ERNST & YOUNG

ETIQA TAKAFUL BERHAD

(266243-D)

(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements

31 December 2011

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

CONTENTS **PAGE**

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the six months financial period ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the managing of general takaful, family takaful and takaful investment-linked business.

There have been no significant changes in the nature of these activities during the financial period.

RESULTS

	RM'000
Net profit for the financial period	43,516

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

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

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial period.

The directors do not recommend the payment of any final dividend in respect of the current financial period.

MAYBANK GROUP EMPLOYEES' SHARE SCHEME

The Maybank Group Employees' Share Scheme ("ESS") is governed by the by-laws approved by Malayan Banking Berhad's ("MBB") shareholders at an Extraordinary General Meeting held on 13 June 2011. The ESS has been implemented on 23 June 2011 and is in force for a maximum period of seven (7) years from the effective date for eligible employees and executive directors within MBB Group.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

MAYBANK GROUP EMPLOYEES' SHARE SCHEME (CONT'D.)

The maximum number of ordinary shares of RM1 each in MBB available under the ESS should not exceed 10% of the total number of issued and paid-up capital of MBB at any point of time during the duration of the scheme.

DIRECTORS

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

Dato' Mohd Salleh Haji Harun (Chairman)
Damis Jacobus Ziengs (Vice Chairman)
Datuk Dr. Syed Othman bin Syed Hussin Alhabshi
Dato' Johan bin Ariffin
Zainal Abidin Jamal
Mohamed Nor Abdul Hamid
Loh Lee Soon
Gary Lee Crist
Hans J. J. De Cuyper

SHARIAH COMMITTEE

The Company is advised by a Shariah Committee ("SC"), whose composition is as follows:

Tan Sri Dato' Seri (Dr) Haji Harussani Bin Haji Zakaria (Chairman)
Prof. Datuk Dr. Syed Othman Bin Syed Hussin Alhabshi (Member) (appointed on 3 August 2011)
Dr. Ismail Bin Mohd @ Abu Hassan (Member)
Dr. Mohammad Deen Bin Mohd Napiah (Member)
Dr. Ahcene Lahsasna (Member)
Sarip Bin Adul (Member)

The SC met 5 times during the financial period.

DIRECTORS' BENEFITS

Neither at the end of the financial period, nor at any time during that period, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options to be granted pursuant to the ESS of the ultimate holding company, MBB.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors, or the fixed salary of a full time employee of the Company as disclosed in Note 25 and 34 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial period in shares and options over shares of the ultimate holding company, MBB, during the financial period were as follows:

	Number of ordinary shares of RM1 each			
	1 July 2011	DRP*	Bought	31 December 2011
Direct Interest:				
Dato' Mohd Salleh Haji Harun	305,981	8,801	-	314,782
Dato' Johan bin Ariffin	122,805	3,532	-	126,337
Mohamed Nor bin Abdul Hamid	10,100	290	-	10,390
Indirect Interest:				
Mohamed Nor bin Abdul Hamid	22,751	-	-	22,751

	Number of Options over Ordinary Shares of RM0.627 each			
	1 July 2011	Granted	Exercised	31 December 2011
Hans J. J. De Cuyper	200,000	-	-	200,000

* DRP = Dividend Reinvestment Plan

Other than as disclosed above, none of the directors in office at the end of the financial period had any interest in shares in the Company or its related corporations during the financial period.

OTHER STATUTORY INFORMATION

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

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

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

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

(i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and

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

OTHER STATUTORY INFORMATION (CONT'D.)

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

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

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

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

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

(f) In the opinion of the directors:

(i) 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 period which will or may affect the ability of the Company to meet its obligations when they fall due; and

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

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

(g) Before the statements of financial position and income statements of the Company were made out, the directors took reasonable steps to ascertain that there was adequate provision for claims reported, claims incurred but not reported ("IBNR") and the actuarial valuation of family takaful liabilities.

CORPORATE GOVERNANCE

The Board of Directors ("the Board") is committed to ensuring that the highest standards of corporate governance are practised in the Company. This is a fundamental part in discharging their responsibilities to protect and enhance all stakeholders' values and the financial performance of the Company.

CORPORATE GOVERNANCE (CONT'D.)

(a) Board Responsibilities (Cont'd.)

In discharging their duties, the Board is equally responsible to ensure compliance with the Takaful Act, 1984 and Bank Negara Malaysia's ("BNM") Guidelines, including BNM/RH/GL/004-1: *Guidelines on Directorship for Takaful Operators*. They also have to comply with the tenets of corporate governance by adopting its best practices as stipulated under BNM/RH/GL/003-2: *Prudential Framework of Corporate Governance for Insurers*.

Apart from their statutory responsibilities, the Board approves the Company's major investments, disposals and funding decisions. They ensure the implementation of appropriate systems to manage risks and also review and approve the strategies and financial objectives to be implemented by the management. These functions are carried out by the Board directly and/or through their various committees.

The Board is responsible for creating the framework and policies within which the Company should be operating and the management is responsible for implementing them. This demarcation reinforces the supervisory role of the Board.

Hence, the Company has an organisational structure showing all reporting lines as well as clearly documented job descriptions for all management and executive employees and formal performance appraisals are done annually.

The directors, with different backgrounds and experiences, collectively bring with them a wide range of skills and specialised knowledge that are required for the management of the Company.

The Board met 3 times during the financial period and the attendance of the directors was as follows:

Name	Number of Board meetings Attended	%
Dato' Mohd Salleh Haji Harun (Chairman)	3/3	100
Damis Jacobus Ziengs (Vice Chairman)	3/3	100
Datuk Dr. Syed Othman bin Syed Hussin Alhabshi	3/3	100
Dato' Johan bin Ariffin	3/3	100
Zainal Abidin Jamal	2/3	67
Mohamed Nor Abdul Hamid	3/3	100
Loh Lee Soon	3/3	100
Gary Lee Crist	3/3	100
Hans J. J. De Cuyper	3/3	100

CORPORATE GOVERNANCE (CONT'D.)

(b) Management Accountability

Whilst the Board is responsible for creating the framework and policies within which the Company should be operating, the management is accountable for the execution of the enabling policies and attainment of the Company's corporate objectives.

(c) Corporate Independence

All material related party transactions have been disclosed in Note 34 to the financial statements.

(d) Internal Controls and Audit

The Board exercises overall responsibility for the Company's internal controls and its effectiveness. The Board recognises that risks cannot be eliminated completely; as such, the systems and processes put in place are aimed at minimising and managing them. The Company has established internal controls which cover all levels of personnel and business processes that ensure the Company's operations are run in an effective and efficient manner as well as to safeguard the assets of the Company and stakeholders' interests. Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures that corrective action where necessary, is taken in a timely manner.

The internal audit reports are tabled at the first scheduled Audit Committee ("AC") meeting after the date of receipt of these reports. The internal audit function reports to the Board through the AC, and its findings and recommendations are communicated to senior management and all levels of staff concerned. The AC is established at the holding company's level.

The composition of the AC are as follows:

Loh Lee Soon (Chairman)
Independent, non-executive director

Damis Jacobus Ziengs
Non-Independent, non-executive director

Datuk Dr. Syed Othman bin Syed Hussin Alhabshi
Independent, non-executive director

The AC met 2 times during the financial period and the attendance of the directors was as follows:

Name	Number of Board meetings Attended	%
Loh Lee Soon	2/2	100
Damis Jacobus Ziengs	2/2	100
Datuk Dr. Syed Othman bin Syed Hussin Alhabshi	2/2	100

CORPORATE GOVERNANCE (CONT'D.)

(e) Risk Management

The Board takes responsibility in establishing the Risk Management Committee ("RMC"). The primary 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 the risk management process is in place and functioning effectively.

The Company established the RMC at the holding company's level. In discharging its responsibilities, the RMC is complemented by the Investment Committee of the Board and assisted by the Asset Liability Committee ("ALCO") of the management.

The SC, set up in compliance with the Takaful Act, 1984, will oversee the operations of the Company to ensure that they are in line with the principles of Shariah.

The risk management framework for the Company comprises three main components, i.e. policy-making, monitoring and control and risk acceptance while the risk management approach is premised on three lines of defence, i.e. risk-taking, risk control and coordinating units and internal audit. Risks have been classified into three main categories, which are made up of takaful risk, financial risk (including market risk, credit risk and balance sheet risk) and operational risk.

There is an on-going process for identifying, evaluating and managing the significant risks faced by the Company in consultation with the SC. This is achieved through designated management functions and internal controls, which includes the setting up of operational risk limits for all core activities.

The composition of the RMC are as follows:

Mohamed Nor Abdul Hamid (Chairman)
Independent, non-executive director

Damis Jacobus Ziengs
Non-independent, non-executive director

Datuk R Karunakaran
Independent, non-executive director

Dato' Johan bin Ariffin
Non-independent, non-executive director

The RMC met 4 times during the financial period.

CORPORATE GOVERNANCE (CONT'D.)

(f) Nomination and Remuneration Committee

The Company will continue to leverage the existing Nomination and Remuneration Committee of the Board ("NRC") which had taken effect as a merged committee of the ultimate holding company, MBB, on 27 May 2010 as part of its governance structure.

The primary objective of the NRC is to establish a documented, formal and transparent procedure for the appointment of directors, the chief executive officer and key senior officers. The committee is also responsible to assess the effectiveness of directors, the Board as a whole and the various committees of the Board, the chief executive officer and key senior officers.

Further, the NRC is also responsible to provide a formal and transparent procedure for developing a remuneration policy for directors, the chief executive officer and key senior officers and ensuring that their compensation is competitive and consistent with the Company's culture, objectives and strategy.

The composition of the NRC are as follows:

Dato' Mohd Salleh Hj Harun (Chairman)
Independent, non-executive director

Tan Sri Dr Hadenan bin A. Jalil
Independent, non-executive director

Dato' Dr Tan Tat Wai
Independent, non-executive director

Zainal Abidin bin Jamal
Non-independent, non-executive director

Alister Maitland
Independent, non-executive director

During the financial period, the Nomination and Remuneration Committee met 6 times.

CORPORATE GOVERNANCE (CONT'D.)

(g) Investment Committee

Following the transfer of Sri MLAB Berhad's life insurance business (under member voluntary winding up) to Etiqa Insurance Berhad ("EIB"), a fellow subsidiary on 24 September 2011, the Investment Committee ("IC") is now established at EIB.

The objectives of the IC include, to present an opinion on the long-term strategic investment policy including real estate, as a recommendation for the Risk Management Meeting ("RMM")/RMC/Board based on ALCO advice, to establish a tactical investment policy on the basis of the proposals made by the investment manager and within the boundaries laid out in the Investment Management Mandates ("IMM"), to test the policy conducted by the investment manager against the strategic and tactical investment policy/asset management mandate, and to evaluate and approve the operational policy conducted by the investment manager. It also evaluates, reviews and maintains the Investment Management Guidelines ("IMG"), based on ALCO advice and negotiates conditions with, appoints or dismisses external fund managers, custodians, banks and other financial intermediaries.

The IC reports to the Board of all the operating companies under Mayban Ageas Holdings Berhad ("MAHB").

The composition of the IC are as follows:

Dato' Sri Abdul Wahid bin Omar (Chairman)
Independent, non-executive director

Datuk Dr. Syed Othman bin Syed Hussin Al-Habshi
Independent, non-executive director

Mohd Din bin Merican (resigned as CEO of EIB
Chief Executive Officer, EIB on 31 December 2011)

Ahmad Shahril Azuar Jimin (term of office as CEO of ETB
Chief Executive Officer, ETB expired on 31 December 2011)

Hans J. J. De Cuyper
Chief Executive Officer, MAHB

Datuk R Karunakaran
Independent, non-executive director

The IC met 2 times during the financial period.

CORPORATE GOVERNANCE (CONT'D.)

(h) Public Accountability

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally.

(i) Financial Reporting

The Board takes responsibility for presenting a balanced and comprehensive assessment of the Company's operations and prospects each time it releases its annual financial statements to shareholders. The AC of the Board assists by scrutinising the information to be disclosed to ensure accuracy, adequacy and completeness.

CHANGE OF FINANCIAL YEAR END

The Company had changed their financial year-end from 30 June to 31 December at the beginning of the financial period to coincide with the change of financial year end of the ultimate holding company, MBB.

Accordingly, the financial statements of the Company for the current financial period ended 31 December 2011 covers a six-month period compared to a twelve-month period for the previous financial year ended 30 June 2011, and therefore the comparative amounts for the income statements, statements of comprehensive income, statement of changes in equity, statement of cash flows and the related notes are not comparable.

AUDITORS

The auditors, Ernst & Young, retire and have expressed their willingness to continue in office.

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

Dato' Mohd Salleh Haji Harun

Hans J. J. De Cuyper

Kuala Lumpur, Malaysia
23 February 2012

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

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

We, Dato' Mohd Salleh Haji Harun and Hans J. J. De Cuyper, being two of the directors of Etiqa Takaful Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 15 to 161 are drawn up in accordance with Financial Reporting Standards in Malaysia, as modified by Bank Negara Malaysia, and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as at 31 December 2011 and of the results and the cash flows of the Company for the six months financial period ended 31 December 2011.

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

Dato' Mohd Salleh Haji Harun

Hans J. J. De Cuyper

Kuala Lumpur, Malaysia
23 February 2012

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

I, Lok Hoe San, being the Officer primarily responsible for the financial management of Etiqa Takaful Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 15 to 161 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Lok Hoe San at
Kuala Lumpur in Wilayah Persekutuan
on 23 February 2012

Lok Hoe San

Before me,

PESURUHAYA SUMPAH
No: W 480
R. VASUGI AMMAL,
PJK
MALAYSIA

Commissioner for Oaths

No: 72, Tkt. 3,
Jalan Mega Mendung,1
Bandar Kompleks,
58200 Kuala Lumpur.

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

REPORT OF THE SHARIAH COMMITTEE

We, Tan Sri Dato' Seri (Dr) Haji Harussani bin Haji Zakaria and Dr. Mohammad Deen bin Mohd Napiah, being two of the members of the Shariah Committee of Etiqa Takaful Berhad, do hereby report on behalf of the Committee that to the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the activities of the Company's business for the six months financial period ended 31 December 2011 have been conducted in conformity with the requirements of Shariah.

Signed on behalf of the Committee.

Tan Sri Dato' Seri (Dr) Haji Harussani bin Haji Zakaria

Dr. Mohammad Deen bin Mohd Napiah

Kuala Lumpur, Malaysia
23 FEB 2012

ERNST & YOUNG

Ernst & Young
AF : 0039
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia
Mail address: P.O. Box 11040
50734 Kuala Lumpur, Malaysia
Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
www.ey.com

266243-D

Independent auditors' report to the member of Etiqa Takaful Berhad (Incorporated in Malaysia)

Report on the financial Statements

We have audited the financial statements of Etiqa Takaful Berhad, which comprise the statements of financial position as at 31 December 2011, the income statements, the statements of comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 1 July 2011 to 31 December 2011, and a summary of significant accounting policies and other explanatory notes, as set out on pages 15 to 161.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards, as modified by Bank Negara Malaysia ("BNM") Guidelines, and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

ERNST & YOUNG

266243-D

Independent auditors' report to the member of
Etiqa Takaful Berhad (Cont'd.)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards, as modified by BNM Guidelines, and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2011 and of its financial performance and cash flows for the period from 1 July 2011 to 31 December 2011.

Report on other legal and regulatory requirements

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

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
23 February 2012

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	31.12.2011 RM'000	30.06.2011 RM'000 (Restated)	1.07.2010 RM'000 (Restated)
ASSETS				
Property, plant and equipment	3	1,459	4,678	3,486
Intangible assets	4	12,431	12,395	15,854
Available-for-sale ("AFS") financial assets	5	204,222	180,079	175,633
Loans and receivables	7	130,748	154,094	73,143
Financing receivables	8	21,055	22,192	21,532
Other receivables	10	522,481	499,761	445,015
Cash and bank balances		18,510	1,166	5,404
Total shareholder's fund assets		910,906	874,365	740,067
Total general takaful fund assets		1,496,043	1,414,538	1,042,636
Total family takaful fund assets		6,986,363	6,626,753	5,932,549
Total assets		9,393,312	8,915,656	7,715,252
EQUITY AND LIABILITIES				
Equity				
Share capital	12	100,000	100,000	100,000
Retained profits		519,454	475,938	352,612
AFS reserves		10,790	10,983	6,914
Total shareholder's equity		630,244	586,921	459,526
Liabilities				
Deferred tax liabilities	11	6,747	7,772	4,029
Expense liabilities	18	217,973	219,057	190,054
Other payables	16	55,722	58,997	53,280
Current tax liabilities		220	1,618	33,178
Total shareholder's fund liabilities		280,662	287,444	280,541
Total general takaful fund liabilities and participants' fund		1,496,043	1,414,538	1,042,636
Total family takaful fund liabilities and participants' fund		6,986,363	6,626,753	5,932,549
Total liabilities		8,763,068	8,328,735	7,255,726
Total liabilities, participants' fund and shareholder's equity		9,393,312	8,915,656	7,715,252

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2011

	Note	1.07.2011 to 31.12.2011 RM'000	1.07.2010 to 30.06.2011 RM'000 (Restated)
Operating revenue	19	115,565	220,416
Fee and commission income	21	109,526	207,919
Investment income	22	6,039	12,497
Realised gains and losses	23	1,966	5,696
Other operating revenue	24	1,779	11,733
Other revenue		119,310	237,845
Management expenses	25	(66,350)	(124,982)
Change in expense liabilities	26	1,084	(29,003)
Fee and commission expenses	27	(46,856)	(90,695)
Other expenses		(112,122)	(244,680)
Transfer from takaful income statement:			
General takaful fund (page 20)		12,941	35,522
Family takaful fund (page 23)		46,851	130,382
Profit before taxation		66,980	159,069
Taxation	28	(19,725)	(29,050)
Zakat		(3,739)	(6,693)
Net profit for the period/year		43,516	123,326
Basic earnings per share (sen)	30	43.5	123.3

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

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2011

	Note	1.07.2011 to 31.12.2011 RM'000	1.07.2010 to 30.06.2011 RM'000 (Restated)
Net profit for the period/year		43,516	123,326
Other comprehensive income:			
Net gains on AFS financial assets:			
Gains on fair value changes		1,708	11,122
Realised gain transferred to income statement	23	(1,966)	(5,696)
Tax effects relating to components of other comprehensive income		65	(1,357)
Other comprehensive income for the period/year, net of tax		(193)	4,069
Total comprehensive income for the period/year		43,323	127,395

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

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2011

		Attributable to Equity Holder of the Company			
			Non-Distributable	Distributable	
	Note	Share Capital RM'000	Available-for-sale Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
At 1 July 2011, as previously stated		100,000	10,983	382,261	493,244
Effects of adoption of BNM Guidelines	2.5	-	-	93,457	93,457
Effects of reversal of general provision for dimunition	2.5	-	-	4,336	4,336
Effects of impairment losses on co-takaful claim recoveries	2.5	-	-	(4,116)	(4,116)
At 1 July 2011, as restated		100,000	10,983	475,938	586,921
Total comprehensive income for the period		-	(193)	43,516	43,323
At 31 December 2011		100,000	10,790	519,454	630,244
At 1 July 2010, as previously stated		100,000	6,914	310,457	417,371
Effects of adoption of BNM Guidelines	2.5	-	-	41,935	41,935
Effects of reversal of general provision for dimunition	2.5	-	-	4,336	4,336
Effects of impairment losses on co-takaful claim recoveries	2.5	-	-	(4,116)	(4,116)
At 1 July 2010, as restated		100,000	6,914	352,612	459,526
Total comprehensive income for the year, as restated		-	4,069	123,326	127,395
At 30 June 2011, as restated		100,000	10,983	475,938	586,921

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

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

GENERAL TAKAFUL FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	31.12.2011 RM'000	30.06.2011 RM'000 (Restated)	1.07.2010 RM'000 (Restated)
ASSETS				
Property, plant and equipment	3	6	8	13
Intangible assets	4	33	568	102
AFS financial assets	5	824,536	793,090	568,540
Loans and receivables	7	262,760	181,873	231,632
Financing receivables	8	-	1,621	1,696
Takaful receivables	9	92,652	97,618	73,005
Other receivables	10	11,818	10,634	7,258
Retakaful assets	17	278,108	300,064	123,280
Cash and bank balances		26,130	29,062	37,110
Total general takaful fund assets		1,496,043	1,414,538	1,042,636
PARTICIPANTS' FUND AND LIABILITIES				
Participants' Fund				
General takaful fund	13	87,946	92,690	75,606
Liabilities				
Takaful payables	15	56,937	64,691	68,509
Other payables	16	207,228	209,932	140,473
Takaful certificates liabilities	17	1,137,876	1,042,855	740,632
Current tax liabilities		6,056	4,370	17,416
Total general takaful fund liabilities		1,408,097	1,321,848	967,030
Total general takaful fund liabilities and participants' fund		1,496,043	1,414,538	1,042,636

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

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

GENERAL TAKAFUL FUND
INCOME STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2011

	Note	1.07.2011 to 31.12.2011 RM'000	1.07.2010 to 30.06.2011 RM'000 (Restated)
Operating revenue	19	376,304	670,008
Gross earned contributions	20(a)	369,683	525,480
Earned contributions ceded to retakaful	20(b)	(76,567)	(65,927)
Net earned contributions		293,116	459,553
Fee and commission income	21	6,145	16,637
Investment income	22	20,589	33,767
Realised gains and losses	23	9,290	15,488
Net other operating revenue	24	3,655	-
Other revenue		39,679	65,892
Gross benefits and claims paid		(138,347)	(265,859)
Claims ceded to retakaful		5,536	28,590
Gross change to certificate liabilities		(108,989)	(191,462)
Change in certificate liabilities ceded to retakaful		23,449	140,938
Net benefits and claims		(218,351)	(287,793)
Management expenses	25	(534)	(520)
Fee and commission expenses	27	(88,029)	(161,316)
Net other operating expenses	24	-	(4,772)
Other expenses		(88,563)	(166,608)
Profit before taxation		25,881	71,044
Surplus attributable to the Company and transferred to shareholder's fund		(12,941)	(35,522)
Taxation	28	-	9,835
Net profit for the period/year		12,940	45,357

