Allianz Life Insurance Malaysia Berhad

(Company No. 104248-X)
(Incorporated in Malaysia)

Financial statements for the year ended 31 December 2011

Domiciled in Malaysia
Principal place of business
Suite 3A-15, Level 15, Block 3A,
Plaza Sentral, Jalan Stesen Sentral 5,
Kuala Lumpur Sentral,
50470 Kuala Lumpur

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Directors' report for the financial year ended 31 December 2011

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2011.

Principal activity

The Company is principally engaged in the underwriting of life insurance and investment-linked business. There has been no significant change in the nature of this activity during the financial year.

Results

	RM'000
Profit for the year	18,223

Dividend

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Life insurance liabilities

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that the life insurance liabilities are adequate in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework issued by Bank Negara Malaysia ("BNM").

Bad and doubtful debts

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

Bad and doubtful debts (continued)

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

Current assets

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

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

Valuation methods

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

Contingent and other liabilities

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

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

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

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

For the purpose of the above paragraphs, contingent and other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

Change of circumstances

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

Items of an unusual nature

In the opinion of the Directors, the results of the operations of the Company for the financial year ended 31 December 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature.

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

Issue of shares

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Corporate governance

A. Board responsibilities and oversight

The Board of Directors ("Board") has overall responsibility for reviewing and adopting strategic plans for the Company, overseeing the conduct of business of the Company, implementing an appropriate system of risk management and ensuring the adequacy and integrity of the Company's internal control system.

The Company complied with all the prescriptive requirements of, and adopts management practices that are consistent with the prescriptive and best practices prescribed under the Prudential Framework of Corporate Governance for Insurers issued by BNM, the Malaysian Code on Corporate Governance ("Code") and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), where applicable. The Board is committed to ensure that the highest standard of corporate governance is practiced throughout the Company as a fundamental of discharging its duties and responsibilities to protect the interest of its shareholders and policyholders.

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Corporate governance (continued)

A1. Composition of the Board

The Board comprises 4 Independent Non-Executive Directors and 1 Executive Director.

The Board comprises members from various fields with a balance of skills and experiences appropriate to the business of the Company.

All the members of the Board have complied with the BNM's requirements on restriction of directorships and the minimum criteria of "A Fit and Proper Person" as prescribed under the Insurance Act, 1996 and the Insurance Regulations, 1996.

The appointments and re-appointments of all Board members were approved by BNM.

A2. Board meetings

The Board meets regularly which is at least 6 times in a year. Additional Board Meetings are held as and when required. There were 6 Board Meetings held during the financial year ended 31 December 2011.

The attendance of the Directors at the Board Meetings held during the financial year ended 31 December 2011 are as follows:-

Name of Directors	No. of Board Meetings Held	No. of Board Meetings Attended
Tan Sri Razali Ismail	6	6
Dato' Seri Nik Abidin Bin Nik Omar	6	6
Dato' Dr. Thillainathan A/L Ramasamy	6	3 out of 3 meetings held after his appointment as Director on 6 June 2011
Foo San Kan	6	6
Jens Reisch	6	6

Corporate governance (continued)

A3. Board Committees

The Company has since 1 January 2008 formally used the services of the below mentioned Board Committees of its immediate holding company, Allianz Malaysia Berhad ("AMB"):-

(a) Audit Committee;
(b) Risk Management Committee;
(c) Nominating Committee;
(d) Remuneration Committee; and
(e) Investment Committee.

The Board Committees are operating on the terms of reference as approved by the Board of AMB and adopted by the Board of the Company to assist the Board in the execution of its responsibilities. These Board Committees shall have the authorities to examine particular issues and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

A.3.1 Audit Committee of AMB

The members of the Audit Committee of AMB as at the date of this report are as follows:-

Foo San Kan (Chairman-Independent Non-Executive Director)
Tan Sri Razali Ismail (Independent Non-Executive Director)
Dato' Seri Nik Abidin Bin Nik Omar (Independent Non-Executive Director)

There were 5 Audit Committee Meetings held by AMB during the financial year ended 31 December 2011.

