

Company No.

738090	M
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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

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

Company No.

738090

M

HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

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

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(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in presenting their Report together with the audited financial statements of the Company for the financial year ended 30 June 2013.

PRINCIPAL ACTIVITIES

The Company is principally engaged in managing Family Takaful including investment-linked business and all classes of General Takaful business. There has been no significant change in the nature of this activity during the financial year.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	3,199

DIVIDENDS

No dividends have been paid or declared by the Company since end of the previous financial year.

The Directors do not recommend any dividend for the financial year ended 30 June 2013.

RESERVES AND PROVISIONS

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

DIRECTORS

The Directors who have held office during the period since the date of last report are as follows:

YBhg Tan Sri A. Razak bin Ramli	Chairman, Independent Non-Executive Director
Ms Loh Guat Lan	Non-Independent Non-Executive Director
Mr Choong Yee How	Non-Independent Non-Executive Director
Encik Mustapha bin Hamat	Independent Non-Executive Director
Mr Toshiyuki Tsukada	Non-Independent Non-Executive Director
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	Independent Non-Executive Director
YM Raja Teh Maimunah Binti Raja Abdul Aziz	Non-Independent Non-Executive Director

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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

None of the Directors holding office at the end of the financial year had any beneficial interest in ordinary shares, options over shares and debentures of the Company and/or its related corporations during the financial year ended 30 June 2013 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, except for Mr Choong Yee How and Ms Loh Guat Lan, whose direct interests in the shares and options over shares of related corporations, are as follows:

**Number of ordinary shares /*shares issued or to be issued or
acquired arising from the exercise of options**

	Nominal value per share	As at 01.07.2012	Acquired	Sold	As at 30.06.2013
Interest of Mr Choong Yee How in:					
Hong Leong Financial Group Berhad	RM1.00	2,992,000	1,792,000 ⁽¹⁾	-	4,784,000
	RM1.00	6,188,000*	-	(1,792,000) ⁽¹⁾	4,396,000*
Interest of Ms Loh Guat Lan in:					
Hong Leong Financial Group Berhad	RM1.00	-	175,000 ⁽¹⁾	-	175,000
	RM1.00	350,000*	-	(175,000) ⁽¹⁾	175,000*

Note:

(1) Exercise of share options.

(2) Share options lapsed.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by certain Directors as shown in note 21 to the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any arrangement to which the Company was a party, with the object or objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the Executive Share Option Scheme of Hong Leong Financial Group Berhad and Hong Leong Assurance Berhad, the related corporations of the Company.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE

The Company has complied with the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under BNM/RH/GL/004-1 on Guidelines on Directorship for Takaful Operators.

Board of Directors/Chief Executive Officer

The Board of Directors of the Company ("Board") assumes responsibility for effective stewardship and control of the Company and has established terms of reference to assist in the discharge of this responsibility.

The roles and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Company's business; identifying principal risks and ensuring the implementation of appropriate systems to manage these risks; reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals and major capital expenditure and such other responsibilities that are required of them by Bank Negara Malaysia ("BNM") as specified in guidelines and circulars issued by BNM, from time to time.

The Chief Executive Officer of the Company is responsible for implementing the policies and decisions of the Board, overseeing the day-to-day operations, setting the plan and direction, benchmark and targets for the Company, tracking compliance and business progress, initiating innovative business ideas to create competitive edge and development of business and corporate strategies with the aim of enhancing Shareholders' wealth.

The present Board comprises the Chairman who is an Independent Non-Executive Director, four Non-Independent Non-Executive Directors and two Independent Non-Executive Directors. In accordance with the Guidelines on Directorships for Takaful Operators, all Directors are appointed to the Board after approval had been obtained from BNM.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board of Directors/Chief Executive Officer (continued)

During the financial year ended 30 June 2013, seven (7) Board Meetings were held and the attendance of the Directors was as follows:

<u>Directors</u>	<u>Attendance</u>
YBhg Tan Sri A. Razak bin Ramli (Chairman, Independent Non-Executive Director)	7/7
Mr Choong Yee How (Non-Independent Non-Executive Director)	7/7
Encik Mustapha bin Hamat (Independent Non-Executive Director)	7/7
Ms Loh Guat Lan (Non-Independent Non-Executive Director)	7/7
Mr Toshiyuki Tsukada (Non-Independent Non-Executive Director)	7/7
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin (Independent Non-Executive Director)	7/7
YM Raja Teh Maimunah binti Raja Abdul Aziz (Non-Independent Non-Executive Director)	7/7

Chief Executive Officer

Encik Wan Mohd Fadzlullah bin Wan Abdullah was appointed as the CEO of the Company with effect from 1 July 2013. Bank Negara Malaysia had, via its letter dated 14 June 2013 granted its approval for the appointment.

Supply of Information

Board reports are circulated prior to Board meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, performance of the Company and management's proposal which require the approval of the Board.

All Directors have access to the advice and services of the Company Secretary as well as independent professional advice, including the Internal Auditors.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Nominating Committee ("NC")

The members of the NC are as follows:

YBhg Tan Sri A. Razak bin Ramli	(Chairman, Independent Non-Executive Director)
Mr Choong Yee How	(Non-Independent Non-Executive Director)
Encik Mustapha bin Hamat	(Independent Non-Executive Director)
Ms Loh Guat Lan	(Non-Independent Non-Executive Director)
YM Raja Teh Maimunah binti Raja Abdul Aziz	(Non-Independent Non-Executive Director)

The NC's functions and responsibilities are set out in the terms of reference as follows:

- Recommend to the Board the minimum requirements for appointments to the Board, Board committees and for the position of Chief Executive Officer.
- Review and recommend to the Board, all Board, Board committees and Shariah Committee appointments and re-appointments and removals including of the Chief Executive Officer.
- Review annually the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required.
- Assess annually the effectiveness of the Board and key senior management officers as a whole and the contribution by each individual Director to the effectiveness of the Board and various Board Committees based on criteria approved by the Board.
- Oversee the appointment, management succession planning and performance evaluation of key senior management officers and recommend their removal if they are found ineffective, errant and negligent in discharging their responsibilities.
- Ensure that the Board receives an appropriate continuous training programme.

During the financial year ended 30 June 2013, three (3) NC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
YBhg Tan Sri A. Razak bin Ramli (Chairman, Independent Non-Executive Director)	3/3
Mr Choong Yee How (Non-Independent Non-Executive Director)	3/3
Encik Mustapha bin Hamat (Independent Non-Executive Director)	3/3
Ms Loh Guat Lan (Non-Independent Non-Executive Director)	3/3
YM Raja Teh Maimunah binti Raja Abdul Aziz (Non-Independent Non-Executive Director)	3/3

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Remuneration Committee ("RC")

The members of the RC are as follows:

YBhg Tan Sri A. Razak bin Ramli	(Chairman, Independent Non-Executive Director)
Mr Choong Yee How	(Non-Independent Non-Executive Director)
Encik Mustapha bin Hamat	(Independent Non-Executive Director)

The RC's functions and responsibilities are set out in the terms of reference as follows:

- Recommend to the Board the framework governing the remuneration of the:
 - ❖ Directors;
 - ❖ Chief Executive Officer; and
 - ❖ Key senior management officers.
- Review and recommend to the Board the specific remuneration packages of executive directors and the Chief Executive Officer.
- Review the remuneration package of key senior management officers.
- Review and recommend to the Board the remuneration of Shariah Committee members.

During the financial year ended 30 June 2013, one (1) RC meeting was held and the meeting was attended by all the members.

The Directors fees are set out in Note 21 to the financial statements.

Board Audit and Risk Management Committee ("BARMC")

Encik Mustapha bin Hamat	(Chairman, Independent Non-Executive Director)
YBhg Tan Sri A. Razak bin Ramli	(Independent Non-Executive Director)
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	(Independent Non-Executive Director)

During the financial year ended 30 June 2013, eight (8) BARMC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Encik Mustapha bin Hamat (Chairman, Independent Non-Executive Director)	8/8
YBhg Tan Sri A. Razak bin Ramli (Independent Non-Executive Director)	8/8
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin (Independent Non-Executive Director)	8/8

The primary functions and responsibilities of the BARMC are set out in the terms of reference as follows:

- To nominate and recommend for the approval of the Board of Directors ("Board"), a person or persons as external auditor(s) and to review the external audit fees;
- To review, with the external auditors, the audit scope and plan, the audit report and audit findings and the management response thereto;

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Audit and Risk Management Committee ("BARMC") (continued)

- To review the assistance given by the officers of the Company to the external auditors;
- To review and assess the objectivity, performance and independence of the external auditors and to recommend the appointment or re-appointment of external auditors;
- To ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgment of the external auditors;
- To ensure that the accounts are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies and bad and doubtful debts;
- To engage on a continuous basis with senior management, such as the chairman, the chief executive officer, the finance director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company;
- To review the quarterly reports and annual financial statements of the Company prior to the approval by the Board as well as to review the Chairman's statement, corporate governance disclosures in the Directors' Report and all representation letters by management in relation to the financial audit of the Company;
- To review the performance and adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit function as stipulated in the Service Level Agreement as well as to review the report and findings of the internal audit department including any findings of internal investigations and the management's response thereto;
- To consider the provision of non-audit services by the external auditors;
- To advise on the appointment, remuneration, performance, evaluation, removal and redeployment of the Head of Internal Audit and senior officers of the internal audit functions;
- To review the audit plan, audit charter and budget of the Internal Audit Department as well as the scope of internal audit procedures and to ensure that the Internal Audit Department is distinct and has the appropriate status within the overall organisation structure for the internal auditors to achieve their audit objectives;
- To review the related party transactions and conflict of interest situations that may arise within the Company including any transaction, procedure or conduct that raises questions of management integrity;
- To oversee senior management's activities in managing credit, market, liquidity, operational, shariah compliance and IT risks and to ensure that the risk management process is in place and functioning;
- To review and report to the Board measures taken to identify and examine principal risks faced by the Company and implement appropriate systems and internal controls to manage these risks;

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Audit and Risk Management Committee ("BARMC") (continued)

- To review, recommend and/or endorse Company's major risk management strategies, policies and risk tolerance for Board's approval;
- To endorse the Company's risk appetite, internal capital target and Capital Management framework for Board's approval;
- To provide effective oversight of senior management's actions to ensure consistency with the risk strategy and policies approved by the Board, including the risk appetite framework;
- To oversee and monitor implementation of the Risk and Capital Management Plan and activities adopted by the Company ;
- To ensure that senior management discharges its responsibilities for the development and effective implementation of the internal capital adequacy assessment process;
- To review the report from senior management on adherence to the Company's risk appetite and the implementation of risk management policies, processes and controls within the institution in managing the key risks to the institution as well as emerging risks;
- To review periodic reports on risk appetite, risk exposure, risk portfolio composition, stress testing and risk management activities;
- To review the adequacy and effectiveness of internal controls and risk management process;
- To review and assess adequacy of risk management and compliance policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively;
- To ensure infrastructure, resources and and systems are in place for risk management i.e ensuring that the staff responsible for implementing risk management systems perform those duties independently of Company's risk taking activities;
- To advise on the appointment, remuneration, performance, evaluation, removal and redeployment of the Head of Risk Management & Compliance as well as to conduct performance reviews of staff primarily responsible for control functions;
- To perform diligent oversight over the effective function of Shariah risk and Shariah compliance of the Company;
- Oversight of the Group's compliance activities and ensuring the Group is in compliance with all established policies, guidelines and external regulations, as well as to review all non-compliance incidences and recommend corrective actions where necessary;
- To review and consider the impact of new laws, regulations, guidelines affecting the Bank's operations and ensuring adequate resources are committed and realistic action plans are carried out within the stipulated deadline set;
- Other audit, risk management and compliance functions as may be agreed to by the BARMC and the Board.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Internal Audit

The Chief Internal Auditor reports directly to the BARMC and provides the BARMC and management with an independent assessment of the adequacy of risk management practice. Significant breaches and deficiencies identified are discussed with the BARMC and remedial action taken by management are reported to and monitored by the BARMC.

Corporate Independence

The Company has complied with BNM/RH/GL/004-7 on Guidelines On Related Party Transactions For Takaful Operators. All necessary disclosures have been made to the Board regularly and where required, prior Board approval has been obtained. All material related party transactions are disclosed in Note 25 to the financial statements.

Financial Reporting

The Board is responsible for ensuring that the accounting records of the Company are properly maintained. Financial and management reports of the Company are reviewed at Board meetings.

Internal Controls and Operational Risk Management

The Board holds overall responsibility for maintaining a system of internal controls, which provides reasonable assessment of effective and efficient operations, internal financial controls and compliance with laws and regulations.

The Company has established authority limits and internal controls to manage operational and financial risks. The authority limits and system of internal controls are regularly reviewed to ensure continuous improvement in the control environment.

Management Accountability

The Company operates in an organisational structure and control environment which are constantly being reviewed and enhanced to ensure that it remains appropriate for the operating environment.

Relationship with Auditors

External auditors are appointed based on the recommendation by the BARMC. The BARMC also determines the remuneration of external auditors. The external auditors meet with the BARMC to:

- (a) Present the scope of audit before the commencement of audit; and
- (b) Review the results of the financial year as well as the Internal Control letter after the conclusion of the audit.

HOLDING COMPANIES

The immediate, penultimate and ultimate holding companies are HLA Holdings Sdn Bhd, Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad respectively, all companies incorporated in Malaysia.

HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION REGARDING THE COMPANY

- (I) As at the end of the financial year
- (a) Before the financial statements of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that there was adequate provision for incurred claims, including incurred but not reported claims ("IBNR");
- (ii) to ascertain proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (iii) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature, other than those disclosed in the financial statements.
- (II) As at the end of the financial year to the date of this report
- (a) The Directors are not aware of any circumstances:
- (i) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any material extent;
- (ii) which would render the values attributed to current assets in the financial statements misleading; and
- (iii) which had arisen which would render adherence to the existing method of valuation of assets and liabilities of the Company misleading or inappropriate.
- (b) In the opinion of the Directors:
- (i) the results of the operations of the Company for the financial year ended 30 June 2013 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
- (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet their obligations as and when they fall due (for the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contract of takaful underwritten in the ordinary course of business of the Company).

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DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION REGARDING THE COMPANY (CONTINUED)

(III) As at the date of this report

- (a) There are no charges on the assets of the Company which had arisen since the end of the financial year to secure the liabilities of any other person;
- (b) There are no contingent liabilities which had arisen since the end of the financial year; and
- (c) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.

AUDITORS

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

Signed on behalf of the Board, in accordance with, a resolution of the Directors dated 30 August 2013.



MUSTAPHA BIN HAMAT
DIRECTOR



LOH GUAT LAN
DIRECTOR

Kuala Lumpur

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

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

We, Mustapha bin Hamat and Loh Guat Lan, being two of the Directors of Hong Leong MSIG Takaful Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 17 to 120 are drawn up in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and comply with the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as at 30 June 2013 and of the financial performance and the cash flows of the Company for the financial year then ended.

On behalf of the Board,



MUSTAPHA BIN HAMAT
DIRECTOR



LOH GUAT LAN
DIRECTOR

Kuala Lumpur
30 August 2013

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

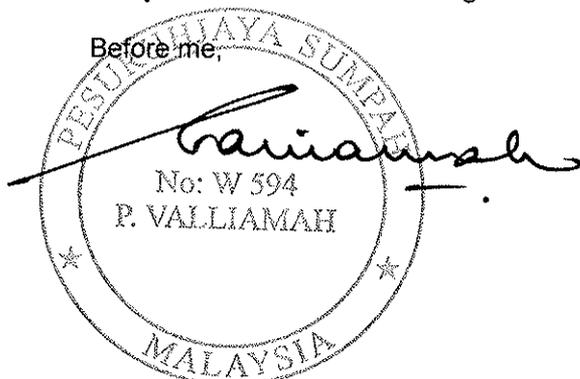
I, Wan Mohd Fadzlullah bin Wan Abdullah, the Officer primarily responsible for the financial management of Hong Leong MSIG Takaful Berhad, do solemnly and sincerely declare that the financial statements for the financial year ended 30 June 2013 set out on pages 17 to 120 are, in my opinion, correct, 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 above named Wan Mohd Fadzlullah
bin Wan Abdullah at Kuala Lumpur in
Wilayah Persekutuan on 30 August 2013

)
)
)
)
) Wan Mohd Fadzlullah bin Wan Abdullah



Before me,



P. Valliamah
No: W 594
P. VALLIAMAH
MALAYSIA

Lot 112, Tingkat Satu,
Wisma MPL, Jalan Raja Chulan
50200 Kuala Lumpur.

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HONG LEONG MSIG TAKAFUL BERHAD
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REPORT OF THE SHARIAH COMMITTEE

CORPORATE GOVERNANCE

Shariah Committee ("SC")

The members of the SC are as follows:

Assoc. Prof. Dr. Ab. Mumin Ab. Ghani		(Chairman)
Asst. Prof. Dr. Uzaimah Ibrahim		(Member)
Assoc. Prof. Dr. Asmadi bin Mohamed Naim		(Member)
Prof. Dr. Muhammad Humayon Abbas Dar	<i>(Retired on 31 March 2013)</i>	(Member)
Prof. Dr. Malik Muhammed Mahmood Al-Awan	<i>(Retired on 31 March 2013)</i>	(Member)
Dr Muhammad Aunurrochim Mas'ad Salleh	<i>(Appointed on 1 April 2013)</i>	(Member)
Dr Nurul Aini binti Muhamed	<i>(Appointed on 1 April 2013)</i>	(Member)

During the financial year ended 30 June 2013, nine SC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Assoc. Prof. Dr. Ab. Mumin Ab. Ghani (Chairman)	9/9
Assoc. Prof. Dr. Asmadi bin Mohamed Naim	9/9
Asst. Prof. Dr. Uzaimah Ibrahim	9/9
Prof. Dr. Muhammad Humayon Abbas Dar	5/6
Prof. Dr. Malik Muhammed Mahmood Al-Awan	6/6
Dr Muhammad Aunurrochim Mas'ad Salleh	3/3
Dr Nurul Aini binti Muhamed	3/3

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HONG LEONG MSIG TAKAFUL BERHAD
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REPORT OF THE SHARIAH ADVISORY COMMITTEE

In the name of Allah, The Beneficent, The Merciful.