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

GENERAL TAKAFUL FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2011

	Note	1.07.2011 to 31.12.2011 RM'000	1.07.2010 to 30.06.2011 RM'000 (Restated)
Net profit for the period/year		12,940	45,357
Other comprehensive income:			
Net gains on AFS financial assets:			
Gains on fair value changes		4,666	29,915
Realised gain transferred to income statement	23	(9,290)	(15,488)
Other comprehensive income for the period/year		(4,624)	14,427
Total comprehensive income for the period/year		8,316	59,784

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

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

FAMILY TAKAFUL FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	31.12.2011 RM'000	30.06.2011 RM'000 (Restated)	1.07.2010 RM'000 (Restated)
ASSETS				
Property, plant and equipment	3	5	9	17
Intangible assets	4	911	1,235	2,276
AFS financial assets	5	1,975,704	1,845,538	1,590,305
FVTPL financial assets	6	3,711,116	3,386,086	2,782,304
Loans and receivables	7	1,001,114	1,050,071	936,224
Financing receivables	8	40,878	53,486	57,374
Takaful receivables	9	68,449	80,272	152,941
Other receivables	10	91,606	84,708	67,410
Retakaful assets	17	18,832	21,081	31,078
Cash and bank balances		44,180	20,042	26,244
Investment-linked business assets	29	70,252	120,909	323,060
Total family takaful fund assets		7,023,047	6,663,437	5,969,233
PARTICIPANTS' FUND AND LIABILITIES				
Participants' Fund				
Family takaful fund	14	1,578,722	1,495,616	1,220,241
Takaful investment-linked fund	29	67,698	116,880	314,994
Total family takaful participants' fund		1,646,420	1,612,496	1,535,235
Liabilities				
Takaful payables	15	69,800	79,677	65,387
Other payables	16	508,947	474,543	388,074
Takaful certificates liabilities	17	4,744,336	4,451,278	3,922,807
Current tax liabilities		50,990	41,414	49,664
Investment-linked business liabilities	29	2,554	4,029	8,066
Total family takaful fund liabilities		5,376,627	5,050,941	4,433,998
Total family takaful fund liabilities and participants' fund		7,023,047	6,663,437	5,969,233

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

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

FAMILY TAKAFUL FUND
INCOME STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2011

	Note	1.07.2011 to 31.12.2011 RM'000	1.07.2010 to 30.06.2011 RM'000 (Restated)
Operating revenue	19	821,234	1,499,121
Gross earned contributions	20(a)	726,054	1,446,589
Earned contributions ceded to retakaful	20(b)	(10,608)	(20,236)
Net earned contributions		715,446	1,426,353
Fee and commission income	21	42	2,331
Investment income	22	145,317	257,571
Realised gains and losses	23	46,123	63,778
Fair value gains and losses		34,019	64,402
Other revenue		225,501	388,082
Gross benefits and claims paid		(303,380)	(609,357)
Claims ceded to retakaful		6,790	3,949
Gross change to certificate liabilities		(313,879)	(545,924)
Change in certificate liabilities ceded to retakaful		(2,249)	(9,997)
Net benefits and claims		(612,718)	(1,161,329)
Management expenses	25	(53,636)	(78,071)
Fee and commission expenses	27	(108,123)	(241,763)
Net other operating expenses	24	(17,451)	(12,508)
Other expenses		(179,210)	(332,342)
Profit before taxation		149,019	320,764
Surplus attributable to the Company and transferred to shareholder's fund		(46,851)	(130,382)
Taxation	28	-	28,686
Net profit for the period/year		102,168	219,068

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

FAMILY TAKAFUL FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2011

	Note	1.07.2011 to 31.12.2011 RM'000	1.07.2010 to 30.06.2011 RM'000 (Restated)
Net profit for the period/year		102,168	219,068
Other comprehensive income:			
Net gains on AFS financial assets:			
Gains on fair value changes		29,691	133,282
Realised gain transferred to income statement	23	(36,960)	(56,732)
Other comprehensive income for the period/year		(7,269)	76,550
Total comprehensive income for the period/year		94,899	295,618

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2011

	Note	31.12.2011 RM'000	30.06.2011 RM'000 (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation and zakat		66,980	159,069
Adjustments for:			
Depreciation of property, plant and equipment		378	1,239
Amortisation of intangible assets		4,090	6,343
(Reversal of)/allowance for impairment of takaful receivables		(3,798)	10,409
Net gain on disposal of investments		(52,490)	(72,831)
Investment income		(150,345)	(252,880)
Gross dividend income		(14,230)	(33,550)
Accretion of discounts		(8,268)	(18,981)
Fair value gain on investments		(34,019)	(64,402)
Net reversal of impairment on investments		(4,889)	(12,135)
Net provision for diminution in value of investments		18,229	4,945
Increase in unearned contribution reserves		31,437	74,915
Increase in general takaful fund		13,469	45,367
Increase in family takaful fund		376,656	740,297
Operating profit before working capital changes		243,200	587,805
Proceeds from disposal of investments		817,444	1,173,011
Purchase of investments		(1,259,382)	(2,001,214)
Decrease in takaful receivables		28,811	37,649
Decrease in other receivables		9,932	2,182
(Decrease)/increase in other payables		(13,248)	67,240
(Increase)/decrease in expense liabilities		(1,084)	29,003
(Increase)/decrease in takaful payables		(15,477)	10,465
Decrease in financing receivables		15,355	3,345
Increase in placements of Islamic investment accounts		(8,583)	(145,040)
Increase in claims liabilities		106,362	67,977
		(76,670)	(167,577)
Investment income received		150,497	257,512
Dividend income received		14,496	22,934
Zakat paid		(305)	(4,544)
Taxation paid		(21,983)	(59,121)
Taxation refund		-	499
Mudharabah paid to participants		(24,852)	(62,943)
Net cash generated from/(used in) operating activities	32	41,183	(13,240)

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS (CONT'D.)
FOR THE PERIOD ENDED 31 DECEMBER 2011

	Note	31.12.2011 RM'000	30.06.2011 RM'000 (Restated)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of intangible assets		(2,497)	(2,718)
Purchase of property, plant and equipment		(136)	(2,530)
Net cash used in investing activities	32	(2,633)	(5,248)
Increase/(decrease) in cash and cash equivalents	32	38,550	(18,488)
Cash and cash equivalents at beginning of period/year		50,270	68,758
Cash and cash equivalents at end of period/year		88,820	50,270
Cash and cash equivalents comprise:			
Cash and bank balances of:			
Shareholder's fund		18,510	1,166
General takaful fund		26,130	29,062
Family takaful fund		44,180	20,042
		88,820	50,270

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011

1. CORPORATE INFORMATION

The principal activity of the Company is the management of general takaful, family takaful and takaful investment linked business.

There have been no significant changes in the nature of the activities of the Company during the six months financial period from 1 July 2011 to 31 December 2011.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 19, Tower C, Dataran Maybank, No. 1, Jalan Maarof, 59000 Kuala Lumpur.

The holding and ultimate holding companies of the Company are Mayban Ageas Holdings Berhad ("MAHB") (formerly known as Mayban Fortis Holdings Berhad) and Malayan Banking Berhad ("MBB") respectively, both of which are incorporated in Malaysia. MBB is a licensed commercial bank listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial year end of the Company was changed from 30 June to 31 December. Accordingly, the financial statements of the Company for the current financial period ended 31 December 2011 covers a six-month period compared to a twelve-month period for the previous financial year ended 30 June 2011, and therefore, the comparative amounts for the income statements, statements of comprehensive income, statement of changes in equity, statement of cash flows and the related notes are not comparable.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 February 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the Companies Act, 1965 and Financial Reporting Standards ("FRSs") in Malaysia, as modified by Bank Negara Malaysia ("BNM").

At the beginning of the current financial period, the Company had fully adopted new and revised FRSs, Issues Committee ("IC") Interpretations and Amendments to FRSs in Malaysia as described fully in Note 2.3.

In accordance with BNM's Guideline on Financial Reporting for Takaful Operators, the Company presents its statements of financial position, income statements, statements of comprehensive income and related explanatory notes by funds. These changes in presentation are a modification to FRS 101 *Presentation of Financial Statements* which is approved by BNM under Section 41 of the Takaful Act, 1984. In addition, under this Guideline, takaful operators are also required to ensure that aggregated total assets and total liabilities as presented in the Company's statement of financial position are net of Qardhul Hasan ("Qard") and the related Islamic investment accounts in order to avoid double counting of assets and liabilities. This requirement has been reflected in the current period's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of Preparation (Cont'd.)

The financial statements of the Company have also been prepared on a historical cost basis, unless otherwise stated in the accounting policies.

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

The financial statements are presented in Ringgit Malaysia ("RM") which is also the Company's functional currency and all values are rounded to the nearest thousand (RM'000) except where otherwise indicated.

2.2 Summary of Significant Accounting Policies

(a) Property, Plant and Equipment and Depreciation

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

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

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

Furniture, fittings, office equipment and renovations	20%
Computers and peripherals	25%
Motor vehicles	25%

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(a) Property, Plant and Equipment and Depreciation (Cont'd.)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets is included in the income statement.

(b) Intangible assets

Other intangible assets include software development cost and computer software. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination are their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

Amortisation is charged to the income statement.

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

(i) Software development costs

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

(ii) Computer software and licences

The useful lives of computer software and licences are amortised using the straight-line method over their estimated useful lives of 4 years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least at each reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(c) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Company all the risk and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risk and rewards incidental to ownership are classified as operating leases.

(ii) Operating leases - The Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

(d) Investments and financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Company and/or the takaful funds become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Company categorises its financial assets in accordance with the following classifications:

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

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

For assets designated at FVTPL, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(d) Investments and financial assets (Cont'd.)

(i) Financial assets at fair value through profit or loss ("FVTPL") (Cont'd.)

For assets designated at FVTPL, the following criteria must be met: (Cont'd.)

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

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

(ii) Loans and receivables ("LAR")

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. For the accounting policies with respect to takaful receivables and retakaful assets, refer to Notes 2.2(n) and 2.2(h) respectively.

Subsequent to initial recognition, loans and receivables are measured at amortised cost, using the effective interest method. Gains and losses are recognised in the income statements when the assets are derecognised or impaired, as well as through the amortisation process.

(iii) Available-for-sale ("AFS") financial assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(d) Investments and financial assets (cont'd.)

(iii) Available-for-sale ("AFS") financial assets (cont'd.)

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

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

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Company and/or the takaful funds commit to purchase or sell the asset.

(e) Fair value of Financial Assets at FVTPL and AFS

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market prices for assets at the close of business at the reporting date.

For financial assets in quoted unit and real estate investment trusts, fair value is determined by reference to published prices. Investments in equity that do not have quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost.

For financial assets where there is no active market such as unquoted fixed income securities i.e. unquoted bonds, MGS, GII, government guaranteed bonds, Khazanah bonds, fair values are determined by reference to indicative bid prices obtained from Bondweb. The fair values of structured deposits are based on latest market prices obtained from financial institutions. The market value of NICDs are determined by reference to BNM's Interest Rate Swap. In the case of defaulted or other bonds where such indicative prices are not available, an internal valuation is performed by qualified personnel to determine the fair value of the bonds.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value which is the cost of the deposit/placement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(e) Fair value of Financial Assets at FVTPL and AFS (cont'd.)

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.

(f) Impairment of financial assets

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

(i) Takaful receivables

To determine whether there is objective evidence that an impairment loss on takaful receivables has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the issuer or obligor or significant delay in payments. Takaful receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If there is objective evidence that an impairment loss has been incurred, the amount of impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. The impairment loss is recognised in profit or loss.

Impairment losses on takaful receivables are recognised as a reduction against the carrying amount of those receivables through the use of an allowance account. When the takaful receivables becomes uncollectible, it is written off against the allowance account.

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 to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(f) Impairment of financial assets (cont'd.)

(ii) AFS financial assets

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

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

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

(iii) Unquoted equity securities carried at cost

If there is objective evidence that an impairment loss on financial assets carried at cost has been incurred, the carrying amount will be written down to the recoverable amount. Such impairment losses are not reversed in subsequent periods.

(iv) Loans and receivables

LAR are impaired and impairment losses are incurred only if there is objective evidence of impairment loss as a result of the occurrence of loss event(s) after initial recognition. An impairment loss is recognised in profit or loss and is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(g) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Company makes an estimate of the asset's recoverable amount.

Impairment losses are recognised in profit or loss except for assets that were previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An impairment assessment is made at each reporting date to determine whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If that is the case, the carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation, or depreciation) had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss, unless the asset is at revalued amount, in which case the reversal is treated as a revaluation increase.

(h) Retakaful

The Company, as the operator of the participants' fund, cedes takaful risk in the normal course of business for all its takaful business. Ceded retakaful arrangements do not relieve the Company from its obligations to participants. For both ceded and assumed retakaful, contributions, claims and benefits paid or payable are presented on a gross basis.

Retakaful arrangements, entered into by the Company, that meet the classification requirements of takaful certificates as described in Note 2.2(i) are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(h) Retakaful (cont'd.)

At each reporting date, or more frequently, retakaful assets are reviewed for impairment. Impairment occurs when there is objective evidence as the result of an event that occurred after initial recognition of the retakaful assets that the Company may not receive all outstanding amounts due under the terms of the contract and the impact of the event can be reliably measured. The impairment loss is recorded in profit or loss.

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

(i) Product classification

The Company, as the operator of the participants' funds, issues certificates that contain takaful risk or both financial and takaful risk.

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

Takaful certificates are those certificates that contain significant underwriting risk. A takaful certificates is a certificate under which the participants' fund has accepted significant risk from the participants by agreeing to compensate the participants if a specified uncertain future event adversely affects the participants. As a general guideline, the Company determines whether it has significant underwriting risk, by comparing claims paid with claims payable if the event did not occur. If the ratio of the former exceeds the latter by 5% or more, the takaful risk accepted is deemed to be significant.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(i) Product classification (cont'd.)

When takaful certificates contain both a financial risk component and a significant underwriting risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any contributions relating to the underwriting risk component are accounted for on the same basis as takaful certificates and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

Based on the company's product classification review, all products fall under the classification of takaful certificate.

(j) Shareholder's fund

Expense liabilities

The expense liabilities of the shareholder's fund consists of expense liabilities of the general takaful fund and the family takaful fund which are based on estimations performed by a qualified actuary. The movement in expense liabilities is released over the term of the retakaful certificates and recognised in the income statement.

(i) Expense liabilities of general takaful fund

The expense liabilities are reported as the higher of the aggregate of the provision for unearned wakalah fees ("UWF") and the unexpired expense reserves ("UER") and a provision of risk margin for adverse deviation ("PRAD") calculated at 75% confidence level at the total fund level as at the reporting date.

(a) Provision for unearned wakalah fee

The UWF represents the portion of wakalah fee income allocated for expenses to be incurred in managing general takaful certificates that relate to the unexpired periods of certificates at the end of the reporting period. The method used in computing UWF is consistent with the calculation of UCR.

(b) Unexpired expense reserves

UER consists of the best estimate value of the unexpired expense reserves at the valuation date and a PRAD calculated at 75% confidence level at the total fund level. The best estimate UER is determined based on the expected claims handling expenses to be incurred as well as the expected expenses for maintenance of unexpired certificate risks. The method used in computing PRAD for expense liabilities is consistent with the calculation of PRAD for claims liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(j) Shareholder's fund (cont'd.)

(ii) Expense liabilities of family takaful fund

The valuation of expense liabilities related to contracts of the family takaful fund is conducted separately by the Appointed Actuary in the shareholder's fund. The method used to value expense liabilities is consistent with the method used to value takaful liabilities of the corresponding family takaful certificates. In valuing the expense liabilities, the present value of expected future expenses payable by the shareholder's fund in managing the takaful fund for the full contractual obligation of the takaful certificates less any expected cash flows from future wakalah fee income, and any other income due to the shareholder's fund that can be determined with reasonable certainty, are taken into consideration.

Expense liabilities are recognised when projected future expenses exceed the projected future income of takaful certificates. The changes in expense liabilities are recognised in profit or loss.

(iii) Liability adequacy test

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

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

Based on this, all takaful certificate liabilities as at reporting date are deemed to be adequate.

(k) General takaful fund

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(k) General takaful fund (cont'd.)

The general takaful underwriting results are determined for each class of business after taking into account retakaful, changes in takaful certificate liabilities, wakalah fees and management expenses.

(i) Contribution income

Contribution income is recognised in a financial period in respect of risks assumed during that particular financial period. Contribution from direct business are recognised during the financial period upon the issuance of debit notes. Contributions in respect of risks incepted for which debit notes have not been issued as at the reporting date are accrued at that date.

Inward treaty retakaful contributions are recognised on the basis of periodic advices received from ceding takaful operators. Inward facultative retakaful contributions are recognised in the financial period in respect of the facultative risks accepted during that particular financial period as in the case of direct policies, following the individual risks' inception dates.

Outward retakaful contributions are recognised in the same financial period as the original certificate to which the retakaful relates.

(ii) Contribution liabilities

Contribution liabilities represent the Company's future obligations on takaful certificates as represented by contributions received for risks that have not yet expired. The movement in contribution liabilities is released over the term of the takaful certificates and is recognised as contribution income.

Contribution liabilities are reported at the higher of the aggregate of the unearned contribution reserves ("UCR") for all line of business or the total fund's unexpired risk reserves ("URR") at 75% Confidence Level at the end of the financial period.

(a) Unearned Contribution Reserves

UCR represent the portion of the gross contributions of takaful certificates written, net of the related retakaful contributions ceded to qualified retakaful operators, that relate to the unexpired periods of the certificates at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(k) General takaful fund (cont'd.)

(ii) Contribution liabilities

(a) Unearned contribution reserves (cont'd.)

Mudharabah

Short-term UCR represent the portion of net contribution income that relate to the unexpired period of certificates, with a duration not exceeding one year, at the reporting date.

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

- earned upon maturity method for bond business;
- 25% method for marine and aviation cargo and transit business; and
- 1/365th method for all other classes of general business, reduced by the corresponding percentage of accounted gross direct business commissions to the corresponding contributions, not exceeding limits specified by BNM as follows:

Motor and bond	10%
Fire, engineering, aviation and marine hull	15%
Workmen compensation and employers' liability:	
- Foreign workers	10%
- Others	25%
Other classes	25%

Long-term UCR represent the portion of net contribution income of takaful certificates, with a duration exceeding one year, that relate to the unexpired periods of the certificates at the reporting date. The earned contribution income is recognised on a time apportionment basis over the duration of the certificates.

Wakalah

The UCR for wakalah business is calculated on net contribution income with a further deduction for wakalah fee expenses to reflect the wakalah business principle. The method used to calculate UCR is similar to that used for mudharabah business. No further deduction for commission expenses is made as commission expenses are borne by shareholder's fund.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(k) General takaful fund (cont'd.)

(ii) Contribution liabilities (cont'd.)

(b) Unexpired risk reserves

The URR is a prospective estimate of the expected future payments arising from future events insured under certificates in force as at the reporting date and also includes allowance for expenses, including overheads and cost of retakaful, expected to be incurred during the unexpired period in administering these certificates and settling the relevant claims, and expected future contribution refunds.

URR is estimated via an actuarial valuation performed by a qualified actuary.

(iii) Claims liabilities

Claim liabilities represent the Company's obligations, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at reporting date.

Claims liabilities are the estimated cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and other recoveries.

Claims liabilities comprise of provisions for claims reported, liabilities for claims incurred but not reported ("IBNR") and a PRAD calculated at above 75% confidence level at the overall fund level.

Liabilities for outstanding claims are recognised upon notification by participants. IBNR claims are estimated via an actuarial valuation performed by a qualified actuary, using a mathematical method of estimation based on, amongst others, actual claim development patterns. Liabilities are not discounted for the time value of money.

(iv) Liability adequacy test

At each reporting date, the Fund reviews all takaful certificate liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the Fund, contractual or otherwise, with respect to takaful certificates issued. In performing this review, the Fund estimates all contractual cash flows and compares this against the carrying value of takaful certificate liabilities. Any deficiency is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(k) General takaful fund (cont'd.)

(iv) Liability adequacy test (cont'd.)

The estimation of claim liabilities and contribution liabilities performed at reporting date is part of the liability adequacy tests performed by the Fund. Based on this, all takaful certificate liabilities as at reporting date are deemed to be adequate.

(v) Claim expenses

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

(vi) Commission expenses/acquisition costs

Commission expenses net of income derived from retakaful, which are costs directly incurred in securing contributions on takaful certificates net of income derived from ceding retakaful contributions, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Under the Mudharabah principle, commission expenses are borne by the general takaful fund with the resulting underwriting surplus/deficit after expenses shared between the Company and the participants as advised by the Shariah Committee.

Under the Wakalah principle, commission expenses are borne by the shareholder's fund at an agreed percentage of the gross contributions. This is in accordance with the principles of Wakalah as approved by the Shariah Committee and agreed between the participants and the Company.

(l) Family takaful fund

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

The family takaful fund surplus or deficit is determined by an annual actuarial valuation of the family takaful funds. Surplus distributable to participants is determined after deducting retakaful, claims/benefits paid and payable, expenses, provisions and reserves and distributed in accordance with the terms and conditions prescribed by the Shariah Committee.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(l) Family takaful fund (cont'd.)

