financial, operational, Shariah non-compliance and strategic risks.

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

22 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(b) Capital management objectives, policies and approach

The Company manages its capital by maintaining a capital adequacy level available in the Takaful Operator and Takaful funds to support the total capital required for the Takaful business.

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

On a half-yearly basis, the Company performs stress testing based on several adverse scenarios and stress levels as part of the pro-active measures in monitoring and managing the capital position. The report will be presented to the Risk Management Committee and Board of Directors.

(c) Operational Risks

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems, from either internal or external events. Consequences from such control inadequacies or failures may cause one or a combination of the following: financial loss, operational disruption, damage to reputation, risk to employees as well as legal and regulatory implications. This includes Shariah non-compliance risk arising from failure to comply with Shariah rules and principles prescribed by Shariah Advisory Council and Shariah Committee.

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

23 FINANCIAL RISKS

The Company are exposed to a range of financial risks, including credit risk, liquidity risk and market risk. The Company apply a consistent risk management philosophy that is embedded in management processes and controls such that both existing and emerging risk are considered and addressed.

Financial risks of Investment-linked investments are not further provided and analysed as the financial risks in respect of Investment-linked investments are generally wholly borne by our customer, and do not directly affect the profit for the financial year before tax. Furthermore, Investment-linked participants are responsible for allocation of their policy values amongst investment options offered by the Company. Although profit for the financial year before tax is not affected by Investment-linked investments, the investment return from such financial investments is included in the Company's profit for the financial year before tax, as the company has selected the fair value option for all Investment-linked Investments with corresponding change in Takaful contract liabilities for Investment-linked contract.

(a) Credit risk

Credit risk represents the loss that would be recognised if counter parties to Takaful, reTakaful and investment transactions failed to perform as contracted and the decrease in the value of financial instruments due to deterioration in credit quality. The key areas where the Company is exposed to credit risk include repayment risk in respect of:

- cash and cash equivalents;
- investments in islamic debt securities; and
- Family Takaful receivables;

Credit risk exposures are monitored and controlled through various means such as robust credit evaluation process; credit limits; having independent credit evaluation on issuers and counterparties; and regular credit reviews, taking into consideration credit ratings assigned by rating agencies. The Company also actively manages its product and counterparty limits and mix to ensure that there is no significant concentration of credit risk.

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

23	FINANCIAL RISKS (CONTINUED)	Investment grade RM'000	Not rated RM'000	Not subject to credit risks RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Investment- Linked RM'000	Total RM'000
(a)	Credit risk (continued)							
	<u>Shareholders' Fund</u>							
	<u>30.11.2013</u>							
	Available-for-sale financial assets							
	Government investment issues	-	10,175	-	-	-	-	10,175
	Unquoted corporate Sukuks	41,653	1,862	-	-	-	-	43,515
	Unit trust	-	-	12,000	-	-	-	12,000
	Investment income due and accrued	532	100	-	-	-	-	632
	Other receivable	-	14,990	-	-	-	-	14,990
	Cash and cash equivalents	1,148	-	-	-	-	-	1,148
		<u>43,333</u>	<u>27,127</u>	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,460</u>
	<u>Family Fund</u>							
	<u>30.11.2013</u>							
	FVTPL financial assets							
	Government investment issues	-	26,853	-	-	-	-	26,853
	Unquoted corporate Sukuks	27,676	10,971	-	-	-	12,276	50,923
	Unit trust	-	-	-	-	-	624	624
	Shariah-approved shares	-	-	5,683	-	-	17,410	23,093
	Investment income due and accrued	390	362	-	-	-	179	931
	Retakaful assets	746	-	-	-	-	-	746
	Other receivable	-	200	-	-	-	101	301
	Cash and cash equivalents	25,424	463	-	-	-	999	26,886
		<u>54,236</u>	<u>38,849</u>	<u>5,683</u>	<u>-</u>	<u>-</u>	<u>31,589</u>	<u>130,357</u>

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

23

FINANCIAL RISKS (CONTINUED)

(a)	Credit risk (continued)	Investment grade RM'000	Not rated RM'000	Not subject to credit risks RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Investment- Linked RM'000	Total RM'000
<u>Company</u>								
<u>30.11.2013</u>								
	Available-for-sale financial assets	-	10,175	-	-	-	-	10,175
	Government investment issues	-	1,862	-	-	-	-	43,515
	Unquoted corporate Sukuks	41,653	-	12,000	-	-	-	12,000
	Unit trust	-	-	-	-	-	-	632
	Investment income due and accrued	532	100	-	-	-	-	-
	Fair value through profit or loss financial assets	-	-	-	-	-	-	-
	Government investment issues	-	26,853	-	-	-	-	26,853
	Unquoted corporate Sukuks	27,676	10,971	-	-	-	12,276	50,923
	Unit trust	-	-	-	-	-	624	624
	Shariah-approved shares	-	-	5,683	-	-	17,410	23,093
	Investment income due and accrued	390	362	-	-	-	179	931
	Retakaful assets	746	-	-	-	-	-	746
	Other receivable	-	3,728	-	-	-	101	3,829
	Cash and cash equivalents	26,572	463	-	-	-	999	28,034
		<u>97,569</u>	<u>54,514</u>	<u>17,683</u>	<u>-</u>	<u>-</u>	<u>31,589</u>	<u>201,355</u>