The attendance of the abovementioned Audit Committee members at the Audit Committee Meetings held during the financial year ended 31 December 2011 are as follows:-

Name of Members	No. of Audit Committee Meetings Held	No. of Audit Committee Meetings Attended
Foo San Kan	5	5
Tan Sri Razali Ismail	5	5
Dato' Seri Nik Abidin Bin Nik Omar	5	5

The terms of reference of the Audit Committee of AMB complied with the Listing Requirements, the Guidelines of BNM and the Code.

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Corporate governance (continued)

A.3.2 Risk Management Committee of AMB

The members of the Risk Management Committee of AMB as at the date of this report are as follows:-

Dato' Seri Nik Abidin Bin Nik Omar (Chairman-Independent Non-Executive Director)
Dato' Dr. Thillainathan A/L Ramasamy (Independent Non-Executive Director)
Foo San Kan (Independent Non-Executive Director)
Karl-Heinz Jung (Non-Independent Non-Executive Director of AMB)

There were 4 Risk Management Committee Meetings held by AMB during the financial year ended 31 December 2011.

The attendance of the abovementioned Risk Management Committee members at the Risk Management Committee Meetings held during the financial year ended 31 December 2011 are as follows:-

Name of Members	No. of Risk Management Committee Meetings Held	No. of Risk Management Committee Meetings Attended
Dato' Seri Nik Abidin Bin Nik Omar	4	4
Dato' Dr. Thillainathan A/L Ramasamy	4	2 out of 2 meetings held after his appointment as a member of the Risk Management Committee on 24 June 2011
Foo San Kan	4	4
Karl-Heinz Jung	4	2 out of 2 meetings held after his appointment as a member of the Risk Management Committee on 24 June 2011

The AMB Risk Management Committee is responsible for driving the risk management framework of AMB and its subsidiaries ("Group") and to report to the Boards of the respective companies within the Group on its recommendations and/or decisions. The responsibilities of the AMB Risk Management Committee are stated below:-

(a) to address strategic and corporate level risks and recommend to the respective Boards of the Group the strategies to manage these risks and ensure its implementation;

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

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Corporate governance (continued)

A.3.2 Risk Management Committee of AMB (continued)

(c) to review and recommend risk management strategies, policies and risk parameters/tolerance levels for the approval of the respective Boards of the Group and to ensure any changes and concerns are communicated to senior management effectively;

(d) to ensure the risk control functions have adequate resources, authority, infrastructure, systems and independence to enable an effective risk management;

(e) to review the Key Risks Profile and risks raised by business units and monitor the progress of action plans implemented;

(f) to review and recommend for the approval of the respective Boards of the Group, the contingency planning, including its effectiveness testing covering policies, processes and resources in place to address potential crises, unusual circumstances and stress situations;

(g) to review periodic reports on risk exposure, risk portfolio composition and risk management activities;

(h) to report to the respective Boards of the Group, the risk management status on a regular basis; and

(i) to approve the risk methodology to facilitate risk assessment.

A.3.3 Nominating Committee of AMB

The members of the Nominating Committee of AMB as at the date of this report are as follows:-

Dato' Seri Nik Abidin Bin Nik Omar (Chairman-Independent Non-Executive Director)
Tan Sri Razali Ismail (Independent Non-Executive Director)
Dato' Dr. Thillainathan A/L Ramasamy (Independent Non-Executive Director)
Foo San Kan (Independent Non-Executive Director)
Karl-Heinz Jung (Non-Independent Non-Executive Director of AMB)

There were 2 Nominating Committee Meetings held by AMB during the financial year ended 31 December 2011.

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Corporate governance (continued)

A.3.3 Nominating Committee of AMB (continued)

The attendance of the abovementioned Nominating Committee members at the Nominating Committee Meetings held during the financial year ended 31 December 2011 are as follows:-

Name of Members	**No. of Nominating Committee Meetings Held**	**No. of Nominating Committee Meetings Attended**
Dato' Seri Nik Abidin Bin Nik Omar	2	2
Tan Sri Razali Ismail	2	2
Dato' Dr. Thillainathan A/L Ramasamy	2	Not applicable*
Foo San Kan	2	2
Karl-Heinz Jung	2	Not applicable*

Note:
* Dato' Dr. Thillainathan A/L Ramasamy and Mr. Karl-Heinz Jung were appointed as members of the Nominating Committee of AMB on 24 June 2011. There was no Nominating Committee Meeting held following their appointment as members of the Nominating Committee of AMB.