(i) Contribution income

Contributions are recognised as soon as the amount of the contributions can be reliably measured in accordance with the principles of Shariah as advised by the Shariah Committee. Initial contribution is recognised from inception date and subsequent contributions are recognised on due dates.

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

Outward retakaful contributions are recognised in the same financial period as the original certificates to which the retakaful relates.

(ii) Claims liabilities

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

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

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

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

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

(iii) Creation/cancellation of units

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(l) Family takaful fund (cont'd.)

(iv) Commission expenses/acquisition costs

Commission expenses, which are costs directly incurred in securing contributions on takaful certificates, net of income derived from ceding retakaful contributions, are recognised as incurred and properly allocated to the periods in which it is probable that they give rise to income.

Under the mudharabah principle, commission expenses are borne by the family takaful fund with the resulting underwriting surplus/deficit after expenses shared between the Company and the participants as advised by the Shariah Committee.

Under the wakalah principle, commission expenses are borne by the shareholders' fund at an agreed percentage of the gross contributions. This is in accordance with the principles of wakalah as approved by the Shariah Committee and agreed between the participants and the Company.

(v) Family takaful certificate liabilities

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

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

Liabilities of family takaful business are determined in accordance with valuation guidelines for takaful operators issued by BNM. All family takaful liabilities have been valued using a prospective actuarial valuation based on the sum of the present value of future benefits and expenses less future gross considerations arising from the certificates, discounted at the appropriate risk discount rate. This method is known as the gross contribution valuation method.

For family takaful business risk fund, the expected future cash flows of benefits are determined using best estimate assumptions with an appropriate allowance for PRAD from expected experience such that an overall level of sufficiency of certificate reserves at a 75% confidence level is secured. For investment-linked business, the fund value is treated as liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(l) Family takaful fund (cont'd.)

(v) Family takaful certificate liabilities (cont'd.)

The liabilities in respect of the non-unit component of investment-linked certificates have been valued at the risk-free discount rate by projecting future cash flows to ensure that all future outflows can be met at the product level without recourse to additional finance or capital support at any future time during the duration of the investment-linked certificate. The value of the unit component is the net asset value of the fund.

For a one year family certificate or a one year extension to a family certificate covering contingencies other than life or survival, the liability for such family takaful certificates comprises contribution and claim liabilities with an appropriate allowance for PRAD from the expected experience.

Adjustments to the liabilities at each reporting date are recorded in profit or loss. Profits originating from margins of adverse deviation on run-off contracts, are recognised in profit or loss over the period of the contract, whereas losses are fully recognised in profit or loss during the first year of run-off.

(m) Measurement and impairment of Qardhul Hasan

In the event where the assets of the takaful funds are insufficient to meet the liabilities, shareholders shall rectify the deficit of the takaful funds via Qardhul Hasan ("Qard"), which is a profit free loan. The Qard shall be repaid from future surpluses of the affected takaful funds. In the Shareholder's fund, the Qard is stated at cost less impairment losses if any, whereas in the takaful funds, the Qard is stated at cost.

At each reporting date, the Qard position and the ability of the affected fund to generate sufficient surplus to repay the shareholders is monitored and measured. The likehood that the Qard will be repaid and the duration of time that is required is determined and ascertained via projected cash flows which take into account past experience of the fund. The projected cash flows are then discounted to determine the recoverable value of the Qard.

If the Qard is impaired, an amount comprising of the difference between its cost and its recoverable amount, less any impairment loss previously recognised in income statement, is recognised in the income statement. Impairment losses are subsequently reversed in the income statement if objective evidence exists that the Qard is no longer impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(n) 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 a takaful receivable is impaired, the Company reduces the carrying amount of the takaful receivable accordingly and recognises the impairment loss in profit or loss. Objective evidence of impairment for takaful receivables and the determination of consequential impairment losses are as described in Note 2.2(f)(i).

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

(o) Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks, excluding fixed and call deposits with licensed financial institutions.

(p) Income tax

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 computed using the tax rates that have been enacted at the reporting date.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(q) Zakat

Zakat represents tithes payable by the Company to comply with the principles of Shariah. Zakat is computed based on the Working Capital Method at 2.5% of the net assets of the Company as decreed by the Shariah Committee.

(r) Takaful payables

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

(s) Financial liabilities

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

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

During the financial period and as at the reporting date, the Company and the takaful funds did not classify any of its financial liabilities at FVTPL.

The Company's and the takaful funds' other financial liabilities include payables which are recognised initially at fair value plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(t) Employee benefits

(i) Short-term benefits

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

(ii) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient funds to pay all employee benefits relating to employee services in the current and preceding financial years.

As required by law, the Company makes such contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(iii) Share-based compensation

- ESS

The ESS is an equity-settled share-based compensation plan that allows the Directors and employees to acquire shares of MBB. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the amount due to MBB over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting date, MBB revises its estimates of the number of options that are expected to become exercisable over the vesting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(t) Employee benefits (cont'd.)

(iii) Share-based compensation

- Restricted share units (“RSU”)

  Senior management personnel of the parent are entitled to performance-based restricted shares as consideration for services rendered. The RSU may be settled by way of issuance and transfer of new parent shares or by cash at the absolute discretion of the ESS Committee. The total fair value of RSU granted to senior management employees is recognised as an employee cost with a corresponding increase in the reserve within the parent’s equity over the vesting period and taking into account the probability that the RSU will vest. The fair value of RSU is measured at grant date, taking into account, the market vesting conditions upon which the RSU were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to be awarded on the vesting date.

Settlement with the ultimate holding company in respect of the arrangement of the scheme is by cash over the vesting period.

(u) Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency ("foreign currencies") are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the income statement for the financial period.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement and/ or other comprehensive income for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(v) Other revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transactions will flow to the Company and/or takaful funds, and the amount of the revenue can be measured reliably.

(i) Dividend income

Dividend income is recognised on a declared basis when the Company's and/or takaful funds' right to receive payment is established.

(ii) Profit income

Profit income is recognised using the effective yield method.

(iii) Wakalah fees

Wakalah fees represent fees charged by the Shareholder's fund to manage takaful certificates issued by the general and family takaful funds under the principle of Wakalah and are recognised as soon as the contributions to which they relate can be reliably measured in accordance with the principles of Shariah.

(iv) Fund management fees

Fund management fees are recognised when services are rendered.

(w) Fee and commission income

Participants are charged for policy administration services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, these fees are deferred and recognised over those future financial periods.

Management fee income earned from investment-linked business is recognised on an accrual basis based on a percentage of the net asset value of the investment-linked funds.

(x) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised and accounted for in the statement of changes in equity in the period in which they are declared.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs

The accounting policies adopted by the Company are consistent with those of the previous financial year except for the adoption of the following FRSs, Amendments to FRSs, IC Interpretation and Technical Release:

Amendments to FRS 1 *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters*
Amendments to FRS 2 *Group Cash-settled Share-based Payment Transactions*
Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
Amendments to FRS 7 *Improving Disclosures about Financial Instruments*
IC Interpretation 4 *Determining whether an Arrangement contains a Lease*
IC Interpretation 18 *Transfers of Assets from Customers*
IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*
Amendments to IC Interpretation 14 *Prepayments of a minimum Funding Requirement*
TR *i*-4 *Shariah Compliant Sale Contracts*
Amendments to FRSs contained in the document entitled 'Improvements to FRSs (2010)'

The adoption of the above FRSs, Amendments to FRS, IC Interpretations, Amendments to IC Interpretations and Technical Releases did not have any significant effect on the financial performance or position of the Company except for those discussed below:

(a) Amendments to FRS 7 *Improving Disclosures about Financial Instruments*

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

(b) Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)"

The amendments mainly provide guidance, clarify wordings and remove inconsistencies in existing FRSs. The adoption of these amendments did not have any financial impact to the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs (Cont'd.)

(c) Adoption of BNM Guidelines

On 22 December 2010, BNM issued several new Guidelines which are mandatory for all takaful operators licensed under the Takaful Act 1984 and are effective for financial periods beginning on or after 1 July 2011. Consequently, the following Guidelines were adopted by the Company at the beginning of the current financial period on 1 July 2011:

(i) Guidelines on financial reporting for takaful operators

This Guideline primarily prescribes the minimum disclosure requirements for financial statements of takaful operators including the requirement to present statements of financial position, income statements, statements of comprehensive income and related explanatory notes by funds. In addition, the Guideline also requires that takaful operators ensure that the aggregated total assets and total liabilities presented in the Company's statement of financial position are net of Qard.

The primary disclosure requirements of this Guideline had already been considered and effected since the previous financial year ended 30 June 2011. There are no significant impacts on the financial statements upon full adoption of this Guideline in the current period.

(ii) Guidelines on valuation basis of liabilities of general takaful business

This Guideline requires all takaful operators to measure its claim liabilities at a 75% level of sufficiency at the total fund level. In addition, it specifies that the contribution liabilities of a takaful operator should be the higher of the aggregate of its unearned contribution reserves ("UCR") or its unexpired risk reserves ("URR") and a PRAD at 75% confidence level, calculated at the total fund level. In line with the adoption of FRS 4, the prescriptions of this Guideline with respect to the determination of claim and contribution liabilities had been adopted and complied with since the previous financial year ended 30 June 2011.

The Guideline also dictates the measurement of the expense liabilities of the Company which is required to be measured at the higher of the aggregate of its provision for unearned wakalah fees ("UWF") or its unexpired expense reserves ("UER") and a PRAD at 75% confidence level, calculated at the total fund level. This change has been accounted for as a change in accounting policy and the impact of the change has been accounted retrospectively. The relevant adjustments made to brought forward reserves and prior year results are as disclosed in Note 2.5.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs (Cont'd.)

(c) Adoption of BNM Guidelines (cont'd.)

(iii) Guidelines on valuation basis of liabilities of family takaful business

This Guideline stipulates the valuation bases for liabilities of family takaful business. Amongst its requirements is the need for the valuation of the family takaful contract liabilities based on the gross contribution valuation method as further discussed in Note 2.2(l)(v).

This change has been reflected as an accounting policy change as it affects the basis of measurement of family takaful certificate liabilities. The impact of such change in accounting policy has hence been adjusted retrospectively and the relevant adjustments made to brought forward reserves and prior year results are as disclosed in Note 2.5.

(d) Retrospective restatements

In the previous financial years, certain reconciling differences were observed between the subsidiary ledgers of certain accounts and the relevant accounting records. These reconciling differences had not been adjusted until such time as adequate and appropriate evidence could be obtained to support the said differences. In the current financial period, the management of the Company had, after extensive efforts, taken the following actions and made the following adjustments:

(i) Over-accruals of group commissions

Arising from management's efforts in the current financial period to substantiate the reconciling items, overaccruals of group business commissions in the family takaful fund were reversed. These commissions had been accrued in the previous financial years but had already been paid and, hence, were no longer liabilities of the fund as at the reporting date. The impact of these reversals had been adjusted retrospectively and the relevant adjustments made to brought forward reserves and prior year results are disclosed in Note 2.5

(ii) Impairment of co-takaful claim recoveries

In previous financial years, differences were observed between the subsidiary ledgers of outstanding co-takaful claim recoveries and the relevant accounting records. These differences had not been adjusted, pending the receipt of adequate supporting information.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs (Cont'd.)

(d) Retrospective restatements (cont'd.)

In the current financial period, despite management's efforts, appropriate information to substantiate the differences could not be obtained. Accordingly, management has decided to impair these outstanding co-takaful claim recoveries. Owing to the materiality of the amount involved, the impairment loss has been adjusted retrospectively in line with the requirements of FRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors.* The impact of the impairment and the relevant adjustments made to brought forward reserves and prior year results are as disclosed in Note 2.5.

(e) Other changes in accounting policies

(i) Redesignation of AFS financial assets to FVTPL financial assets

To correspond with the change in methodology for valuation of the family takaful certificate liabilities to the gross contribution valuation method, management has redesignated certain of its financial assets from AFS to FVTPL as permitted under paragraph 45 of FRS 4 *Insurance Contracts* .

Management is of the opinion that the redesignation of these AFS financial assets to FVTPL will mitigate the asset-liability mismatch on earnings as a result of profit rate movements via the market yield curve used to discount the actuarial liabilities of the family takaful fund.

In line with the requirements of FRS 4, this redesignation is deemed a change in accounting policy and has been accounted for retrospectively. The relevant adjustments made to brought forward reserves and prior year results are as disclosed in Note 2.5.

(ii) General provision for diminution in value of investments

In previous years, a further annual general provision for diminution in value of quoted investments was made in the takaful funds, computed on the basis of 8% of the surplus of the general and family takaful funds attributable to participants and the takaful operator. This general provision for diminution in value of investments was made in accordance with the requirements of BNM Guidelines and was charged to the income statements of the respective takaful funds.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs (Cont'd.)

(e) Other changes in accounting policies (cont'd.)

(ii) General provision for diminution in value of investments (cont'd.)

The practice of making general provisions for diminution in value had ceased in 2005, as instructed by BNM. The balance of the provision remaining in the general and family takaful funds of RM8.7 million and RM45.8 million respectively continued to be carried in the statements of financial position of the takaful funds, pending further clarification from BNM.

On 10 October 2011, BNM granted its approval to the Company to reverse these general provisions for diminution in value of investments. The reversal of this provision represents a change in measurement bases of the carrying value of investments and, accordingly, has been accounted for retrospectively. The adjustments to brought forward reserves are as disclosed in Note 2.5.

2.4 Changes in Accounting Framework

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the financial year ending 31 December 2012. In presenting its first MFRS financial statements, the Company may be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework. The majority of the adjustments (if any) required on transition will be made, retrospectively, against opening retained profits.

Nevertheless, the adoption of the MFRS Framework is not expected to have any significant impact on the financial statements of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Effects of Changes on Opening Reserves

The following tables present the changes to the related statement of financial position balance arising from changes in accounting policies and other retrospective restatements as disclosed in Note 2.3. The adjustments to the carrying amount of the affected items have been accounted for retrospectively as at 1 July 2010 and 30 June 2011 and adjusted to the opening retained earnings of the Shareholders' fund. These adjustments are detailed as follows:

SHAREHOLDER'S FUND

	Note	As at 01.07.2010 RM'000	Increase/ (decrease) RM'000	As at 1.07.2010 RM'000 (Restated)
Equity				
Retained Profits		310,457	42,155	352,612
Effects of adoption of BNM Guidelines	2.3(c)		41,935	
Effects of reversal of general provision for diminution	2.3(e)(ii)		4,336	
Effects of impairment losses on co-takaful claim recoveries	2.3(d)(ii)		(4,116)	
Assets				
Other receivables		212,806	232,209	445,015
Effects of adoption of BNM Guidelines	2.3(c)		231,989	
Effects of reversal of general provision for diminution	2.3(e)(ii)		4,336	
Effects of impairment losses on co-takaful claim recoveries	2.3(d)(ii)		(4,116)	
Liabilities				
Expense liabilities		-	190,054	190,054
Effects of adoption of BNM Guidelines	2.3(c)		190,054	

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Effects of Changes on Opening Reserves (Cont'd.)

SHAREHOLDER'S FUND (CONT'D.)

	Note	As at 30.06.2011 RM'000	Increase/ (decrease) RM'000	As at 30.06.2011 RM'000 (Restated)
Equity				
Retained Profits		382,261	93,677	475,938
Effects of adoption of BNM Guidelines	2.3(c)		93,457	
Effects of reversal of general provision for diminution	2.3(e)(ii)		4,336	
Effects of impairment losses on co-takaful claim recoveries	2.3(d)(ii)		(4,116)	
Assets				
Other receivables		187,027	312,734	499,761
Effects of adoption of BNM Guidelines	2.3(c)		312,514	
Effects of reversal of general provision for diminution	2.3(e)(ii)		4,336	
Effects of impairment losses on co-takaful claim recoveries	2.3(d)(ii)		(4,116)	
Liabilities				
Expense liabilities		-	219,057	219,057
Effects of adoption of BNM Guidelines	2.3(c)		219,057	

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Effects of Changes on Opening Reserves (Cont'd.)

SHAREHOLDER'S FUND (CONT'D.)

The following tables provide estimates of the extent to which each of the line items in the statement of financial position and income statement for the financial period ended 31 December 2011 are higher or lower than it would have been had the previous policies been applied in the current financial period.

Effects on Statement of Financial Position as at 31 December 2011

	Higher RM'000
Other receivables	307,779
Expense liabilities	217,973
Retained profits	89,806

Effects on Income Statement for the period ended 31 December 2011

	(Lower)/higher RM'000
Change in expense liabilities	(1,084)
Surplus transferred from General Takaful Fund	(17,332)
Surplus transferred from Family Takaful Fund	12,377

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Effects of Changes on Opening Reserves (Cont'd.)

GENERAL TAKAFUL FUND

The following tables present the changes to the related statement of financial position balance arising from changes in accounting policies and other retrospective restatements as disclosed in Note 2.3. The adjustments to the carrying amount of the affected items have been accounted for retrospectively as at 1 July 2010 and 30 June 2011 and adjusted to the opening accumulated surplus of the General takaful fund. These adjustments are detailed as follows:

	Note	As at 01.07.2010 RM'000	(Decrease)/ increase RM'000	As at 1.07.2010 RM'000 (Restated)
Participants' Fund				
Accumulated Surplus		59,778	(3,930)	55,848
Effects of adoption of BNM Guidelines	2.3(c)(ii)		(4,152)	
Effects of reversal of general provision for diminution	2.3(e)(ii)		4,337	
Effects of impairment losses on co-takaful claim recoveries	2.3(d)(ii)		(4,115)	
Assets				
AFS financial assets		559,867	8,673	568,540
Effects of reversal of general provision for diminution	2.3(e)(ii)		8,673	
Takaful receivables		81,236	(8,231)	73,005
Effects of impairment losses on co-takaful claim recoveries	2.3(d)(ii)		(8,231)	
Liabilities				
Other payables		144,404	(3,931)	140,473
Effects of adoption of BNM Guidelines	2.3(c)(ii)		(4,151)	
Effects of reversal of general provision for diminution	2.3(e)(ii)		4,336	
Effects of impairment losses on co-takaful claim recoveries	2.3(d)(ii)		(4,116)	

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Effects of Changes on Opening Reserves (Cont'd.)

GENERAL TAKAFUL FUND (CONT'D.)

	Note	As at 01.07.2010 RM'000	(Decrease)/ increase RM'000	As at 1.07.2010 RM'000 (Restated)
Liabilities (cont'd.)				
Takaful certificates liabilities		732,331	8,301	740,632
Effects of adoption of BNM Guidelines	2.3(c)(ii)		8,301	

	Note	As at 30.06.2011 RM'000	(Decrease)/ increase RM'000	As at 30.06.2011 RM'000 (Restated)
Participants' Fund				
Accumulated Surplus		59,679	(1,174)	58,505
Effects of adoption of BNM Guidelines	2.3(c)(ii)		(1,396)	
Effects of reversal of general provision for diminution	2.3(e)(ii)		4,337	
Effects of impairment losses on co-takaful claim recoveries	2.3(d)(ii)		(4,115)	
Assets				
AFS financial assets		784,418	8,672	793,090
Effects of reversal of general provision for diminution	2.3(e)(ii)		8,672	
Takaful receivables		105,849	(8,231)	97,618
Effects of impairment losses on co-takaful claim recoveries	2.3(d)(ii)		(8,231)	

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Effects of Changes on Opening Reserves (Cont'd.)

GENERAL TAKAFUL FUND (CONT'D.)

	Note	As at 30.06.2011 RM'000	(Decrease)/ increase RM'000	As at 30.06.2011 RM'000 (Restated)
Liabilities				
Other payables		211,107	(1,175)	209,932
Effects of adoption of BNM Guidelines	2.3(c)(ii)		(1,395)	
Effects of reversal of general provision for diminution	2.3(e)(ii)		4,336	
Effects of impairment losses on co-takaful claim recoveries	2.3(d)(ii)		(4,116)	
Takaful certificate liabilities		1,040,066	2,789	1,042,855
Effects of adoption of BNM Guidelines	2.3(c)(ii)		2,789	

The following tables provide estimates of the extent to which each of the line items in the statement of financial position and income statement for the financial period ended 31 December 2011 are higher or lower than it would have been had the previous policies been applied in the current financial period.

Effects on Statement of Financial Position as at 31 December 2011

	Higher/(lower) RM'000
AFS financial assets	8,672
Other payable	(18,507)
Takaful certificate liabilities	37,453
Accumulated surplus	(18,506)

Effects on Income Statement for the period ended 31 December 2011

	Higher/(lower) RM'000
Net benefits and claims	34,664
Surplus transferred to shareholder's fund	(17,332)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Effects of Changes on Opening Reserves (Cont'd.)

FAMILY TAKAFUL FUND

The following tables present the changes to the related statement of financial position balances arising from changes in accounting policies and other retrospective restatements as disclosed in Note 2.3. The adjustments to the carrying amount of the affected items have been accounted for retrospectively as at 1 July 2010 and 30 June 2011 and adjusted to the opening unallocated and accumulated surplus of the family takaful fund. These adjustments are detailed as follows:

	Note	As at 01.07.2010 RM'000	Increase/ (decrease) RM'000	As at 1.07.2010 RM'000 (Restated)
Participants' Fund				
Accumulated Surplus		609,946	487,279	1,097,225
Effects of adoption of BNM Guidelines	2.3(c)(iii)		370,562	
Effects of redesignation of AFS financial assets to FVTPL financial assets	2.3(e)(i)		59,205	
Effects of reversal of general provision for diminution	2.3(e)(ii)		45,750	
Effects of reversal of overprovisions in commission payable	2.3(d)(i)		11,762	
AFS Reserve		145,537	(59,205)	86,332
Effects of redesignation of AFS financial assets to FVTPL financial assets	2.3(e)(i)		(59,205)	
Assets				
AFS financial assets		4,326,859	(2,736,554)	1,590,305
Effects of reversal of general provision for diminution	2.3(e)(ii)		45,750	
Effects of redesignation of AFS financial assets to FVTPL financial assets	2.3(e)(i)		(2,782,304)	
FVTPL financial assets		-	2,782,304	2,782,304
Effects of redesignation of AFS financial assets to FVTPL financial assets	2.3(e)(i)		2,782,304	

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Effects of Changes on Opening Reserves (Cont'd.)