To the Shareholders of Hong Leong MSIG Takaful Berhad,

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

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Company during the financial year ended 30 June 2013. We have also conducted our review to form an opinion as to whether the Company has complied with Shariah rules and principles and with the specific fatwas, rulings and guidelines issued by us.

The Company's management is responsible for ensuring that the Company conducts its business in accordance with Shariah rules and principles. It is our responsibility to form an independent opinion and report, based on our review of the principles and contracts in relation to transactions and applications of the Company.

We performed our review on the basis of information and explanations provided to us which are deemed essential together with sufficient evidence to give reasonable assurance that the Company has not violated Shariah rules and principles.

In our opinion:

- a) the contracts, transactions and dealings entered into by the Company during the financial year ended 30 June 2013 as presented and deliberated to us are in compliance with the Shariah rules and principles;
- b) the main sources and investments of the Company disclosed to us conform to the basis that had been approved by us in accordance with Shariah rules and principles;

We beg Allah the Almighty to grant us all the success and straight-forwardness.

On behalf of the Shariah Committee:



ASSOC. PROF. DR. AB. MUMIN AB. GHANI
Chairman
Shariah Committee



ASST. PROF. DR. UZAIMAH IBRAHIM
Member
Shariah Committee

Kuala Lumpur
30 August 2013



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)
(Company No. 738090 M)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Hong Leong MSIG Takaful Berhad, which comprise the statement of financial position as at 30 June 2013, and the statements of comprehensive income, changes in equity and cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 17 to 120.

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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of the Companies Act, 1965 and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HONG LEONG MSIG TAKAFUL BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 738090 M)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 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.

PRICEWATERHOUSECOOPERS
(No. AF:1146)
Chartered Accountants

MOHAMMAD FAIZ BIN MOHAMMAD AZMI
(No. 2025/03/14 (J))
Chartered Accountant

Kuala Lumpur
30 August 2013

Company No.

738090 M

HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	30.06.2013				30.06.2012				01.07.2011			
	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
ASSETS												
Property and equipment	1,080	-	-	1,080	1,422	-	-	1,422	965	-	-	965
Intangible assets	1,316	-	-	1,316	217	-	-	217	490	-	-	490
Financial assets – available-for-sale	72,990	24,193	52,520	144,950	67,146	8,530	32,054	103,163	69,597	2,265	23,645	91,507
Financial assets – fair value through profit or loss	-	-	35,003	35,003	-	-	57,248	57,248	-	-	82,167	82,167
Loan and receivables	-	671	18,570	19,241	-	358	10,586	10,944	-	345	5,378	5,723
Qardh receivable	5,460	-	-	5,460	11,594	-	-	11,594	6,450	-	-	6,450
Retakaful assets	-	69,242	15,526	84,768	-	51,809	19,257	71,066	-	25,402	33,072	58,474
Deferred tax assets	1,204	-	-	977	274	522	-	404	-	1,402	-	685
Current tax recoverable	-	443	-	443	-	1,793	-	1,793	80	953	-	1,033
Takaful receivables	-	4,215	5,257	9,472	-	17,057	3,627	20,684	-	12,888	4,459	17,347
Other receivables	9,093	1,013	767	2,077	557	314	1,676	821	1,222	3,862	7	334
Cash and bank balances	15,601	25,238	34,948	75,787	29,025	21,537	36,323	86,885	28,714	16,979	18,429	64,122
Total assets	106,744	125,015	162,591	375,114	110,235	101,920	160,771	354,647	107,518	64,096	167,157	322,847
EQUITY AND LIABILITIES												
Share capital	100,000	-	-	100,000	100,000	-	-	100,000	100,000	-	-	100,000
Accumulated losses	(11,476)	(5,460)	-	(16,936)	(8,541)	(10,604)	(990)	(20,135)	(7,398)	(6,450)	-	(13,848)
Fair value reserve	2,746	-	-	2,746	2,020	-	-	2,020	1,989	-	-	1,989
Total Equity	91,270	(5,460)	-	85,810	93,479	(10,604)	(990)	81,885	94,591	(6,450)	-	88,141
LIABILITIES												
Takaful contract liabilities	-	113,278	153,534	262,059	-	86,418	149,624	231,475	-	44,006	158,031	198,037
Takaful payables	-	5,769	2,366	8,135	-	15,229	5,917	21,146	-	19,646	3,771	23,417
Expense liabilities	7,784	-	-	7,784	5,614	-	-	5,614	3,163	-	-	3,163
Qardh payable	-	5,460	-	5,460	-	10,604	990	11,604	-	6,450	-	6,450
Other payables	6,970	5,934	5,526	9,634	7,951	273	4,179	10,677	8,472	444	4,593	8,752
Due to related companies	212	-	-	212	1,497	-	-	1,497	919	-	-	919
Deferred tax liabilities	-	34	193	227	-	-	392	392	373	-	344	717
Current tax liabilities	508	-	972	1,480	1,694	-	659	2,353	-	-	418	418
Total liabilities	15,474	130,475	162,591	289,304	16,756	112,524	161,761	272,762	12,927	70,546	167,157	234,706
Total equity, participants' fund and liabilities	106,744	125,015	162,591	375,114	110,235	101,920	160,771	354,647	107,518	64,096	167,157	322,847

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

Company No.

738090 M

HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	2013				2012			
	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
16	3,703	54,270	59,985	117,390	3,663	73,325	60,062	137,302
Operating revenue	-	-	-	-	-	-	-	-
Gross contributions	-	53,095	55,226	107,321	-	72,824	55,728	128,552
Contributions ceded to retakaful	-	(26,403)	(9,051)	(35,454)	-	(46,464)	(11,037)	(57,501)
Net contributions	-	26,692	46,175	71,867	-	26,360	44,691	71,051
Change in unearned contribution reserve	-	2,268	-	2,268	-	(6,042)	-	(6,042)
Net earned contributions	-	28,960	46,175	74,135	-	20,318	44,691	65,009
Share of investment profit from:								
Family takaful	325	-	-	-	198	-	-	-
General takaful	107	-	-	-	54	-	-	-
Wakalah fee income	29,047	-	-	-	35,618	-	-	-
Commission income	-	6,773	-	6,773	-	9,683	-	9,683
Investment income	3,703	1,175	4,759	10,069	3,663	501	4,334	8,750
Realised gains	251	55	193	399	815	2	707	1,524
Fair value gains/(losses)	(90)	-	692	602	(118)	-	10	(108)
Other operating income	781	2,627	-	2,666	295	3,235	-	3,263
Other income	34,124	10,630	5,644	20,509	40,525	13,421	5,051	23,112
Gross benefits and claims paid	-	(12,162)	(38,906)	(50,068)	-	(9,547)	(34,429)	(43,976)
Claims ceded to retakaful	-	6,639	11,498	18,137	-	3,765	4,000	7,765
Gross change to certificate liabilities	-	(31,807)	(3,203)	(34,910)	-	(23,269)	8,644	(14,625)
Change to certificate liabilities ceded to retakaful	-	20,567	(3,731)	16,836	-	13,349	(13,815)	(466)
Net benefits and claims	-	(16,763)	(34,342)	(50,005)	-	(15,702)	(35,600)	(51,302)
Wakalah fee expenses	-	(15,803)	(13,244)	-	-	(21,303)	(14,315)	-
Commission expenses	(15,596)	-	-	(15,596)	(18,241)	-	-	(18,241)
Management expenses	(21,371)	-	-	(21,371)	(18,927)	-	-	(18,927)
Other operating expenses	(2,392)	(120)	(3,177)	(4,947)	(3,465)	(32)	(313)	(3,543)
Tax expense for Takaful funds	-	(1,760)	(66)	(1,826)	-	(856)	(504)	(1,360)
Other expenses	(39,359)	(17,683)	(16,487)	(43,740)	(40,633)	(22,191)	(15,132)	(42,071)

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

Company No.

738090

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

	Note	2013			2012				
		Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
(Loss)/profit before zakat and taxation		(5,235)	5,144	990	899	(108)	(4,154)	(990)	(5,252)
Zakat		(51)	-	-	(51)	(90)	-	-	(90)
Taxation		2,351	-	-	2,351	(945)	-	-	(945)
(Loss)/profit after zakat and taxation	22	(2,935)	5,144	990	3,199	(1,143)	(4,154)	(990)	(6,287)
Other comprehensive income for the financial year									
Fair value change of available-for-sale financial assets:									
- Gross fair value change		968	608	768	2,258	41	67	290	(169)
- Deferred taxation		(242)	(152)	(61)	(455)	(10)	(24)	(53)	(87)
- Changes in Takaful contract liabilities		-	(456)	(707)	(1,077)	-	(43)	(237)	287
Total other comprehensive income for the financial year		726	-	-	726	31	-	-	31
Total comprehensive (loss)/income for the financial year		(2,209)	5,144	990	3,925	(1,112)	(4,154)	(990)	(6,256)

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

Company No.

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

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

	Issued and fully paid ordinary shares of RM 1 each	Non- distributable AFS Reserve	Accumulated Losses	Total
	Number of Shares	RM'000	RM'000	RM'000
At 1 July 2012	100,000	2,020	(20,135)	81,885
Total comprehensive income for the financial year	-	726	3,199	3,925
At 30 June 2013	<u>100,000</u>	<u>2,746</u>	<u>(16,936)</u>	<u>85,810</u>
At 1 July 2011	100,000	1,989	(13,848)	88,141
Total comprehensive income/(loss) for the financial year	-	31	(6,287)	(6,256)
At 30 June 2012	<u>100,000</u>	<u>2,020</u>	<u>(20,135)</u>	<u>81,885</u>

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

Company No.

738090

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net gain/(loss) for the financial period	3,199	(6,287)
Adjustments for:		
Impairment/(write back) of takaful receivables	(913)	(2,525)
Write off of retakaful payable	(1,390)	-
Depreciation of property and equipment	247	307
Amortisation of intangible assets	211	333
Adjustment/write off of property and equipment	49	320
Adjustment of intangible assets	6	-
Loss on disposal of property and equipment	9	-
Gain on disposal of investments	(399)	(1,524)
Unrealised fair value gain on financial assets	(692)	(10)
Foreign exchange	1,424	-
Amortisation/(accretion) of discounts – net	21	(178)
Profits and dividend income	(10,090)	(8,572)
Allowance for diminution in value of investment	90	118
Tax expense for Takaful funds	1,826	1,360
Tax expense	(2,351)	945
Profit from operations before changes in operating assets and liabilities	(8,753)	(15,713)
Proceeds from disposal of investments	23,435	36,323
Maturity of investments	28,753	36,967
Purchase of investments	(69,371)	(58,455)
Increase in deferred wakalah fee	2,170	2,451
Increase/(decrease) in Family Takaful certificate liabilities	3,103	(8,644)
Increase in General Takaful certificate liabilities	26,404	42,369
Increase in loan and receivables	(8,165)	(5,180)
Increase in retakaful assets	(13,702)	(12,592)
Decrease/(increase) in takaful receivables	12,125	(812)
Increase in other receivables	(1,285)	(370)
(Decrease)/increase in takaful payables	(11,621)	(2,271)
Increase in other payables	(1,043)	1,925
Increase/(decrease) in amount due to related companies	(1,285)	578
	(19,235)	16,576
Tax paid	-	(992)
Profit received	8,869	8,074
Dividends received	547	249
Net cash generated from operating activities	(9,819)	23,907
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	133	-
Purchase of intangible assets	(1,316)	(60)
Purchase of property and equipment	(96)	(1,084)
Net cash used in investing activities	(1,279)	(1,144)
Net increase in cash and cash equivalents	(11,098)	22,763
Cash and cash equivalents at beginning of the financial year	86,885	64,122
Cash and cash equivalents at the end of the financial year	75,787	86,885
Cash and cash equivalents comprise:		
Takaful Operator	15,601	29,025
General Takaful fund	25,238	21,537
Family Takaful fund	34,948	36,323
	75,787	86,885

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

Company No.

738090

M

HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

1 CORPORATE INFORMATION

The Company is engaged principally in the managing of Family Takaful including investment-linked business and all classes of General Takaful business. There has been no significant change in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 8, Wisma Hong Leong, 18, Jalan Perak, 50450 Kuala Lumpur. The principal place of business of the Company is located at Level 5, Tower B, PJ City Development, No 15A, Jalan 219, Seksyen 51A, 46100 Petaling Jaya, Selangor.

The immediate, penultimate and ultimate holding companies are HLA Holdings Sdn Bhd, Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad respectively, all companies incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30 August 2013.

2 SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this significant accounting policies and comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirement of the Companies Act, 1965.

The financial statements of the Company for the financial year ended 30 June 2013 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1, 'First-time Adoption of Malaysian Financial Reporting Standards'. Subject to certain transition elections and change in accounting policies disclosed in Note 30, the Company have consistently applied the same accounting policies in its opening MFRS statement of financial position at 1 July 2011 (the transition date) and throughout all financial years presented, as if these policies had always been in effect. Note 30 disclose the impact of the transition to MFRS on the Company's reported financial position, financial performance and cash flows.

The inclusion of separate financial statements of the Takaful Funds and the Takaful operator together with the financial statements of the Company in the statement of financial position, the statement of comprehensive income as well as certain relevant notes to the financial statements represents additional supplementary information presented in accordance with the requirements of BNM pursuant to the Takaful Act, 1984 which is subsequently replaced by Islamic Financial Services Act 2013 ("IFSA") on 30 June 2013 in Malaysia to separate assets, liabilities, income and expenses of the Takaful funds from its own. The accounting policies adopted for the Takaful Operator and Takaful funds are uniform for like transactions and events in similar circumstances.

Company No.

738090

M

HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.3.

Effect of transition from FRS to MFRS

(a) Presentation of the financial statements

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

(b) Treatment of reported deficits and accumulated deficits in the respective Takaful funds

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

On adoption of MFRS, deficits reported by the Takaful funds during the financial year that are attributable to the Takaful Operator will be reported as a loss in the financial statements of the respective Takaful funds and the Company.

In addition, under FRS, Qardh owing by the Takaful funds to the Takaful Operator as a result of deficits reported by Takaful funds is included as part of Takaful contract liabilities in the respective Takaful funds. With the transition to MFRS, Qard payable balances in the respective Takaful funds are presented separately as payable balance to the Takaful Operator.

The impact of adopting this accounting policy to the Company is disclosed in Note 30.

HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.2 Summary of significant accounting policies

(a) Property and equipment

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

Subsequent expenditure 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.

Repairs and maintenance costs are charged to profit or loss during the financial year in which they are incurred.

Property and equipment are depreciated on the straight line basis to write off the cost of the assets, to their residual values over their estimated useful lives, summarised as follows:

Computer equipment	5 years
Furniture & fittings, office equipment and renovation	5 years
Motor vehicles	4 years

Work-in-progress is carried at cost and is depreciated when the asset is available for use.

The residual values and useful lives of property and equipment are reviewed, and adjusted as appropriate, at each date of statement of financial position.

At each date of statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.2 (f) on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in the profit or loss.

HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) Intangible assets - computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives, not exceeding a period of 5 years.

(c) Financial Instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(i) Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the Company becomes a party to the contractual provisions of the instrument.

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

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

HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Financial Instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Financial assets

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss ("FVTPL"), financial assets available-for-sale ("AFS"), financial assets held-to-maturity ("HTM"), loans and receivables ("LAR"). Classification of the financial assets is determined at initial recognition and relates to the purpose for which the investments were acquired.

(1) Financial assets at FVTPL

Financial assets at FVTPL comprise held-for-trading financial assets and financial assets other than held-for-trading that are designated at fair value through profit or loss.

- a) Held-for-trading financial assets are financial assets that are acquired and held principally for the purpose of selling in the short term or it is part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. This includes derivatives that are not designated for hedges.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

- b) Financial assets other than held-for-trading that are designated at fair value are classified as such if this eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. All financial assets held in the investment-linked funds are designated at fair value through profit or loss at inception

Financial assets classified as FVTPL are subsequently measured at their fair values with fair value adjustments and realized gains or losses recognised in profit or loss of the respective funds. Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost.

HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Financial Instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

(2) AFS financial assets

AFS financial assets are non-derivative financial assets that are not classified in any of the other categories and are measured at fair value.

AFS financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition and are subsequently carried at fair value. Fair value gains or losses of those financial assets are reported as a separate component of equity until the investment is derecognised or investment is determined to be impaired except for the takaful funds, where such fair value gains or losses are reported as a separate component of the takaful contracts liabilities. When these assets are sold or impaired, the accumulated fair value adjustments previously recognised in equity or takaful contract liabilities are included in the profit or loss as net realised gains or losses of the respective funds.

(3) HTM financial assets

HTM financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has the positive intention or the ability to hold to maturity.

Financial assets categorised as HTM are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Gains and losses are recognised in profit or loss of respective funds when HTM financial assets are derecognised or impaired.

(4) LAR financial assets

LAR financial assets are financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

After initial measurement, loans and receivables are measured at amortised cost, using the effective yield method, less provision for impairment. Gains and losses are recognised in profit or loss of respective funds when the financial assets are derecognised or impaired, as well as through the amortisation process.

HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Financial Instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at fair values with the gain or loss recognised in profit or loss of respective funds.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss of the respective funds.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss of the respective funds.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(d) Fair value of financial instruments

The fair values of Government Investment Issues and unquoted corporate securities are based on indicative fair market prices/index by reference to the quotations provided by banks and brokers.

The fair values of quoted securities are based on current market prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

The fair value of structured deposits is based on the prices quoted by the issuing financial institution.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit or placement and accrued profit. The fair value of fixed profit or yield-bearing deposits is measured at the face value or market value, whichever is lower.

(e) Qardh

Qardh represents benevolent loan from Takaful Operator to meet deficits in participants' special accounts and shall be repaid from future surpluses from the participants' special accounts in Takaful funds.

In preparing the separate financial statements of the Takaful Operator, qardh receivable is stated at cost and at each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount, as set out in Note 2.2(f) on impairment of assets.

In preparing the separate financial statements of the respective Takaful funds, qardh payable is stated at cost.

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

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(f) Impairment

(i) Financial assets, excluding takaful receivables

The Company assesses at each date of the statement of financial position whether a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the asset that can be reliably estimated.

(1) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss in respect of loans and other receivables and HTM financial assets carried at amortised cost has been incurred, the amount of the 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 yield. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss of the respective funds.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss of the respective funds.

(2) Financial assets carried at cost

If there is objective evidence that an impairment loss on financial assets carried at cost (e.g. equity instrument of which there is no active market or whose fair value cannot be reliably measured) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. Such impairment losses are recognised in profit or loss of the respective funds and shall not be reversed.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(f) Impairment (continued)

(i) Financial assets, excluding takaful receivables (continued)

(3) Financial assets carried at fair value

In the case of investments classified as AFS, a significant or prolonged decline in the fair value of the financial assets below its cost is considered in determining whether the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in equity or takaful contract liabilities, is transferred from equity through the statement of comprehensive income or from takaful contract liabilities to profit or loss of the respective funds.

If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss. Impairment losses previously recognised in profit or loss for equity instruments are not reversed through the profit or loss.

(ii) Non-financial assets

At each date of statement of financial position, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. Impairment is measured by comparing carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net realisable value and the value in use, which is measured by reference to discounted cash flows.

An impairment loss is charged to profit or loss of the respective funds immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased. A reversal of such impairment loss is recognised in profit or loss of respective funds immediately.

(g) Takaful receivables

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

If there is objective evidence that the takaful receivable is impaired, the Company reduces the carrying amount of the takaful receivable accordingly and recognises that impairment loss in profit or loss of respective takaful funds. The Company gathers the objective evidence that a takaful receivables is impaired using the same process adopted for financial assets at amortised costs. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.2 (f).

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

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Cash and cash equivalents

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

(i) Taxation

Current tax expense is determined according to the tax laws of the jurisdiction in which the Company operates and includes all taxes based upon the taxable profits.

Deferred tax is recognised in full, using the statement of financial position method, providing for temporary differences arising between the carrying amounts of assets and liabilities for tax purpose. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Tax rates enacted or substantively enacted by the statement of financial position date are used to determine deferred tax.

(j) Zakat

Zakat represents tithes payable by the Company to comply with Shariah principles and as approved by the Shariah Advisory Committee. Zakat provision is calculated based on 2.5% of net asset method. Zakat is only provided when there is a commitment or an obligation exists as at financial year end.

(k) Management expenses, commission expenses and wakalah fee

Acquisition costs, commissions and management expenses are borne by the Family Takaful and General Takaful funds respectively in profit or loss at an agreed percentage of the gross contribution, in accordance with the principles of "Wakalah" as approved by the Company's Shariah Advisory Committee and agreed between the participants and the Company. These expenses are allocated to the Takaful Operator via upfront wakalah fee and special wakalah fee.

Upfront wakalah fee is allocated to the Takaful Operator and recognised as income upon issuance of certificates.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) Management expenses, commission expenses and wakalah fee (continued)

Special wakalah fee is the monthly allocation of tabarru'/donation from the participants' fund to the participants' special account and is deferred as a liability under "special fund reserve" in participants' special account. Special wakalah fee may be distributed to the Takaful Operator and participants in the ratio of 50:50 based on the recommendation by the Appointed Actuary when the participants' special account is in a surplus position after an annual actuarial valuation of the participants' special account at the end of the financial year.

In the event that the participants' special account is in a deficit position, the deficit in the participants' special account will be made good by the "special fund reserve" arising from monthly allocation of tabarru'/donation before the Takaful Operator via a benevolent loan or Qardh.

As at 30 June 2013, there was no recommendation made by the Appointed Actuary to distribute the special wakalah fee to the Takaful Operator and participants. Undistributed special wakalah fee for a particular year cannot be carried forward for distribution in a future financial years, and hence, will form part of unallocated surplus in participants' special account

In addition, at each reporting date, the Company estimates its net future expenses cashflow required on the maintenance of the takaful funds. If the estimate shows that there is a deficiency in the net future expense cashflow, the deficiency is recognised as additional expense liabilities. Expense liability is calculated based on the higher of aggregate of the provision for unearned wakalah fee ("UWF") or the unexpired expense risk (UER) and the provision of risk margin of adverse deviation ("PRAD) at 75% confidence level.

(l) Employee benefits

Short-term employee benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits, which are short-term employee benefits, are accrued in the financial year in which the associated services are rendered by employees of the Company.

Post employment benefits

The Company's contributions to the national defined contribution plan, the Employees' Provident Fund, are charged to profit or loss of the respective funds in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(m) Product classification

The Company on behalf of takaful funds, issues contracts that transfer takaful risk and financial risk.

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

Takaful contracts are those contracts that transfer significant takaful risk. A takaful contract is a contract under which the takaful operator on behalf of takaful funds has accepted significant takaful risk from another party (the participants) by agreeing to compensate the participants if a specified uncertain future event (the takaful event) adversely affects the participants. As a general guideline, the Company defines significant takaful risk to be the possibility of having to pay benefits on the occurrence of a takaful event that are at least 5% more than the benefits payable if the takaful event did not occur.

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

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

Based on the Company's assessment, all such contracts underwritten by the Company meet the definition of takaful contracts and accordingly are classified as takaful contracts.

Takaful contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(m) Product classification (continued)

Surpluses in the DPF fund are distributable to participants and the Company in accordance with the relevant terms under the takaful contracts. The Company however has the discretion over the amount and timing of the distribution of these surpluses to participants, subject to the advice of the Company's Appointed Actuary. The Company does not recognise the guaranteed component separately from the DPF and the whole contract liabilities, including both guaranteed and discretionary and unallocated surplus at the end of the reporting period are held within the takaful contract liabilities.

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

Takaful contracts that contain both a financial risk component and a significant takaful risk component are not unbundled and classified as takaful contracts as the current accounting policy recognises all takaful contributions, claims and benefit payments, expenses and valuation of future benefit payments, inclusive of the investment component, through the profit or loss.

(n) Retakaful contracts

Takaful funds cede takaful risk in the normal course of business for its businesses. Retakaful assets represent balances due from retakaful operators. Amounts recoverable from retakaful operators are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the retakaful's policies and are in accordance with the related retakaful contracts.

Ceded retakaful arrangements do not relieve the fund from its obligations to participants. Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

Retakaful assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the retakaful asset that the fund may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the fund will receive from the retakaful operator. The impairment loss is recorded in profit or loss.

The fund also assumes retakaful risk in the normal course of business for Family Takaful and General Takaful contracts when applicable.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(n) Retakaful contracts (continued)

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

Retakaful liabilities represent balances due to retakaful operators. Amounts payable are estimated in a manner consistent with the related retakaful contract.

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

Retakaful contracts that do not transfer significant takaful risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less an explicit identified contributions or fees to be retained by the retakaful operator.

(o) Family Takaful contracts

Family Takaful fund

The Family Takaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 which is subsequently replaced by IFSA and includes the amount attributable to participants, if any. The amount attributable to participants represents the accumulated surplus attributable to the participants as determined by an annual actuarial valuation of the Family Takaful fund, and is distributed in accordance with the terms and conditions prescribed by the Shariah Committee of the Company. Based on the terms of takaful contracts issued by the Company, no underwriting surplus is attributable to participants.

Any actuarial deficit in the Family Takaful fund will be made good by the Takaful Operator via a benevolent loan or Qardh and are being reflected as Qardh receivable in the Takaful Operator and Qardh payable in the Family Takaful fund.

Contribution income

Contributions include contributions recognised in the Family Takaful fund and investment linked funds.

Contributions are recognised as soon as the amount of contributions can be reliably measured. Initial contribution is recognised from inception date and subsequent contributions are recognised on due dates.

Contributions of investment-linked funds are in respect of the net creation of units which represent contributions paid by participants as payment for new certificates or subsequent payments to increase the amount of their certificate. Net creation of units is recognised on a receipt basis.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Family Takaful contracts (continued)

Benefits, claims and expense

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

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

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

- (i) Maturity or other certificate benefit payments due on specified dates are treated as claims payable on the due dates;
- (ii) Death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the participant or occurrence of contingency covered.

The benefits payable under investment-linked business are in respect of net creation of units and are recognised as surrenders.

Family Takaful contract liabilities

These liabilities comprise claims liabilities, actuarial liabilities, unallocated surplus/deficit, Qardh payable and AFS fair value adjustment.

(i) Claims liabilities

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

(ii) Unallocated surplus/deficits

Unallocated surplus represents remaining underwriting surplus less certain percentage of surplus set aside for contingency reserve in the participants' special account that may be distributed to the Takaful Operator and participants upon recommendation by the Appointed Actuary. Unallocated surplus is reported as a separate component of the takaful contract liabilities in Family Takaful fund.

Unallocated deficits represents accumulated deficit in the Family Takaful fund. This is reported as accumulated losses in Family Takaful fund equity in the statements of financial position.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Family Takaful contracts (continued)

(iii) Actuarial liabilities

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

These liabilities are measured by a prospective actuarial valuation method. The liability is determined as the sum of present value of future benefits and any expected future expenses payable from the takaful funds, less the present value of future gross tabarru arising from the certificate, discounted at the appropriate risk discount rate. The liabilities are based on best estimate assumptions and with due regard to significant recent experience. Provision of risk margin for adverse deviation ("PRAD") at 75% confidence level was made in the valuation of these liabilities.

In the case of a 1-year family takaful certificate or 1-year extension to a family takaful certificate shall be valued according to the following:

- a) For a certificate covering death or survival, the liabilities shall be valued on an unexpired risk basis using a prospective estimate of expected future payments arising from future events covered as at the valuation date.
- b) For a certificate covering contingencies other than death or survival, the liability for such family takaful certificate comprises the provision for unearned contribution and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported.

The liability is derecognised when the contract expires, is discharged or is cancelled.

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

(iv) AFS fair value adjustment

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) General Takaful contracts

General Takaful fund

The General Takaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 which is subsequently replaced by IFSA and consists of participants' account and participants' special account.

Any deficit in the participants' special account will be made good by the Takaful Operator via a benevolent loan or Qardh and are being reflected as Qardh receivable in the Shareholders' fund and Qardh payable in the General Takaful fund.

Contribution income

Contributions are recognised in a financial year in respect of risks assumed during that particular financial year. Contributions from direct business are recognised during the financial year upon the issuance of debit notes. Contributions in respect of risks incepted for which debit notes have not been raised as of the balance sheet date are accrued at that date.

Claims and expenses

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

General Takaful contracts liabilities

General Takaful contracts liabilities are recognised when contracts are entered into and contributions are charged. These liabilities comprise of contribution liabilities, claims liabilities, participants' account and the Qardh payable. Provision of risk margin for adverse deviation ("PRAD") at 75% confidence level was made in the valuation of these liabilities.

(i) Contribution liabilities

The contribution liabilities refer to the higher of:

- a) the aggregate of the provision for unearned contribution reserves ("UCR") or
- b) the best estimate value of the provision for unexpired risk ("URR") at the valuation date and the PRAD calculated at the total fund level. The best estimate value is a prospective estimate of the expected future payments arising from future events covered under certificates in force as at the valuation date and also includes allowance for expenses, including cost of retakaful, expected to be borne by the takaful fund in administering these certificates during the unexpired period and settling the relevant claims, and allows for expected future contribution refunds.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) General Takaful contracts (continued)

(i) Contribution liabilities (continued)

UCR represent the portion of net contributions of takaful certificates written that relate to the unexpired periods of the certificates at the end of the financial year. In determining the UCR at date of statement of financial position, the method that most accurately reflects the actual unearned contributions is used as follows:

- (1) 25% method for Malaysian cargo certificates.
- (2) 1/365th method for all other classes of General Takaful business within Malaysia, reduced by the corresponding percentage of accounted wakalah fee not exceeding the limits specified by BNM.
- (3) Time apportionment method for non-annual certificates with certificate cover period of more than one year, reduced by the corresponding percentage of accounted wakalah fee to the corresponding contribution, not exceeding the limits specified by BNM.

At each reporting date, the Company reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims over unearned contribution. If these estimates show that the carrying amount of the unearned contribution less related deferred acquisition costs is inadequate, the deficiency is recognised in profit or loss by setting up a provision for liability adequacy.

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

(ii) Claims liabilities

Claims liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the date of the statement of financial position, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the date of the statement of financial position. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

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

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) General Takaful contracts (continued)

(iii) Participants' account

Participants' account comprise of participants' investment account and participants' special account.

Participants' investment account represents the proportion of contributions set aside for the purpose of investment. Participants' special account represents the accumulated participants' share in the net surplus of the General Takaful revenue account, distributable in accordance with the terms and conditions prescribed by the Shariah Committee of the Company. In the event of actuarial deficit, participants' special account represents accumulated actuarial deficits in the participants' special account and will be made good by the Takaful Operator via a benevolent loan or Qardh payable.

(iv) Unallocated surplus/deficits

Unallocated surplus represents remaining underwriting surplus less certain percentage of surplus set aside for contingency reserve in the participants' special account that may be distributed to the Takaful Operator and participants upon recommendation by the Appointed Actuary. Unallocated surplus is reported as a separate component of the takaful contract liabilities in General Takaful fund.

Unallocated deficits represents accumulated deficit in the General Takaful fund. This is reported as accumulated losses in General Takaful fund equity in the statements of financial position.

(v) AFS fair value adjustment

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

(q) Other revenue recognition

Investment income is recognised on a time proportion basis taking into account the effective yield of the asset.

Investment profit of Family Takaful and General Takaful funds is shared by the participants and the Takaful Operator at an agreed percentage, in accordance with the principles of Mudharabah basis as approved by the Company's Shariah Committee and agreed between the participants and the Company.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(r) Foreign currencies

(i) Functional and presentation currencies

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

(ii) Transactions and balances

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

(s) Contingent liabilities and contingent assets

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

(t) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting judgements, estimates and assumptions

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

(a) Critical judgements made in applying the Company's accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where choice of specific policy could materially affect the reported results and financial position of the Company. However, the Directors are of the opinion that there are currently no accounting policies which require significant judgement to be exercised.

(b) Key sources of estimation uncertainty and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(i) Claims liabilities of General Takaful business

For the financial year ended 30 June 2013, the claims estimates have been computed by an independent actuarial firm, Actuarial Partners Consulting Sdn Bhd ("Actuarial Partners"). Actuarial Partners had considered the Bornhuetter-Ferguson method on a paid claims basis for the claims estimates for all classes of business. Bornhuetter-Ferguson method is an extension of the Link Ratio method, where claims patterns experienced in the past is used to project the patterns for future years. As the projected ultimate claims estimated by the Link Ratio method for the more recent development years can be unreliable, Ultimate Loss Ratio ("ULR") is selected where appropriate and incorporated into the projection under Bornhuetter-Ferguson method. The selection is based on the resultant loss ratios from the Link Ratio method, taking into consideration of historical experience, industry loss ratios as well as the claims incurred to-date ratios.

For prudence, any negative IBNR arising from all classes are not recognized.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting judgements, estimates and assumptions (continued)

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

(i) Claims liabilities of General Takaful business (continued)

In addition, the resultants ULRs have been overwritten to be the same as the adopted ULR for prudence in respect of the following classes and loss years:

- (i) Loss year 2011 for Motor Act class;
- (ii) Loss years 2011 to 2013 for Motor Non-Act class
- (iii) Loss years 2011 to 2013 for Contractors All Risks ("CAR") class; and
- (iv) Loss year 2012 for Personal Accident class.

Details of key assumptions used and the related sensitivity analysis are shown in Note 28(b).

(ii) Actuarial liabilities for Family Takaful fund

Actuarial liabilities as determined by the annual actuarial valuation are based on the Takaful Act, 1984 which is subsequently replaced by IFSA.

For Family Takaful plans, the actuarial liabilities are determined by the Company's Appointed Actuary and were set up based on the unearned contribution reserve basis in which the proportion is equivalent to the ratio of the period from the valuation date to the period of next Tabarru' dripping period and the period of cover provided by risk charges recognised.

The following methodology is used in determining the unearned contribution reserve:

For long term liabilities, the cash flow reserves are set up for mortality benefits on a best estimate basis, which results in reserves being equal to a proportion of the risk charges, for unexpired risk or unearned contribution. Cash flow reserves for future expenses are not set up as management expenses and commissions are paid from the Takaful Operator.

Details of key assumptions used and the sensitivity analysis are shown in Note 28(a).