The primary objective of the Nominating Committee of AMB is to establish a documented formal and transparent procedure for the appointment of Directors, Chief Executive Officers and Key Senior Officers of the Group and to assess the effectiveness of individual Director and the respective Boards (including various committees of the Board), Chief Executive Officers and Key Senior Officers of the Group on an on-going basis.

The responsibilities of the Nominating Committee of AMB are stated below and shall be applicable to the Group:-

(a) establishing minimum requirements for the Board and the Chief Executive Officer to perform their responsibilities effectively. It is also responsible for overseeing 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 the mix of skills and other core competencies required, through annual reviews;

Corporate governance (continued)

A.3.3 Nominating Committee of AMB (continued)

(b) recommending and assessing the nominees for directorship, the Directors to fill Board Committees, as well as nominees for the Chief Executive Officer position. This includes assessing Directors and the Chief Executive Officer proposed for reappointment, before an application for approval is submitted to BNM. The Nominating Committee in making its recommendation on candidates for directorship should consider the candidates':-

(i) skill, knowledge, expertise and experience;
(ii) professionalism;
(iii) integrity; and
(iv) in the case of candidate for the position of Independent Non-Executive Directors, the Nominating Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors;

(c) establishing a mechanism for formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each Director including the Independent Non-Executive Directors to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Chief Executive Officer. All assessments and evaluations carried out by the Nominating Committee in discharge of all its functions should be properly documented;

(d) recommending to the Board on removal of a Director/Chief Executive Officer if he is ineffective, errant or negligent in discharging his responsibilities;

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

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

The Company has put in place a performance evaluation process and procedure for assessing the Directors and the effectiveness of the Board.

All appointments and re-appointments of Directors who are due for retirement and eligible for re-election at the Annual General Meeting of the Company and/or Directors whose terms of office as approved by BNM are due for renewal, will be reviewed by the Nominating Committee of AMB and approved by the Board before the applications are submitted to BNM for approval.

In the opinion of the Nominating Committee of AMB, the Board has a good mix of skills and experiences appropriate for the business of the Company.

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Corporate governance (continued)

A.3.4 Remuneration Committee of AMB

The members of the Remuneration Committee of AMB as at the date of this report are as follows:-

Dato' Seri Nik Abidin Bin Nik Omar (Chairman-Independent Non-Executive Director)
Foo San Kan (Independent Non-Executive Director)
Karl-Heinz Jung (Non-Independent Non-Executive Director of AMB)

There were 3 Remuneration Committee Meetings held by AMB during the financial year ended 31 December 2011.

The attendance of the abovementioned Remuneration Committee members at the Remuneration Committee Meetings held during the financial year ended 31 December 2011 are as follows:-

Name of Members	No. of Remuneration Committee Meetings Held	No. of Remuneration Committee Meetings Attended
Dato' Seri Nik Abidin Bin Nik Omar	3	3
Foo San Kan	3	3
Karl-Heinz Jung	3	1 out of 1 meeting held after his appointment as a member of the Remuneration Committee on 24 June 2011

The primary objective of the Remuneration Committee of AMB is to provide a formal and transparent procedure for developing a remuneration policy for Directors, Chief Executive Officers and Key Senior Officers of the Group and ensuring that their compensation is competitive and consistent with the culture, objective and strategy of the Group.

The responsibilities of the Remuneration Committee of AMB are stated below and shall be applicable to the Group:-

(a) recommending a framework of remuneration for Directors, Chief Executive Officer and Key Senior Officers. The remuneration policy should:-

  (i) be documented and approved by the full Board and any changes thereto should be subject to the endorsement of the full Board;
  (ii) reflect the experience and level of responsibility borne by individual Directors, the Chief Executive Officer and Key Senior Officers;

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Corporate governance (continued)

A.3.4 Remuneration Committee of AMB (continued)

(iii) be sufficient to attract and retain Directors, Chief Executive Officer and Key Senior Officers of calibre needed to manage the Company successfully; and

(iv) be balanced against the need to ensure that the funds of the insurer are not used to subsidise excessive remuneration packages.