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23 FINANCIAL RISKS (CONTINUED)

(a)	Credit risk (continued)	Investment grade RM'000	Not rated RM'000	Not subject to credit risks RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Investment- Linked RM'000	Total RM'000
	Shareholders' Fund							
	30.11.2012							
	Available-for-sale financial assets	-	10,507	-	-	-	-	10,507
	Government investment issues	49,246	2,043	-	-	-	-	51,289
	Unquoted corporate Sukuks	-	-	11,122	-	-	-	11,122
	Unit trust	-	121	-	-	-	-	673
	Investment income due and accrued	552	2,360	-	-	-	-	2,360
	Other receivable	-	-	-	-	-	-	14,167
	Cash and cash equivalents	14,167	-	-	-	-	-	14,167
		<u>63,965</u>	<u>15,031</u>	<u>11,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,118</u>
	Family Fund							
	30.11.2012							
	Fair value through profit or loss financial assets	-	15,678	-	-	-	99	15,777
	Government investment issues	31,068	3,064	-	-	-	9,553	43,685
	Unquoted corporate Sukuks	-	-	47	-	-	1,057	1,104
	Unit trust	-	-	3,261	-	-	9,196	12,457
	Shariah-approved shares	-	-	-	-	-	170	741
	Investment income due and accrued	338	233	-	-	-	432	432
	Other receivable	-	-	-	-	-	684	15,928
	Cash and cash equivalents	13,115	2,129	-	-	-	-	15,928
		<u>44,521</u>	<u>21,104</u>	<u>3,308</u>	<u>-</u>	<u>-</u>	<u>21,191</u>	<u>90,124</u>

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23 FINANCIAL RISKS (CONTINUED)

(a)	Credit risk (continued)	Investment grade RM'000	Not rated RM'000	Not subject to credit risks RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Investment- Linked RM'000	Total RM'000
	Company							
	30.11.2012							
	Available-for-sale financial assets							
	Government investment issues	-	10,507	-	-	-	-	10,507
	Unquoted corporate Sukuks	49,246	2,043	-	-	-	-	51,289
	Unit trust	-	-	11,122	-	-	-	11,122
	Investment income due and accrued	552	121	-	-	-	-	673
	Fair value through profit or loss financial assets							
	Government investment issues	-	15,678	-	-	-	99	15,777
	Unquoted corporate Sukuks	31,068	3,064	-	-	-	9,553	43,685
	Unit trust	-	-	47	-	-	1,057	1,104
	Shariah-approved shares	-	-	3,261	-	-	9,196	12,457
	Investment income due and accrued	338	233	-	-	-	170	741
	Other receivable	-	342	-	-	-	432	774
	Cash and cash equivalents	27,282	2,129	-	-	-	684	30,095
		<u>108,486</u>	<u>34,117</u>	<u>14,430</u>	<u>-</u>	<u>-</u>	<u>21,191</u>	<u>178,224</u>

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23 **FINANCIAL RISKS (CONTINUED)**

(a) Credit risk (continued)

	Investment grade RM'000	Not rated RM'000	Not subject to credit risks RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Investment- Linked RM'000	Total RM'000
<u>Shareholders' Fund</u>							
<u>01.12.2011</u>							
Available-for-sale financial assets							
Government investment issues	-	34,994	-	-	-	-	34,994
Unquoted corporate Sukuks	8,441	29,943	-	-	-	-	38,384
Unit trust	-	-	10,350	-	-	-	10,350
Investment income due and accrued	131	512	-	-	-	-	643
Other receivable	-	540	-	-	-	-	540
Cash and cash equivalents	10,101	2	-	-	-	-	10,103
	<u>18,673</u>	<u>65,991</u>	<u>10,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,014</u>
<u>Family Fund</u>							
<u>01.12.2011</u>							
Fair value through profit or loss financial assets							
Government investment issues	-	2,024	-	-	-	1,835	3,859
Unquoted corporate Sukuks	498	2,708	-	-	-	5,932	9,138
Unit trust	-	-	-	-	-	798	798
Shariah-approved shares	-	-	-	-	-	2,600	2,600
Investment income due and accrued	2	23	-	-	-	101	126
Other receivable	-	499	-	-	-	-	499
Cash and cash equivalents	3,051	2,254	-	-	-	2,926	8,231
	<u>3,551</u>	<u>7,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,192</u>	<u>25,251</u>

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23	FINANCIAL RISKS (CONTINUED)	Investment grade RM'000	Not rated RM'000	Not subject to credit risks RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Investment- Linked RM'000	Total RM'000
(a)	Credit risk (continued)							
	<u>Company</u>							
	<u>01.12.2011</u>							
	Available-for-sale financial assets							
	Government investment issues	-	34,994	-	-	-	-	34,994
	Unquoted corporate Sukuks	8,441	29,943	-	-	-	-	38,384
	Unit trust	-	-	10,350	-	-	-	10,350
	Investment income due and accrued	131	512	-	-	-	-	643
	Fair value through profit or loss financial assets							
	Government investment issues	-	2,024	-	-	-	1,835	3,859
	Unquoted corporate Sukuks	498	2,708	-	-	-	5,932	9,138
	Unit trust	-	-	-	-	-	798	798
	Shariah-approved shares	-	-	-	-	-	2,600	2,600
	Investment income due and accrued	2	23	-	-	-	101	126
	Other receivable	-	597	-	-	-	-	597
	Cash and cash equivalents	13,152	2,256	-	-	-	2,926	18,334
		<u>22,224</u>	<u>73,057</u>	<u>10,350</u>	<u>-</u>	<u>-</u>	<u>14,192</u>	<u>119,823</u>