FAMILY TAKAFUL FUND (CONT'D.)

	Note	As at 01.07.2010 RM'000	Increase/ (decrease) RM'000	As at 1.07.2010 RM'000 (Restated)
Assets (cont'd.)				
Retakaful assets		68,848	(37,770)	31,078
Effects of adoption of BNM Guidelines	2.3(c)(iii)		(37,770)	
Liabilities				
Takaful payables		77,149	(11,762)	65,387
Effects of reversal of overprovisions in commission payable	2.3(d)(i)		(11,762)	
Other payables		151,934	236,140	388,074
Effects of adoption of BNM Guidelines	2.3(c)(iii)		236,140	
Takaful certificate liabilities		4,567,279	(644,472)	3,922,807
Effects of adoption of BNM Guidelines	2.3(c)(iii)		(644,472)	

	Note	As at 30.06.2011 RM'000	Increase/ (decrease) RM'000	As at 30.06.2011 RM'000 (Restated)
Participants' Fund				
Accumulated Surplus		748,138	547,912	1,296,050
Effects of adoption of BNM Guidelines	2.3(c)(iii)		362,033	
Effects of redesignation of AFS financial assets to FVTPL financial assets	2.3(e)(i)		123,607	
Effects of reversal of general provision for diminution	2.3(e)(ii)		45,750	
Effects of reversal of overprovisions in commission payable	2.3(d)(i)		16,522	

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Effects of Changes on Opening Reserves (Cont'd.)

FAMILY TAKAFUL FUND (CONT'D.)

	Note	As at 30.06.2011 RM'000	Increase/ (decrease) RM'000	As at 30.06.2011 RM'000 (Restated)
Participants' Fund (cont'd.)				
AFS Reserve		286,489	(123,607)	162,882
Effects of redesignation of AFS financial assets to FVTPL financial assets	2.3(e)(i)		(123,607)	
Assets				
AFS financial assets		5,185,874	(3,340,336)	1,845,538
Effects of reversal of general provision for diminution	2.3(e)(ii)		45,750	
Effects of redesignation of AFS financial assets to FVTPL financial assets	2.3(e)(i)		(3,386,086)	
FVTPL financial assets		-	3,386,086	3,386,086
Effects of redesignation of AFS financial assets to FVTPL financial assets	2.3(e)(i)		3,386,086	
Retakaful assets		40,937	(19,856)	21,081
Effects of adoption of BNM Guidelines	2.3(c)(iii)		(19,856)	
Liabilities				
Takaful payables		96,535	(16,858)	79,677
Effects of reversal of overprovisions in commission payable	2.3(d)(i)		(16,858)	
Other payables		160,296	314,247	474,543
Effects of adoption of BNM Guidelines	2.3(c)(iii)		314,247	
Takaful certificate liabilities		5,147,078	(695,800)	4,451,278
Effects of adoption of BNM Guidelines	2.3(c)(iii)		(695,800)	

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Effects of Changes on Opening Reserves (Cont'd.)

FAMILY TAKAFUL FUND (CONT'D.)

The following tables provide estimates of the extent to which each of the line items in the statement of financial position and income statement for the financial period ended 31 December 2011 are higher or lower than it would have been had the previous policies been applied in the current financial period.

Effects on Statement of Financial Position as at 31 December 2011

	(Lower)/higher RM'000
AFS financial assets	(3,340,336)
FVTPL financial assets	3,386,086
Retakaful assets	(19,856)
Other payables	326,624
Takaful certificate liabilities	(735,278)
AFS reserves	(157,626)
Accumulated surplus	609,032

Effects on Income Statement for the period ended 31 December 2011

	Higher/(lower) RM'000
Fair value gains and losses	34,019
Net benefits and claims	(39,478)
Surplus transferred to shareholder's fund	12,377

2.6 Significant accounting estimates and judgements

(a) Critical judgements made in applying accounting policies

The preparation of financial statements in conformity with FRS requires management to exercise judgement on the use of estimates and make assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving higher degree of judgement and complexity, are disclosed as below:

(i) Impairment of AFS financial assets

Significant judgement is required to assess impairment for AFS financial assets. The Company evaluates the duration and extent to which the fair value of an investment is less than it's cost; the financial health and near term business outlook for the investee, including but not limited to factors such as industry and sector performance, changes in technology; and operational and financial cash flows.

(ii) Impairment of receivables

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. Factors considered by the Company are probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments.

(b) Key sources of estimation uncertainty

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

(i) Amortisation and impairment of other intangible assets

Intangible assets that can be separated and sold and have a finite useful life are amortised over their estimated useful lives.

The determination of the estimated useful life of these intangible assets requires management to analyse the circumstances, the industry and market practice and also to use judgement. At each reporting date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets with its recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.6 Significant accounting estimates and judgements (Cont'd.)

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

(ii) Uncertainty in accounting estimates for general takaful business

The principal uncertainty in the general takaful certificate liabilities arises from the technical provisions which include the contribution liabilities and claims liabilities. The basis of valuation of the contribution liabilities is explained in Note 2.2 (k)(ii) of the financial statements.

The estimation bases for contribution liabilities is explained in the related accounting policy statement whilst claim liabilities comprise provision for outstanding claims. Generally, claims liabilities are estimated based upon historical claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience of similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual, future contribution and claim liabilities will not exactly develop as projected and they vary from the projections.

The estimates of contribution liabilities and claims liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of contribution and claims liabilities may vary from the initial estimates.

(iii) Uncertainty in accounting estimates for family takaful business

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, judicial interpretations, legislative changes and claims handling procedures.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting estimates and judgements (Cont'd.)

(b) Key Sources of Estimation Uncertainty (cont'd.)

(iii) Uncertainty in accounting estimates for family takaful business (cont'd.)

For those certificates that cover risks related to disability, estimates are made based on recent past experience and emerging trends.

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

(iv) Deferred taxation

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the income statement in the financial period in which actual realisation and settlement occurs.

Deferred tax assets are recognised for all provisions for diminution in value of investments, net amortisation of premium in investments and other temporary differences to the extent that it is probable that taxable profit will be available against which the benefits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

3. PROPERTY, PLANT AND EQUIPMENT

Shareholder's fund	Furniture, fittings, office equipment & renovations RM'000	Computers & peripherals RM'000	Motor vehicles RM'000	Total RM'000
31.12.2011				
Cost				
At 1 July 2011	22,261	15,974	589	38,824
Additions	112	24	-	136
Adjustment	(68)	-	-	(68)
Reclassification	(2,915)	-	-	(2,915)
At 31 December 2011	19,390	15,998	589	35,977
Accumulated Depreciation				
At 1 July 2011	17,809	15,835	502	34,146
Charge for the period	318	36	18	372
At 31 December 2011	18,127	15,871	520	34,518
Net Book Value				
At 31 December 2011	1,263	127	69	1,459
30.06.2011				
Cost				
At 1 July 2010	19,845	15,972	589	36,406
Additions	2,528	2	-	2,530
Adjustment	(112)	-	-	(112)
At 30 June 2011	22,261	15,974	589	38,824
Accumulated Depreciation				
At 1 July 2010	16,697	15,726	497	32,920
Charge for the year	1,112	109	5	1,226
At 30 June 2011	17,809	15,835	502	34,146
Net Book Value				
At 30 June 2011	4,452	139	87	4,678

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

General takaful fund	Furniture, fittings, office equipment & renovations RM'000	Computers and peripherals RM'000	Total RM'000
31.12.2011			
Cost			
At 1 July/ 31 December 2011	579	1,514	2,093
Accumulated Depreciation			
At 1 July 2011	571	1,514	2,085
Charge for the period	2	-	2
At 31 December 2011	573	1,514	2,087
Net Book Value			
At 31 December 2011	6	-	6
30.06.2011			
Cost			
At 1 July 2010/ 30 June 2011	579	1,514	2,093
Accumulated Depreciation			
At 1 July 2010	566	1,514	2,080
Charge for the year	5	-	5
At 30 June 2011	571	1,514	2,085
Net Book Value			
At 30 June 2011	8	-	8

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Family takaful fund	Furniture, fittings, office equipment & renovations RM'000	Computers and peripherals RM'000	Total RM'000
31.12.2011			
Cost			
At 1 July/31 December 2011	1,838	1,859	3,697
Accumulated Depreciation			
At 1 July 2011	1,829	1,859	3,688
Charge for the period	4	-	4
At 31 December 2011	1,833	1,859	3,692
Net Book Value			
At 31 December 2011	5	-	5
30.06.2011			
Cost			
At 1 July 2010/ 30 June 2011	1,838	1,859	3,697
Accumulated Depreciation			
At 1 July 2010	1,822	1,858	3,680
Charge for the year	7	1	8
At 30 June 2011	1,829	1,859	3,688
Net Book Value			
At 30 June 2011	9	-	9

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Included in property, plant and equipment of the Company are the costs of fully depreciated assets, which are still in use, as follows:

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
31.12.2011			
Furniture, fittings, office equipment and renovations	16,997	556	1,806
Computers and peripherals	15,742	1,514	1,859
Motor vehicles	445	-	-
	33,184	2,070	3,665
30.06.2011			
Furniture, fittings, office equipment and renovations	12,861	556	1,806
Computers and peripherals	15,680	1,514	1,859
Motor vehicles	445	-	-
	28,986	2,070	3,665

4. INTANGIBLE ASSETS

Shareholder's fund

	Software RM'000
31.12.2011	
Cost	
At 1 July 2011	30,859
Additions	2,497
Reclassification	770
Transfer from General takaful fund	528
At 31 December 2011	34,654
Accumulated Amortisation and Impairment	
At 1 July 2011	18,464
Amortisation charge for the period	3,759
At 31 December 2011	22,223
Net Book Value	
At 31 December 2011	12,431

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

4. INTANGIBLE ASSETS (CONT'D.)

Shareholder's fund (cont'd.)

	Software RM'000
30.06.2011	
Cost	
At 1 July 2010	28,863
Additions	2,190
Adjustment	(194)
At 30 June 2011	30,859
Accumulated Amortisation and Impairment	
At 1 July 2010	13,009
Amortisation charge for the year	5,455
At 30 June 2011	18,464
Net Book Value	
At 30 June 2011	12,395

General takaful fund	Software development costs RM'000	Computer software and licences RM'000	Total RM'000
31.12.2011			
Cost			
At 1 July 2011	528	11,234	11,762
Transfer to Shareholder's fund	(528)	-	(528)
At 31 December 2011	-	11,234	11,234
Accumulated Amortisation and Impairment			
At 1 July 2011	-	11,194	11,194
Amortisation charge for the period	-	7	7
At 31 December 2011	-	11,201	11,201
Net Book Value			
At 31 December 2011	-	33	33

4. INTANGIBLE ASSETS (CONT'D.)

General takaful fund (cont'd.)

	Software development costs RM'000	Computer software and licences RM'000	Total RM'000
30.06.2011			
Cost			
At 1 July 2010	-	11,234	11,234
Additions	528	-	528
At 30 June 2011	528	11,234	11,762
Accumulated Amortisation and Impairment			
At 1 July 2010	-	11,132	11,132
Amortisation charge for the year	-	62	62
At 30 June 2011	-	11,194	11,194
Net Book Value			
At 30 June 2011	528	40	568

Family takaful fund

	Computer software and licences RM'000
31.12.2011	
Cost	
At 1 July/31 December 2011	9,922
Accumulated Amortisation and Impairment	
At 1 July 2011	8,687
Amortisation charge for the period	324
At 31 December 2011	9,011
Net Book Value	
At 31 December 2011	911

4. INTANGIBLE ASSETS (CONT'D.)

Family takaful fund (cont'd.)

	Computer software and licences RM'000
30.06.2011	
Cost	
At 1 July 2010	10,137
Adjustment	(215)
At 30 June 2011	9,922
Accumulated Amortisation and Impairment	
At 1 July 2010	7,861
Amortisation charge for the year	826
At 30 June 2011	8,687
Net Book Value	
At 30 June 2011	1,235

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

5. AFS FINANCIAL ASSETS

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
31.12.2011			
At fair value:			
Malaysian government papers	2,050	177,601	226,142
Unquoted debt securities in Malaysia	164,816	468,948	1,091,269
Equity securities:			
Quoted in Malaysia	37,170	152,484	625,230
Unquoted in Malaysia	32	-	-
Quoted unit and property trust funds in Malaysia	154	1,581	17,088
Negotiable islamic certificates of deposit	-	23,922	15,975
	204,222	824,536	1,975,704
Maturing after 12 months	166,866	543,170	1,290,536
30.06.2011			
At fair value:			
Malaysian government papers	12,023	174,695	219,570
Unquoted debt securities in Malaysia	132,097	443,636	955,843
Equity securities:			
Quoted in Malaysia	35,314	149,121	633,150
Unquoted in Malaysia	230	-	-
Quoted unit and property trust funds in Malaysia	415	2,503	18,190
Negotiable islamic certificates of deposit	-	23,135	18,785
	180,079	793,090	1,845,538
Maturing after 12 months	144,120	497,115	1,151,242

An analysis of the different fair value measurement bases used in the determination of the fair value of AFS financial assets are further disclosed in Note 39(v) of the financial statements.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

6. FVTPL FINANCIAL ASSETS

	31.12.2011 RM'000	30.06.2011 RM'000
Family takaful fund		
- Designated upon initial recognition		
At fair value:		
Malaysian government papers	772,039	776,163
Unquoted debt securities in Malaysia	2,842,585	2,493,012
Negotiable islamic certificates of deposit	96,492	116,911
	3,711,116	3,386,086
Maturing after 12 months	3,641,965	3,259,335

An analysis of the different fair value measurement bases used in the determination of the fair value of FVTPL financial assets are further disclosed in Note 39(v) of the financial statements.

7. LOAN AND RECEIVABLES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund* RM'000
31.12.2011			
Deposits and placements with financial institutions			
Islamic investment accounts with:			
Licensed banks	72,739	167,147	628,476
Other financial institutions	58,009	95,613	372,638
	130,748	262,760	1,001,114
Maturing after 12 months	-	-	-
30.06.2011			
Deposits and placements with financial institutions			
Islamic investment accounts with:			
Licensed banks	126,735	122,197	708,943
Other financial institutions	27,359	59,676	341,128
	154,094	181,873	1,050,071
Maturing after 12 months	3,000	452	1,231

* The Islamic investment accounts of the family takaful fund above amounting to RM36.7 million (30.06.2011: RM36.7 million) has been set-off against Qard of an equivalent amount in arriving at the total family takaful fund assets and liabilities and participants' fund of RM6.9 billion (30.06.2011: RM6.6 billion) on the Company's statement of financial position at page 15.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

8. FINANCING RECEIVABLES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
31.12.2011			
Corporate loans	-	3,396	65,648
Staff loans:			
Secured	21,651	-	-
Unsecured	-	-	227
Allowance for impairment losses	(596)	(3,396)	(24,997)
	21,055	-	40,878
Receivable within 12 months	2,277	-	2,705
Receivable after 12 months	18,778	-	38,173
	21,055	-	40,878
30.06.2011			
Corporate loans	-	5,453	78,440
Staff loans:			
Secured	22,788	-	-
Unsecured	-	-	45
Allowance for impairment losses	(596)	(3,832)	(24,999)
	22,192	1,621	53,486
Receivable within 12 months	1,828	858	12,813
Receivable after 12 months	20,364	763	40,673
	22,192	1,621	53,486

The carrying amounts of financing receivables approximate their fair values as these loans are issued at profit rates that are comparable to instruments in the market with similar characteristics and risk profiles and the impact of discounting thereon is not material.

The weighted average effective profit rate of financing receivables at the reporting date was 6.30% (30.06.2011: 5.72%).

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

9. TAKAFUL RECEIVABLES

	General takaful fund RM'000	Family takaful fund RM'000
31.12.2011		
Due contributions including agents/ brokers and co-takaful balances	81,686	74,630
Due from retakaful operators	32,203	10,461
	113,889	85,091
Allowance for impairment losses	(21,237)	(16,642)
	92,652	68,449
30.06.2011		
Due contributions including agents/ brokers and co-takaful balances	94,756	89,353
Due from retakaful operators	29,393	6,063
	124,149	95,416
Allowance for impairment losses	(26,531)	(15,144)
	97,618	80,272

10. OTHER RECEIVABLES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
31.12.2011			
Sundry receivables, deposits and prepayments	5,729	3,246	31,747
Investment profit receivable	1,562	8,566	49,764
Qardhul Hasan due from family takaful fund*	36,684	-	-
Amounts due from:			
General takaful fund**	48,630	-	7,678
Family takaful fund**	427,830	-	-
Investment-linked funds**	208	-	1,234
Amount due from related parties**	-	6	181
Amount due from stockbrokers	1,838	-	1,002
	522,481	11,818	91,606

10. OTHER RECEIVABLES (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
30.06.2011			
Sundry receivables, deposits and prepayments	7,591	2,087	26,494
Investment profit receivable	2,424	8,408	49,479
Qardhul Hasan due from family takaful fund*	36,684	-	-
Amounts due from:			
General takaful fund**	59,196	-	4,861
Family takaful fund**	393,608	-	-
Investment-linked funds**	226	-	1,904
Amount due from stockbrokers	32	139	1,970
	499,761	10,634	84,708

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

* Qardhul Hasan represents a benevolent, profit-free loan to the family takaful fund to be used to make good the actuarial valuation deficit in the group family takaful fund. The amount is unsecured and is repayable out of future surpluses of the group family takaful fund upon demand.

** The amounts due from related companies, general takaful, family takaful and investment-linked funds are unsecured, not subject to any interest/profit elements and are repayable upon demand.

11. DEFERRED TAXATION

	31.12.2011 RM'000	30.06.2011 RM'000
Shareholder's fund		
At beginning of period/year, as restated	(7,772)	(4,029)
Recognised in :		
Income statement (Note 28)	960	(2,386)
Other comprehensive income	65	(1,357)
At end of period/year	(6,747)	(7,772)

11. DEFERRED TAXATION (CONT'D.)

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 taxes relate to the same fiscal authority. The net deferred tax liabilities shown in the statement of financial position has been determined after appropriate offsetting as follows:

	31.12.2011 RM'000	30.06.2011 RM'000
Deferred tax assets	278	365
Deferred tax liabilities	(7,025)	(8,137)
	(6,747)	(7,772)

The components and movements of deferred tax (liabilities)/assets during the financial period/year prior to offsetting are as follows:

	AFS reserves RM'000	Impairment on AFS financial assets RM'000	Net accretion of discounts on investments RM'000	Fair value adjustment RM'000	Accelerated capital allowances RM'000	Others RM'000	Total RM'000
At 1 July 2011	(3,661)	153	67	(627)	(3,849)	145	(7,772)
Recognised in:							
Income statement	-	(20)	(70)	-	1,050	-	960
Other comprehensive income	65	-	-	-	-	-	65
At 31 December 2011	(3,596)	133	(3)	(627)	(2,799)	145	(6,747)
At 1 July 2010	(2,304)	-	120	780	(2,625)	-	(4,029)
Recognised in:							
Income statement	-	153	(53)	(1,407)	(1,224)	145	(2,386)
Other comprehensive income	(1,357)	-	-	-	-	-	(1,357)
At 30 June 2011	(3,661)	153	67	(627)	(3,849)	145	(7,772)

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

12. SHARE CAPITAL

	No. of shares	RM'000
30.06.2011 and 31.12.2011		
Authorised:		
Ordinary shares of RM1.00 each		
At beginning and end of year/period	100,000	100,000
Issued and paid-up:		
Ordinary shares of RM1.00 each		
At beginning and end of year/period	100,000	100,000

13. GENERAL TAKAFUL FUND

	31.12.2011 RM'000	30.06.2011 RM'000
Accumulated surplus (Note (i))	58,385	58,505
AFS reserves (Note (ii))	29,561	34,185
	87,946	92,690

(i) Accumulated surplus

	31.12.2011 RM'000	30.06.2011 RM'000
At beginning of period/year, as previously stated	59,679	59,778
Effects of adoption of BNM Guidelines (Note 2.5)	(1,396)	(4,152)
Effects of reversal of general provision for diminution (Note 2.5)	4,337	4,337
Effects of impairment losses on co-takaful claim recoveries (Note 2.5)	(4,115)	(4,115)
At beginning of period/year, as restated	58,505	55,848
Surplus arising during the period/year	12,940	45,357
Hibah paid to participants during the period/year	(13,060)	(42,700)
At end of period/year, as restated	58,385	58,505

13. GENERAL TAKAFUL FUND (CONT'D.)

(ii) AFS reserves

	31.12.2011 RM'000	30.06.2011 RM'000
At beginning of period/year	34,185	19,758
Net gain on fair value changes	4,666	29,915
Realised gain transferred to income statement (Note 23)	(9,290)	(15,488)
At end of period/year	29,561	34,185

14. FAMILY TAKAFUL FUND

	31.12.2011 RM'000	30.06.2011 RM'000
Accumulated surplus (Note (i))	1,386,425	1,296,050
Qardhul Hasan* (Note (ii))	36,684	36,684
AFS reserves (Note (iii))	155,613	162,882
	1,578,722	1,495,616

* The Qard of RM36.7 million (30.06.2011: RM36.7 million) above has been set-off against Islamic investment accounts of the family takaful fund of an equivalent amount in arriving at the total family takaful fund assets and liabilities and participants' fund of RM6.9 billion (30.06.2011: RM6.6 billion) on the Company's statement of financial position at page 15.