(b) recommending specific remuneration packages for Directors, Chief Executive Officer and Key Senior Officers. The remuneration packages should:-

(i) be based on an objective consideration and approved by the full Board;
(ii) take due consideration of the assessments of the Nominating Committee of the effectiveness and contribution of the Directors, Chief Executive Officer or Key Senior Officers concerned;
(iii) not be decided by the exercise of sole discretion of any one individual or restricted group of individuals; and
(iv) be competitive and is consistent with the culture, objective and strategy of the Group.

The Board has established a remuneration policy for Directors of the Company. The Remuneration Committee of AMB recommends to the Board, the remuneration to be paid to each Director based on the remuneration policy as approved by the Board. Nevertheless, it is the ultimate responsibility of the Board to decide on the quantum for each Director.

A.3.5 Investment Committee of AMB

The members of the Investment Committee of AMB as at the date of this report are as follows:-

Dato' Dr. Thillainathan A/L Ramasamy (Chairman-Independent Non-Executive Director)
Jens Reisch (Executive Director)
Zakri Mohd Khir (Non-Independent Non-Executive Director of AMB)
Ong Eng Chow (Non-Independent Executive Director of AMB)

There were 4 Investment Committee Meetings held by AMB during the financial year ended 31 December 2011.

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Corporate governance (continued)

A.3.5 Investment Committee of AMB (continued)

The attendance of the abovementioned Investment Committee members at the Investment Committee Meetings held during the financial year ended 31 December 2011 are as follows:-

Name of Members	No. of Investment Committee Meetings Held	No. of Investment Committee Meetings Attended
Dato' Dr. Thillainathan A/L Ramasamy	4	2 out of 2 meetings held after his appointment as member/Chairman of the Investment Committee on 24 June 2011
Jens Reisch	4	4
Zakri Mohd Khir	4	4
Ong Eng Chow	4	4

The Investment Committee of AMB is responsible for setting of investment policies, objectives, guidelines and controls for the Investment Department, which in turn is responsible for managing the investment functions of the Group.

B. Management Accountability

B1. Organisational Structure and Allocation of Responsibilities

The organisational structure of the Company clearly shows lines of reporting responsibility for all levels of staff of the Company. The reporting lines are well structured, taking into consideration that management control is maintained at all levels throughout the organisation and that there is no gap in the reporting lines.

In order to ensure that each staff fully understand their job responsibilities, a documented job description setting out the duties and responsibilities and reporting line for each staff are made available to the staff concerned. In allocating job duties and responsibilities to the staff, the Company also took into consideration there are appropriate segregation of duties and that the staff are not assigned with potentially conflicting responsibilities.

Authority is delegated by the Board to the Chief Executive Officer and Senior Management Committee for the implementation of strategy and for managing and overseeing the Company's day-to-day operations. The operational authority limits are subsequently delegated by the Chief Executive Officer and Senior Management Committee to the respective operational units and staff. Such authority limits are documented and made available to all staff via the Group's staff e-portal.

Corporate governance (continued)

B. Management Accountability (continued)

B1. Organisational Structure and Allocation of Responsibilities (continued)

In ensuring that the decision making process is transparent and to the best interest of the Company, all Directors and staff including the Chief Executive Officer are required to declare their interest in other entities on an annual basis. In addition, they are also required to disclose to the Company, any circumstance that may give rise to a conflict of interest situation during the course of carrying out their duties.

B2. Communication

To support an effective flow of information within the Company and to ensure that important information reaches the appropriate personnel in a timely manner, the Company has in place the following practices:-

- Documentation of important policies and procedures in the form of operating manuals/workflows and published the same in the internal staff portal.
- Senior Management Committee meets regularly to discuss the financial performance, strategic, operational and compliance issues of the Company.
- Regular meetings were held by business unit to review strategies, targets and results of the Company.
- Implementation of induction programs for all newly recruited staff covering amongst others, background of the Company, Code of Conduct for Business Ethics and Compliance, internal policies and procedures and performance management system ("PMS").
- Conduct regular staff dialogue/briefing.
- Monthly/quarterly staff newsletters are circulated to all staff of the Company.
- Regulatory guidelines, Company's policies and procedures, internal news, financial updates, operational and compliance data and external market information are disseminated through the Group's staff e-portal or e-mailed to the relevant staff of the Company in a timely manner.