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

23 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

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

	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Not subject to credit risk RM'000	Investment- Linked RM'000	Total RM'000
<u>Shareholders' Fund</u>								
<u>30.11.2013</u>								
Available-for-sale financial assets	-	-	-	-	10,175	-	-	10,175
Government investment issues	30,941	10,712	-	-	1,862	-	-	43,515
Unquoted corporate Sukuks	-	-	-	-	-	12,000	-	12,000
Unit trust	-	-	-	-	-	-	-	632
Investment income due and accrued	364	168	-	-	100	-	-	14,990
Other receivable	-	-	-	-	14,990	-	-	14,990
Cash and cash equivalents	1,148	-	-	-	-	-	-	1,148
	<u>32,453</u>	<u>10,880</u>	<u>-</u>	<u>-</u>	<u>27,127</u>	<u>12,000</u>	<u>-</u>	<u>82,460</u>

Company No.

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AIAAFG TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

23 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Not subject to credit risk RM'000	Investment- Linked RM'000	Total RM'000
<u>Family Fund</u>								
<u>30.11.2013</u>								
Fair value through profit or loss financial assets								
Government investment issues	26,695	981	-	-	26,853	-	-	26,853
Unquoted corporate Sukuks	-	-	-	-	10,971	-	12,276	50,923
Unit trust	-	-	-	-	-	-	624	624
Shariah-approved shares	-	-	-	-	-	5,683	17,410	23,093
Investment income due and accrued	372	18	-	-	362	-	179	931
Retakaful assets	-	746	-	-	-	-	-	746
Other receivable	-	-	-	-	200	-	101	301
Cash and cash equivalents	10,969	-	14,455	-	463	-	999	26,886
	<u>38,036</u>	<u>1,745</u>	<u>14,455</u>	<u>-</u>	<u>38,849</u>	<u>5,683</u>	<u>31,589</u>	<u>130,357</u>

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AIA AFG TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

23 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Company	AAA				AA		A		BBB		Not rated	Not subject to credit risk	Investment-Linked	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000				
30.11.2013														
Available-for-sale financial assets														
Government investment issues	-	-	-	-	-	-	-	-	-	-	-	-	-	10,175
Unquoted corporate Sukuks	30,941	10,712	-	-	-	-	-	-	-	1,862	-	-	-	43,515
Unit trust	-	-	-	-	-	-	-	-	-	-	12,000	-	-	12,000
Investment income due and accrued	364	168	-	-	-	-	-	-	-	100	-	-	-	632
Fair value through profit or loss financial assets														
Government investment issues	-	-	-	-	-	-	-	-	-	-	-	-	-	26,853
Unquoted corporate Sukuks	26,695	981	-	-	-	-	-	-	-	10,971	-	-	12,276	50,923
Unit trust	-	-	-	-	-	-	-	-	-	-	-	-	624	624
Shariah-approved shares	-	-	-	-	-	-	-	-	-	-	5,683	-	17,410	23,093
Investment income due and accrued	372	18	-	-	-	-	-	-	-	362	-	-	179	931
Retakaful assets	-	746	-	-	-	-	-	-	-	-	-	-	-	746
Other receivable	-	-	-	-	-	-	-	-	-	3,728	-	-	101	3,829
Cash and cash equivalents	12,117	-	-	14,455	-	-	-	-	-	463	-	-	999	28,034
	<u>70,489</u>	<u>12,625</u>	<u>14,455</u>	<u>14,455</u>	<u>14,455</u>	<u>14,455</u>	<u>14,455</u>	<u>14,455</u>	<u>14,455</u>	<u>54,514</u>	<u>17,683</u>	<u>31,589</u>	<u>31,589</u>	<u>201,355</u>

The carrying amount of assets included in the above tables represents the maximum exposure.

Company No.

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AIA AFG TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

23 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Not subject to credit risk RM'000	Investment- Linked RM'000	Total RM'000
<u>Shareholders' Fund</u>								
<u>30.11.2012</u>								
Available-for-sale financial assets	-	-	-	-	10,507	-	-	10,507
Government investment issues	38,830	10,416	-	-	2,043	-	-	51,289
Unquoted corporate Sukuks	-	-	-	-	-	11,122	-	11,122
Unit trust	-	-	-	-	121	-	-	673
Investment income due and accrued	392	160	-	-	2,360	-	-	2,360
Other receivable	-	-	-	-	-	-	-	-
Cash and cash equivalents	507	-	13,660	-	-	-	-	14,167
	<u>39,729</u>	<u>10,576</u>	<u>13,660</u>	<u>-</u>	<u>15,031</u>	<u>11,122</u>	<u>-</u>	<u>90,118</u>

Company No.