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NOTES TO THE FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- i) Financial year beginning on/after 1 July 2013
 - a) Amendments to MFRS 7 “Financial Instruments : Disclosures” (effective 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.
 - b) MFRS 10 “Consolidated Financial Statements” (effective 1 January 2013) changes the definition of control where investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 “Consolidated and separate financial statements” and IC interpretation 112 “Consolidation – special purpose entities”
 - c) MFRS 13 “Fair value measurement” (effective 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 “Financial instruments: Disclosures”, but apply to all assets and liabilities measured at fair value, not just financial ones.
 - d) The revised MFRS 127 “Separate financial statements” (effective from 1 January 2013) included provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.
- ii) Financial year beginning on/after 1 July 2014
 - a) Amendments to MFRS 132 “Financial instruments: Presentation” (effective 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of “currently has a legally enforceable right of set-off” that the right to set off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanism with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

iii) Financial year beginning on/after 1 July 2015

- a) MFRS 9 “Financial instruments – classification and measurement of financial asset and financial liabilities” (effective from 1 January 2015) replaces multiple classification and measurement models in MFRS 139 with a single model for managing the financial assets and contractual cash flows characteristic of the financial asset.

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

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply. MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

The Company is reviewing the adoption of the above accounting standards, amendments to published standards and interpretation to existing standards and will complete the process prior to the reporting requirement deadline. Notwithstanding, the above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Company in the year of initial application.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

3 PROPERTY AND EQUIPMENT

Takaful Operator/Company

	Computer equipment RM'000	Furniture & fittings, office equipment and renovation RM'000	Motor vehicles RM'000	Work-in- progress RM'000	Company RM'000
<u>Cost</u>					
At 1 July 2011	560	1,146	420	57	2,183
Additions	112	501	362	109	1,084
Reclasss to/(from)	-	23	-	(23)	-
Write off	-	(1,091)	-	-	(1,091)
At 30 June 2012/1 July 2012	672	579	782	143	2,176
Additions	51	45	-	-	96
Reclasss to/(from)	-	105	-	(105)	-
Disposal	-	-	(274)	-	(274)
Adjustment	(11)	-	-	(38)	(49)
At 30 June 2013	<u>712</u>	<u>729</u>	<u>508</u>	<u>-</u>	<u>1,949</u>
<u>Accumulated depreciation</u>					
At 1 July 2011	403	720	95	-	1,218
Charge for the financial year	91	148	68	-	307
Write off	-	(771)	-	-	(771)
At 30 June 2012/1 July 2012	494	97	163	-	754
Charge for the financial year	59	135	53	-	247
Disposal	-	-	(132)	-	(132)
At 30 June 2013	<u>553</u>	<u>232</u>	<u>84</u>	<u>-</u>	<u>869</u>
<u>Net book value</u>					
At 1 July 2011	<u>157</u>	<u>426</u>	<u>325</u>	<u>57</u>	<u>965</u>
At 30 June 2012	<u>178</u>	<u>482</u>	<u>619</u>	<u>143</u>	<u>1,422</u>
At 30 June 2013	<u>159</u>	<u>497</u>	<u>424</u>	<u>-</u>	<u>1,080</u>

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4 INTANGIBLE ASSETS

Takaful Operator/Company

	Computer software		
	2013 RM'000	2012 RM'000	2011 RM'000
<u>Cost</u>			
At 1 July	2,622	2,562	2,537
Additions	1,316	60	25
Adjustments	(6)	-	-
At 30 June	<u>3,932</u>	<u>2,622</u>	<u>2,562</u>
<u>Accumulated amortisation</u>			
At 1 July	2,405	2,072	1,560
Amortisation charge for the financial year	211	333	512
At 30 June	<u>2,616</u>	<u>2,405</u>	<u>2,072</u>
<u>Net book value</u>			
At 30 June	<u>1,316</u>	<u>217</u>	<u>490</u>

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5 FINANCIAL ASSETS

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2013</u>				
Government Investment Issues	-	1,513	13,619	15,132
Islamic bonds	61,755	17,869	38,540	118,164
Equity securities	5,690	4,663	6,457	16,810
Unit Trusts	211	-	-	211
Investments in investment-linked funds	4,753	-	-	-
Structured investments	-	-	28,215	28,215
Accrued profit	581	148	692	1,421
Total	<u>72,990</u>	<u>24,193</u>	<u>87,523</u>	<u>179,953</u>
<u>30 June 2012</u>				
Government Investment Issues	4,192	1,524	14,768	20,484
Islamic bonds	53,445	6,206	19,640	79,291
Equity securities	4,568	742	1,751	7,061
Investments in investment-linked funds	4,567	-	-	-
Structured investments	-	-	52,699	52,699
Accrued profit	374	58	444	876
Total	<u>67,146</u>	<u>8,530</u>	<u>89,302</u>	<u>160,411</u>
<u>1 July 2011</u>				
Government Investment Issues	4,118	1,521	14,718	20,357
Islamic bonds	55,966	713	12,430	69,109
Equity securities	5,312	-	1,206	6,518
Investments in investment-linked funds	4,000	-	-	-
Structured investments	-	-	76,961	76,961
Accrued profit	201	31	497	729
Total	<u>69,597</u>	<u>2,265</u>	<u>105,812</u>	<u>173,674</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(a) The Company's financial assets are summarised as follows:

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2013</u>				
AFS	72,990	24,193	52,520	144,950
FVTPL	-	-	35,003	35,003
Total	72,990	24,193	87,523	179,953
Current	12,199	664	26,465	39,328
Non-current	60,791	23,529	61,058	140,625
	72,990	24,193	87,523	179,953
i) AFS				
Government Investment Issues	-	1,513	13,115	14,628
Islamic bonds	61,755	17,869	33,327	112,951
Equity securities quoted in Malaysia	5,690	4,663	5,429	15,782
Unit Trusts	211	-	-	211
Investments in investment-linked funds	4,753	-	-	-
Accrued profit	581	148	649	1,378
Total	72,990	24,193	52,520	144,950
ii) FVTPL				
Government Investment Issues	-	-	504	504
Islamic bonds	-	-	5,213	5,213
Equity securities quoted in Malaysia	-	-	1,028	1,028
Structured investments	-	-	28,215	28,215
Accrued profit	-	-	43	43
Total	-	-	35,003	35,003

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(a) The Company's financial assets are summarised as follows: (continued)

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2012</u>				
AFS	67,146	8,530	32,054	103,163
FVTPL	-	-	57,248	57,248
Total	<u>67,146</u>	<u>8,530</u>	<u>89,302</u>	<u>160,411</u>
Current	3,055	611	1,425	5,091
Non-current	64,091	7,919	87,877	155,320
	<u>67,146</u>	<u>8,530</u>	<u>89,302</u>	<u>160,411</u>
i) AFS				
Government Investment Issues	4,192	1,524	13,212	18,928
Islamic bonds	53,445	6,206	16,818	76,469
Equity securities quoted in Malaysia	4,568	742	1,603	6,913
Investments in investment-linked funds	4,567	-	-	-
Accrued profit	374	58	421	853
Total	<u>67,146</u>	<u>8,530</u>	<u>32,054</u>	<u>103,163</u>
ii) FVTPL				
Government Investment Issues	-	-	1,556	1,556
Islamic bonds	-	-	2,822	2,822
Equity securities quoted in Malaysia	-	-	148	148
Structured investments	-	-	52,699	52,699
Accrued profit	-	-	23	23
Total	<u>-</u>	<u>-</u>	<u>57,248</u>	<u>57,248</u>

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(a) The Company's financial assets are summarised as follows: (continued)

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>1 July 2011</u>				
AFS	69,597	2,265	23,645	91,507
FVTPL	-	-	82,167	82,167
Total	<u>69,597</u>	<u>2,265</u>	<u>105,812</u>	<u>173,674</u>
Current	8,600	-	3,533	12,133
Non-current	<u>60,997</u>	<u>2,265</u>	<u>102,279</u>	<u>161,541</u>
	<u>69,597</u>	<u>2,265</u>	<u>105,812</u>	<u>173,674</u>
i) AFS				
Government Investment Issues	4,118	1,521	13,182	18,821
Islamic bonds	55,966	713	9,009	65,688
Equity securities quoted in Malaysia	5,312	-	1,034	6,346
Investments in investment-linked funds	4,000	-	-	-
Accrued profit	<u>201</u>	<u>31</u>	<u>420</u>	<u>652</u>
Total	<u>69,597</u>	<u>2,265</u>	<u>23,645</u>	<u>91,507</u>
ii) FVTPL				
Government Investment Issues	-	-	1,536	1,536
Islamic bonds	-	-	3,421	3,421
Equity securities quoted in Malaysia	-	-	172	172
Structured investments	-	-	76,961	76,961
Accrued profit	<u>-</u>	<u>-</u>	<u>77</u>	<u>77</u>
Total	<u>-</u>	<u>-</u>	<u>82,167</u>	<u>82,167</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(b) Carrying values of financial investments

				AFS	FVTPL
	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000	Family Takaful Fund/ Company RM'000
At 1 July 2011	69,597	2,265	23,645	91,507	82,167
Purchases	20,361	15,688	21,605	57,654	801
Maturities	(8,500)	-	(2,500)	(11,000)	(25,967)
Disposals, at carrying value	(15,417)	(9,509)	(10,997)	(35,923)	(400)
Fair value (losses)/gains					
recorded in:					
Profit or loss	697	2	16	715	701
Other comprehensive income	41	-	-	(526)	-
Takaful contract liabilities	-	67	290	357	-
Accretion/(amortisation) – net	194	(10)	(6)	178	-
Movement in accrued profit	173	27	1	201	(54)
At 30 June 2012/1 July 2012	67,146	8,530	32,054	103,163	57,248
Purchases	19,457	19,574	27,119	65,150	4,221
Maturities	(3,000)	(600)	(1,000)	(4,600)	(24,153)
Disposals, at carrying value	(11,938)	(4,054)	(6,735)	(21,727)	(1,708)
Fair value (losses)/gains					
recorded in:					
Profit or loss	161	55	86	202	799
Other comprehensive income	968	-	-	882	-
Takaful contract liabilities	-	608	768	1,376	-
Accretion/(amortisation) – net	(11)	(10)	-	(21)	-
Movement in accrued profit	207	90	228	525	20
Foreign exchange	-	-	-	-	(1,424)
At 30 June 2013	<u>72,990</u>	<u>24,193</u>	<u>52,520</u>	<u>144,950</u>	<u>35,003</u>

As at 30 June 2013, impairment provision of impaired available-for-sale financial assets of RM324,900 is RM89,700 (2012 : impairment provision of impaired available-for-sale financial assets of RM442,946 is RM118,046; 2011: impairment provision of impaired available-for-sale financial assets of RM758,250 is RM364,834). A reconciliation of the allowance for impairment losses for available-for-sale financial assets is as follows:

	Takaful Operator/Company		
	2013	2012	2011
	RM'000	RM'000	RM'000
At 1 July	483	365	-
Charge for the financial year	90	118	365
At 30 June	<u>573</u>	<u>483</u>	<u>365</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)**

5 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy

The table below shows the financial assets recorded at fair value by their valuation method.

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

				AFS	FVTPL
	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000	Family Takaful Fund/ Company RM'000
<u>30 June 2013</u>					
Level 1	10,654	4,663	5,429	15,993	1,028
Level 2	62,336	19,530	47,091	128,957	33,975
Level 3	-	-	-	-	-
	<u>72,990</u>	<u>24,193</u>	<u>52,520</u>	<u>144,950</u>	<u>35,003</u>
<u>30 June 2012</u>					
Level 1	9,135	742	1603	6,913	148
Level 2	58,011	7,788	30,451	96,250	57,100
Level 3	-	-	-	-	-
	<u>67,146</u>	<u>8,530</u>	<u>32,054</u>	<u>103,163</u>	<u>57,248</u>
<u>1 July 2011</u>					
Level 1	9,312	-	1,034	6,346	172
Level 2	60,285	2,265	22,611	85,161	81,995
Level 3	-	-	-	-	-
	<u>69,597</u>	<u>2,265</u>	<u>23,645</u>	<u>91,507</u>	<u>82,167</u>

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6 LOANS AND RECEIVABLES

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2013</u>				
Fixed and cash deposits with licensed financial institutions	-	664	18,363	19,027
Accrued profit	-	7	207	214
	<u>-</u>	<u>671</u>	<u>18,570</u>	<u>19,241</u>
Receivables within 12 months	<u>-</u>	<u>671</u>	<u>18,570</u>	<u>19,241</u>
<u>30 June 2012</u>				
Fixed and cash deposits with licensed financial institutions	-	352	10,510	10,862
Accrued profit	-	6	76	82
	<u>-</u>	<u>358</u>	<u>10,586</u>	<u>10,944</u>
Receivables within 12 months	<u>-</u>	<u>358</u>	<u>10,586</u>	<u>10,944</u>
<u>1 July 2011</u>				
Fixed and cash deposits with licensed financial institutions	-	341	5,341	5,682
Accrued profit	-	4	37	41
	<u>-</u>	<u>345</u>	<u>5,378</u>	<u>5,723</u>
Receivables within 12 months	<u>-</u>	<u>345</u>	<u>5,378</u>	<u>5,723</u>

7 RETAKAFUL ASSETS

	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2013</u>			
Retakaful of Takaful contracts	<u>69,242</u>	<u>15,526</u>	<u>84,768</u>
<u>30 June 2012</u>			
Retakaful of Takaful contracts	<u>51,809</u>	<u>19,257</u>	<u>71,066</u>
<u>1 July 2011</u>			
Retakaful of Takaful contracts	<u>25,402</u>	<u>33,072</u>	<u>58,474</u>

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8 TAKAFUL RECEIVABLES

	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2013</u>			
Outstanding contributions including agents, brokers and co-takaful balances	6,751	2,357	9,108
Less: Allowance for impairment	(2,816)	(89)	(2,905)
	<u>3,935</u>	<u>2,268</u>	<u>6,203</u>
Amount due from retakaful operators	640	2,989	3,629
Less: Allowance for impairment	(360)	-	(360)
	<u>280</u>	<u>2,989</u>	<u>3,269</u>
	 <u>4,215</u>	 <u>5,257</u>	 <u>9,472</u>
 <u>30 June 2012</u>			
Outstanding contributions including agents, brokers and co-takaful balances	19,531	1,924	21,455
Less: Allowance for impairment	(3,479)	(17)	(3,496)
	<u>16,052</u>	<u>1,907</u>	<u>17,959</u>
Amount due from retakaful operators	1,687	1,720	3,407
Less: Allowance for impairment	(682)	-	(682)
	<u>1,005</u>	<u>1,720</u>	<u>2,725</u>
	 <u>17,057</u>	 <u>3,627</u>	 <u>20,684</u>
 <u>1 July 2011</u>			
Outstanding contributions including agents, brokers and co-takaful balances	18,575	3,113	21,688
Less: Allowance for impairment	(6,006)	-	(6,006)
	<u>12,569</u>	<u>3,113</u>	<u>15,682</u>
Amount due from retakaful operators	1,016	1,346	2,362
Less: Allowance for impairment	(697)	-	(697)
	<u>319</u>	<u>1,346</u>	<u>1,665</u>
	 <u>12,888</u>	 <u>4,459</u>	 <u>17,347</u>

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9 OTHER RECEIVABLES

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2013</u>				
Dividend receivables	22	11	21	54
Due from Takaful Operator	-	-	-	-
Due from General Takaful Fund	5,177	-	505	-
Due from Family Takaful Fund	3,114	-	-	-
Other receivables	780	1,002	241	2,023
	<u>9,093</u>	<u>1,013</u>	<u>767</u>	<u>2,077</u>
<u>30 June 2012</u>				
Dividend receivables	49	-	8	57
Due from Takaful Operator	-	207	1,519	-
Other receivables	508	107	149	764
	<u>557</u>	<u>314</u>	<u>1,676</u>	<u>821</u>
<u>1 July 2011</u>				
Due from Takaful Operator	-	3,817	-	-
Due from General Takaful Fund	-	-	4	-
Due from Family Takaful Fund	936	-	-	-
Other receivables	286	45	3	334
	<u>1,222</u>	<u>3,862</u>	<u>7</u>	<u>334</u>

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10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2013</u>				
Cash and bank balances	1,580	2,815	7,065	11,460
Short term deposits	14,016	22,410	27,872	64,298
Accrued profit	5	13	11	29
	<u>15,601</u>	<u>25,238</u>	<u>34,948</u>	<u>75,787</u>
<u>30 June 2012</u>				
Cash and bank balances	1,011	5,300	24,712	31,023
Short term deposits	28,011	16,235	11,600	55,846
Accrued profit	3	2	11	16
	<u>29,025</u>	<u>21,537</u>	<u>36,323</u>	<u>86,885</u>
<u>1 July 2011</u>				
Cash and bank balances	2,439	2,474	8,447	13,360
Short term deposits	26,274	14,504	9,972	50,750
Accrued profit	1	1	10	12
	<u>28,714</u>	<u>16,979</u>	<u>18,429</u>	<u>64,122</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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11 TAKAFUL CONTRACT LIABILITIES	Note	30.06.2013			30.06.2012			01.07.2011		
		Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
Family Takaful	11(a)	153,534	(15,526)	138,008	149,624	(19,257)	130,367	158,031	(33,072)	124,959
General Takaful	11(b)	113,278	(69,242)	44,036	86,418	(51,809)	34,609	44,006	(25,402)	18,604
Total		266,812	(84,768)	182,044	236,042	(71,066)	164,976	202,037	(58,474)	143,563
Elimination of investment in investment-linked funds		(4,753)	-	(4,753)	(4,567)	-	(4,567)	(4,000)	-	(4,000)
Total Company		262,059	(84,768)	177,291	231,475	(71,066)	160,409	198,037	(58,474)	139,563