(i) Accumulated surplus

	31.12.2011 RM'000	30.06.2011 RM'000
At beginning of period/year, as previously stated	748,138	609,946
Effects of adoption of BNM Guidelines (Note 2.5)	362,033	370,562
Effects of redesignation of AFS financial assets to FVTPL financial assets (Note 2.5)	123,607	59,205
Effects of reversal of general provision for diminution (Note 2.5)	45,750	45,750
Effects of reversal of overprovisions in commission payable (Note 2.5)	16,522	11,762
At beginning of period/year, as restated	1,296,050	1,097,225
Surplus arising during the period/year, as restated	102,168	219,068
Hibah paid to participants during the period/year	(11,793)	(20,243)
At end of period/year, as restated	1,386,425	1,296,050

14. FAMILY TAKAFUL FUND (CONT'D.)

(ii) Qardhul Hasan*

	31.12.2011 RM'000	30.06.2011 RM'000
At beginning/end of period/year	36,684	36,684

Management expects that the Qard will be repaid by the family takaful fund within 5 to 10 years from the date of the financial statements.

* Qardhul Hasan is a benevolent loan provided by the shareholder's fund to make good the actuarial valuation deficit experienced by the group family takaful fund. It does not have any profit elements, is unsecured and is repayable out of future surpluses of the group family takaful fund.

(iii) AFS reserves

	31.12.2011 RM'000	30.06.2011 RM'000
At beginning of period/year, as previously stated	286,489	145,537
Effects of adoption of BNM Guidelines (Note 2.5)	(123,607)	(59,205)
At beginning of period/year, as restated	162,882	86,332
Net gain on fair value changes, as restated	29,691	133,282
Realised gain transferred to income statement (Note 23)	(36,960)	(56,732)
At end of period/year, as restated	155,613	162,882

15. TAKAFUL PAYABLES

	General takaful fund RM'000	Family takaful fund RM'000
31.12.2011		
Due to agents, retakaful operators and brokers	11,392	50,510
Due to retakaful operators	45,545	19,290
	56,937	69,800
30.06.2011		
Due to agents, retakaful operators and brokers	12,522	64,236
Due to retakaful operators	52,169	15,441
	64,691	79,677

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

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

16. OTHER PAYABLES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
31.12.2011			
Contributions deposits	-	-	6,548
Advance contributions	979	44,466	39,674
Amounts due to:			
Shareholder's fund*	-	48,630	427,830
Family takaful fund*	-	7,678	-
Amount due to stockbrokers	-	4,208	7,731
Unclaimed monies	552	3,300	10,658
Service tax payable	-	2,873	4,603
Mudharabah payable	-	88,409	-
Amount due to related companies*	16,770	-	-
Sundry payables and accrued liabilities	37,421	7,664	11,903
	55,722	207,228	508,947
30.06.2011			
Contributions deposits	-	88	8,023
Advance contributions	387	41,056	26,798
Amounts due to:			
Shareholder's fund*	-	59,196	393,608
Family takaful fund*	-	4,861	-
Amount due to stockbrokers	-	15,973	24,690
Unclaimed monies	478	2,343	6,724
Service tax payable	-	1,132	6,911
Mudharabah payable	-	75,501	-
Amount due to related companies*	9,534	-	-
Sundry payables and accrued liabilities	48,598	9,782	7,789
	58,997	209,932	474,543

* The amounts due to related companies, shareholder's and family takaful are unsecured, not subject to any interest/profit elements and are repayable upon demand.

The carrying amounts disclosed above approximate their fair values at the reporting date. All amounts are payable within one year.

17. TAKAFUL CERTIFICATE LIABILITIES

(a) Family takaful fund

(i) The family takaful certificate liabilities and its movements are further analysed as follows:

	Gross RM'000	Retakaful RM'000	Net RM'000
31.12.2011			
Provision for outstanding claims	125,546	-	125,546
Actuarial liabilities	4,618,790	(18,832)	4,599,958
	4,744,336	(18,832)	4,725,504
30.06.2011 (restated)			
Provision for outstanding claims	104,725	-	104,725
Actuarial liabilities	4,346,553	(21,081)	4,325,472
	4,451,278	(21,081)	4,430,197
1.07.2010 (restated)			
Provision for outstanding claims	87,272	-	87,272
Actuarial liabilities	3,835,535	(31,078)	3,804,457
	3,922,807	(31,078)	3,891,729

17. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

(a) Family takaful fund (Cont'd.)

(ii) Movements of family takaful certificate liabilities

	Provision for Outstanding Claims RM'000	Actuarial Liabilities RM'000	Gross Liabilities RM'000	Retakaful Assets RM'000	Net Liabilities RM'000
31.12.2011					
As at 1 July 2011, as previously stated	104,725	5,042,353	5,147,078	(40,937)	5,106,141
Effects of adoption of BNM Guidelines (Note 2.5)	-	(695,800)	(695,800)	19,856	(675,944)
As at 1 July 2011, as restated	104,725	4,346,553	4,451,278	(21,081)	4,430,197
Net earned contribution	-	-	-	(10,608)	(10,608)
Experience/benefit variation	20,821	(20,821)	-	3,818	3,818
Claims intimated during the period	303,380	(324,201)	(20,821)	-	(20,821)
Claims paid during the period	(303,380)	-	(303,380)	6,790	(296,590)
Increase in certificate reserves	-	617,259	617,259	2,249	619,508
As at 31 December 2011	125,546	4,618,790	4,744,336	(18,832)	4,725,504

17. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

(a) Family takaful fund (Cont'd.)

(ii) Movements of family takaful certificate liabilities (cont'd.)

	Provision for Outstanding Claims RM'000	Actuarial Liabilities RM'000	Gross Liabilities RM'000	Retakaful Assets RM'000	Net Liabilities RM'000
30.06.2011					
As at 1 July 2010, as previously stated	87,272	4,480,007	4,567,279	(68,848)	4,498,431
Effects of adoption of BNM Guidelines (Note 2.5)	-	(644,472)	(644,472)	37,770	(606,702)
As at 1 July 2010, as restated	87,272	3,835,535	3,922,807	(31,078)	3,891,729
Net earned contribution	-	-	-	(20,236)	(20,236)
Experience/benefit variation	17,453	(17,453)	-	16,287	16,287
Claims intimated during the year	609,357	(626,810)	(17,453)	-	(17,453)
Claims paid during the year	(609,357)	-	(609,357)	3,949	(605,408)
Increase in certificate reserves	-	1,155,281	1,155,281	9,997	1,165,278
As at 30 June 2011, as restated	104,725	4,346,553	4,451,278	(21,081)	4,430,197

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

17. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

(b) General takaful fund

	Gross RM'000	Retakaful RM'000	Net RM'000
31.12.2011			
Claims liabilities (Note (i))	661,800	(258,229)	403,571
Contribution liabilities (Note (ii))	476,076	(19,879)	456,197
	1,137,876	(278,108)	859,768
30.06.2011 (restated)			
Claims liabilities (Note (i))	552,811	(234,780)	318,031
Contribution liabilities (Note (ii))	490,044	(65,284)	424,760
	1,042,855	(300,064)	742,791
1.07.2010 (restated)			
Claims liabilities (Note (i))	361,349	(93,842)	267,507
Contribution liabilities (Note (ii))	379,283	(29,438)	349,845
	740,632	(123,280)	617,352

(i) Claims liabilities

	Gross RM'000	Retakaful RM'000	Net RM'000
31.12.2011			
At beginning of the period, as previously stated	550,022	(234,780)	315,242
Effects of adoption of BNM Guidelines (Note 2.5)	2,789	-	2,789
At beginning of the period, as restated	552,811	(234,780)	318,031
Claims incurred in the current accident period	437,396	(112,272)	325,124
Movement in claims incurred in prior accident period	(305,782)	150,913	(154,869)
Claims paid during the period	(138,347)	5,536	(132,811)
Movements in PRAD	115,722	(67,626)	48,096
At end of the period	661,800	(258,229)	403,571

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

17. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

(b) General takaful fund (Cont'd.)

(i) Claims liabilities

	Gross RM'000	Retakaful RM'000	Net RM'000
30.06.2011			
At beginning of the year, as previously stated	353,048	(93,842)	259,206
Effects of adoption of BNM Guidelines (Note 2.5)	8,301	-	8,301
At beginning of the year, as restated	361,349	(93,842)	267,507
Claims incurred in the current accident year	437,052	(176,297)	266,267
Movement in claims incurred in prior accident years	17,659	12,006	29,665
Claims paid during the year	(265,859)	28,590	(237,269)
Movements in PRAD	2,610	(5,237)	(2,627)
At end of the year, as restated	552,811	(234,780)	318,031

(ii) Contribution liabilities

	Gross RM'000	Retakaful RM'000	Total RM'000
31.12.2011			
At beginning of the period	490,044	(65,284)	424,760
Contributions written in the period	355,715	(31,162)	324,553
Contributions earned during the period	(369,683)	76,567	(293,116)
At end of the period	476,076	(19,879)	456,197
30.06.2011			
At beginning of the year	379,283	(29,438)	349,845
Contributions written in the year	636,241	(101,773)	534,468
Contributions earned during the year	(525,480)	65,927	(459,553)
At end of the year	490,044	(65,284)	424,760

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

18. EXPENSE LIABILITIES

	31.12.2011 RM'000	30.06.2011 RM'000	1.07.2010 RM'000
Shareholder's fund			
Expense liabilities for general takaful fund:			
Provision for unearned wakalah fees	72,992	66,941	51,535
Expense liabilities for family takaful fund:			
Unexpired expense reserve ("UER")	144,981	152,116	138,519
	217,973	219,057	190,054

	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
31.12.2011			
At beginning of the period, as previously stated	-	-	-
Effects of adoption of BNM Guidelines (Note 2.5)	66,941	152,116	219,057
At beginning of the period, as restated	66,941	152,116	219,057
Wakalah fee received during the period (Note 21)	88,029	-	88,029
Wakalah fee earned during the period	(81,978)	-	(81,978)
Movement in provision for UER	-	(7,135)	(7,135)
At end of the period, as restated	72,992	144,981	217,973
30.06.2011			
At beginning of the year, as previously stated	-	-	-
Effects of adoption of BNM Guidelines (Note 2.5)	51,535	138,519	190,054
At beginning of the year, as restated	51,535	138,519	190,054
Wakalah fee received during the year (Note 21)	161,316	-	161,316
Wakalah fee earned during the year	(145,910)	-	(145,910)
Movement in provision for UER	-	13,597	13,597
At end of the year, as restated	66,941	152,116	219,057

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

19. OPERATING REVENUE

	1.07.2011 to 31.12.2011 RM'000	1.07.2010 to 30.06.2011 RM'000
Shareholder's fund		
Wakalah fees (Note 21)	109,526	207,919
Investment income (Note 22)	6,039	12,497
	115,565	220,416
General takaful fund		
Gross contributions (Note 20)	355,715	636,241
Investment income (Note 22)	20,589	33,767
	376,304	670,008
Family takaful fund		
Gross contributions (Note 20)	726,054	1,446,589
Cancellation of investment-linked units	(50,137)	(205,039)
Investment income (Note 22)	145,317	257,571
	821,234	1,499,121

20. NET EARNED CONTRIBUTION

	General takaful fund RM'000	Family takaful fund RM'000
1.07.2011 to 31.12.2011		
(a) Gross contribution	355,715	726,054
Change in unearned contribution reserves	13,968	-
	369,683	726,054
(b) Contributions ceded to retakaful operators	(31,162)	(10,608)
Change in unearned contribution reserves	(45,405)	-
	(76,567)	(10,608)
	293,116	715,446
1.07.2010 to 30.06.2011		
(a) Gross contribution	636,241	1,446,589
Change in unearned contribution reserves	(110,761)	-
	525,480	1,446,589
(b) Contributions ceded to retakaful operators	(101,773)	(20,236)
Change in unearned contribution reserves	35,846	-
	(65,927)	(20,236)
	459,553	1,426,353

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

21. FEES AND COMMISSION INCOME

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
1.07.2011 to 31.12.2011			
Surrender charges	-	-	10
Wakalah fee income:			
General takaful fund	88,029	-	-
Family takaful fund	20,993	-	-
Investment-linked funds	504	-	-
Profit commission	-	-	32
Retakaful commission income	-	5,997	-
Others	-	148	-
	109,526	6,145	42
1.07.2010 to 30.06.2011			
Surrender charges	-	-	28
Wakalah fee income:			
General takaful fund	161,316	-	-
Family takaful fund	44,703	-	-
Investment-linked funds	1,900	-	-
Profit commission	-	789	2,303
Retakaful commission income	-	15,306	-
Others	-	542	-
	207,919	16,637	2,331

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

22. INVESTMENT INCOME

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
1.07.2011 to 31.12.2011			
Financial assets at FVTPL:			
Profit income	-	-	80,263
AFS financial assets:			
Profit income	3,588	14,552	29,883
Dividend income:			
Equity securities	640	2,408	10,148
Unit and property trusts	7	56	971
LAR:			
Profit income	1,603	4,053	16,402
Net accretion of discount/ (amortisation of premium)	310	(366)	8,324
Investment related expenses	(109)	(114)	(674)
	6,039	20,589	145,317
1.07.2010 to 30.06.2011			
Financial assets at FVTPL:			
Profit income	-	-	124,825
AFS financial assets:			
Profit income	7,600	26,230	69,760
Dividend income:			
Equity securities	827	4,000	16,785
Unit and property trusts	24	182	1,303
LAR:			
Profit income	3,680	4,417	26,799
Net accretion of discount/ (amortisation of premium)	507	(866)	19,314
Investment related expenses	(141)	(196)	(1,215)
	12,497	33,767	257,571

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

23. REALISED GAINS AND LOSSES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
1.07.2011 to 31.12.2011			
Gain on disposal of:			
AFS financial assets	1,966	9,290	36,960
FVTPL financial assets	-	-	9,163
	1,966	9,290	46,123
1.07.2010 to 30.06.2011			
Gain on disposal of:			
AFS financial assets	5,696	15,488	56,732
FVTPL financial assets	-	-	7,046
	5,696	15,488	63,778

24. OTHER REVENUE/(EXPENSES)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
1.07.2011 to 31.12.2011			
Realised gain on foreign exchange	7	-	-
Processing fee income	4,839	-	94
Property, plant and equipment written off	(2,145)	-	-
Realised loss on foreign exchange	(2)	(1)	-
(Impairment losses)/reversal of impairment losses on:			
Investments	(515)	(2,102)	(16,049)
Financing receivables	-	436	2
Trade receivables	(385)	5,294	(1,498)
Sundry (expenditure)/income	(20)	28	-
	1,779	3,655	(17,451)

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

24. OTHER REVENUE/(EXPENSES) (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
1.07.2010 to 30.06.2011			
Unrealised gain on foreign exchange	-	4	-
Processing fee income	12,610	-	160
Realised loss on foreign exchange	-	(11)	-
Impairment losses on:			
Investments	(926)	(1,030)	(2,988)
Financing receivables	-	-	(2,991)
Trade receivables	-	(3,718)	(6,691)
Sundry income/(expenditure)	49	(17)	2
	11,733	(4,772)	(12,508)

25. MANAGEMENT EXPENSES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
1.07.2011 to 31.12.2011			
Employee benefits expenses (Note (a))	30,103	300	26,463
Directors' remuneration (Note (b))	610	1	29
Auditors' remuneration:			
Statutory audits	209	3	88
Other services	5	-	8
Depreciation of property, plant and equipment (Note 3)	372	2	4
Amortisation of intangible assets (Note 4)	3,759	7	324
Bank and financing charges	2,756	39	2,576
Fund management fees	2,308	-	3,789
Other management fees	8	-	5
Professional fees	1,012	9	749
Rental of offices/premises	2,180	15	1,898
Rental of equipment	34	-	35
Agency related expenses	1,619	-	-
Electronic data processing expenses	3,194	81	4,013
Outsourcing services	7	-	2
Postage & stamp duties	341	1	451
Printing & stationery	412	1	495
Promotional and marketing cost	11,206	(1)	7,102
Training expenses	1,290	7	506
Utilities, assessment and maintenance	816	10	578
Travelling expenses	917	9	1,109
Other expenses	3,192	50	3,412
	66,350	534	53,636

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

25. MANAGEMENT EXPENSES (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
1.07.2010 to 30.06.2011			
Employee benefits expenses (Note (a))	58,419	264	35,718
Directors' remuneration (Note (b))	804	2	63
Auditors' remuneration:			
Statutory audits	226	3	71
Other services	45	-	3
Depreciation of property, plant and equipment (Note 3)	1,226	5	8
Amortisation of intangible assets (Note 4)	5,455	62	826
Bank and financing charges	4,627	2	4,038
Fund management fees	4,173	-	6,895
Other management fees	7	-	5
Professional fees	665	(2)	362
Rental of offices/premises	4,493	4	3,390
Rental of equipment	102	-	49
Agency related expenses	5,581	9	-
Electronic data processing expenses	11,994	58	4,321
Outsourcing services	278	-	61
Postage & stamp duties	2,596	26	1,037
Printing & stationery	2,174	5	1,056
Promotional and marketing cost	6,350	26	11,073
Training expenses	2,682	17	1,774
Utilities, assessment and maintenance	2,105	7	1,378
Travelling expenses	1,629	13	1,386
Other expenses	9,351	19	4,557
	124,982	520	78,071

(a) Employee benefits expenses

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
1.07.2011 to 31.12.2011			
Wages, salaries and bonus	20,706	201	18,802
EPF	2,629	32	3,040
SOCSO	148	1	138
Share based compensation	2,728	35	1,728
Other benefits expenses	3,892	31	2,755
	30,103	300	26,463

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

25. MANAGEMENT EXPENSES (CONT'D.)

(a) Employee benefits expenses (Cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
1.07.2010 to 30.06.2011			
Wages, salaries and bonus	45,317	220	25,645
EPF	5,492	27	2,792
SOCSO	322	2	181
Other benefits expenses	7,288	15	7,100
	58,419	264	35,718

(b) Directors' remuneration

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
1.07.2011 to 31.12.2011			
Executive:			
Salary	137	-	-
Bonus	99	-	-
EPF and pension scheme	8	-	-
Share based compensation	33	-	-
Other remuneration	172	-	-
	449	-	-
Non executive:			
Fees	141	1	23
Other emoluments	20	-	6
	161	1	29
	610	1	29
1.07.2010 to 30.06.2011			
Executive:			
Salary	105	-	-
Bonus	234	-	-
EPF	56	-	-
Benefits-in-kind	150	-	-
Other remuneration	17	-	-
	562	-	-

25. MANAGEMENT EXPENSES (CONT'D.)

(b) Directors' remuneration (Cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
1.7.2010 to 30.06.2011 (cont'd.)			
Non executive:			
Fees	224	1	44
Other emoluments	18	1	19
	242	2	63
	804	2	63

The number of directors whose total remuneration received from the Company during the period/year falls within the following bands is analysed below:

	Number of Directors	
	1.07.2011 to 31.12.2011 RM'000	1.07.2010 to 30.06.2011 RM'000
Executive directors:		
RM500,001 to RM600,000	-	1
RM400,001 to RM500,000	1	-
Non-executive directors:		
RM50,001 to RM100,000	-	1
Below RM50,000	8	7

(c) The details of remuneration receivable by the Chief Executive Officer (CEO) included in employee benefits expenses during the period/year are as follows:

	1.07.2011 to 31.12.2011 RM'000	1.07.2010 to 30.06.2011 RM'000
Salaries	270	467
Bonus	412	428
EPF	113	150
Share based compensation	227	-
Other emoluments	45	84
	1,067	1,129

26. CHANGE IN EXPENSE LIABILITIES

	1.07.2011 to 31.12.2011 RM'000	1.07.2010 to 30.06.2011 RM'000
Shareholder's fund		
Expense liabilities for general takaful fund:		
Increase in provision for unearned wakalah fees (Note 18)	6,051	15,406
Expense liabilities for family takaful fund:		
(Decrease)/increase in UER (Note 18)	(7,135)	13,597
	(1,084)	29,003

27. FEE AND COMMISSION EXPENSES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
1.07.2011 to 31.12.2011			
Commission paid	46,856	-	76,936
Wakalah fee expense	-	88,029	20,993
Processing fee expenses	-	-	4,853
Others	-	-	5,341
	46,856	88,029	108,123
1.07.2010 to 30.06.2011			
Commission paid	90,695	-	172,289
Wakalah fee expense	-	161,316	44,703
Processing fee expenses	-	-	12,017
Others	-	-	12,754
	90,695	161,316	241,763

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

28. TAXATION

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
1.07.2011 to 31.12.2011			
Malaysian income tax:			
Tax expense for the year	20,685	-	-
Deferred taxation:			
Relating to origination and reversal of temporary differences (Note 11)	(960)	-	-
	19,725	-	-
1.07.2010 to 30.06.2011			
Malaysian income tax:			
Tax expense for the year	40,877	-	-
Overprovision of tax in prior years	(14,213)	(9,835)	(28,686)
	26,664	(9,835)	(28,686)
Deferred taxation:			
Relating to origination and reversal of temporary differences (Note 11)	2,386	-	-
	29,050	(9,835)	(28,686)

Domestic income tax for the shareholder's and general takaful funds is calculated at the Malaysian statutory tax rate of 25% (30.06.2011: 25%) of the estimated assessable profit for the financial period.

Domestic income tax of the family takaful fund is calculated at the preferential tax rate of 8% (30.6.2011: 8%) of taxable investment income for the financial period.