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AIA AFG TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

23 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Family Fund

30.11.2012

	<u>AAA</u> RM'000	<u>AA</u> RM'000	<u>A</u> RM'000	<u>BBB</u> RM'000	<u>Not rated</u> RM'000	<u>Not subject to credit risk</u> RM'000	<u>Investment- Linked</u> RM'000	<u>Total</u> RM'000
Fair value through profit or loss financial assets								
Government investment issues	25,673	5,395	-	-	15,678	-	99	15,777
Unquoted corporate Sukuks	-	-	-	-	3,064	-	9,553	43,685
Unit trust	-	-	-	-	-	47	1,057	1,104
Shariah-approved shares	-	-	-	-	-	3,261	9,196	12,457
Investment income due and accrued	279	59	-	-	233	-	170	741
Other receivable	-	-	-	-	-	-	432	432
Cash and cash equivalents	1,951	534	10,630	-	2,129	-	684	15,928
	<u>27,903</u>	<u>5,988</u>	<u>10,630</u>	<u>-</u>	<u>21,104</u>	<u>3,308</u>	<u>21,191</u>	<u>90,124</u>

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AIAAFG TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

23 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

<u>Company</u>	<u>AAA</u> RM'000	<u>AA</u> RM'000	<u>A</u> RM'000	<u>BBB</u> RM'000	<u>Not rated</u> RM'000	<u>Not subject to credit risk</u> RM'000	<u>Investment- Linked</u> RM'000	<u>Total</u> RM'000
<u>30.11.2012</u>								
Available-for-sale financial assets								
Government investment issues	-	-	-	-	10,507	-	-	10,507
Unquoted corporate Sukuks	38,830	10,416	-	-	2,043	-	-	51,289
Unit trust	-	-	-	-	-	11,122	-	11,122
Investment income due and accrued	392	160	-	-	121	-	-	673
Fair value through profit or loss financial assets								
Government investment issues	-	-	-	-	15,678	-	99	15,777
Unquoted corporate Sukuks	25,673	5,395	-	-	3,064	-	9,553	43,685
Unit trust	-	-	-	-	-	47	1,057	1,104
Shariah-approved shares	-	-	-	-	-	3,261	9,196	12,457
Investment income due and accrued	279	59	-	-	233	-	170	741
Other receivable	-	-	-	-	342	-	432	774
Cash and cash equivalents	2,458	534	24,290	-	2,129	-	684	30,095
	<u>67,632</u>	<u>16,564</u>	<u>24,290</u>	<u>-</u>	<u>34,117</u>	<u>14,430</u>	<u>21,191</u>	<u>178,224</u>

The carrying amount of assets included in the above tables represents the maximum exposure.

Company No.

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AIA AFG TAKAFUL BHD.
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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

23 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Not subject to credit risk RM'000	Investment- Linked RM'000	Total RM'000
<u>Family Fund</u>								
<u>01.12.2011</u>								
Fair value through profit or loss financial assets								
Government investment issues	-	-	-	-	2,024	-	1,835	3,859
Unquoted corporate Sukuks	498	-	-	-	2,708	-	5,932	9,138
Unit trust	-	-	-	-	-	-	798	798
Shariah-approved shares	-	-	-	-	-	-	2,600	2,600
Investment income due and accrued	2	-	-	-	23	-	101	126
Other receivable	-	-	-	-	336	-	163	499
Cash and cash equivalents	3,051	-	-	-	2,254	-	2,926	8,231
	<u>3,551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,345</u>	<u>-</u>	<u>14,355</u>	<u>25,251</u>

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AIAAFG TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

23 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Company	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Not subject to credit risk RM'000	Investment- Linked RM'000	Total RM'000
<u>01.12.2011</u>								
Available-for-sale financial assets								
Government investment issues	-	-	-	-	34,994	-	-	34,994
Unquoted corporate Sukuks	3,225	5,216	-	-	29,943	-	-	38,384
Unit trust	-	-	-	-	-	10,350	-	10,350
Investment income due and accrued	17	114	-	-	512	-	-	643
Fair value through profit or loss financial assets								
Government investment issues	-	-	-	-	2,024	-	1,835	3,859
Unquoted corporate Sukuks	498	-	-	-	2,708	-	5,932	9,138
Unit trust	-	-	-	-	-	-	798	798
Shariah-approved shares	-	-	-	-	-	-	2,600	2,600
Investment income due and accrued	2	-	-	-	23	-	101	126
Other receivable	-	-	-	-	537	-	60	597
Cash and cash equivalents	13,152	-	-	-	2,256	-	2,926	18,334
	<u>16,894</u>	<u>5,330</u>	<u>-</u>	<u>-</u>	<u>72,997</u>	<u>10,350</u>	<u>14,252</u>	<u>119,823</u>

The carrying amount of assets included in the above tables represents the maximum exposure.

Company No.

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AIA AFG TAKAFUL BHD.
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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

23 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk

Liquidity risk primarily refers to the possibility of having insufficient cash available to meet the payment obligations to counterparties when they become due. This can arise when internal funds are insufficient to meet cash outflow obligations and where the Company is unable to obtain funding at market rates or liquidate assets at fair value resulting in the forced liquidation of assets at depressed prices. The Company is exposed to liquidity risk in respect of Takaful contracts that permit surrender, withdrawal or other forms of early termination for a cash surrender value specified in the contractual terms and conditions.