(a) Family Takaful contract liabilities

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

	30.06.2013			30.06.2012			01.07.2011		
	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
Certificateholders' liabilities	112,544	(12,766)	99,778	86,311	(14,231)	72,080	72,941	(31,009)	41,932
Net asset value attributable to certificateholders	33,567	-	33,567	57,002	-	57,002	80,423	-	80,423
Actuarial liabilities (i)	146,111	(12,766)	133,345	143,313	(14,231)	129,082	153,364	(31,009)	122,355
Claims liabilities	3,098	(2,760)	338	5,705	(5,026)	679	2,327	(2,063)	264
Unallocated surplus (ii)	3,012	-	3,012	-	-	-	1,971	-	1,971
AFS fair value adjustment (iii)	1,313	-	1,313	606	-	606	369	-	369
	153,534	(15,526)	138,008	149,624	(19,257)	130,367	158,031	(33,072)	124,959

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11 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful contract liabilities (continued)

(i) Actuarial liabilities

	Gross RM'000	Re-takaful RM'000	Net RM'000
At 1 July 2011	153,364	(31,009)	122,355
Change in certificate liabilities	13,370	16,778	30,148
Movement in net asset value attributable to certificateholders	(23,421)	-	(23,421)
At 30 June 2012/1 July 2012	143,313	(14,231)	129,082
Change in certificate liabilities	26,233	1,465	27,698
Movement in net asset value attributable to certificateholders	(23,435)	-	(23,435)
At 30 June 2013	146,111	(12,766)	133,345

	Gross/Net		
	2013 RM'000	2012 RM'000	2011 RM'000
(ii) Unallocated surplus			
At 1 July	-	-	790
Surplus during the financial year	3,012	-	1,181
At 30 June	3,012	-	1,971
(iii) AFS fair value adjustment			
At 1 July	606	369	223
Net fair value change during the financial period year	707	237	146
At 30 June	1,313	606	369

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

- 11 TAKAFUL CONTRACT LIABILITIES (CONTINUED)
(b) General Takaful contract liabilities (continued)

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

	2013			2012			2011		
	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
(i) Provision for outstanding claims									
At 1 July	45,059	(27,330)	17,729	22,894	(13,981)	8,913	6,279	(3,851)	2,428
Claims incurred in the current accident year	46,842	(28,040)	18,802	35,591	(21,876)	13,715	12,782	(7,511)	5,271
Other movements in claims incurred in prior accident year	(3,761)	834	(2,927)	(3,879)	4,762	883	7,534	(4,438)	3,096
Claims paid during the financial year	(12,162)	6,639	(5,523)	(9,547)	3,765	(5,782)	(3,701)	1,819	(1,882)
At 30 June	<u>75,978</u>	<u>(47,897)</u>	<u>28,081</u>	<u>45,059</u>	<u>(27,330)</u>	<u>17,729</u>	<u>22,894</u>	<u>(13,981)</u>	<u>8,913</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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11 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful contract liabilities (continued)

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

	2013			2012			2011		
	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
(ii) Unearned contribution reserve									
At 1 July	40,201	(24,479)	15,722	21,101	(11,421)	9,680	5,936	(1,968)	3,968
Contribution written in the financial year	53,095	(26,403)	26,692	72,824	(46,464)	26,360	50,592	(31,134)	19,458
Contribution earned during the financial year	(58,498)	29,537	(28,961)	(53,724)	33,406	(20,318)	(35,427)	21,681	(13,746)
At 30 June	<u>34,798</u>	<u>(21,345)</u>	<u>13,453</u>	<u>40,201</u>	<u>(24,479)</u>	<u>15,722</u>	<u>21,101</u>	<u>(11,421)</u>	<u>9,680</u>

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

11 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful contract liabilities (continued)

	Gross/Net		
	2013	2012	2011
	RM'000	RM'000	RM'000
(iii) AFS fair value adjustment			
At 1 July	71	28	19
Net fair value change during the financial year	456	43	9
At 30 June	<u>527</u>	<u>71</u>	<u>28</u>
(iv) Participants' accounts	1,087	(17)	(799)
Surplus arising during the financial year	888	1,104	782
At 30 June	<u>1,975</u>	<u>1,087</u>	<u>(17)</u>
Comprising:			
Participants' investment fund	1,975	1,087	(17)
Participants' special account	-	-	-
	<u>1,975</u>	<u>1,087</u>	<u>(17)</u>

12 TAKAFUL PAYABLES

	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2013</u>			
Due to agents and intermediaries	3,502	-	3,502
Due to retakaful operators and cedants	2,267	2,366	4,633
	<u>5,769</u>	<u>2,366</u>	<u>8,135</u>
<u>30 June 2012</u>			
Due to agents and intermediaries	2,060	-	2,060
Due to retakaful operators and cedants	13,169	5,917	19,086
	<u>15,229</u>	<u>5,917</u>	<u>21,146</u>
<u>1 July 2011</u>			
Due to agents and intermediaries	4,035	-	4,035
Due to retakaful operators and cedants	15,611	3,771	19,382
	<u>19,646</u>	<u>3,771</u>	<u>23,417</u>

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13 OTHER PAYABLES

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2013</u>				
Contribution deposits	-	107	1,139	1,246
Amount due to Takaful Operator	-	5,177	3,114	-
Amount due to Family Takaful Fund	-	505	-	-
Sundry payables and accruals	6,970	145	1,273	8,388
	<u>6,970</u>	<u>5,934</u>	<u>5,526</u>	<u>9,634</u>
<u>30 June 2012</u>				
Contribution deposits	-	31	1,831	1,862
Amount due to General Takaful Fund	207	-	-	-
Amount due to Family Takaful Fund	1,519	-	-	-
Sundry payables and accruals	6,225	242	2,348	8,815
	<u>7,951</u>	<u>273</u>	<u>4,179</u>	<u>10,677</u>
<u>1 July 2011</u>				
Contribution deposits	-	42	892	934
Amount due to Takaful Operator	-	-	936	-
Amount due to General Takaful Fund	3,817	-	-	-
Amount due to Family Takaful Fund	-	4	-	-
Sundry payables and accruals	4,655	398	2,765	7,818
	<u>8,472</u>	<u>444</u>	<u>4,593</u>	<u>8,752</u>

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14 DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes related to the same authority.

The following amounts, determined after appropriate offsets, are shown in the statements of financial position.

The movements in deferred tax balances are as follows:

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
At 1 July 2011	(373)	1,402	(344)	685
Recognised in:				
Profit or loss	657	(856)	5	(194)
Other comprehensive income	(10)	-	-	(10)
Takaful contract liabilities	-	(24)	(53)	(77)
At 30 June 2012/1 July 2012	274	522	(392)	404
Recognised in:				
Profit or loss	1,172	(404)	260	1,028
Other comprehensive income	(242)	-	-	(242)
Takaful contract liabilities	-	(152)	(61)	(213)
At 30 June 2013	1,204	(34)	(193)	977

Presented after appropriate offsetting as follows:

30 June 2013

Deferred tax liabilities	(1,285)	(176)	(193)	(1,654)
Deferred tax assets	2,489	142	-	2,631
	1,204	(34)	(193)	977

30 June 2012

Deferred tax liabilities	(1,129)	(24)	(392)	(1,545)
Deferred tax assets	1,403	546	-	1,949
	274	522	(392)	404

1 July 2011

Deferred tax liabilities	(1,160)	-	(344)	(1,504)
Deferred tax assets	787	1,402	-	2,189
	(373)	1,402	(344)	685

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14 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

	Property and equipment RM'000	Financial assets RM'000	Takaful receivables RM'000	Unutilised tax loss and capital allowance RM'000	Payables RM'000	Total RM'000
<u>Takaful Operator</u>						
At 1 July 2011	(213)	(663)	-	-	503	(373)
Recognised in:						
Profit or loss	80	-	-	-	577	657
Other comprehensive income	-	(10)	-	-	-	(10)
At 30 June 2012/1 July 2012	(133)	(673)	-	-	1,080	274
Recognised in:						
Profit or loss	(236)	119	-	-	1,289	1,172
Other comprehensive income	-	(242)	-	-	-	(242)
At 30 June 2013	<u>(369)</u>	<u>(796)</u>	<u>-</u>	<u>-</u>	<u>2,369</u>	<u>1,204</u>
<u>General Takaful Fund</u>						
At 1 July 2011	-	-	602	800	-	1,402
Recognised in:						
Profit or loss	-	-	(56)	(800)	-	(856)
Takaful contract liabilities	-	(24)	-	-	-	(24)
At 30 June 2012/1 July 2012	-	(24)	546	-	-	522
Recognised in:						
Profit or loss	-	-	(404)	-	-	(404)
Takaful contract liabilities	-	(152)	-	-	-	(152)
At 30 June 2013	<u>-</u>	<u>(176)</u>	<u>142</u>	<u>-</u>	<u>-</u>	<u>(34)</u>

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14 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	Property and equipment RM'000	Financial assets RM'000	Takaful receivables RM'000	Unutilised tax loss and capital allowance RM'000	Payables RM'000	Total RM'000
<u>Family Takaful Fund</u>						
At 1 July 2011	-	(344)	-	-	-	(344)
Recognised in:						
Profit or loss	-	5	-	-	-	5
Takaful contract liabilities	-	(53)	-	-	-	(53)
At 30 June 2012/1 July 2012	-	(392)	-	-	-	(392)
Recognised in:						
Profit or loss	-	260	-	-	-	260
Takaful contract liabilities	-	(61)	-	-	-	(61)
At 30 June 2013	-	(193)	-	-	-	(193)
<u>Company</u>						
At 1 July 2011	(213)	(1,007)	602	800	503	685
Recognised in:						
Profit or loss	80	5	(56)	(800)	577	(194)
Other comprehensive income	-	(10)	-	-	-	(10)
Takaful contract liabilities	-	(77)	-	-	-	(77)
At 30 June 2012/1 July 2012	(133)	(1,089)	546	-	1,080	404
Recognised in:						
Profit or loss	(236)	379	(404)	-	1,289	1,028
Other comprehensive income	-	(242)	-	-	-	(242)
Takaful contract liabilities	-	(213)	-	-	-	(213)
At 30 June 2013	(369)	(1,165)	142	-	2,369	977

As at 30 June 2013, there was no unutilised tax losses for which no deferred tax asset is recognised in the statement of financial position (2012: Nil and 2011: RM746,000) due to the unavailability of future taxable profits in the Takaful Operator.

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15 SHARE CAPITAL

Takaful Operator/Company

	30.06.2013		30.06.2012		01.07.2011	
	No. of shares '000	RM'000	No. of shares '000	RM'000	No. of shares '000	RM'000
Ordinary shares of RM 1.00 each						
Authorised:						
At beginning/end of financial year	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid						
At beginning/end of financial year	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

16 OPERATING REVENUE

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2013</u>				
Gross contributions	-	53,095	55,226	107,321
Investment income	<u>3,703</u>	<u>1,175</u>	<u>4,759</u>	<u>10,069</u>
	<u>3,703</u>	<u>54,270</u>	<u>59,985</u>	<u>117,390</u>
<u>2012</u>				
Gross contributions	-	72,824	55,728	128,552
Investment income	<u>3,663</u>	<u>501</u>	<u>4,334</u>	<u>8,750</u>
	<u>3,663</u>	<u>73,325</u>	<u>60,062</u>	<u>137,302</u>

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17 INVESTMENT INCOME

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2013</u>				
<u>AFS financial assets</u>				
Profit income	2,769	569	1,822	5,160
Accretion of discounts/(amortisation of premiums) - net	(11)	(10)	-	(21)
Dividend income	271	75	182	528
<u>FVTPL</u>				
Profit income	-	-	2,075	2,075
Dividend income	-	-	16	16
<u>Loans and receivables</u>				
Profit income	152	178	555	885
<u>Cash and cash equivalents</u>				
Profit income	522	470	434	1,426
	3,703	1,282	5,084	10,069
Less: Share of investment profit of takaful funds with Takaful Operator	-	(107)	(325)	-
	<u>3,703</u>	<u>1,175</u>	<u>4,759</u>	<u>10,069</u>
<u>2012</u>				
<u>AFS financial assets</u>				
Profit income	2,536	167	1,074	3,777
Accretion of discounts/(amortisation of premiums) - net	194	(10)	(6)	178
Dividend income	225	5	73	303
<u>FVTPL</u>				
Profit income	-	-	2,744	2,744
Dividend income	-	-	3	3
<u>Loans and receivables</u>				
Profit income	-	38	234	272
<u>Cash and cash equivalents</u>				
Profit income	708	355	410	1,473
	3,663	555	4,532	8,750
Less: Share of investment profit of takaful funds with Takaful Operator	-	(54)	(198)	-
	<u>3,663</u>	<u>501</u>	<u>4,334</u>	<u>8,750</u>

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18 REALISED GAINS/(LOSSES)

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2013</u>				
<u>AFS financial assets</u>				
Quoted equity	63	44	37	144
Government Investment Issues	(7)	-	-	(7)
Islamic bond	95	11	49	155
Investment Linked Fund	100	-	-	-
<u>FVTPL</u>				
Quoted equity	-	-	12	12
Government Investment Issues	-	-	(28)	(28)
Islamic bond	-	-	(3)	(3)
Structured investments	-	-	126	126
	<u>251</u>	<u>55</u>	<u>193</u>	<u>399</u>
<u>2012</u>				
<u>AFS financial assets</u>				
Quoted equity	277	-	13	290
Islamic bond	538	2	3	543
<u>FVTPL</u>				
Quoted equity	-	-	2	2
Islamic bond	-	-	(2)	(2)
Structured investments	-	-	691	691
	<u>815</u>	<u>2</u>	<u>707</u>	<u>1,524</u>

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19 FAIR VALUE (LOSSES)/GAINS

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2013</u>				
Impairment of AFS financial assets	(90)	-	-	(90)
Fair value gains on financial assets at fair value through profit or loss	-	-	692	692
	<u>(90)</u>	<u>-</u>	<u>692</u>	<u>602</u>
<u>2012</u>				
Impairment of AFS financial assets	(118)	-	-	(118)
Fair value gains on financial assets at fair value through profit or loss	-	-	10	10
	<u>(118)</u>	<u>-</u>	<u>10</u>	<u>(108)</u>

20 OTHER OPERATING INCOME/(EXPENSES)-NET

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2013</u>				
Other operating income:				
Write off of retakaful payable	-	1,390	-	1,390
Write back of provision for bad debt	-	1,207	-	1,207
Other income	781	30	-	69
	<u>781</u>	<u>2,627</u>	<u>-</u>	<u>2,666</u>
Other operating expenses:				
Impairment of takaful receivables	(222)	-	(72)	(294)
Expense liabilities	(2,170)	-	-	(2,170)
Others	-	(120)	(3,105)	(2,483)
	<u>(2,392)</u>	<u>(120)</u>	<u>(3,177)</u>	<u>(4,947)</u>
<u>2012</u>				
Other operating income:				
Write back of provision for bad debt	-	3,235	-	3,235
Other income	295	-	-	28
	<u>295</u>	<u>3,235</u>	<u>-</u>	<u>3,263</u>
Other operating expenses:				
Write off of property and equipment	(320)	-	-	(320)
Impairment of takaful receivables	(693)	-	(17)	(710)
Expense liabilities	(2,451)	-	-	(2,451)
Others	(1)	(32)	(296)	(62)
	<u>(3,465)</u>	<u>(32)</u>	<u>(313)</u>	<u>(3,543)</u>

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21 MANAGEMENT EXPENSES

	2013 RM'000	2012 RM'000
<u>Takaful Operator /Company</u>		
Staff costs:		
Salary and bonus	9,656	8,038
Social security costs	67	60
Employees' provident fund	1,452	1,097
Other staff related expenses	348	420
Directors' fees	340	150
Shariah committee remuneration and other expenses	180	174
Depreciation of property and equipment (Note 3)	247	307
Amortisation of intangible assets (Note 4)	211	333
Auditors' remuneration		
- current financial year	230	176
- under provision in prior financial year	21	90
Other professional fee	752	810
Rental of properties	1,013	689
Shared services fee	(88)	1,091
PIDM levy	-	150
Loss on disposal of property and equipment	9	-
Other expenses	6,933	5,342
Total	<u>21,371</u>	<u>18,927</u>

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the financial year amounted to RM 451,905 (2012: RM 75,859).

Included in the staff costs are the remuneration for key management personnel, which is disclosed in Note 26.

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22 TAXATION

	Takaful Operator/Company		
	RM'000		
<u>2013</u>			
Current tax :			
- In respect of current financial year			-
- Over provision in prior financial years			(1,179)
Deferred tax			<u>(1,172)</u>
			<u>(2,351)</u>
<u>2012</u>			
Current tax :			
- In respect of current financial year			1,195
- Under provision in prior financial years			407
Deferred tax			<u>(657)</u>
			<u>945</u>
	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2013</u>			
Current tax :			
- In respect of current financial year	1,356	399	1,755
- Over provision in prior financial years	-	(73)	(73)
Deferred tax	<u>404</u>	<u>(260)</u>	<u>144</u>
	<u>1,760</u>	<u>66</u>	<u>1,826</u>
<u>2012</u>			
Current tax :			
- In respect of current financial year	-	440	440
- Under provision in prior financial years	-	69	69
Deferred tax	<u>856</u>	<u>(5)</u>	<u>851</u>
	<u>856</u>	<u>504</u>	<u>1,360</u>

The income tax for the Takaful Operator and General Takaful funds are calculated based on the tax rate of 25% (2012: 25%) of the estimated assessable profit for the financial year. The income tax for the Family Takaful fund is calculated based on tax rate of 8% (2012: 8%) of the assessable investment income net of allowable deductions for the financial year.