28. TAXATION (CONT'D.)

The reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company and the family takaful funds is as follows:

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
1.07.2011 to 31.12.2011			
Profit before taxation	66,980	25,881	149,019
Taxation at Malaysian statutory tax rate of 25% (30.06.2011: 25%)	16,745	6,470	-
Taxation at Malaysian statutory tax rate of 8% (30.06.2011: 8%)	-	-	11,922
Income not subject to tax	(7,880)	(1,112)	(59,874)
Expenses not deductible for tax purposes	4,918	138	63,359
Transfer to deferred tax	(960)	-	-
Surplus transferred to shareholders' fund	6,902	(2,748)	(4,154)
Tax borne by participants	-	(2,748)	(11,253)
	19,725	-	-
1.07.2010 to 30.06.2011			
Profit before taxation	159,069	71,044	320,764
Taxation at Malaysian statutory tax rate of 25% (2010: 25%)	39,770	17,761	-
Taxation at Malaysian statutory tax rate of 8% (2010: 8%)	-	-	25,661
Income not subject to tax	(27,762)	(2,010)	(120,442)
Expenses not deductible for tax purposes	13,649	1,401	119,322
Transfer to deferred tax	2,386	-	-
Surplus transferred to shareholders' fund	15,219	(8,576)	(6,643)
Tax borne by participants	-	(8,576)	(17,898)
Overprovision of tax in prior years	(14,212)	(9,835)	(28,686)
	29,050	(9,835)	(28,686)

There is no chargeable income for the general and family takaful funds as the adjusted income of each fund has been fully distributed to the shareholder and the participants in accordance with the principles of Shariah.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

29. INVESTMENT-LINKED FUND

(a) Statement of financial position

	31.12.2011 RM'000	30.06.2011 RM'000 (Restated)	1.07.2010 RM'000 (Restated)
Assets			
Financial assets at FVTPL (Note (c))	68,618	116,002	226,202
Loans and receivables (Note (d))	1,058	4,244	95,320
Other receivables	513	526	1,066
Deferred tax assets	55	124	463
Cash and bank balances	8	13	9
Total investment-linked business assets	70,252	120,909	323,060
Liabilities			
Deferred tax liabilities	118	795	1,674
Other payables (Note (e))	1,458	2,164	4,585
Current tax liabilities	978	1,070	1,807
Total investment-linked business liabilities	2,554	4,029	8,066
Net asset value ("NAV") of funds	**67,698**	**116,880**	**314,994**
Unitholders' accounts (Note (f))	**67,698**	**116,880**	**314,994**

(b) Income Statement

	1.07.2011 to 31.12.2011 RM'000	1.07.2010 to 30.06.2011 RM'000 (Restated)
Investment income (Note (g))	1,536	3,900
Realised gains and losses	7,879	13,593
Fair value losses	(8,397)	(7,336)
Other operating revenue/(expenses)	471	(669)
Other revenue	1,489	9,488
Management expenses	(9)	(14)
Fee and commission expenses	(504)	(1,900)
Other expenses	(513)	(1,914)
Excess of income over outgo before taxation	976	7,574
Taxation (Note (h))	(21)	(649)
Excess of income over outgo after taxation	955	6,925

29. INVESTMENT-LINKED FUND (CONT'D.)

(c) Financial assets at FVTPL

	31.12.2011 RM'000	30.06.2011 RM'000
- Held for Trading ("HFT")		
At fair value:		
Negotiable islamic certificate of deposits	10,755	50,129
Unquoted debt securities in Malaysia	49,357	54,735
Foreign notes	8,506	11,138
	68,618	116,002

(d) Loan and receivables

	31.12.2011 RM'000	30.06.2011 RM'000
Islamic investment accounts with licensed banks	1,058	4,244

(e) Other payables

	31.12.2011 RM'000	30.06.2011 RM'000 (Restated)
Amounts due to:		
Shareholder's fund*	208	226
Family takaful fund*	1,234	1,904
Other accruals and payables	16	34
	1,458	2,164

* The amounts due to shareholder's fund and family takaful fund are unsecured, not subject to any interest/profit elements and are repayable on demand.

29. INVESTMENT-LINKED FUND (CONT'D.)

(f) Unitholders' Accounts

	31.12.2011 RM'000	30.06.2011 RM'000
Net asset value as at beginning of the period/year	116,880	314,994
Excess of income over outgo after taxation	955	6,925
Net cancellation of units	(50,137)	(205,039)
Net asset value as at end of the period/year	67,698	116,880

(g) Investment income

	1.07.2011 to 31.12.2011 RM'000	1.07.2010 to 30.06.2011 RM'000 (Restated)
Financial assets at FVTPL:		
Profit income	1,472	3,454
LAR:		
Profit income	64	446
	1,536	3,900

(h) Taxation

	1.07.2011 to 31.12.2011 RM'000	1.07.2010 to 30.06.2011 RM'000
Income tax:		
Current year's provision	703	1,627
Deferred tax:		
Relating to origination and reversal of temporary differences	(682)	(978)
	21	649

29. INVESTMENT-LINKED FUND (CONT'D.)

(h) Taxation (Cont'd.)

A reconciliation of income tax expense applicable to the excess of income over outgo before taxation at the income tax rate applicable to the Funds, to income tax expense at the effective income tax rate is as follows:

	1.07.2011 to 31.12.2011 RM'000	1.07.2010 to 30.06.2011 RM'000
Excess of income over outgo before taxation	976	7,574
Taxation at Malaysian statutory tax rate of 8% (2010: 8%)	78	606
Tax equalisation	(75)	(80)
Expenses not deductible for tax purposes	41	153
Overprovision of tax in prior period/years	(23)	(30)
	21	649

30. EARNINGS PER SHARE

The basic earnings per share ("EPS") is calculated based on the net profit for the financial period/year divided by the number of ordinary shares in issue during the financial period/year as follows:

	1.07.2011 to 31.12.2011 RM'000	1.07.2010 to 30.06.2011 RM'000 (Restated)
Profit attributable to ordinary share holders	43,516	123,326
Number of shares in issue	100,000	100,000
Basic earnings per share (sen)	43.5	123.3

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

31. OPERATING LEASE COMMITMENTS

As at the reporting date, the Company and takaful funds lease office premises under lease agreements that are not cancellable within a year. The leases contain renewable options.

Future minimum lease payments for leases with initial or remaining terms of one year or more are as follows:

	1.07.2011 to 31.12.2011 RM'000	1.07.2010 to 30.06.2011 RM'000
Within 1 year	8,080	7,996
After 1 year but not more than 5 years	30,458	30,228
	38,538	38,224

32. SEGMENT INFORMATION ON CASH FLOW

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
31.12.2011				
Net cash flow generated from/(used in):				
Operating activities	19,977	(2,932)	24,138	41,183
Investing activities	(2,633)	-	-	(2,633)
	17,344	(2,932)	24,138	38,550
Net increase/(decrease) in cash and cash equivalents:				
At 1 July	1,166	29,062	20,042	50,270
At 31 December	18,510	26,130	44,180	88,820
	17,344	(2,932)	24,138	38,550

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

32. SEGMENT INFORMATION ON CASH FLOW (CONT'D.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Total RM'000
30.06.2011				
Net cash flow generated from/(used in):				
Operating activities	482	(7,520)	(6,202)	(13,240)
Investing activities	(4,720)	(528)	-	(5,248)
	(4,238)	(8,048)	(6,202)	(18,488)
Net decrease in cash and cash equivalents:				
At 1 July	5,404	37,110	26,244	68,758
At 30 June	1,166	29,062	20,042	50,270
	(4,238)	(8,048)	(6,202)	(18,488)

33. CAPITAL COMMITMENTS

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
31.12.2011			
Approved and contracted for:			
Intangible assets	11,918	-	-
30.06.2011			
Approved and contracted for:			
Intangible assets	17,379	-	-

34. RELATED PARTY DISCLOSURES

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

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
Income/(expenses):			
1.07.2011 to 31.12.2011			
Transactions with the ultimate holding company:			
Profit income	279	1,083	8,934
Gross takaful contribution income	-	-	51,909
Commissions and fees expenses	(15,486)	(2,223)	(1,793)
Transactions with the holding company:			
Gross takaful contribution income	-	299	46
Transactions with fellow subsidiaries within the MAHB Group:			
Gross takaful contribution income	-	192	2,583
Rental expense	(3,344)	-	(368)
Management fee	(2,308)	-	(3,789)
Processing fee	38	-	-
Transactions with other related companies within the MBB Group:			
Gross takaful contribution income	-	-	1,339
1.07.2010 to 30.06.2011			
Transactions with the ultimate holding company:			
Profit income	1,641	582	19,270
Gross takaful contribution income	-	-	20,022
Commissions and fees expenses	(37,802)	(2,500)	(2,617)
Transactions with the holding company:			
Gross takaful contribution income	-	-	69

34. RELATED PARTY DISCLOSURES (CONT'D.)

(a) In addition to the transactions and balances detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during and at the end of the financial period/year: (Cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
Income/(expenses): (Cont'd.)			
1.7.2010 to 30.06.2011 (cont'd.)			
Transactions with fellow subsidiaries within MFHB Group:			
Gross takaful contribution income	-	478	4,198
Rental expense	(6,457)	-	(707)
Management fee	(4,173)	-	(6,895)
Processing fee	105	-	-
Transactions with other related companies within the MBB Group:			
Gross takaful contribution income	-	-	653

Included in the statements of financial position of the Company and takaful funds are amounts due from/(to) related companies represented by the following:

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
31.12.2011			
Amount due from/(to) ultimate holding company:			
Bank balances	14,738	23,290	29,494
Income and profit due and accrued	-	202	1,142
Islamic investment accounts	33,000	105,390	288,756
Other receivables	12	-	-
Other payables	(10,457)	-	-
Amount due to holding company:			
Other receivables	45		
Other payable	(2,527)	-	-

34. RELATED PARTY DISCLOSURES (CONT'D.)

Included in the statements of financial position of the Company and takaful funds are amounts due from/(to) related companies represented by the following (Cont'd.):

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
31.12.2011 (cont'd.)			
Amount due from/(to) fellow subsidiaries within the MAHB Group:			
Other receivables	9,366	6	181
Other payables	(13,241)	-	-
Amount due from other related companies within the MBB Group:			
Other receivables	32	-	-
30.06.2011			
Amount due from/(to) ultimate holding company:			
Bank balances	840	20,975	10,947
Income and profit due and accrued	729	45	6,434
Islamic investment accounts	98,150	84,161	478,544
Other receivables	-	-	-
Other payables	(4,980)	-	-
Amount due to holding company:			
Other payable	(1,656)	-	-
Amount due from/(to) fellow subsidiaries within the MAHB Group:			
Other receivables	3,798	-	-
Other payables	(6,728)	-	-
Amount due from other related companies within the MBB Group:			
Other receivables	32	-	-

34. RELATED PARTY DISCLOSURES (CONT'D.)

(b) Key management personnel compensation

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

(i) The remuneration of key management personnel during the financial period/year was as follows:

	1.07.2011 to 31.12.2011 RM'000	1.07.2010 to 30.06.2011 RM'000
Short-term employee benefits		
Salaries, allowances and bonuses	918	1,234
EPF	121	206
Share based compensation	260	-
Other staff benefits	217	251
	1,516	1,691

(ii) The movement in share options of key management personnel is as follows:

	31.12.2011 RM'000	30.06.2011 RM'000
At beginning of period/year	94	-
Appointed	125	-
Granted	-	94
At end of period/year	219	94

The remuneration of other key management personnel, that is the non-executive directors of the Company are as disclosed in Note 25(b).

35. RISK MANAGEMENT FRAMEWORK

The Risk Management Framework defines and formalises the risk management process. It comprises the development, implementation and monitoring of financial and operational strategies for assessing, mitigating and financing financial, insurance and operational risks to increase the value of the Company.

It enhances the capabilities to align risk appetite and strategy, link risk with growth and returns, make timely risk response decisions, minimise operational surprises and losses, seize opportunities and rationalise capital.

The framework takes into account:

- The Bank Negara Malaysia ("BNM") guidelines regarding the Risk Management Committee ("RMC");
- The existing Risk Management organisation within the MBB Group;
- The relevant section of the MBB's Group Risk Management Oversight Framework;
- The relevant section of the Maybank's Risk Governance and General Risk Management Framework for Credit Risk, Market Risk and Operational Risk; and
- The organisational structure of the Company ("EOC").

The scope of the framework addresses the management of risk policy, governance structure reporting and policy implementation.

This integrated framework ensures that risks are properly and adequately identified, evaluated, monitored and reported, as to safeguard and protect the assets of the Company and enables management to fulfil their obligations to its stakeholders and meeting the expectations of the regulators.

During the financial period, the Risk Management function was strengthened with the creation of the role of the Chief Risk Officer ("CRO") in the Senior Management Committee. The CRO role ensures an independent control function and makes risk management more strategic within the Company.

Capital Management Objectives, Policies and Approach

The Capital Management Guideline sets a standard policy regarding the levels of capital to be maintained within the Company. The Company aligns its capital requirement with the minimum paid-up capital requirement for Takaful Operators as specificied in circulars issued by BNM (BNM/RH/CIR/004-13). As at 31 December 2011, the Company maintains a minimum capital of RM100 million and the shareholders' equity stood at RM630 million.

The Capital Management Guideline defines the level of internal capital target which is reviewed on an annual basis. This is to ensure that the target capital level adequately reflects the risk profile of the portfolio as well as the risk tolerance. The guideline is supported by stress testing exercises conducted at least twice yearly. The stress testing exercise is governed by the requirements established in the stress testing Guideline issued by BNM (BNM/RH/GL/004-16).

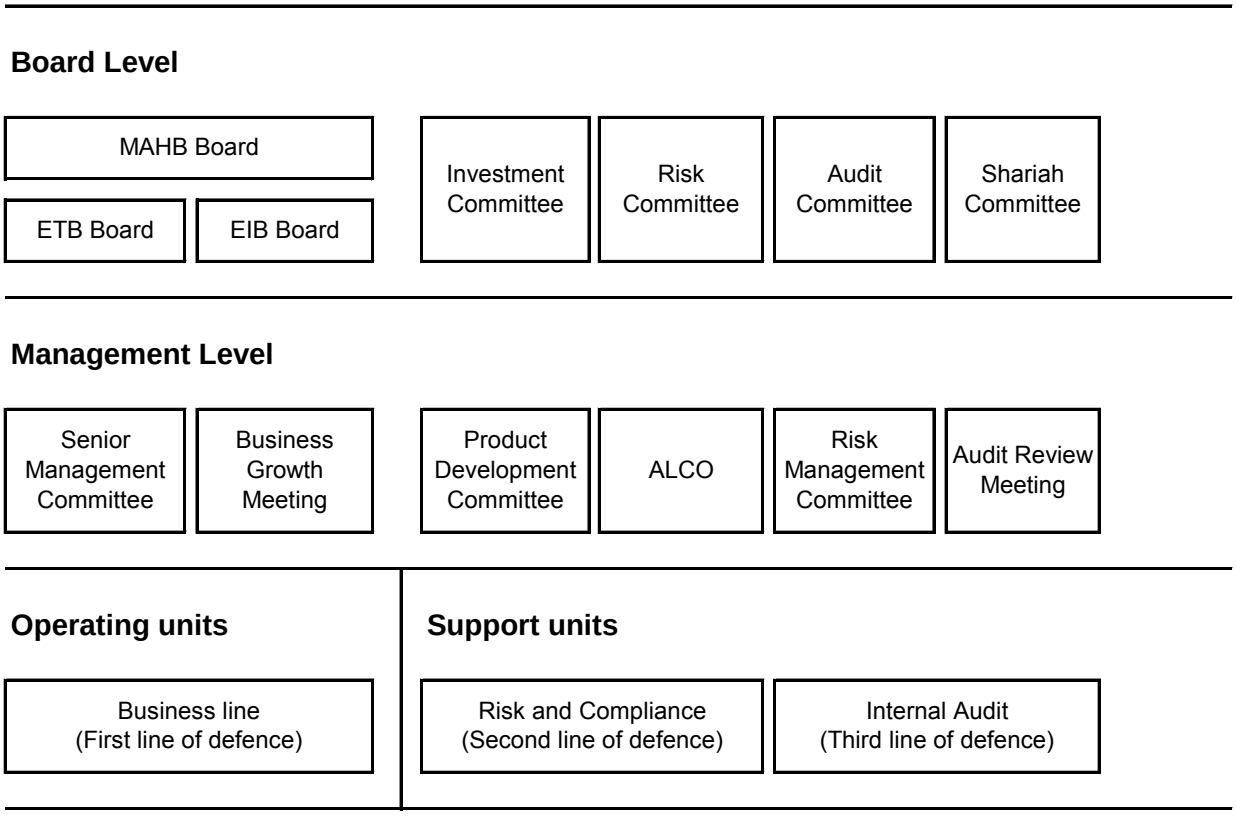
35. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Governance and Regulatory Framework

The governance structure outlines the organisational structure, the hierarchy and the scope of responsibilities of all the governance bodies involved in the risk management function.

The risk management organisation structure involves the Boards of Directors ("Board"), the Risk Management Committee ("RMC") and the Risk Management Meeting ("RMM").

Governance is emphasised via various level of committees (Board, Management and Working levels). Each of the committees have its own Terms of Reference, Roles and Responsibilities, Specific Duties and Levels of Authority.



35. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Governance and Regulatory Framework (Cont'd.)

The risk management framework comprises three (3) main management layers which are:
i) Risk acceptance and ownership (first line);
ii) Risk control and oversight (second line); and
iii) Independent audit and compliance (third line)

i) Risk acceptance and ownership

The business lines are the risk taking units and are primarily responsible for appropriate risk acceptance in line with the risk management framework. The CEO of the Company holds ultimate responsibility.

ii) Risk control and oversight

Effective risk management requires a reporting and review structure to ensure that risks are effectively identified and assessed and that appropriate controls and responses are in place. Regular reviews should be carried out to ensure continuous effectiveness.

The RMM is the management forum for deliberation on all risk issues. The RMM proposes risk policies and risk acceptance limits the RMC and ensures that the approved guidelines are implemented. The RMM monitors exposures and actions in case of breaches.

iii) Independent audit and compliance

Internal audit complements the risk governance framework in providing independent assurance on the effectiveness of the risk management process.

Asset-Liability Management ("ALM") Framework

The primary objective of the ALCO is to coordinate ongoing controls over the financial/investment risk position of each investment portfolio and the liability position of the Company.

The ALCO is authorised to propose policies to RMC and IC and to propose the implementation program of the investment activities.

The ALCO is also responsible for carrying out Asset Liability Management ("ALM") studies, amongst other things.

36. UNDERWRITING RISK

Underwriting risk relates to the inherent risk associated in the underwriting activities of the Family and General Takaful businesses. Such risk includes pricing risk, claim reserving and retakaful risk. Actuarial analyses are performed to control pricing, underwriting and reserving risks.

Retakaful is placed to minimise certain takaful risks within the established risk parameters. Risks associated with retakaful risk include counterparty risk, which is the risk of retakaful operators failing to honor their obligations. Claims processes are defined by approval authority as part of the controls in place on financial exposure.

The Company has established appropriate guidelines and framework which are aligned with regulatory authority limits. Annual internal audit reviews are performed to ensure compliance with the Company's guidelines and standards.

(a) Family takaful fund

The table below shows the concentration of family takaful certificates liabilities:

	31.12.2011			30.06.2011		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Endowment	1,056,719	-	1,056,719	929,149	-	929,149
Mortgage	2,537,782	(18,832)	2,518,950	2,384,293	(21,081)	2,363,212
Term assurance	30,219	-	30,219	28,078	-	28,078
Annuity	755,550	-	755,550	757,210	-	757,210
Others	238,520	-	238,520	247,823	-	247,823
	4,618,790	(18,832)	4,599,958	4,346,553	(21,081)	4,325,472

36. UNDERWRITING RISK (CONT'D.)

(a) Family takaful fund (Cont'd.)

(i) Key assumptions

Material judgement is required in determining the Takaful's Participants Risk Fund ("PRF") liabilities. Assumptions are set based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

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

Discount rate
Discount rates for PRF cashflows are based on long-term Government Islamic Instrument ("GII") rates.

Mortality and morbidity rates
The Company determines mortality and morbidity rates using established local industry tables which reflect historical experiences, adjusted where appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that are exposed to risk on longevity, prudent allowance is made for expected future mortality improvements.

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

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

(ii) Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions affecting the determination of takaful liabilities with all other assumptions held constant, showing the impact on net liabilities, profit arising and the profit attributable to the shareholder (referred to as "profit sharing").

36. UNDERWRITING RISK (CONT'D.)

(a) Family takaful fund (Cont'd.)

(ii) Sensitivities (cont'd.)

The correlation of assumptions will have a significant effect in determining the ultimate claim liabilities, but to demonstrate the impact changes in assumptions are analysed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

	% change in assumptions	Impact on net liabilities RM'000	Impact on Surplus Arising RM'000	Impact on Profit Sharing RM'000
31.12.2011				
Discount rate	-1%	232,855	(232,855)	(46,497)
Mortality and morbidity rates	+/- 10% (adverse)	190,420	(190,420)	(45,798)
Lapse and surrender rates	+/- 10% (adverse)	4,367	(4,367)	(2,483)
Expenses	+10%	19,172	(19,172)	(4,537)
30.06.2011				
Discount rate	-1%	205,810	(205,810)	(54,987)
Mortality and morbidity rates	+/- 10% (adverse)	184,642	(184,642)	(48,609)
Lapse and surrender rates	+/- 10% (adverse)	2,844	(2,844)	(1,835)
Expenses	+10%	17,357	(17,357)	(3,166)

Changes in morbidity, mortality and lapse rates shown above include both upwards and downwards experience, depending on the specific key assumption being analysed. For the purposes of the sensitivity analysis, management has only examined the impact arising from adverse changes to these key assumptions as the impact of such adverse changes would be more significant to management in their decision-making process and strategic positioning.

36. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund

The table below shows the concentration of contribution by type of contract.