The Company's liquidity position is monitored in compliance with regulatory and internal requirements in combination with maturity gap analyses. To manage liquidity risk, the Company has implemented a variety of measures, including emphasising flexible Takaful product design so that it can retain the greatest flexibility to adjust contract pricing or crediting rates.

The Company continually seeks to match, to the extent possible and appropriate, the duration of its investment assets with the duration of Takaful contracts issued. The Company constantly monitors its liquidity position and has in place several contingency sources of liquidity in order to minimise the impact of any liquidity risk.

The table below summarises the maturity profile of the financial assets and financial liabilities of the respective funds on remaining contractual obligation, including profit payable and receivable. For Takaful contracts liabilities, maturity profiles are determined based on estimated timing of discounted net cash flows from the recognised Takaful contract liabilities.

Company No.	
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AIA AFG TAKAFUL BHD.
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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

23 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Shareholders' Fund

30.11.2013

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	>5 years RM'000	No maturity date RM'000	Investment- Linked RM'000	Total RM'000
Available-for-sale financial assets	66,322	-	-	12,152	66,187	12,000	-	90,339
Other receivables	14,990	14,990	-	-	-	-	-	14,990
Cash and cash equivalents	1,148	-	-	-	-	1,148	-	1,148
Total financial assets	82,460	14,990	-	12,152	66,187	13,148	-	106,477
Sundry creditors and other liabilities	23,869	18,214	-	-	5,655	-	-	23,869
Total financial liabilities	23,869	18,214	-	-	5,655	-	-	23,869

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

23 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Family Fund

30.11.2013

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	>5 years RM'000	No maturity date RM'000	Investment- Linked RM'000	Total RM'000
Fair value through profit or loss financial assets	102,424	1,039	6,577	1,195	100,986	5,683	30,489	145,969
Retakaful assets	746	746	-	-	-	-	-	746
Other receivables	301	200	-	-	-	-	101	301
Cash and cash equivalents	26,886	21,500	-	-	-	4,387	999	26,886
Total financial assets	130,357	23,485	6,577	1,195	100,986	10,070	31,589	173,902
Takaful contract liabilities	116,138	10,505	-	-	74,320	-	31,313	116,138
Takaful payable	877	877	-	-	-	-	-	877
Sundry creditors and other liabilities	13,178	13,164	-	-	-	-	14	13,178
Total financial liabilities	130,193	24,546	-	-	74,320	-	31,327	130,193

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AIAAFG TAKAFUL BHD.
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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

23 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Company	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	>5 years RM'000	No maturity date RM'000	Investment- Linked RM'000	Total RM'000
<u>30.11.2013</u>								
Available-for-sale financial assets	66,322	-	-	12,152	66,187	12,000	-	90,339
Fair value through profit or loss financial assets	102,424	1,039	6,577	1,195	100,986	5,683	30,489	145,969
Retakaful assets	746	746	-	-	-	-	-	746
Other receivables	3,829	3,728	-	-	-	-	101	3,829
Cash and cash equivalents	28,034	21,500	-	-	-	5,535	999	28,034
Total financial assets	201,355	27,013	6,577	13,347	167,173	23,218	31,589	268,917
Takaful contract liabilities	116,138	10,505	-	-	74,320	-	31,313	116,138
Takaful payable	877	877	-	-	-	-	-	877
Sundry creditors and other liabilities	25,585	19,916	-	-	5,655	-	14	25,585
Total financial liabilities	142,600	31,298	-	-	79,975	-	31,327	142,600

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AIAAFG TAKAFUL BHD.
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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

23 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Shareholders' Fund

30.11.2012

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	>5 years RM'000	No maturity date RM'000	Investment- Linked RM'000	Total RM'000
Available-for-sale financial assets	73,591	22	5,645	3,792	79,658	11,124	-	100,241
Other receivables	2,360	2,360	-	-	-	-	-	2,360
Cash and cash equivalents	14,167	13,660	-	-	-	507	-	14,167
Total financial assets	90,118	16,042	5,645	3,792	79,658	11,631	-	116,768
Sundry creditors and other liabilities	11,020	11,020	-	-	-	-	-	11,020
Total financial liabilities	11,020	11,020	-	-	-	-	-	11,020

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AIA AFG TAKAFUL BHD.
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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

23 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Family Fund

30.11.2012

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	>5 years RM'000	No maturity date RM'000	Investment- Linked RM'000	Total RM'000
Fair value through profit or loss financial assets	73,764	1,117	-	-	86,369	3,309	20,075	110,870
Other receivables	432	-	-	-	-	-	432	432
Cash and cash equivalents	15,928	10,630	-	-	-	4,614	684	15,928
Total financial assets	90,124	11,747	-	-	86,369	7,923	21,191	127,230
Takaful contract liabilities	84,100	5,271	1,992	89	55,965	-	20,783	84,100
Takaful payable	224	224	-	-	-	-	-	224
Sundry creditors and other liabilities	5,660	5,363	-	-	-	-	297	5,660
Total financial liabilities	89,984	10,858	1,992	89	55,965	-	21,080	89,984

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AIAAFG TAKAFUL BHD.
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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