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22 TAXATION (CONTINUED)

The numerical reconciliation between taxation and the product of accounting profit multiplied by the Malaysian tax rate of the Takaful Operator is as follows:

	2013 RM'000	2012 RM'000
Loss before taxation	<u>(5,235)</u>	<u>(108)</u>
Taxation at Malaysian statutory rate of 25% (2012: 25%)	(1,309)	(27)
Tax effects of expenses not deductible for tax purposes	137	565
(Over)/under provision in prior financial years	<u>(1,179)</u>	<u>407</u>
Tax expense for the financial year	<u>(2,351)</u>	<u>945</u>

23 INVESTMENT-LINKED BUSINESS

(a) Assets and liabilities as at

	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
<u>Assets</u>			
Fair value through profit and loss financial assets	35,003	57,248	82,167
Amount due from Takaful Operator*	-	134	162
Other receivables	3	-	-
Cash and cash equivalents	<u>3,260</u>	<u>2,248</u>	<u>2,491</u>
Investment-linked business assets	<u>38,266</u>	<u>59,630</u>	<u>84,820</u>
<u>Liabilities</u>			
Deferred tax liabilities	79	340	344
Current tax liabilities	145	182	-
Amount due to Takaful Operator*	7	-	-
Amount due to non-investment linked Family Takaful Fund**	<u>4,468</u>	<u>2,106</u>	<u>4,053</u>
Investment-linked business liabilities	<u>4,699</u>	<u>2,628</u>	<u>4,397</u>
Net asset value of funds	<u>33,567</u>	<u>57,002</u>	<u>80,423</u>
Represented by:			
<u>Unitholders' account</u>			
At beginning of the financial year	57,002	80,423	213,826
Creation of units	3,415	2,322	4,244
Cancellation of units	(24,981)	(26,856)	(146,984)
Distribution to certificateholders	(1,537)	(1,816)	(1,679)
Surplus for the financial year	<u>(332)</u>	<u>2,929</u>	<u>11,016</u>
	<u>33,567</u>	<u>57,002</u>	<u>80,423</u>

* Form part of amount due to Takaful Operator in the separate financial statements of Family Takaful Fund.

** Eliminated in preparing separate financial statement of Family Takaful Fund.

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23 INVESTMENT-LINKED BUSINESS (CONTINUED)

(b) Income and expenses for the financial year ended 30 June

	2013 RM'000	2012 RM'000
Investment income*	1,959	2,790
Realised gain on disposal of investment	107	691
Fair value gain on investments	692	10
Other expenses	(3,084)	(271)
Surplus before taxation	<u>(326)</u>	<u>3,220</u>
Taxation:		
- current tax	(267)	(296)
- deferred tax	261	5
	<u>(332)</u>	<u>2,929</u>

* Net of share of investment profit of takaful with Takaful Operator of RM25,763 (2012: RM27,000).

24 SEGMENTAL INFORMATION ON CASH FLOW

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2013</u>				
Cash flows from:				
Operating activities	(12,145)	3,701	(1,375)	(9,819)
Investing activities	<u>(1,279)</u>	<u>-</u>	<u>-</u>	<u>(1,279)</u>
	<u>(13,424)</u>	<u>3,701</u>	<u>(1,375)</u>	<u>(11,098)</u>
Net increase in cash and cash equivalent	(13,424)	3,701	(1,375)	(11,098)
Cash and cash equivalents:				
At beginning of financial year	<u>29,025</u>	<u>21,537</u>	<u>36,323</u>	<u>86,885</u>
At end of financial year	<u>15,601</u>	<u>25,238</u>	<u>34,948</u>	<u>75,787</u>
<u>2012</u>				
Cash flows from:				
Operating activities	1,455	4,558	17,894	23,907
Investing activities	<u>(1,144)</u>	<u>-</u>	<u>-</u>	<u>(1,144)</u>
	<u>311</u>	<u>4,558</u>	<u>17,894</u>	<u>22,763</u>
Net increase in cash and cash equivalent	311	4,558	17,894	22,763
Cash and cash equivalents:				
At beginning of financial year	<u>28,714</u>	<u>16,979</u>	<u>18,429</u>	<u>64,122</u>
At end of financial year	<u>29,025</u>	<u>21,537</u>	<u>36,323</u>	<u>86,885</u>

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25 RELATED PARTY TRANSACTIONS

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

<u>Related Parties</u>	<u>Relationship</u>
Hong Leong Company (Malaysia) Berhad	Ultimate holding company
HLA Holdings Sdn Bhd	Immediate holding company
Mitsui Sumitomo Insurance Corporation, Japan	Substantial Shareholder of the Company
Hong Leong Assurance Berhad	Subsidiary of immediate holding company
Hong Leong Bank Berhad	Subsidiary of ultimate holding company
Hong Leong Islamic Bank Berhad	Subsidiary of ultimate holding company

The Directors are of the opinion that related party transactions were entered into in the normal course of business and have been established on terms and conditions that are no more favourable than those obtainable in similar transactions with unrelated parties unless otherwise stated.

Significant related party transactions with related parties during the financial year are as follows:

	2013 RM'000	2012 RM'000
Transactions with companies within the Hong Leong Company (Malaysia) Berhad Group:		
- Commission expenses	(5,090)	(2,923)
- Fund management fee	(108)	-
- Profit from Islamic deposits and money market placements with licensed banks	1,757	1,612
- Profit from Islamic corporate debentures	-	212
- Office rental expenses	(1,013)	(689)
- Shared services fee	88	(1,091)

Companies within the Hong Leong Company (Malaysia) Berhad Group include Hong Leong Bank Berhad, Hong Leong Islamic Bank Berhad and Hong Leong Assurance Berhad where there were related party transactions.

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25 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Included in the statement of financial position of the Company are significant related party balances, represented by the following:

	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Amount due from/(to) other related companies within the Hong Leong Company (Malaysia) Berhad Group:			
- Bank balances	7,368	15,265	10,943
- Structure investment, at fair value (Note 5)	-	-	24,274
- Islamic deposits and money market placements with licensed banks (Note 6 and 10)	67,109	60,847	50,759
- Islamic corporate debenture (Note 5)	-	-	5,041
- Profit receivables (Note 6)	35	49	53
- Rental deposit included in other receivables (Note 9)	175	165	162
- Amount due to related companies	(77)	(1,497)	(919)

Amounts due to related companies are unsecured, interest free and have no fixed term of repayment.

26 KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel are defined as those persons having authority and responsibility for the planning, directing and control of the Company's activities, either directly or otherwise. The key management personnel include all the Directors of the Company, and selected senior management members.

Key management personnel's remuneration is as follows:

	2013 RM'000	2012 RM'000
<u>Non-executive directors</u>		
Fees	340	150
<u>Key management personnel</u>		
Short term employee benefits:		
Salary and other remuneration	1,815	1,099
Benefits-in-kind/perquisite	187	100
	2,002	1,199
Total	2,342	1,349

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27 RISK MANAGEMENT FRAMEWORK

(a) Risk management framework

The Company has in place a risk management framework and methodology which is adapted from the local regulatory requirements, as well as Hong Leong Bank Risk Management framework, designed to support the identification, assessment, monitoring and control of significant risks covering market risk, credit risk, operational risk and takaful risk.

The day-to-day responsibility for risk management and control is embedded into the respective business lines and the management of each business lines is responsible to ensure that risk management process is functioning effectively. Risk Management functions as an independent party that is responsible for assessing and reporting the potential impact and probability of the significant risks identified across the organisation and the adequacy of related mitigation programs.

The Integrated Risk Management keeps the Senior Management and Board of Audit & Risk Management Committee ("BARMC") abreast of material risks that require attention and action plan on a regular basis.

(b) Capital management objectives, policies and approach

Capital management risk is defined as the risk of having an insufficient capital base, which undermines execution of strategic objectives, reduces the ability of a company to cope with losses not anticipated, and reduces confidence of the market, policyholders and creditors.

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

The capital management strategy of the Company is to allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of Shareholders and maintain the level of capital as required by BNM.

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

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28 TAKAFUL RISK

The risk under any one takaful contract is the possibility that the covered event occurs and the uncertainty of the amount of the resulting claim.

For a portfolio of takaful contracts, the principal risk that the fund faces is that the actual claims and benefit payments exceed the assets of the fund. This could occur because the frequency or severity of claims is greater than estimated. Takaful events are random and the actual number and amount of claims can vary from the level established using statistical techniques.

a) Family Takaful/Company

Takaful risk is the risk that inadequate or inappropriate underwriting, claims management, product design and pricing will expose the Company to financial loss and may result in the inability to meet its liabilities.

The Company's Family Takaful businesses are exposed to a range of takaful risks from various products. In providing financial advisory services coupled with takaful protection, the Company has to manage risks such as mortality (the death of policyholder), morbidity (ill health), persistency, product design and pricing.

The Company's underwriting strategy is designed to ensure risks are well diversified in term of type of risk and the level of covered benefits. This is broadly achieved through the use of medical screening to ensure participants' health condition and family medical history, regular review of actual claims experience as well as detailed claims procedures.

The mortality and morbidity risks are managed through the use of retakaful to transfer excessive risk exposures, appropriate actuarial techniques as well as other mitigation measures.

The table below shows the concentration of Family Takaful actuarial liabilities by type of product.

	Gross RM'000	Retakaful RM'000	Net RM'000
<u>30 June 2013</u>			
Mortgage Reducing Term and Group business	15,104	(10,972)	4,132
Others	2,040	(1,794)	246
	<u>17,144</u>	<u>(12,766)</u>	<u>4,378</u>
<u>30 June 2012</u>			
Mortgage Reducing Term and Group business	17,773	(14,159)	3,614
Others	1,628	(72)	1,556
	<u>19,401</u>	<u>(14,231)</u>	<u>5,170</u>
<u>1 July 2011</u>			
Mortgage Reducing Term and Group business	34,778	(31,009)	3,769
Others	26	-	26
	<u>34,804</u>	<u>(31,009)</u>	<u>3,795</u>

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28 TAKAFUL RISK (CONTINUED)

a) Family Takaful/Company (continued)

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

Key assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data 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 principles on which the valuation was made were determined by the actuary having regard to the Takaful Act 1984 which is subsequently replaced by IFSA as well as relevant statutory requirements of the Insurance Regulations 1996 for conventional insurance.

Mortality and total permanent disability assumption was derived based on the understanding of expected experience and industry experience. Lapse rate assumptions are based on a combination of the Company's experience for early duration as well as the understanding of industry experience.

Management expenses assumptions are developed based on the projection of management expenses and new business sales for the next three years. The development of assumptions based on expected experience in three years rather than current experience is due to the current size of the Company and its relatively new operations.

For the investment linked plans, the Company took cognizance of JPI33 Part vii Section V, valuation of liabilities of Investment Linked business. The cash flow reserves were set up using a discounted cash flow method, to ensure that any future negative cash flow resulting from insufficiency of tabarru charges to meet expected benefit outgo are eliminated. Incurred but not reported reserve (IBNR) was set up as a 1/2 month risk charge.

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28 TAKAFUL RISK (CONTINUED)

(a) Family Takaful/Company (continued)

Sensitivity

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

	Change in assumptions %	Impact on gross takaful actuarial liabilities RM'000	Impact on net takaful actuarial liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
<u>30 June 2013</u>					
Mortality	+10	11,224	2,034	-	-
Mortality	-10	(10,783)	(1,474)	-	-
Lapse and surrender rates	+10	(587)	(209)	-	-
Lapse and surrender rates	-10	641	234	-	-
Discount rate	+10	(605)	(120)	-	-
Discount rate	-10	646	128	-	-
Investment return	+10	(686)	(33)	-	-
Investment return	-10	787	32	-	-

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28 TAKAFUL RISK (CONTINUED)

(a) Family Takaful/Company (continued)

Sensitivity (continued)

	Change in assumptions	Impact on gross takaful actuarial liabilities RM'000	Impact on net takaful actuarial liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
	%				
<u>30 June 2012</u>					
Mortality	+10	6,662	2,929	-	-
Mortality	-10	(5,896)	(2,105)	-	-
Lapse and surrender rates	+10	(542)	(353)	-	-
Lapse and surrender rates	-10	597	395	-	-
Discount rate	+10	(654)	(223)	-	-
Discount rate	-10	706	245	-	-
Investment return	+10	(300)	(21)	-	-
Investment return	-10	293	20	-	-

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28 TAKAFUL RISK (CONTINUED)

(a) Family Takaful/Company (continued)

Sensitivity (continued)

	Change in assumptions	Impact on gross takaful actuarial liabilities	Impact on net takaful actuarial liabilities	Impact on profit before tax	Impact on equity*
	%	RM'000	RM'000	RM'000	RM'000
<u>1 July 2011</u>					
Mortality	+10	4,111	1,170	-	-
Mortality	-10	(3,967)	(1,017)	-	-
Lapse and surrender rates	+10	(87)	(32)	-	-
Lapse and surrender rates	-10	92	34	-	-
Discount rate	+10	(527)	(105)	-	-
Discount rate	-10	642	135	-	-
Investment return	+10	(487)	-	-	-
Investment return	-10	511	-	-	-

* Impact on equity reflects adjustments for tax, where applicable.

In the sensitivity analysis above, the impact from changes in best estimate assumptions for the Family Takaful fund is retained within the takaful contract liabilities. The methods used and significant assumptions made for deriving sensitivity information did not change from the previous financial year.

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28 TAKAFUL RISK (CONTINUED)

- (b) General Takaful/Company (continued)
Sensitivity

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

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

	Change in assumptions %	Impact on gross takaful claims liabilities RM'000	Impact on net takaful claims liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
30 June 2013					
ULRs for all business classes for all loss years	+10	11,006	4,285	-	-
ULRs for Personal Accident class for all loss years	+20	1,674	1,296	-	-
ULRs for Fire class for all loss years	+20	6,080	1,981	-	-
PRAD for all business classes for all loss years	+20	1,412	532	-	-
30 June 2012					
ULRs for all business classes for all loss years	+10	6,042	2,652	-	-
ULRs for Personal Accident class for all loss years	+20	994	1,652	-	-
ULRs for Fire class for all loss years	+20	5,452	952	-	-
PRAD for all business classes for all loss years	+20	867	325	-	-
1 July 2011					
ULRs for all business classes for all loss years	+10	2,782	1,135	-	-
ULRs for Personal Accident class for all loss years	+20	435	382	-	-
ULRs for Fire class for all loss years	+20	1,953	649	-	-
PRAD for all business classes for all loss years	+20	357	137	-	-

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28 TAKAFUL RISK (continued)

(b) General Takaful/Company (continued)

Claims development table

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

Gross General Takaful claims liabilities for 30 June 2013

	2007	2008	2009	2010	2011	2012	2013	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>								
At end of								
accident year	28	490	3,204	5,956	21,080	35,591	46,842	
One year later	45	446	1,908	5,249	18,211	33,995	-	
Two years later	1	126	1,020	4,286	16,814	-	-	
Three years later	1	78	979	3,525	-	-	-	
Four years later	1	72	972	-	-	-	-	
Five years later	1	72	-	-	-	-	-	
Six years later	1	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	<u>1</u>	<u>72</u>	<u>972</u>	<u>3,525</u>	<u>16,814</u>	<u>33,995</u>	<u>46,842</u>	
At end of								
accident year	1	25	116	357	1,194	2,754	3,315	
One year later	1	73	408	2,301	7,562	10,018	-	
Two years later	1	67	966	2,732	9,097	-	-	
Three years later	1	72	960	2,773	-	-	-	
Four years later	1	72	967	-	-	-	-	
Five years later	1	72	-	-	-	-	-	
Six years later	1	-	-	-	-	-	-	
Cumulative payments to- date	<u>1</u>	<u>72</u>	<u>967</u>	<u>2,773</u>	<u>9,097</u>	<u>10,018</u>	<u>3,316</u>	
Gross General Takaful claims liabilities	<u>-</u>	<u>-</u>	<u>5</u>	<u>752</u>	<u>7,717</u>	<u>23,977</u>	<u>43,527</u>	<u>75,978</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

28 TAKAFUL RISK (continued)

(b) General Takaful/Company (continued)Claims development table (continued)Net General Takaful claims liabilities for 30 June 2013

	2007	2008	2009	2010	2011	2012	2013	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>								
At end of accident year	28	241	311	2,508	8,479	13,715	18,802	
One year later	21	156	260	2,535	9,797	12,590	-	
Two years later	1	74	119	2,126	8,176	-	-	
Three years later	1	54	96	1,952	-	-	-	
Four years later	1	52	90	-	-	-	-	
Five years later	1	52	-	-	-	-	-	
Six years later	1	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	<u>1</u>	<u>52</u>	<u>90</u>	<u>1,952</u>	<u>8,176</u>	<u>12,590</u>	<u>18,802</u>	
At end of accident year	1	25	58	259	1,016	2,119	1,846	
One years later	1	54	86	1,114	4,295	5,186	-	
Two years later	1	49	93	1,505	4,936	-	-	
Three years later	1	52	86	1,471	-	-	-	
Four years later	1	52	90	-	-	-	-	
Five years later	1	52	-	-	-	-	-	
Six years later	1	-	-	-	-	-	-	
Cumulative payments to-date	<u>1</u>	<u>52</u>	<u>90</u>	<u>1,471</u>	<u>4,936</u>	<u>5,186</u>	<u>1,846</u>	
Net General Takaful claims liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>481</u>	<u>3,240</u>	<u>7,404</u>	<u>16,956</u>	<u>28,081</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

28 TAKAFUL RISK (continued)

(b) General Takaful/Company (continued)Claims development table (continued)Gross General Takaful claims liabilities for 30 June 2012