	31.12.2011			30.06.2011		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Motor	282,981	(1,844)	281,137	433,468	(4,385)	429,083
Fire	28,113	(9,230)	18,883	68,922	(24,122)	44,800
Marine Cargo, Aviation Cargo and Transit	12,992	(12,308)	684	54,035	(52,111)	1,924
Miscellaneous	31,629	(7,780)	23,849	79,816	(21,155)	58,661
	355,715	(31,162)	324,553	636,241	(101,773)	534,468

(i) Key assumptions and methods

The claim liabilities of the general takaful fund are estimated by using a range of standard actuarial claims projection methodologies, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and, hence, the ultimate cost of claims. Accordingly, these methods extrapolate the development of paid and incurred losses based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident period. Claims development is separately analysed for each line of business. Certain lines of business are also further analysed by type of coverage.

36. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (Cont'd.)

(i) Key assumptions and methods (cont'd.)

The assumptions used in the projection methodologies, including future rates of claims inflation or loss ratio assumptions, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future, for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, legislative changes, judicial decisions and economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved. The range of possible outcomes does not, however, result in the quantification of a liability range. In addition, the liabilities are estimated on an undiscounted basis and no curve-fitting methods have been applied in the estimation process. The inherent uncertainties in estimating liabilities can arise from a variety of factors such as the range and quality of data available, underlying assumptions made and random volatility in future experience.

There has been no change in the estimation methods used since the previous financial year nor have there been any significant changes in key assumptions.

(ii) Sensitivities

Using the methods described above, the claims development is extrapolated for each accident year based on the observed development of earlier years. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historical claims.

Illustrative results of sensitivity testing for general takaful business's claims liabilities are set out below. The cumulative effect of all possible factors that affect the assumptions in the projection would ultimately impact the claims liabilities and, consequently, the observed net incurred claims ratio for the financial year. Therefore, the sensitivity analysis has been performed based on reasonably possible movements in net incurred claims ratio with all other assumptions or key factors held constant, showing the impact on gross and net liabilities, profit before tax and the participants' fund.

(In(UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (Cont'd.)

(ii) Sensitivities (cont'd.)

	% change in key assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on participants' fund RM'000
31.12.2011					
Incurred Claims Ratio	+ 5%	18,484	14,656	(14,656)	(10,992)
	- 5%	(18,484)	(14,656)	14,656	10,992
30.06.2011					
Incurred Claims Ratio	+ 5%	26,274	22,978	(22,978)	(17,233)
	- 5%	(26,274)	(22,978)	22,978	17,233

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

(iii) Claims development table

The following tables show the estimated incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date. The management of the Company believes the estimate of total claims liabilities as at the financial period end are adequate. The Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty.

36. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (Cont'd.)

(iii) Claims development table (cont'd.)

Gross analysis of claims development for 2011:

	Before	As at 31 December							
	2005	2005	2006	2007	2008	2009	2010	2011	Total
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At the end of accident year		93,054	118,774	121,433	166,000	237,471	391,033	437,396	
1 year later		104,214	136,027	108,984	175,889	200,678	258,963		
2 years later		90,279	137,431	103,481	123,154	239,280			
3 years later		91,473	137,159	112,376	163,998				
4 years later		87,108	128,702	92,602					
5 years later		74,149	130,104						
6 years later		80,152							
Estimate of cumulative claims to date (A)		**80,152**	**130,104**	**92,602**	**163,998**	**239,280**	**258,963**	**437,396**	
At the end of accident year		32,673	54,850	29,999	67,164	74,439	94,507	131,482	
1 year later		54,714	91,182	59,428	113,408	146,844	191,698		
2 years later		62,300	103,757	69,548	130,773	173,478			
3 years later		67,334	109,731	77,943	142,458				
4 years later		69,500	114,065	80,888					
5 years later		71,367	116,466						
6 years later		74,317							
Cumulative claims paid to date (B)		**74,317**	**116,466**	**80,888**	**142,458**	**173,478**	**191,698**	**131,482**	
Gross Best Estimate Claim Liabilities (A) - (B)	26,588	5,835	13,638	11,714	21,540	65,802	67,265	305,914	518,296
Provision for Risk Margin for Adverse Deviation (C)									143,504
Gross Claim liabilities (A) - (B) + (C)									661,800

36. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (Cont'd.)

(iii) Claims development table (cont'd.)

Net analysis of claims development for 2011:

	Before	As at 31 December							
	2005	2005	2006	2007	2008	2009	2010	2011	Total
Accident year	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At the end of accident year		74,947	95,376	105,625	152,245	182,266	339,143	325,123	
1 year later		89,694	102,469	92,318	156,169	161,225	227,980		
2 years later		74,859	103,864	89,532	108,833	192,838			
3 years later		71,324	103,884	98,911	145,198				
4 years later		68,417	98,603	81,269					
5 years later		60,681	99,133						
6 years later		65,565							
Estimate of cumulative claims to date (A)		**65,565**	**99,133**	**81,269**	**145,198**	**192,838**	**227,980**	**325,123**	
At the end of accident year		30,663	42,176	26,626	64,563	72,745	91,793	130,642	
1 year later		51,192	71,163	51,812	106,228	135,607	171,337		
2 years later		55,236	78,740	60,824	119,667	161,900			
3 years later		55,745	83,369	68,873	129,419				
4 years later		57,730	87,568	71,676					
5 years later		59,561	89,035						
6 years later		61,331							
Cumulative claims paid to date (B)		**61,331**	**89,035**	**71,676**	**129,419**	**161,900**	**171,337**	**130,642**	
Gross Best Estimate Claim Liabilities (A) - (B)	5,814	4,234	10,098	9,593	15,779	30,938	56,643	194,481	327,580
Provision for Risk Margin for Adverse Deviation (C)									75,991
Net Claim liabilities (A) - (B) + (C)									403,571

37. FINANCIAL RISKS

(i) Credit Risk

The Company's credit risk largely arises from its investment in fixed income instruments, corporate loans and contracts with retakaful counterparties.

However, the main contributor to the credit risk arises from holdings of debt securities (mainly corporate bonds). The default risk the Company faces is when counterparties fail to meet contractual payment obligations.

Financial loss may materialise as a result of the widening credit spread or downgrade of credit rating.

The Company measures and manages credit risk following the philosophy and principles below:

- The Company actively aims to prevent undue concentration by ensuring its credit portfolio is diversified and marketable credit portfolio;
- The Company's asset management research team adopts a prudent position in the selection of fixed income investments;
- The Company establishes limits on maximum credit exposures. The credit limit for a counterparty is based on the counterparty's credit quality and aligned to the risk appetite; and
- The Company uses Key Risk Indicators ("KRI") to alert management on impending problems in a timely manner.

Credit exposure

The table below shows the maximum exposure to credit risk for the components on the Statement of Financial Position as at 31 December 2011. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

37. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure (cont'd.)

	Note	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Unit-linked RM'000	Total RM'000
31.12.2011						
AFS financial investments:						
Equity securities		37,202	152,484	625,230	-	814,916
MGS / GII / MGGB		77,675	284,287	459,783	-	821,745
Other debt securities, structured deposits and NICDs		89,191	386,184	873,603	-	1,348,978
Trust funds		154	1,581	17,088	-	18,823
LAR:						
Fixed and call deposits		130,748	262,760	1,001,114	1,058	1,395,680
Financial investments at FVTPL:						
MGS / GII / MGGB		-	-	1,255,525	-	1,255,525
Other debt securities, structured deposits and NICDs		-	-	2,455,591	68,618	2,524,209
Financing receivables		21,055	-	40,878	-	61,933
Takaful receivables		-	92,652	68,449	-	161,101
Other receivables		522,481	11,818	91,606	513	626,418
Retakaful assets		-	278,108	18,832	-	296,940
Cash and bank balances		18,510	26,130	44,180	8	88,828
		897,016	1,496,004	6,951,879	70,197	9,415,096

37. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

	Note	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Unit-linked RM'000	Total RM'000
30.06.2011						
AFS financial investments:						
Equity securities		35,544	149,121	633,150	-	817,815
MGS / GII / MGGB		86,191	281,283	434,593	-	802,067
Other debt securities, structured deposits and NICDs		57,929	360,183	759,605	-	1,177,717
Trust funds		415	2,503	18,190	-	21,108
LAR:						
Fixed and call deposits		154,094	181,873	1,050,071	4,244	1,390,282
Financial investments at FVTPL:						
MGS / GII / MGGB		-	-	1,230,732	-	1,230,732
Other debt securities, structured deposits and NICDs		-	-	2,155,354	116,002	2,271,356
Financing receivables		22,192	1,621	53,486	-	77,299
Takaful receivables		-	97,618	80,272	-	177,890
Other receivables		499,761	10,634	84,708	526	595,629
Retakaful assets		-	300,064	21,081	-	321,145
Cash and bank balances		1,166	29,062	20,042	13	50,283
		857,292	1,413,962	6,541,284	120,785	8,933,323

37. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties. This analysis excludes assets of the investment-linked funds as credit risk of these funds are borne by the participants.

Shareholder's fund

	---------- Neither past-due nor impaired ----------					
	Investment grade: A to AAA RM'000	**Non-investment grade: B to BBB RM'000**	**Not Rated RM'000**	**Past-due RM'000**	**Not subject to credit risk RM'000**	**Total RM'000**
31.12.2011						
AFS financial investments:						
Equity securities	-	-	-	-	37,202	37,202
MGS / GII / MGGB	-	-	77,675	-	-	77,675
Other debt securities, structured deposits and NICDs	89,191	-	-	-	-	89,191
Trust funds	-	-	-	-	154	154
LAR:						
Fixed and call deposits	130,618	-	130	-	-	130,748
Financing receivables	-	-	19,233	1,822	-	21,055
Other receivables	-	-	522,481	-	-	522,481
Cash and bank balances	18,394	-	116	-	-	18,510
	238,203	-	619,635	1,822	37,356	897,016

37. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Shareholder's fund (cont'd.)

	---------- Neither past-due nor impaired ----------					
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000	Past-due RM'000	Not subject to credit risk RM'000	Total RM'000
30.06.2011						
AFS financial investments:						
Equity securities	-	-	-	-	35,544	35,544
MGS / GII / MGGB	-	-	86,191	-	-	86,191
Other debt securities, structured deposits and NICDs	57,879	50	-	-	-	57,929
Trust funds	-	-	-	-	415	415
LAR:						
Fixed and call deposits	153,964	-	130	-	-	154,094
Financing receivables	-	-	20,431	1,761	-	22,192
Other receivables	-	-	499,761	-	-	499,761
Cash and bank balances	1,049	-	117	-	-	1,166
	212,892	50	606,630	1,761	35,959	857,292

37. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

General takaful fund

	---------- Neither past-due nor impaired ----------					
	Investment grade: A to AAA RM'000	**Non-investment grade: B to BBB RM'000**	**Not Rated RM'000**	**Past-due RM'000**	**Not subject to credit risk RM'000**	**Total RM'000**
31.12.2011						
AFS financial investments:						
Equity securities	-	-	-	-	152,484	152,484
MGS / GII / MGGB	-	-	284,287	-	-	284,287
Other debt securities, structured deposits and NICDs	383,108	-	3,076	-	-	386,184
Trust funds	-	-	-	-	1,581	1,581
LAR:						
Fixed and call deposits	261,660	-	1,100	-	-	262,760
Takaful receivables	-	-	71,415	21,237	-	92,652
Other receivables	-	-	11,818	-	-	11,818
Retakaful assets	-	-	258,229	-	19,879	278,108
Cash and bank balances	26,121	-	9	-	-	26,130
	670,889	-	629,934	21,237	173,944	1,496,004

37. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

General takaful fund (cont'd.)

	---------- Neither past-due nor impaired ----------					
	Investment grade: A to AAA RM'000	**Non-investment grade: B to BBB RM'000**	**Not Rated RM'000**	**Past-due RM'000**	**Not subject to credit risk RM'000**	**Total RM'000**
30.06.2011						
AFS financial investments:						
Equity securities	-	-	-	-	149,121	149,121
MGS / GII / MGGB	-	-	281,283	-	-	281,283
Other debt securities, structured deposits and NICDs	357,122	-	3,061	-	-	360,183
Trust funds	-	-	-	-	2,503	2,503
LAR:						
Fixed and call deposits	180,597	-	1,276	-	-	181,873
Financing receivables	-	-	-	1,621	-	1,621
Takaful receivables	-	-	78,360	19,258	-	97,618
Other receivables	-	-	10,634	-	-	10,634
Retakaful assets	-	-	234,780	-	65,284	300,064
Cash and bank balances	29,047	-	15	-	-	29,062
	566,766	-	609,409	20,879	216,908	1,413,962

37. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Family takaful fund	---------- Neither past-due nor impaired ---------- Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000	Past-due RM'000	Not subject to credit risk RM'000	Total RM'000
31.12.2011						
AFS financial investments:						
Equity securities	-	-	-	-	625,230	625,230
MGS / GII / MGGB	-	-	459,783	-	-	459,783
Other debt securities, structured deposits and NICDs	850,753	-	22,850	-	-	873,603
Trust funds	-	-	-	-	17,088	17,088
LAR:						
Fixed and call deposits	945,010	-	56,104	-	-	1,001,114
Financial investments at FVTPL:						
MGS / GII / MGGB	-	-	1,255,525	-	-	1,255,525
Other debt securities, structured deposits and NICDs	2,442,055	-	13,536	-	-	2,455,591
Financing receivables	-	-	-	40,878	-	40,878
Takaful receivables	-	-	15,096	53,353	-	68,449
Other receivables	-	-	91,606	-	-	91,606
Retakaful assets	-	-	18,832	-	-	18,832
Cash and bank balances	43,993	-	187	-	-	44,180
	4,281,811	-	1,933,519	94,231	642,318	6,951,879

37. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Family takaful fund (cont'd.)

	---------- Neither past-due nor impaired ----------					
	Investment grade: A to AAA RM'000	Non-investment grade: B to BBB RM'000	Not Rated RM'000	Past-due RM'000	Not subject to credit risk RM'000	Total RM'000
30.06.2011						
AFS financial investments:						
Equity securities	-	-	-	-	633,150	633,150
MGS / GII / MGGB	-	-	434,593	-	-	434,593
Other debt securities, structured deposits and NICDs	723,383	-	36,222	-	-	759,605
Trust funds	-	-	-	-	18,190	18,190
LAR:						
Fixed and call deposits	992,427	-	57,644	-	-	1,050,071
Financial investments at FVTPL:						
MGS / GII / MGGB	-	-	1,230,732	-	-	1,230,732
Other debt securities, structured deposits and NICDs	2,155,354	-	-	-	-	2,155,354
Financing receivables	-	-	-	53,486	-	53,486
Takaful receivables	-	-	46,158	34,114	-	80,272
Other receivables	-	-	84,708	-	-	84,708
Retakaful assets	-	-	21,081	-	-	21,081
Cash and bank balances	19,427	-	615	-	-	20,042
	3,890,591	-	1,911,753	87,600	651,340	6,541,284

37. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Age Analysis of Financial Assets Past-Due/But Not Impaired and Financial Assets Past Due and Impaired

Shareholder's fund

31.12.2011	---------- Past due but not impaired ----------				---------- Past due and impaired ----------			
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	Grand total RM'000
Financing receivables	-	-	1,822	1,822	596	(596)	-	1,822
	-	-	1,822	1,822	596	(596)	-	1,822

30.06.2011	---------- Past due but not impaired ----------				---------- Past due and impaired ----------			
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	Grand total RM'000
Financing receivables	-	-	1,761	1,761	596	(596)	-	1,761
	-	-	1,761	1,761	596	(596)	-	1,761

37. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Age Analysis of Financial Assets Past-Due/But Not Impaired and Financial Assets Past Due and Impaired

General takaful fund

31.12.2011	---------- Past due but not impaired ----------				---------- Past due and impaired ----------			
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	Grand total RM'000
Financing receivables	-	-	-	-	3,396	(3,396)	-	-
Takaful receivables	9,159	2,891	9,187	21,237	21,237	(21,237)	-	21,237
	9,159	2,891	9,187	21,237	24,633	(24,633)	-	21,237

30.06.2011	---------- Past due but not impaired ----------				---------- Past due and impaired ----------			
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	Grand total RM'000
Financing receivables	-	-	858	858	4,595	(3,832)	763	1,621
Takaful receivables	11,983	4,994	2,281	19,258	26,531	(26,531)	-	19,258
	11,983	4,994	3,139	20,116	31,126	(30,363)	763	20,879

37. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Credit exposure by credit rating (cont'd.)

Age Analysis of Financial Assets Past-Due/But Not Impaired and Financial Assets Past Due and Impaired

Family takaful fund

31.12.2011	---------- Past due but not impaired ----------				---------- Past due and impaired ----------			
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	Grand total RM'000
Financing receivables	205	2,500	-	2,705	63,170	(24,997)	38,173	40,878
Takaful receivables	5,656	19,392	28,305	53,353	16,642	(16,642)	-	53,353
	5,861	21,892	28,305	56,058	79,812	(41,639)	38,173	94,231

30.06.2011	---------- Past due but not impaired ----------				---------- Past due and impaired ----------			
	<90 days RM'000	91 to 180 days RM'000	>180 days RM'000	Total RM'000	Original carrying amount RM'000	Impairment allowance RM'000	Net carrying amount RM'000	Grand total RM'000
Financing receivables	21	2,500	10,292	12,813	65,672	(24,999)	40,673	53,486
Takaful receivables	32,933	1,181	-	34,114	15,144	(15,144)	-	34,114
	32,954	3,681	10,292	46,927	80,816	(40,143)	40,673	87,600

37. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Reconciliation of allowance account

The movements in allowance for impairment losses for financial assets are as follows:

Shareholder's fund

	Financing receivables RM'000	Takaful receivables RM'000	Total RM'000
At 1 July 2010/30 June 2011	596	-	596
At 1 July 2011/31 December 2011	596	-	596

General takaful fund

	Financing receivables RM'000	Takaful receivables RM'000	Total RM'000
At 1 July 2010	3,832	22,813	26,645
Impairment losses during the year	-	3,718	3,718
At 30 June 2011	3,832	26,531	30,363
At 1 July 2011	3,832	26,531	30,363
Reversal of impairment losses during the period	(436)	(5,294)	(5,730)
At 31 December 2011	3,396	21,237	24,633

37. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Reconciliation of allowance account (cont'd.)

The movements in allowance for impairment losses for financial assets are as follows:

Family takaful fund

	Financing receivables RM'000	Takaful receivables RM'000	Total RM'000
At 1 July 2010	22,008	8,453	30,461
Impairment losses during the year	2,991	6,691	9,682
At 30 June 2011	24,999	15,144	40,143
At 1 July 2011	24,999	15,144	40,143
(Reversal of impairment losses)/impairment losses during the period	(2)	1,498	1,496
At 31 December 2011	24,997	16,642	41,639

37. FINANCIAL RISKS (CONT'D.)

(i) Credit Risk (Cont'd.)

Financial effect of collateral held

The main types of collateral held as security by the Company to mitigate credit risk are as follows:

Type of financing receivables	Type of collaterals
Secured staff loans	Charges over residential properties and vehicles
Corporate loans	Charges over properties, lands being financed and bank guarantees

The funds with financial assets over which collaterals are held as security include the Shareholder's fund and the Family Takaful fund.

Shareholders' fund

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing receivables of the fund is 77% as at 31 December 2011 (30 June 2011: 73%). The financing receivables includes staff loans which amounted to RM 21.1 million as at 31 December 2011 (30 June 2011: RM 22.2 million). These loans are collateralised in the form of charges over residential properties.

Family takaful fund

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing receivables of the fund is 28% as at 31 December 2011 (30 June 2011: 26%). The financing receivables includes corporate loans which amounted to RM 40.9 million as at 31 December 2011 (30 June 2011: RM 53.5 million). These loans are collateralised in the form of land guarantees, worth RM 152 million in aggregate (last valued on 24 May 2011).

The remaining balance of financing receivables are not collateralised.

37. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk

Liquidity Risk is the risk that arises from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. It is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

The objective of liquidity risk management is to safeguard the Company's ability to meet all payments when they come due. Liquidity risk management will ensure that even under adverse conditions, the Company has access to the funds necessary to cover surrenders, withdrawal, claims and the maturity liabilities.

The Company measures and manages liquidity risk following the philosophy and principles below:
- The Company actively monitors the asset-liability cashflows through the ALCO platform; and
- The Company's investment strategies ensure that the investment limits set takes care of reasonable liquidity requirements at all times.

Maturity Profiles

The table below summarises the maturity profiles of the financial assets and liabilities of the Company based on remaining undiscounted contractual obligations, including profit payable and receivable. For takaful certificates liabilities and retakaful certificate assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised takaful certificates liabilities.

Contribution liabilities and the retakaful operators' share of contribution liabilities have been excluded from the analysis as there are no contractual obligations to make payments on those liabilities .