23 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	>5 years RM'000	No maturity date RM'000	Investment-Linked RM'000	Total RM'000
<u>Company</u>								
<u>30.11.2012</u>								
Available-for-sale financial assets	73,591	22	5,645	3,792	79,658	11,124	-	100,241
Fair value through profit or loss financial assets	73,764	1,117	-	-	86,369	3,309	20,075	110,870
Other receivables	774	342	-	-	-	-	432	774
Cash and cash equivalents	30,095	24,290	-	-	-	5,121	684	30,095
Total financial assets	178,224	25,771	5,645	3,792	166,027	19,554	21,191	241,980
Takaful contract liabilities	84,100	5,271	1,992	89	55,965	-	20,783	84,100
Takaful payable	224	224	-	-	-	-	-	224
Sundry creditors and other liabilities	14,662	14,365	-	-	-	-	297	14,662
Total financial liabilities	98,986	19,860	1,992	89	55,965	-	21,080	98,986

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AIAAFG TAKAFUL BHD.
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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

23 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	>5 years RM'000	No maturity date RM'000	Investment- Linked RM'000	Total RM'000
<u>Shareholders' Fund</u>								
<u>01.12.2011</u>								
Available-for-sale financial assets	84,371	3,864	6,442	19,395	78,171	10,350	-	118,222
Other receivables	540	240	-	-	-	300	-	540
Cash and cash equivalents	10,103	10,001	-	-	-	102	-	10,103
Total financial assets	<u>95,014</u>	<u>14,105</u>	<u>6,442</u>	<u>19,395</u>	<u>78,171</u>	<u>10,752</u>	<u>-</u>	<u>128,865</u>
Sundry creditors and other liabilities	<u>5,199</u>	<u>5,199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,199</u>
Total financial liabilities	<u>5,199</u>	<u>5,199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,199</u>

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AIA AFG TAKAFUL BHD.
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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

23 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Family Fund

01.12.2011

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	>5 years RM'000	No maturity date RM'000	Investment- Linked RM'000	Total RM'000
Fair value through profit or loss financial assets	16,521	-	-	-	6,412	-	11,266	17,678
Other receivables	499	336	-	-	-	-	163	499
Cash and cash equivalents	8,231	2,830	-	-	-	2,475	2,926	8,231
Total financial assets	25,251	3,166	-	-	6,412	2,475	14,355	26,408
Takaful contract liabilities	23,594	-	-	-	9,279	160	14,155	23,594
Takaful payable	85	85	-	-	-	-	-	85
Sundry creditors and other liabilities	1,542	1,374	-	-	-	-	168	1,542
Total financial liabilities	25,221	1,459	-	-	9,279	160	14,323	25,221

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AIA AFG TAKAFUL BHD.
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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

23 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	>5 years RM'000	No maturity date RM'000	Investment- Linked RM'000	Total RM'000
<u>Company</u>								
<u>01.12.2011</u>								
Available-for-sale financial assets	84,371	3,864	6,442	19,395	78,171	10,350	-	118,222
Fair value through profit or loss financial assets	16,521	-	-	-	6,412	-	11,266	17,678
Other receivables	597	237	-	-	-	300	60	597
Cash and cash equivalents	18,334	12,831	-	-	-	2,577	2,926	18,334
Total financial assets	119,823	16,932	6,442	19,395	84,583	13,227	14,252	154,831
Takaful contract liabilities	23,594	-	-	-	9,279	160	14,155	23,594
Takaful payable	85	85	-	-	-	-	-	85
Sundry creditors and other liabilities	6,299	6,131	-	-	-	-	168	6,299
Total financial liabilities	29,978	6,216	-	-	9,279	160	14,323	29,978

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AIA AFG TAKAFUL BHD.
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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

23 FINANCIAL RISKS (CONTINUED)

(c) Market risk

Market risk arises from the possibility of financial loss caused by changes in financial instruments' fair values or future cash flows due to fluctuations in profit rate. The Company manages the risk of market-based fluctuations in the value of the Company's investments, as well as liabilities with exposure to market risk.

Policies on asset allocation, portfolio limit structure and diversification benchmark have been set in line with the Company's risk management policy after taking cognizance of the regulatory requirements in respect of maintenance of assets and solvency.

(i) Profit rate risk

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

Floating yield instruments expose the Company to cash flow profit risk, whereas yield instruments expose the Company to fair value profit risk.

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

23 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(i) Profit rate risk (continued)

The Company manages the risk by maintaining an appropriate mix of variable and yield instruments. It also requires the Company to manage the maturities of Islamic financial assets and its corresponding liabilities.

	2013		2012		2011	
	Impact on Takaful Contract Liability RM'000	Impact on Equity RM'000	Impact on Takaful Contract Liability RM'000	Impact on Equity RM'000	Impact on Takaful Contract Liability RM'000	Impact on Equity RM'000
<u>Shareholders' Fund/Company</u>						
<u>Change in variable</u>						
+50 basis points shift in yield curves	-	(1,449)	-	(1,666)	-	(2,130)
-50 basis points shift in yield curves	-	1,525	-	1,758	-	2,248
<u>Family Fund</u>						
<u>Change in variable</u>						
+50 basis points shift in yield curves	(2,740)	-	(2,192)	-	(176)	-
-50 basis points shift in yield curves	2,949	-	2,358	-	184	-

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

24 RELATED PARTY DISCLOSURES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions.

In the normal course of business, the Company undertake on agreed terms and prices, various transactions with the immediate holding company.