	2007	2008	2009	2010	2011	2012	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>							
At end of accident year	28	490	3,204	5,956	21,080	35,591	
One year later	45	446	1,908	5,249	18,211	-	
Two years later	1	126	1,020	4,286	-	-	
Three years later	1	78	979	-	-	-	
Four years later	1	72	-	-	-	-	
Five years later	1	-	-	-	-	-	
Current estimate of cumulative claims incurred	<u>1</u>	<u>72</u>	<u>979</u>	<u>4,286</u>	<u>18,211</u>	<u>35,591</u>	
At end of accident year	1	25	116	357	1,194	2,754	
One years later	1	73	408	2,301	7,562	-	
Two years later	1	67	966	2,732	-	-	
Three years later	1	72	960	-	-	-	
Four years later	1	72	-	-	-	-	
Five years later	1	-	-	-	-	-	
Cumulative payments to-date	<u>1</u>	<u>72</u>	<u>960</u>	<u>2,732</u>	<u>7,562</u>	<u>2,754</u>	
Net General Takaful claims liabilities	<u>-</u>	<u>-</u>	<u>19</u>	<u>1,554</u>	<u>10,649</u>	<u>32,837</u>	<u>45,059</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

28 TAKAFUL RISK (continued)

(b) General Takaful/Company (continued)

Claims development table (continued)

Net General Takaful claims liabilities for 30 June 2012

	2007	2008	2009	2010	2011	2012	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>							
At end of accident year	28	241	311	2,508	8,479	13,715	
One year later	21	156	260	2,535	9,797	-	
Two years later	1	74	119	2,126	-	-	
Three years later	1	54	96	-	-	-	
Four years later	1	52	-	-	-	-	
Five years later	1	-	-	-	-	-	
Current estimate of cumulative claims incurred	<u>1</u>	<u>52</u>	<u>96</u>	<u>2,126</u>	<u>9,797</u>	<u>13,715</u>	
At end of accident year	1	25	58	259	1,016	2,119	
One years later	1	54	86	1,114	4,295	-	
Two years later	1	49	93	1,505	-	-	
Three years later	1	52	86	-	-	-	
Four years later	1	52	-	-	-	-	
Five years later	1	-	-	-	-	-	
Cumulative payments to-date	<u>1</u>	<u>52</u>	<u>86</u>	<u>1,505</u>	<u>4,295</u>	<u>2,119</u>	
Net General Takaful claims liabilities	<u>-</u>	<u>-</u>	<u>10</u>	<u>621</u>	<u>5,502</u>	<u>11,596</u>	<u>17,729</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

28 TAKAFUL RISK (continued)

(b) General Takaful/Company (continued)

Claims development table (continued)

Gross General Takaful claims liabilities for 1 July 2011

	2007	2008	2009	2010	2011	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>						
At end of accident year	28	490	3,204	5,956	18,864	
One year later	45	446	1,908	5,249	-	
Two years later	1	126	1,020	-	-	
Three years later	1	78	-	-	-	
Four years later	1	-	-	-	-	
Current estimate of cumulative claims incurred	<u>1</u>	<u>78</u>	<u>1,020</u>	<u>5,249</u>	<u>18,864</u>	
At end of accident year	1	25	116	357	1,194	
One years later	1	73	408	2,301	-	
Two years later	1	67	966	-	-	
Three years later	1	72	-	-	-	
Four years later	1	-	-	-	-	
Cumulative payments to-date	<u>1</u>	<u>72</u>	<u>966</u>	<u>2,301</u>	<u>1,194</u>	
Net General Takaful claims liabilities	<u>-</u>	<u>6</u>	<u>54</u>	<u>2,948</u>	<u>17,670</u>	<u>20,678</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

28 TAKAFUL RISK (continued)

(b) General Takaful/Company (continued)

Claims development table (continued)

Net General Takaful claims liabilities for 1 July 2011

	2007	2008	2009	2010	2011	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>						
At end of accident year	28	241	311	2,508	7,793	
One year later	21	156	260	2,535	-	
Two years later	1	74	119	-	-	
Three years later	1	54	-	-	-	
Four years later	1	-	-	-	-	
Current estimate of cumulative claims incurred	<u>1</u>	<u>54</u>	<u>119</u>	<u>2,535</u>	<u>7,793</u>	
At end of accident year	1	25	58	259	1,016	
One years later	1	54	86	1,114	-	
Two years later	1	49	93	-	-	
Three years later	1	52	-	-	-	
Four years later	1	-	-	-	-	
Cumulative payments to-date	<u>1</u>	<u>52</u>	<u>93</u>	<u>1,114</u>	<u>1,016</u>	
Net General Takaful claims liabilities	<u>-</u>	<u>2</u>	<u>26</u>	<u>1,421</u>	<u>6,777</u>	<u>8,226</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

29 FINANCIAL RISK (CONTINUED)

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counter-party to meet the payment obligations. The credit risk and investment activities is monitored regularly with respect to single customer limit, sectorial exposure, credit rating and residual maturity in accordance to internal and regulatory investment guidelines and limits.

As date of the statement of financial position, the credit exposure is within the investment guidelines and limits approved by the Board and regulators. The maximum exposure to credit risk is the carrying amount as stated in the financial statements.

There were no significant changes to the credit risk management of the Company.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)**

29 FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating

The table below shows the maximum exposure to credit risk for the components on the statement of financial position and provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

	Neither past due nor impaired						Not subject to credit risk	Past due but not impaired	Total
	AAA	AA	A	BBB	Not rated	RM'000			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
	-	-	-	-	-	-	-	-	
	16,030	27,168	4,540	-	14,017	-	-	61,755	
	-	-	-	-	-	5,690	-	5,690	
	-	-	-	-	-	211	-	211	
	-	-	-	-	-	4,753	-	4,753	
	264	164	65	-	88	-	-	581	
	-	-	-	-	-	-	-	-	
	-	-	-	-	9,093	-	-	9,093	
	715	14,884	-	-	2	-	-	15,601	
	<u>17,009</u>	<u>42,216</u>	<u>4,605</u>	-	<u>23,200</u>	<u>10,654</u>	-	<u>97,684</u>	

30 June 2013

Takaful Operator

AFS financial assets

Government Investment Issues

Islamic bonds

Equity securities

Unit Truvs

Investment-linked funds

Accrued profit

Loans and receivables

Other receivables

Cash and cash equivalents

Company No.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)**

29 FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

	Neither past due nor impaired					Not subject to credit risk	Past due but not impaired	Total
	AAA	AA	A	BBB	Not rated			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
AFS financial assets	-	-	-	-	4,192	-	-	4,192
Government Investment Issues	15,916	18,910	4,524	-	14,095	-	-	53,445
Islamic bonds	-	-	-	-	-	4,568	-	4,568
Equity securities	-	-	-	-	-	4,567	-	4,567
Investment-linked funds	146	102	65	-	61	-	-	374
Accrued profit	-	-	-	-	-	-	-	-
Loans and receivables	-	-	-	-	557	-	-	557
Other receivables	(75)	29,100	-	-	-	-	-	29,025
Cash and cash equivalents	15,987	48,112	4,589	-	18,905	9,135	-	96,728

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Takaful Operator

Company No.

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HONG LEONG MSIG TAKAFUL BERHAD
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)**

29 FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

	Neither past due nor impaired						Not subject to credit risk	Past due but not impaired	Total
	AAA	AA	A	BBB	Not rated	RM'000			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
1 July 2011									
<u>Takaful Operator</u>									
AFS financial assets									
Government Investment Issues	-	-	-	-	4,118	-	-	4,118	
Islamic bonds	19,311	24,067	3,519	-	9,069	-	-	55,966	
Equity securities	-	-	-	-	-	5,312	-	5,312	
Investment-linked funds	-	-	-	-	-	4,000	-	4,000	
Accrued profit	27	141	5	-	28	-	-	201	
Loans and receivables	-	-	-	-	-	-	-	-	
Other receivables	-	-	-	-	1,222	-	-	1,222	
Cash and cash equivalents	1	28,712	-	-	1	-	-	28,714	
	<u>19,339</u>	<u>52,920</u>	<u>3,524</u>	-	<u>14,438</u>	<u>9,312</u>	-	<u>99,533</u>	

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)**

29 FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

	Neither past due nor impaired						Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Not subject to credit risk RM'000	
-	-	-	-	-	1,513	-	1,513
-	16,254	1,514	-	101	-	-	17,869
-	-	-	-	-	-	4,663	4,663
-	101	21	-	26	-	-	148
-	664	-	-	-	-	-	664
-	7	-	-	-	-	-	7
-	-	-	-	2,478	-	1,737	4,215
-	-	-	-	1,013	-	-	1,013
-	588	35,678	6,283	26,693	-	-	69,242
1,455	23,734	44	-	5	-	-	25,238
<u>1,455</u>	<u>41,348</u>	<u>37,257</u>	<u>6,283</u>	<u>31,829</u>	<u>4,663</u>	<u>1,737</u>	<u>124,572</u>

30 June 2013

General Takaful Fund

AFS financial assets

Government Investment Issues

Islamic bonds

Equity securities

Accrued profit

Loans and receivables

Fixed and call deposits

Accrued profit

Takaful receivables

Other receivables

Retakaful assets

Cash and cash equivalents

Company No.

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HONG LEONG MSIG TAKAFUL BERHAD
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)**

29 FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

	Neither past due nor impaired						Not subject to credit risk RM'000	Past due but not impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000				
-	-	-	-	-	1,524	-	-	1,524	
-	1,093	1,509	-	3,604	-	-	-	6,206	
-	-	-	-	-	-	742	-	742	
-	4	20	-	34	-	-	-	58	
-	352	-	-	-	-	-	-	352	
-	6	-	-	-	-	-	-	6	
-	-	-	-	10,220	-	-	6,837	17,057	
-	-	-	-	314	-	-	-	314	
1,048	502	17,699	10,416	22,144	-	-	-	51,809	
230	21,302	-	-	5	-	-	-	21,537	
<u>1,278</u>	<u>23,259</u>	<u>19,228</u>	<u>10,416</u>	<u>37,845</u>	<u>742</u>	<u>6,837</u>	<u>99,605</u>		

30 June 2012

General Takaful Fund

AFS financial assets

Government Investment Issues

Islamic bonds

Equity securities

Accrued profit

Loans and receivables

Fixed and call deposits

Accrued profit

Takaful receivables

Other receivables

Retakaful assets

Cash and cash equivalents

Company No.

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HONG LEONG MSIG TAKAFUL BERHAD
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)**

29 FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

	Neither past due nor impaired					Not subject to credit risk RM'000	Past due but not impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000			
1 July 2011								
<u>General Takaful Fund</u>								
AFS financial assets								
Government Investment Issues	-	-	-	-	1,521	-	-	1,521
Islamic bonds	-	613	-	-	100	-	-	713
Equity securities	-	-	-	-	-	-	-	-
Accrued profit	-	4	-	-	27	-	-	31
Loans and receivables								
Fixed and call deposits	-	-	341	-	-	-	-	341
Accrued profit	-	-	4	-	-	-	-	4
Takaful receivables	-	-	-	-	4,610	-	8,278	12,888
Other receivables	-	-	-	-	3,862	-	-	3,862
Retakaful assets	543	587	11,304	6,712	6,256	-	-	25,402
Cash and cash equivalents	1,223	1,246	14,505	-	5	-	-	16,979
	1,766	2,450	26,154	6,712	16,381	-	8,278	61,741

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HONG LEONG MSIG TAKAFUL BERHAD
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)**

29 FINANCIAL RISK (CONTINUED)

Credit risk (continued)
Credit exposure by credit rating (continued)

	Neither past due nor impaired						Not subject to credit risk RM'000	Past due but not impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000				
<u>30 June 2012</u>									
<u>Family Takaful Fund</u>									
AFS financial assets									
Government Investment Issues	-	-	-	-	13,212	-	-	-	13,212
Islamic bonds	8,733	2,055	4,020	-	2,010	-	-	-	16,818
Equity securities	-	-	-	-	-	1,603	-	-	1,603
Accrued profit	135	7	62	-	217	-	-	-	421
FVTPL financial assets									
Government Investment Issues	-	-	-	-	1,556	-	-	-	1,556
Islamic bonds	1,009	1,413	-	-	400	-	-	-	2,822
Equity securities	-	-	-	-	-	148	-	-	148
Structure investments	3,923	-	48,776	-	-	-	-	-	52,699
Accrued profit	4	3	-	-	16	-	-	-	23
Loans and receivables									
Fixed and call deposits	-	10,510	-	-	-	-	-	-	10,510
Accrued profit	-	76	-	-	-	-	-	-	76
Takaful receivables	-	-	-	-	1,829	-	1,798	-	3,627
Other receivables	-	-	-	-	1,676	-	-	-	1,676
Retakaful assets	-	902	1,805	-	16,550	-	-	-	19,257
Cash and cash equivalents	4,258	32,055	-	-	10	-	-	-	36,323
	<u>18,062</u>	<u>47,021</u>	<u>54,663</u>	-	<u>37,476</u>	<u>1,751</u>	<u>1,798</u>	-	<u>160,771</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)**

29 FINANCIAL RISK (CONTINUED)

Credit risk (continued)
Credit exposure by credit rating (continued)

1 July 2011

Family Takaful Fund

	Neither past due nor impaired						Not subject to credit risk RM'000	Past due but not impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000				
AFS financial assets	-	-	-	-	13,182	-	-	13,182	
Government Investment Issues	3,509	2,079	2,514	-	907	-	-	9,009	
Islamic bonds	-	-	-	-	-	1,034	-	1,034	
Equity securities	17	7	4	-	392	-	-	420	
Accrued profit	-	-	-	-	-	-	-	-	
FVTPL financial assets	-	-	-	-	1,536	-	-	1,536	
Government Investment Issues	982	2,439	-	-	-	-	-	3,421	
Islamic bonds	-	-	-	-	-	172	-	172	
Equity securities	49,073	27,888	-	-	-	-	-	76,961	
Structure investments	4	11	-	-	62	-	-	77	
Accrued profit	-	-	-	-	-	-	-	-	
Loans and receivables	-	-	5,341	-	-	-	-	5,341	
Fixed and call deposits	-	-	37	-	-	-	-	37	
Accrued profit	-	1,016	-	-	3,443	-	-	4,459	
Takaful receivables	-	-	-	-	7	-	-	7	
Other receivables	-	6,217	303	-	26,552	-	-	33,072	
Retakaful assets	478	7,959	9,982	-	10	-	-	18,429	
Cash and cash equivalents	54,063	47,616	18,181	-	46,091	1,206	-	167,157	

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**NOTES TO THE FINANCIAL STATEMENTS
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29 FINANCIAL RISK (CONTINUED)

Credit risk (continued)
Credit exposure by credit rating (continued)

	Neither past due nor impaired						Not subject to credit risk RM'000	Past due but not impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000				
<u>30 June 2012</u>									
<u>Company</u>									
AFS financial assets									
Government Investment Issues	-	-	-	-	18,928	-	-	18,928	
Islamic bonds	24,649	22,058	10,053	-	19,709	-	-	76,469	
Equity securities	-	-	-	-	-	6,913	-	6,913	
Accrued profit	281	113	147	-	312	-	-	853	
FVTPL financial assets									
Government Investment Issues	-	-	-	-	1,556	-	-	1,556	
Islamic bonds	1,009	1,413	-	-	400	-	-	2,822	
Equity securities	-	-	-	-	-	148	-	148	
Structure investments	3,923	-	48,776	-	-	-	-	52,699	
Accrued profit	4	3	-	-	16	-	-	23	
Loans and receivables									
Fixed and call deposits	-	10,862	-	-	-	-	-	10,862	
Accrued profit	-	82	-	-	-	-	-	82	
Takaful receivables	-	-	-	-	12,049	-	8,635	20,684	
Other receivables	-	-	-	-	821	-	-	821	
Retakaful assets	1,048	1,404	19,504	10,416	38,694	-	-	71,066	
Cash and cash equivalents	4,413	82,457	-	-	15	-	-	86,885	
	<u>35,327</u>	<u>118,392</u>	<u>78,480</u>	<u>10,416</u>	<u>92,500</u>	<u>7,061</u>	<u>8,635</u>	<u>350,811</u>	

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**NOTES TO THE FINANCIAL STATEMENTS
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29 FINANCIAL RISK (CONTINUED)

Credit risk (continued)
Credit exposure by credit rating (continued)

1 July 2011

Company

	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Neither past due nor impaired Not rated RM'000	Not subject to credit risk RM'000	Past due but not impaired RM'000	Total RM'000
AFS financial assets								
Government Investment Issues	-	-	-	-	18,821	-	-	18,821
Islamic bonds	22,820	26,759	6,033	-	10,076	-	-	65,688
Equity securities	-	-	-	-	-	6,346	-	6,346
Accrued profit	44	152	9	-	447	-	-	652
FVTPL financial assets								
Government Investment Issues	-	-	-	-	1,536	-	-	1,536
Islamic bonds	982	2,439	-	-	-	-	-	3,421
Equity securities	-	-	-	-	-	172	-	172
Structure investments	49,073	27,888	-	-	-	-	-	76,961
Accrued profit	4	11	-	-	62	-	-	77
Loans and receivables								
Fixed and call deposits	-	-	5,682	-	-	-	-	5,682
Accrued profit	-	-	41	-	-	-	-	41
Takaful receivables								
Other receivables	-	1,016	-	-	8,053	-	8,278	17,347
Retakaful assets	543	6,804	11,607	6,712	32,808	-	-	58,474
Cash and cash equivalents	1,702	37,917	24,487	-	16	-	-	64,122
	<u>75,168</u>	<u>102,986</u>	<u>47,859</u>	<u>6,712</u>	<u>72,153</u>	<u>6,518</u>	<u>8,278</u>	<u>319,674</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)**

29 FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Aging analysis of financial assets past-due but not impaired

	Company	
	30.06.2013	01.07.2011
	RM'000	RM'000
Takaful Receivables		
61 to 180 days	1,628	8,110
>180 days	1,157	168
	<u>2,785</u>	<u>8,278</u>

Impaired takaful receivables

At 30 June 2013, there are impaired takaful receivables of RM3,265 million (2012: RM 4,178 million, 2011: RM6,703 million). Impairment of takaful receivables is performed based on individual assessment of receivables where the contractual payments are in arrears for more than 180 days. No collateral is held as security for any past due or impaired assets.