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

37. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

Shareholder's fund	Carrying value RM'000	Up to a year* RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
31.12.2011						
Financial investments:						
LAR	130,748	130,966	-	-	-	130,966
AFS	204,222	-	28,557	193,050	37,355	258,962
Financing receivables	21,055	2,277	9,310	9,468	-	21,055
Other receivables	522,481	522,481	-	-	-	522,481
Cash and bank balances	18,510	18,510	-	-	-	18,510
Total financial assets	897,016	674,234	37,867	202,518	37,355	951,974
Other payables	55,722	55,722	-	-	-	55,722
Total financial liabilities	55,722	55,722	-	-	-	55,722
30.06.2011						
Financial investments:						
LAR	154,094	154,094	-	-	-	154,094
AFS	180,079	-	29,404	162,553	35,959	227,916
Financing receivables	22,192	607	3,493	18,092	-	22,192
Other receivables	499,761	499,761	-	-	-	499,761
Cash and bank balances	1,166	1,166	-	-	-	1,166
Total financial assets	857,292	655,628	32,897	180,645	35,959	905,129
Other payables	58,997	58,997	-	-	-	58,997
Total financial liabilities	58,997	58,997	-	-	-	58,997

37. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

General takaful fund	Carrying value RM'000	Up to a year* RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
31.12.2011						
Financial investments:						
LAR	262,760	263,980	-	-	-	263,980
AFS	824,536	130,758	522,589	90,925	154,065	898,337
Takaful receivables	92,652	92,652	-	-	-	92,652
Other receivables	11,818	11,818	-	-	-	11,818
Retakaful assets	258,229	114,059	111,500	32,670	-	258,229
Cash and bank balances	26,130	26,130	-	-	-	26,130
Total financial and takaful assets	1,476,125	639,397	634,089	123,595	154,065	1,551,146
Takaful payables	56,937	56,937	-	-	-	56,937
Other payables	207,228	207,228	-	-	-	207,228
Claim liabilities	661,800	292,316	285,758	83,726	-	661,800
Total financial and takaful liabilities	925,965	556,481	285,758	83,726	-	925,965

37. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

General takaful fund (cont'd.)	Carrying value RM'000	Up to a year* RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
30.06.2011						
Financial investments:						
LAR	181,873	181,421	452	-	-	181,873
AFS	793,090	147,934	489,791	76,459	151,624	865,808
Financing receivables	1,621	858	-	763	-	1,621
Takaful receivables	97,618	97,618	-	-	-	97,618
Other receivables	10,634	10,634	-	-	-	10,634
Retakaful assets	234,780	100,784	112,160	21,836	-	234,780
Cash and bank balances	29,062	29,062	-	-	-	29,062
Total financial and takaful assets	1,348,678	568,311	602,403	99,058	151,624	1,421,396
Takaful payables	64,691	64,691	-	-	-	64,691
Other payables	209,932	209,932	-	-	-	209,932
Claim liabilities	552,811	236,108	262,758	51,156	-	550,022
Total financial and takaful liabilities	827,434	510,731	262,758	51,156	-	824,645

37. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

Family takaful fund	Carrying value RM'000	Up to a year* RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
31.12.2011						
Financial investments:						
LAR	1,001,114	1,006,702	-	-	-	1,006,702
AFS	1,975,704	44,517	528,370	1,179,973	642,317	2,395,177
FVTPL	3,711,116	71,934	1,216,463	3,689,337	-	4,977,734
Financing receivables	40,878	2,705	9,000	29,173	-	40,878
Takaful receivables	68,449	68,449	-	-	-	68,449
Other receivables	91,606	91,606	-	-	-	91,606
Retakaful assets	18,832	7,020	10,045	1,768	-	18,833
Cash and bank balances	44,180	44,180	-	-	-	44,180
Total financial and takaful assets	6,951,879	1,337,113	1,763,878	4,900,251	642,317	8,643,559
Takaful payables	69,800	69,800	-	-	-	69,800
Other payables	508,947	508,947	-	-	-	508,947
Takaful certificate liabilities*	4,744,336	2,126,152	862,390	2,489,913	-	5,478,455
Total financial and takaful liabilities	5,323,083	2,704,899	862,390	2,489,913	-	6,057,202

37. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

Family takaful fund (cont'd.)	Carrying value RM'000	Up to a year* RM'000	1 - 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
30.06.2011						
Financial investments:						
LAR	1,050,071	1,048,840	1,231	-	-	1,050,071
AFS	1,845,538	60,884	565,203	1,501,408	651,340	2,778,835
FVTPL	3,386,086	111,706	1,037,002	2,754,696	-	3,903,404
Financing receivables	53,486	12,813	11,500	29,173	-	53,486
Takaful receivables	80,272	80,272	-	-	-	80,272
Other receivables	84,708	84,708	-	-	-	84,708
Retakaful assets	21,081	-	3,971	17,110	-	21,081
Cash and bank balances	20,042	20,042	-	-	-	20,042
Total financial and takaful assets	6,541,284	1,419,265	1,618,907	4,302,387	651,340	7,991,899
Takaful payables	79,677	79,677	-	-	-	79,677
Other payables	474,543	474,543	-	-	-	474,543
Takaful certificate liabilities*	4,451,278	2,018,868	810,393	2,379,757	-	5,209,018
Total financial and takaful liabilities	5,005,498	2,573,088	810,393	2,379,757	-	5,763,238

* Actuarial liabilities do not include the net asset value attributable to unitholders as the liabilities and the net asset value of investment-linked business are shown in a Note 29(a).

37. FINANCIAL RISKS (CONT'D.)

(ii) Liquidity Risk (Cont'd.)

Maturity Profiles (cont'd.)

Investment-linked fund	Carrying value RM'000	Up to a year* RM'000	1 - 5 years RM'000	Total RM'000
31.12.2011				
Financial investments:				
LAR	1,058	1,058	-	1,058
FVTPL	68,618	34,298	37,062	71,360
Other receivables	513	513	-	513
Cash and bank balances	8	8	-	8
Total financial assets	70,197	35,877	37,062	72,939
Other payables	1,458	1,458	-	1,458
Total financial liabilities	1,458	1,458	-	1,458
30.06.2011				
Financial investments:				
LAR	4,244	2,877	1,367	4,244
FVTPL	116,002	58,597	61,756	120,353
Other receivables	526	526	-	526
Cash and bank balances	13	13	-	13
Total financial assets	120,785	62,013	63,123	125,136
Other payables	2,164	2,164	-	2,164
Total financial liabilities	2,164	2,164	-	2,164

37. FINANCIAL RISKS (CONT'D.)

(iii) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises of three (3) types of risk:
- foreign exchange rates (currency risk);
- market interest rates/profit yields (interest rate/profit yield risk); and
- market prices (price risk).

The Company has three key features in its market risk management practices and policies.

First, a company-wide market risk policy exists which sets out the evaluation and determination of components of market risk for the Company. Compliance with the policy is monitored and reported monthly to the RMC and exposures and breaches are reported as soon as practicable.

Second, the Company's 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.

Third, strict controls exist over derivative transactions; such transactions are only permitted for hedging purposes and not for speculative purposes.

The Company also issues unit-linked investment certificates in a number of its products. In the unit-linked business, the participants bear the investment risk on the assets held in the unit-linked funds as the benefits are directly linked to the value of the assets in the funds.

The Company's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds.

(iv) Currency Risk

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

The Company's primary transactions are carried out in Ringgit Malaysia (RM) and its exposure to foreign exchange risk arises principally with respect to US Dollar.

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the Takaful Act, 1984, and hence, primarily denominated in the same currency (the local RM) as its insurance and investment contract liabilities.

37. FINANCIAL RISKS (CONT'D.)

(iv) Currency Risk (Cont'd.)

The Company's main foreign exchange risk from recognised assets and liabilities arises from retakaful transactions for which the balances are expected to be settled and realised in less than a year. Accordingly, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Company has no significant concentration of foreign currency risk.

(v) Profit Yield Risk

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

Profit yield risks arise from exposures to interest rate / profit yield related assets and liabilities. It is also known as asset-liability mismatch ("ALM") risk. It is mainly driven by the volatility of future cash flows. The quantum is also proxied to the duration mismatch between the assets and the liabilities.

The Company measures and manages the interest rate/profit yield risk through the main following philosophies and principles:
- Actively aim to match the liability duration with the asset duration, without compromising credit quality;
- Set forth the benchmark for asset duration in line with risk appetite; and
- Use KRIs to alert the organisation to impending problems in a timely manner.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on equity or unallocated surplus, and implicitly, profit before tax. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk but to demonstrate the impact variables are examined on an individual basis. It should be noted that movements in these variables are non linear.

Funds	Changes in variables	31-Dec-11 Impact on Equity / Takaful Funds (RM'000)
Shareholders' Fund	+100 basis points	(16,026)
	-100 basis points	16,026
General Takaful Fund	+100 basis points	(16,059)
	-100 basis points	16,059
Family Takaful Fund	+100 basis points	(318,934)
	-100 basis points	318,934
Investment Link Fund	+100 basis points	(5)
	-100 basis points	5

37. FINANCIAL RISKS (CONT'D.)

(vi) Price Risk

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

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

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector, market and issuer, having regard also to such limits stipulated by BNM.

The Company complied with BNM stipulated limits during the financial year and had no significant concentration of price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables being held constant, showing the impact on equity or unallocated surplus. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact, variables are examined on an individual basis. It should be noted that the movements in these variables are non linear.

Funds	Market Indices	Changes in variables	31-Dec-11 Impact on Equity / Takaful Funds (RM'000)
Shareholders Fund	Bursa Malaysia	+10%	3,732
	Bursa Malaysia	-10%	(3,732)
General Takaful Fund	Bursa Malaysia	+10%	15,407
	Bursa Malaysia	-10%	(15,407)
Family Takaful Fund	Bursa Malaysia	+10%	63,173
	Bursa Malaysia	-10%	(63,173)

38. OPERATIONAL RISK

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. The Company has put in place controls to mitigate operational risks. If these controls fail to perform, they can cause damage to reputation, have legal or regulatory implications and can lead to financial loss. Business risks, such as, changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

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

39. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

(i) Cash and cash equivalents and other receivables/payables

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(ii) Financing receivables

Financing receivables are granted at interest/profit rates which are comparable with the rates offered on similar instruments in the market and to counter parties with similar credit profiles. Accordingly, the carrying amount of the financing receivables approximate their fair values as the impact of discounting is not material.

(iii) Takaful receivables and payables

The carrying amounts are measured at amortised cost in accordance with the accounting policies as disclosed in Note 2.2(n) and 2.2(r). The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(v) Investments

Investments as at 31 December 2011 have been accounted for in accordance with the accounting policies as disclosed in Note 2.2(d) and 2.2(e). The carrying amounts and fair values of investments are disclosed in Notes 5 and 6 of the financial statements.

Description of Overall Fair Value Framework

The Company has an established framework and policies which provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuations for financial instruments.

The valuations of financial instruments are performed either based on quoted prices in active markets at which an arm's length transaction would be likely to occur or using valuation techniques. Fair values of financial instruments can be assessed using observable inputs or unobservable inputs where one or more significant inputs are unobservable. Management judgment is exercised in the selection and application of appropriate parameters, assumptions and modeling techniques where some or all of the parameter inputs are not observable in deriving fair value.

Valuation adjustment is an integral part of valuation process. Valuation adjustment reflects the uncertainty in valuations for products that are less standardised, less frequently traded and more complex in nature. In making valuation adjustments, the Company follows methodologies that consider factors such as liquidity, bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/ parameters.

39. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

(v) Investments (Cont'd.)

Description of Overall Fair Value Framework (cont'd.)

In addition, the Company continuously enhances its design and validation methodologies and processes used to produce valuations and periodic reviews are performed to ensure the model remains suitable for its intended use.

Description of Overall Definition of the Fair Value Hierarchy

The levels of the fair value hierarchy as defined by the accounting standards are an indication of the observability of prices or valuation input. It can be classified into the following hierarchies/levels:

• Level 1 : Active Market – quoted price

Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Such financial instruments include actively traded government securities, listed derivatives and cash products traded on exchange.

• Level 2 : No Active Market – Valuation techniques using observable input

Refers to inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Examples of level 2 financial instruments include over–the–counter ("OTC") derivatives, corporate and other government bonds and less liquid equities.

• Level 3 : No Active Market – Valuation techniques using unobservable input

Refers to financial instruments where fair values are measured using unobservable market inputs. The valuation technique is consistent with level 2. The chosen valuation technique incorporates management's assumptions and data.

Examples of level 3 instruments include corporate bonds in illiquid markets, private equity investments and highly structured OTC derivatives.

39. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

(vi) Fair Value Disclosures Based on 3-Level Hierarchy

Shareholder's Fund

	Valuation technique using:			
	Level 1 Quoted market prices RM'000	Level 2 Using observable inputs RM'000	Level 3 Using significant unobservable inputs RM'000	Total RM'000
31.12.2011				
Assets				
AFS financial assets:				
Equity securities	37,170	-	32	37,202
MGS / GII / MGGB	-	77,675	-	77,675
Other debt securities, structured deposits and NICDs	-	89,191	-	89,191
Trust funds	154	-	-	154
Total assets	37,324	166,866	32	204,222

39. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

(vi) Fair Value Disclosures Based on 3-Level Hierarchy (cont'd.)

General takaful fund

	Valuation technique using:			
	Level 1 Quoted market prices RM'000	Level 2 Using observable inputs RM'000	Level 3 Using significant unobservable inputs RM'000	Total RM'000
31.12.2011				
Assets				
AFS financial assets:				
Equity securities	152,484	-	-	152,484
MGS / GII / MGGB	-	284,287	-	284,287
Other debt securities, structured deposits and NICDs	-	386,184	-	386,184
Trust funds	1,581	-	-	1,581
Total assets	154,065	670,471	-	824,536

39. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

(vi) Fair Value Disclosures Based on 3-Level Hierarchy (cont'd.)

Family takaful fund

	Valuation technique using:			
	Level 1 Quoted market prices RM'000	**Level 2 Using observable inputs RM'000**	**Level 3 Using significant unobservable inputs RM'000**	**Total RM'000**
31.12.2011				
Assets				
AFS financial assets:				
Equity securities	625,230	-	-	625,230
MGS / GII / MGGB	-	459,783	-	459,783
Other debt securities, structured deposits and NICDs	-	873,603	-	873,603
Trust funds	6,498	-	10,590	17,088
Financial assets at FVTPL:				
- Designated upon initial recognition				
MGS / GII / MGGB	-	1,255,525	-	1,255,525
Other debt securities, structured deposits and NICDs	-	2,455,591	-	2,455,591
Total assets	631,728	5,044,502	10,590	5,686,821

39. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

(vi) Fair Value Disclosures Based on 3-Level Hierarchy (cont'd.)

Investment-linked fund

	Valuation technique using:			
	Level 1 Quoted market prices RM'000	Level 2 Using observable inputs RM'000	Level 3 Using significant unobservable inputs RM'000	Total RM'000
31.12.2011				
Assets				
Financial assets at FVTPL:				
- Held- for- trading (HFT)				
Other debt securities, structured deposits and NICDs	-	60,112	8,506	68,618
Total assets	-	60,112	8,506	68,618

39. FINANCIAL RISKS (CONT'D.)

(viii) Reconciliation of Level 3 fair value hierarchy

Shareholder's Fund

	Financial instruments measured at fair value
	AFS RM'000
As at 1 July 2011	230
Net fair value loss recognised in other comprehensive income	(198)
As at 31 December 2011	32

Family takaful fund

	Financial instruments measured at fair value
	AFS RM'000
As at 1 July 2011	11,061
Net fair value loss recognised in other comprehensive income	(472)
As at 31 December 2011	10,589

Investment-linked fund

	Financial instruments measured at fair value
	HFT RM'000
As at 1 July 2011	11,138
Net fair value loss recognised in profit or loss	(294)
Disposal	(2,339)
As at 31 December 2011	8,505

40. CONTINGENT LIABILITIES

In 2004, the Company commenced a civil suit against a third party ("the First Defendant") and all the guarantors for the failure to pay two monthly instalments amounting to RM0.8 million. The First Defendant counter claimed for loss and damage amounting to RM283.6 million as a result of the Company's alleged failure to release the balance of the facility of RM7.5 million. It was alleged that the First Defendant was unable to carry on with its project and therefore had suffered loss and damage.

The Company's solicitors were of the opinion that the First Defendant bore the burden of proving all allegations against the Company which was contained in the statement of defence and counterclaim. In addition, the First Defendant was obliged to prove, on the balance of probabilities, the loss and damage purportedly suffered as a result of the Company's actions at the material time. The Company's application for Summary Judgment was heard on 14 May 2009 and allowed by the Kuala Lumpur High Court ("KLHC"). In addition, the KLHC ordered that the First Defendant's counter claim against the Company be dismissed.

The First Defendant then filed a Notice of Motion to the Court of Appeal for stay of execution and to appeal against the decision of the KLHC dated 14 May 2009. During the hearing of the application for stay of execution on 28 October 2009, the Court of Appeal had dismissed the application with cost.

The First Defendant's appeal against the decision of the KLHC dated 14 May 2009 was heard by the Court of Appeal on 4 March 2010. The Court had allowed the First Defendant's appeal with cost. Thus, the Summary Judgment granted by the KLHC on 14 May 2009 was set aside and the striking out of the Defendants' counter-claim was now overturned. The Court of Appeal had directed the matter to be set down for full trial.

The full trial concluded on 29 June 2011 and on 21 September 2011 the KLHC had dismissed the Defendants' counter-claim against the Company and allowed judgment to be entered against the Defendants.

The First, Second and Fourth Defendants then filed for a stay of execution of the Judgment dated 21 September 2011 and on 8 December 2011, the KLHC dismissed the said application with cost of RM1,000.

The First, Second and Fourth Defendants had filed for appeal against the decision dated 21 September 2011 to the Court of Appeal and the matter is currently pending extraction of the hearing date.

The solicitors of the Company are of the view that the Company has a more than even chance of success based on the merits of the case and, accordingly, the Company should be able to maintain the judgment at the disbursed sum less payments received to date.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. COMPARATIVES

Certain comparatives figures in the Statements of Financial Position and Income Statement as at 1 July 2010 and 30 June 2011 have been reclassified to conform with current period's presentation and due to the matters disclosed in Note 2.5.

Shareholder's Fund

	Previously stated RM'000	Adjustment RM'000	Restated RM'000
01.07.2010			
Statement of Financial Position			
Other receivables	212,806	232,209	445,015
Expense liabilities	-	(190,054)	(190,054)
Retained profit	(310,457)	(42,155)	(352,612)
Income Statement			
Transfer from takaful income statement:			
General takaful fund	45,375	(4,779)	40,596
Family takaful fund	28,781	236,140	264,921
Net profit for the year	(58,638)	(231,361)	(289,999)
30.06.2011			
Statement of Financial Position			
Other receivables	187,027	312,734	499,761
Expense liabilities	-	(219,057)	(219,057)
Retained profit	(382,261)	(93,677)	(475,938)
Income Statement			
Change in expense liability	-	(29,003)	(29,003)
Transfer from takaful income statement:			
General takaful fund	32,765	2,757	35,522
Family takaful fund	52,614	77,768	130,382
Net profit for the year	(71,804)	(51,522)	(123,326)

41. COMPARATIVES (CONT'D.)

General takaful fund

	Previously stated RM'000	Adjustment RM'000	Restated RM'000
01.07.2010			
Statement of Financial Position			
AFS financial assets	559,867	8,673	568,540
Takaful receivables	81,236	(8,231)	73,005
Other receivables	7,887	(629)	7,258
Other payables	(145,031)	4,558	(140,473)
Takaful certificate liabilities	(732,331)	(8,301)	(740,632)
General takaful fund	(79,536)	3,930	(75,606)
Income Statement			
Gross change to certificate liabilities	(86,756)	(8,301)	(95,057)
Other operating expenses	(5,323)	(1,258)	(6,581)
Surplus attributable to the Company and transferred to shareholder's fund	(45,375)	4,779	(40,596)
Net profit for the year	(45,375)	4,780	(40,595)
30.06.2011			
Statement of Financial Position			
AFS financial assets	784,418	8,672	793,090
Takaful receivables	105,849	(8,231)	97,618
Other payables	(211,107)	1,175	(209,932)
Takaful certificate liabilities	(1,040,066)	(2,789)	(1,042,855)
General takaful fund	(93,864)	1,174	(92,690)
Income Statement			
Gross change to certificate liabilities	(196,974)	5,512	(191,462)
Surplus attributable to the Company and transferred to shareholder's fund	(32,765)	(2,757)	(35,522)
Net profit for the year	(42,602)	(2,755)	(45,357)

41. COMPARATIVES (CONT'D.)

Family takaful fund

	Previously stated RM'000	Adjustment RM'000	Restated RM'000
01.07.2010			
Statement of Financial Position			
AFS financial assets	4,187,041	(2,596,736)	1,590,305
FVTPL financial assets	-	2,782,304	2,782,304
Retakaful assets	68,848	(37,770)	31,078
Takaful payables	(77,149)	11,762	(65,387)
Other payables	(152,993)	(235,081)	(388,074)
Takaful certificate liabilities	(4,567,279)	644,472	(3,922,807)
Family takaful fund	(651,289)	(568,952)	(1,220,241)
Income Statement			
Fair value gains and losses	-	59,205	59,205
Gross change to certificate liabilities	(843,640)	644,472	(199,168)
Change in certificate liabilities ceded to retakaful	68,848	(37,770)	31,078
Fee and commission expenses	(242,163)	11,762	(230,401)
Surplus attributable to the Company and transferred to shareholder's fund	(28,781)	(236,140)	(264,921)
Net profit for the year	(173,396)	(441,529)	(614,925)
30.06.2011			
Statement of Financial Position			
AFS financial assets	5,185,874	(3,340,336)	1,845,538
FVTPL financial assets	-	3,386,086	3,386,086
Retakaful assets	40,937	(19,856)	21,081
Takaful payables	(96,535)	16,858	(79,677)
Other payables	(160,296)	(314,247)	(474,543)
Takaful certificate liabilities	(5,147,078)	695,800	(4,451,278)
Family takaful fund	(1,071,311)	(424,305)	(1,495,616)

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

41. COMPARATIVES (CONT'D.)

Family takaful fund (Cont'd.)

	Previously stated RM'000	Adjustment RM'000	Restated RM'000
30.06.2011 (cont'd.)			
Income Statement			
Gross earned contributions	1,446,925	(336)	1,446,589
Fair value gains and losses	-	64,402	64,402
Gross change to certificate liabilities	(597,252)	51,328	(545,924)
Change in certificate liabilities ceded to retakaful	(27,911)	17,914	(9,997)
Fee and commission expenses	(246,859)	5,096	(241,763)
Surplus attributable to the Company and transferred to shareholder's fund	(52,614)	(77,768)	(130,382)
Net profit for the year	(158,435)	(60,633)	(219,068)