(a) Significant related party transactions

	Note	Shareholders' Fund	
		2013 RM'000	2012 RM'000
Immediate holding company			
- Computer services paid	(i)	3,348	3,372
- Outsourcing service fee paid	(ii)	4,337	3,638
- Others	(iii)	-	-
- Rental paid	(iv)	696	694
- Secretarial, human resource and investment related services	(v)	520	441
		<u>8,901</u>	<u>8,145</u>
Affiliate company			
- Cross charge for integration	(vi)	(3,032)	-
		<u>5,869</u>	<u>8,145</u>

- (i) Computer services provided include email facilities, IT services and data processing. The computer services rendered to related companies include data processing and private automatic branch exchange telephone charge.
- (ii) Group service fee is paid to immediate holding company for services rendered to the Company, which include management, human resource, operations, actuary and other services.
- (iii) Others include human resource related expenses paid for other services provided by related parties.
- (iv) Rental expenses is paid to related companies on properties rented for usage of office. Including utilities, repair & maintenance.
- (v) Secretarial, human resource and investments related services charges arising from support in the respective function provided by related parties.
- (vi) Integration related charges which paid on by affiliate parties.

Administrative support is provided in those related functions mentioned above.

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

24 RELATED PARTY DISCLOSURES (CONTINUED)

(b) Compensation of key management personnel

The total compensation paid to the Company's key management personnel are as follows:

	<u>2013</u> RM'000	<u>2012</u> RM'000
Non-executive directors' remuneration (Note 16(i))	681	363
Chief executive officer's remuneration (Note 16(iii))	572	1,083
Other key management personnel:		
Salaries and bonus	692	1,577
Pension costs - EPF	77	198
Social security cost	2	3
Allowances	37	74
Employee Share Purchase Plan ("ESPP")	4	5
Restricted Share Unit Scheme ("RSU")	384	315
	<u>2,449</u>	<u>3,618</u>

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

25 TAKAFUL RISK

(i) Family Takaful contracts

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

The table below shows the breakdown of Family Takaful contract liabilities- net actuarial liabilities by type of certificate.

	<u>30.11.2013</u> RM'000	<u>30.11.2012</u> RM'000	<u>01.12.2011</u> RM'000
Endowment	2	2	-
Temporary – others	3,842	1,887	136
Medical and health	429	(193)	42
Riders	56	(19)	80
Other provisions:			
Unearned contribution reserve	661	459	151
Claim reserve	1,834	864	201
Other reserve:			
Reserve credit	(87)	-	-
Capital allocation for RBC	-	1,479	-
Contingency reserve	-	2,495	374
Total Family Takaful	<u>6,737</u>	<u>6,974</u>	<u>984</u>

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

25 TAKAFUL RISK (CONTINUED)

(i) Family Takaful contracts (continued)

Mortality, Total Permanent Disability and Critical Illness

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

Expenses

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

Lapse and surrender rates

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

Discount rate

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

- 1 for certificate duration of less than 15 years: zero-coupon spot yields of Government investment issues (GII) with matching duration; and
- 2 for certificate duration of 15 years or more: zero-coupon spot yields of GII with 15 years term to maturity.

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

25 TAKAFUL RISK (CONTINUED)

(i) Family Takaful contracts (continued)

Sensitivities

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

	2013			
	<u>Change in assumption</u>	Impact on gross/net liabilities	Impact on Qard	Impact on expense reserve
	%	RM'000	RM'000	RM'000
Discount rate	-0.5	4	-	351
Discount rate	+0.5	(3)	-	(304)
Expenses	+10.0	-	-	1,063
Lapse rates	+10.0	(3)	-	(215)
Mortality	+10.0	266	-	154

	2012			
	<u>Change in assumption</u>	Impact on gross/net liabilities	Impact on Qard	Impact on expense reserve
	%	RM'000	RM'000	RM'000
Discount rate	-0.5	7	-	-
Discount rate	+0.5	(2)	-	-
Expenses	+10.0	-	-	-
Lapse rates	+10.0	15	-	-
Mortality	+10.0	615	-	254

	2011			
	<u>Change in assumption</u>	Impact on gross/net liabilities	Impact on Qard	Expense reserve
	%	RM'000	RM'000	RM'000
Discount rate	-0.5	6	-	-
Discount rate	+0.5	(5)	-	-
Expenses	+10.0	-	-	-
Lapse rates	+10.0	(8)	-	-
Mortality	+10.0	243	186	-

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

26 SHARE-BASED PAYMENT

At beginning of the financial year, the Company has stop the share-based payment scheme and made no further grants of restricted share units and restricted share purchase units to certain employees of the Company under the Restricted Share Unit ("RSU") Scheme, Employee Stock Purchase Plan ("ESPP") and Share Option ("SO") Scheme.