A reconciliation of the allowance for impairment losses for takaful receivables is as follows:

	Company	
	2013	2011
	RM'000	RM'000
As at 1 July	4,178	1,053
(Write back)/provision for the financial year	(913)	5,650
As at 30 June	<u>3,265</u>	<u>6,703</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)**

29 FINANCIAL RISK (CONTINUED)

Liquidity risk

Liquidity risk arises due to inability of the company to meet its financial obligations as and when they fall due. The Company's investible funds are substantially placed in fixed and call deposits and other money market instruments. The Company endeavours to manage the maturity profiles of these financial instruments to meet financial obligations and working capital requirements.

Maturity profiles of financial assets

The table below analyses the carrying amount of financial assets based on the remaining contractual maturities:

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
<u>Takaful Operator</u>						
<u>30 June 2013</u>						
AFS financial assets	72,990	12,199	30,239	19,897	10,655	72,990
Other receivables	9,093	9,093	-	-	-	9,093
Cash and cash equivalents	15,601	15,601	-	-	-	15,601
	<u>97,684</u>	<u>36,893</u>	<u>30,239</u>	<u>19,897</u>	<u>10,655</u>	<u>97,684</u>
<u>30 June 2012</u>						
AFS financial assets	67,146	3,410	34,755	19,846	9,135	67,146
Other receivables	557	557	-	-	-	557
Cash and cash equivalents	29,025	29,025	-	-	-	29,025
	<u>96,728</u>	<u>32,992</u>	<u>34,755</u>	<u>19,846</u>	<u>9,135</u>	<u>96,728</u>
<u>1 July 2011</u>						
AFS financial assets	69,597	8,757	39,536	11,992	9,312	69,597
Other receivables	1,222	1,222	-	-	-	1,222
Cash and cash equivalents	28,714	28,714	-	-	-	28,714
	<u>99,533</u>	<u>38,693</u>	<u>39,536</u>	<u>11,992</u>	<u>9,312</u>	<u>99,533</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)**

29 FINANCIAL RISK (CONTINUED)

Maturity profiles of financial assets (continued)

The table below analyses the carrying amount of financial assets based on the remaining contractual maturities: (continued)

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
<u>General Takaful Fund</u>						
<u>30 June 2013</u>						
AFS financial assets	24,193	664	18,866	-	4,663	24,193
Loan and receivables	671	671	-	-	-	671
Retakaful assets	69,242	32,460	15,993	20,789	-	69,242
Takaful receivables	4,215	4,215	-	-	-	4,215
Other receivables	1,013	1,013	-	-	-	1,013
Cash and cash equivalents	25,238	25,238	-	-	-	25,238
	<u>124,572</u>	<u>64,261</u>	<u>34,859</u>	<u>20,789</u>	<u>4,663</u>	<u>124,572</u>
<u>30 June 2012</u>						
AFS financial assets	8,530	665	3,620	3,503	742	8,530
Loan and receivables	358	358	-	-	-	358
Retakaful assets	51,809	51,809	-	-	-	51,809
Takaful receivables	17,057	17,057	-	-	-	17,057
Other receivables	314	314	-	-	-	314
Cash and cash equivalents	21,537	21,537	-	-	-	21,537
	<u>99,605</u>	<u>91,740</u>	<u>3,620</u>	<u>3,503</u>	<u>742</u>	<u>99,605</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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29 FINANCIAL RISK (CONTINUED)

Maturity profiles of financial assets (continued)

The table below analyses the carrying amount of financial assets based on the remaining contractual maturities: (continued)

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
<u>General Takaful Fund</u>						
<u>1 July 2011</u>						
AFS financial assets	2,265	31	2,234	-	-	2,265
Loan and receivables	345	345	-	-	-	345
Retakaful assets	25,402	25,402	-	-	-	25,402
Takaful receivables	12,888	12,888	-	-	-	12,888
Other receivables	3,862	3,862	-	-	-	3,862
Cash and cash equivalents	16,979	16,979	-	-	-	16,979
	<u>61,741</u>	<u>59,507</u>	<u>2,234</u>	-	-	<u>61,741</u>
<u>Family Takaful Fund</u>						
<u>30 June 2013</u>						
AFS financial assets	52,520	1,556	24,622	20,913	5,429	52,520
FVTPL financial assets	35,003	24,909	4,606	4,460	1,028	35,003
Loan and receivables	18,570	18,570	-	-	-	18,570
Retakaful assets	15,526	713	254	14,559	-	15,526
Takaful receivables	5,257	5,257	-	-	-	5,257
Other receivables	767	767	-	-	-	767
Cash and cash equivalents	34,948	34,948	-	-	-	34,948
	<u>162,591</u>	<u>86,720</u>	<u>29,482</u>	<u>39,932</u>	<u>6,457</u>	<u>162,591</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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29 FINANCIAL RISK (CONTINUED)

Maturity profiles of financial assets (continued)

The table below analyses the carrying amount of financial assets based on the remaining contractual maturities: (continued)

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
<u>Family Takaful Fund</u>						
<u>30 June 2012</u>						
AFS financial assets	32,054	1,433	22,740	6,278	1,603	32,054
FVTPL financial assets	57,248	23,172	28,556	5,371	149	57,248
Loan and receivables	10,586	10,586	-	-	-	10,586
Retakaful assets	19,257	2,073	210	16,974	-	19,257
Takaful receivables	3,627	3,627	-	-	-	3,627
Other receivables	1,676	1,676	-	-	-	1,676
Cash and cash equivalents	36,323	36,323	-	-	-	36,323
	<u>160,771</u>	<u>78,890</u>	<u>51,506</u>	<u>28,623</u>	<u>1,752</u>	<u>160,771</u>
<u>1 July 2011</u>						
AFS financial assets	23,645	2,935	18,204	1,473	1,033	23,645
FVTPL financial assets	82,167	25,282	51,011	5,625	249	82,167
Loan and receivables	5,378	5,378	-	-	-	5,378
Retakaful assets	33,072	11,724	10,183	11,165	-	33,072
Takaful receivables	4,459	4,459	-	-	-	4,459
Other receivables	7	7	-	-	-	7
Cash and cash equivalents	18,429	18,429	-	-	-	18,429
	<u>167,157</u>	<u>68,214</u>	<u>79,398</u>	<u>18,263</u>	<u>1,282</u>	<u>167,157</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)**

29 FINANCIAL RISK (CONTINUED)

Maturity profiles of financial assets (continued)

The table below analyses the carrying amount of financial assets based on the remaining contractual maturities: (continued)

<u>Company</u>	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
<u>30 June 2013</u>						
AFS financial assets	144,950	14,419	73,727	40,810	15,994	144,950
FVTPL financial assets	35,003	24,909	4,606	4,460	1,028	35,003
Loan and receivables	19,241	19,241	-	-	-	19,241
Retakaful assets	84,768	33,173	16,247	35,348	-	84,768
Takaful receivables	9,472	9,472	-	-	-	9,472
Other receivables	2,077	2,077	-	-	-	2,077
Cash and cash equivalents	75,787	75,787	-	-	-	75,787
	<u>371,298</u>	<u>179,078</u>	<u>94,580</u>	<u>80,618</u>	<u>17,022</u>	<u>371,298</u>
<u>30 June 2012</u>						
AFS financial assets	103,163	5,508	61,115	29,627	6,913	103,163
FVTPL financial assets	57,248	23,172	28,556	5,371	149	57,248
Loan and receivables	10,944	10,944	-	-	-	10,944
Retakaful assets	71,066	53,882	210	16,974	-	71,066
Takaful receivables	20,684	20,684	-	-	-	20,684
Other receivables	821	821	-	-	-	821
Cash and cash equivalents	86,885	86,885	-	-	-	86,885
	<u>350,811</u>	<u>201,896</u>	<u>89,881</u>	<u>51,972</u>	<u>7,062</u>	<u>350,811</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)**

29 FINANCIAL RISK (CONTINUED)

Maturity profiles of financial assets (continued)

The table below analyses the carrying amount of financial assets based on the remaining contractual maturities: (continued)

<u>Company</u>	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
<u>1 July 2011</u>						
AFS financial assets	91,507	11,723	59,974	13,465	6,345	91,507
FVTPL financial assets	82,167	25,282	51,011	5,625	249	82,167
Loan and receivables	5,723	5,723	-	-	-	5,723
Retakaful assets	58,474	37,126	10,183	11,165	-	58,474
Takaful receivables	17,347	17,347	-	-	-	17,347
Other receivables	334	334	-	-	-	334
Cash and cash equivalents	64,122	64,122	-	-	-	64,122
	<u>319,674</u>	<u>161,657</u>	<u>121,168</u>	<u>30,255</u>	<u>6,594</u>	<u>319,674</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)**

29 FINANCIAL RISK (CONTINUED)

Maturity profiles of financial liabilities

The table below summarises the maturity profile of the financial liabilities of the Company based on remaining undiscounted contractual obligations.

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

Investment-linked funds' 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.

Takaful Operator

30 June 2013

Amount due to related companies
Other payables

30 June 2012

Amount due to related companies
Other payables

1 July 2011

Amount due to related companies
Other payables

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
	212	212	-	-	-	212
	6,970	6,970	-	-	-	6,970
	<u>7,182</u>	<u>7,182</u>	-	-	-	<u>7,182</u>
	1,497	1,497	-	-	-	1,497
	7,951	7,951	-	-	-	7,951
	<u>9,448</u>	<u>9,448</u>	-	-	-	<u>9,448</u>
	919	919	-	-	-	919
	8,472	8,472	-	-	-	8,472
	<u>9,391</u>	<u>9,391</u>	-	-	-	<u>9,391</u>

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29 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
<u>General Takaful Fund</u>						
<u>30 June 2013</u>						
Claims liabilities	75,978	35,619	17,550	22,809	-	75,978
Takaful payables	5,769	5,769	-	-	-	5,769
Other payables	5,934	5,934	-	-	-	5,934
Total liabilities	87,681	47,322	17,550	22,809	-	87,681
<u>30 June 2012</u>						
Claims liabilities	45,059	45,059	-	-	-	45,059
Takaful payables	15,229	15,229	-	-	-	15,229
Other payables	273	273	-	-	-	273
Total liabilities	60,561	60,561	-	-	-	60,561
<u>1 July 2011</u>						
Claims liabilities	22,894	22,894	-	-	-	22,894
Takaful payables	19,646	19,646	-	-	-	19,646
Other payables	444	444	-	-	-	444
Total liabilities	42,984	42,984	-	-	-	42,984

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)**

29 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

Family Takaful Fund

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
30 June 2013						
Actuarial liabilities	146,111	20,743	234	16,969	108,165	146,111
Claims liabilities	3,098	3,098	-	-	-	3,098
Takaful payables	2,366	2,366	-	-	-	2,366
Other payables	5,526	5,526	-	-	-	5,526
Total liabilities	157,101	31,733	234	16,969	108,165	157,101
30 June 2012						
Actuarial liabilities	143,313	8,843	44,516	3,643	86,311	143,313
Claims liabilities	5,705	5,705	-	-	-	5,705
Takaful payables	5,917	5,917	-	-	-	5,917
Other payables	4,179	4,179	-	-	-	4,179
Total liabilities	159,114	24,644	44,516	3,643	86,311	159,114
1 July 2011						
Actuarial liabilities	153,364	3,795	73,347	3,614	72,608	153,364
Claims liabilities	2,327	2,327	-	-	-	2,327
Takaful payables	3,771	3,771	-	-	-	3,771
Other payables	4,593	4,593	-	-	-	4,593
Total liabilities	164,055	14,486	73,347	3,614	72,608	164,055

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29 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

Company	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
<u>30 June 2013</u>						
Amount due to related companies	212	212	-	-	-	212
Claims liabilities	79,076	38,717	17,550	22,809	-	79,076
Actuarial liabilities	141,358	20,524	156	12,513	108,165	141,358
Takaful payables	8,135	8,135	-	-	-	8,135
Other payables	9,634	9,634	-	-	-	9,634
Total liabilities	238,415	77,222	17,706	35,322	108,165	238,415
<u>30 June 2012</u>						
Amount due to related companies	1,497	1,497	-	-	-	1,497
Claims liabilities	50,764	50,764	-	-	-	50,764
Actuarial liabilities	138,746	8,135	40,950	3,350	86,311	138,746
Takaful payables	21,146	21,146	-	-	-	21,146
Other payables	10,677	10,677	-	-	-	10,677
Total liabilities	222,830	92,219	40,950	3,350	86,311	222,830

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29 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

Company	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
1 July 2011						
Amount due to related companies	919	919	-	-	-	919
Claims liabilities	25,221	25,221	-	-	-	25,221
Actuarial liabilities	149,364	2,377	72,115	2,264	72,608	149,364
Takaful payables	23,417	23,417	-	-	-	23,417
Other payables	8,752	8,752	-	-	-	8,752
Total liabilities	<u>207,673</u>	<u>60,686</u>	<u>72,115</u>	<u>2,264</u>	<u>72,608</u>	<u>207,673</u>

HONG LEONG MSIG TAKAFUL BERHAD

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

29 FINANCIAL RISK (CONTINUED)

Market risk

Market risk is the risk of losses owing to changes in fair value of assets or financial instruments. The market risk factors are primarily volatility in market prices (price risk) or market profit rates (profit rate risk). The change in market price may be caused by factor(s) specific to the individual instrument or its issuer or factor(s) affecting all instruments traded in the market.

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The Company adopts prudent investment policies and strategies to mitigate adverse market risks. The investment policies guide the strategies on asset mix, asset quality, profit rate risk exposure and liquidity targets.

(i) Profit rate risk

Profit rate risk is the risk that value or future cash flows of a financial instrument will fluctuate because of changes in market profit rate. This risk arises due to differences in pricing or tenure of investments and liabilities. The profit rate risk is managed through setting the appropriate asset allocation reflecting the liability profile and the availability of the suitable instrument in the investment market.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, showing the impact on the Company's profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on profit before tax RM'000	Impact equity* RM'000
<u>30 June 2013</u>		
Change in variables		
+ 100 basis point of profit rate	-	(2,500)
- 100 basis point of profit rate	-	2,730
<u>30 June 2012</u>		
Change in variables		
+ 100 basis point of profit rate	-	(1,848)
- 100 basis point of profit rate	-	2,007
<u>1 July 2011</u>		
Change in variables		
+ 100 basis point of profit rate	-	(1,512)
- 100 basis point of profit rate	-	1,592

* Impact on equity reflects adjustments for tax, when applicable.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

29 FINANCIAL RISK (CONTINUED)

Market risk (continued)(ii) Price risk

The Company's price risk exposure relates to financial assets and liabilities, whose values will fluctuate as a result of the change in market prices. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to the individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company has acknowledged the inherent risk of investing in equities. The Management is guided with investment policies that are approved by the Board in monitoring equity exposure and compliance with operational controls.

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant showing the impact on the Group's and Company's profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on profit before tax RM'000	Impact equity* RM'000
<u>30 June 2013</u>		
Change in variables		
+ 20% of equity price	-	885
- 20% of equity price	-	(885)
<u>30 June 2012</u>		
Change in variables		
+ 20% of equity price	-	685
- 20% of equity price	-	(685)
<u>1 July 2011</u>		
Change in variables		
+ 20% of equity price	-	797
- 20% of equity price	-	(797)

* Impact on equity reflects adjustments for tax, when applicable.

(iii) Operational risks

Operational risk is the risk of losses resulting from inadequate or failed internal processes, risk management policies and procedures, systems failures, human performance failures or from external events. The Company seeks to minimise exposure by ensuring appropriate internal controls and systems, together with trained and competent people are in place throughout the Company. The Company uses an established program of comprehensive risk self-assessments in conjunction with independent internal audits to monitor and assess inherent operational risks and the effectiveness of internal controls.

Company No.

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HONG LEONG MSIG TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 (CONTINUED)

30 EFFECT OF TRANSITION FROM FRS TO MFRS

MFRS 1 requires an entity to reconcile equity, total comprehensive income and cash flow for prior financial periods. The following tables represent the reconciliation from FRS to MFRS for the respective periods arising from transition elections as disclosed in Note 2.1(a) on equity and total comprehensive income.

The transition from FRS to MFRS has had no effect on the reported cash flows generated by the Company.

Reconciliation of Equity

	<u>Company</u>		
	30.06.2013	30.06.2012	01.07.2011
	RM'000	RM'000	RM'000
Reported under FRS	91,270	93,479	94,591
Less:			
Accumulated deficits in Takaful funds	<u>(5,460)</u>	<u>(11,594)</u>	<u>(6,450)</u>
Reported under MFRS	<u>85,810</u>	<u>81,885</u>	<u>88,141</u>

Reconciliation of total comprehensive income

	2013	2012
	RM'000	RM'000
Reported under FRS	(2,209)	(1,112)
Less:		
Deficits arising during the financial year in Takaful funds	<u>6,134</u>	<u>(5,144)</u>
Reported under MFRS	<u>3,925</u>	<u>(6,256)</u>

31 CAPITAL COMMITMENTS

Capital expenditure approved by Directors but not provided for in the financial statements are as follows:

	<u>Takaful Operator/Company</u>	
	30.06.2013	30.06.2012
	RM'000	RM'000
Authorised but not contracted for:		
Intangible assets	<u>5,843</u>	<u>-</u>