(a) Restricted Share Unit ("RSU") Scheme

Under the RSU Scheme, the vesting of the granted RSUs is conditional upon the eligible participants remaining in employment with the AIA Group during the respective vesting periods. RSU grants are vested either entirely after a specific period of time or in tranches over the vesting period. If the RSU grants are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the vesting period. For certain RSUs, performance conditions are also attached which include both market and non-market conditions. RSUs subject to performance conditions are released to the employees at the end of vesting period depending on the actual achievement of the performance conditions. During the vesting period, the eligible participants are not entitled to dividends of the underlying shares. The maximum number of shares that can be granted under this scheme is 301,100,000 representing 2.5 per cent of the number of shares in issue of AIAGL at 30 November 2013.

Movement:

	<u>2013</u>	<u>2012</u>
	<u>Number of</u>	<u>Number of</u>
	<u>shares</u>	<u>shares</u>
Restricted Shares Unit		
Outstanding at beginning of financial year	110,345	-
Granted	-	110,345
Outstanding at end of financial year	<u>110,345</u>	<u>110,345</u>

(b) Employee Stock Purchase Plan ("ESPP")

Under the plan, eligible employees of the Company can purchase ordinary shares of AIAGL with qualified employee contributions and the AIA Group will award one matching restricted share purchase unit to them at the end of the vesting period for each two shares purchased through the qualified employee contributions (contribution shares). Contribution shares are purchased from the open market. During the vesting period, the eligible employees must hold the contribution shares purchased during the plan cycle and remain employed by the AIA Group. The level of qualified employee contribution is limited to not more than 5% of the annual basic salary subject to a maximum. For the year ended 30 November 2013, eligible employees of the Company paid RM Nil (2012: RM27,000) to purchase Nil (2012: 2,572) ordinary shares of AIAGL.

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

26 SHARE-BASED PAYMENT (CONTINUED)

Valuation methodology

The Company utilises a binomial lattice model to calculate the fair value of the share options grants, a Monte-Carlo simulation model and/or discounted cash flow technique to calculate the fair value of the RSU, and ESPP, taking into account the terms and conditions upon which the awards were granted. The price volatility is estimated on the basis of implied volatility of the AIAGL's shares which is based on an analysis of historical data since they are traded in the Stock Exchange of Hong Kong and takes into consideration the historical volatility of peer companies. The expected life of the options is derived from the output of the valuation model and is calculated based on an analysis of expected exercise behaviour of the Company's employees. The estimate of market condition for performance based RSUs is based on one-year historical data preceding the grant date.

<u>Assumptions</u>	<u>2013</u>		<u>2012</u>	
	<u>Restricted Shares Units</u>	<u>Restricted Shares Purchase Units</u>	<u>Restricted Shares Units</u>	<u>Restricted Shares Purchase Units</u>
Company				
Risk free interest rate	0.25%	0.42% - 0.57%	0.36%	0.19% - 0.37%
Volatility	30%	26%	30%	25% - 30%
Dividend yield	1.2%	1.2%	1.2%	1.2% - 1.3%
Weighted average fair value per option/unit at measurement date (HK\$)	28.92	36.00	23.75	27.67

* *Applicable to RSU with market condition.*

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation awards granted under the RSU Scheme and ESPP by the Company for the year ended 30 November 2013 is RM388,000 (2012: RM320,000).

(c) Share Option ("SO") Scheme

The objectives of the SO Scheme are to align eligible participants' interests with those of the shareholders of the Company by allowing eligible participants to share in the value created at the point they exercise their options. SO grants are vested either entirely after a specific period of time or in tranches over the vesting period, during which, the eligible participants are required to remain in employment with the AIA Group. If the SO grants are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognizing the expenses over the vesting period. The granted share options expire ten years from the date of grant. As at 30 November 2013, none of the Company's employees were granted any share option under this scheme.

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NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2013 (CONTINUED)

27 INVESTMENT-LINKED TAKAFUL FUNDS

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

STATEMENT OF FINANCIAL POSITION

	<u>30.11.2013</u>	<u>30.11.2012</u>	<u>01.12.2011</u>
	RM'000	RM'000	RM'000
ASSETS			
Fair value through profit or loss financial assets	30,489	20,075	11,266
Other receivables	262	440	163
Cash and cash equivalents	999	684	2,926
	<u>31,750</u>	<u>21,199</u>	<u>14,355</u>
LIABILITIES			
Other payables	175	305	168
Deferred tax liabilities	193	70	20
Current tax liabilities	69	41	12
	<u>437</u>	<u>416</u>	<u>200</u>
Represented by:			
Net asset value of funds	<u>31,313</u>	<u>20,783</u>	<u>14,155</u>
Value of units	27,090	19,227	13,800
Undistributed income carried forward	4,223	1,556	355
	<u>31,313</u>	<u>20,783</u>	<u>14,155</u>

STATEMENT OF INCOME AND EXPENDITURE

Investment income	895	660
Net fair value gains	2,250	805
	<u>3,145</u>	<u>1,465</u>
Other expenses	(278)	(181)
	<u>2,867</u>	<u>1,284</u>
Profit before taxation	2,867	1,284
Taxation	(200)	(83)
	<u>2,667</u>	<u>1,201</u>
Profit after taxation	2,667	1,201
Undistributed income brought forward	1,556	355
	<u>4,223</u>	<u>1,556</u>
Undistributed income carried forward	4,223	1,556