B3. Goal Setting

The Company recognises the importance of aligning the staff individual goals with the corporate objectives.

The PMS is implemented throughout all levels of staff in the Company to ensure that staff individual goals are in line with the corporate goals and staff performance appraisals are based on the achievement of staff and corporate goals. Under the PMS, corporate goals are cascaded into business unit goals and subsequently to individual goals on a yearly basis.

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Corporate governance (continued)

B. Management Accountability (continued)

B3. Goal Setting (continued)

Staff's individual goals are set during the beginning of each assessment year by their respective superiors with the full participation of the staff concerned, following the finalisation of the corporate goals by the Chief Executive Officer for the said assessment year.

The achievement of the individual goals by the respective staff will be evaluated by their respective superiors at the end of the assessment year.

C. Corporate Independence

C1. Related Party Transactions

The Company complied with the requirements of BNM's Guidelines on Related Party Transactions (BNM/RH/GL/003-3) and the Listing Requirements in respect of all its related party undertakings. Necessary disclosures were made to the Board and where required, prior approval of the Board and/or shareholders for the transactions had also been obtained.

In line with Part E, Paragraph 10.09 of the Listing Requirements on recurrent related party transactions of a revenue or trading nature with related parties ("Recurrent Transactions"), AMB had obtained the shareholders' mandate for the Group to enter into Recurrent Transactions ("Shareholders' Mandate"). The Shareholders' Mandate will be renewed on a yearly basis at the Annual General Meeting of AMB.

The Group has also established a review procedure for related party transactions including Recurrent Transactions ("RPT Review Procedure") to ensure that they are:-

(i) undertaken on arm's length basis;
(ii) consistent with the Group's usual business practices and policies;
(iii) the transaction prices and terms are not more favourable to the related parties than those extended to third parties/public; and
(iv) are not to the detriment of the minority shareholders.

Under the RPT Review Procedure, a due diligence working group ("DDWG") was formed to review the related party transactions prior to the same are submitted to the Audit Committee of AMB for consideration. The Audit Committee of AMB will subsequently review the related party transactions prior to the same being submitted to the Board for approval.

Corporate governance (continued)

C. Corporate Independence (continued)

C1. Related Party Transactions (continued)

The Audit Committee of AMB also reviews the RPT Review Procedure on an annual basis to ensure that the procedures and processes are sufficient and adequate to monitor, track and identify related party transactions including Recurrent Transactions in a timely and orderly manner.

C2. Group Structure

The Company recognises the importance of corporate independence in ensuring that the interests of its policyholders, claimants, creditors and minority shareholders are not compromised. With this in mind, professional, experienced and delegated Independent Directors were appointed to the Board of the Company.

To date, corporate independence within the Company is well represented by an effective Board which are predominant by delegated experienced professional Independent Directors.

D. Internal Controls and Operational Risk Management

D1. Risk Recognition and Assessment

The Board recognises the importance of having in place a risk management system to identify key risks and implement appropriate controls to manage such risks as an integral part of the Company's operations.

The Company adopted the Group Risk Management Framework Manual ("RMFM"). The RMFM outlines the guiding principles of the risk management approach, structure, roles, responsibilities, accountabilities, reporting requirements as well as risk identification, evaluation and monitoring process of the Company. It is designed to formalise the risk management functions and practices across the Company and to increase awareness of the Company's employees to risk identification, measurement, control, ongoing monitoring and reporting.

The risk management structure of the Group is supported by three main functions, namely Corporate Risk Department ("CRD"), Risk Management Working Committee ("RMWC") and Risk Management Committee.

Corporate governance (continued)

D. Internal Controls and Operational Risk Management (continued)

D1. Risk Recognition and Assessment (continued)

CRD will act as an independent risk oversight function to coordinate and assist the Management to achieve its strategic goals and objectives by implementing risk management activities across the organisation which will include activities relating to risk identification, measurement, control, ongoing monitoring, reporting and implementation of Risk Management Committee's decisions.

D2. Internal Audit

The Company shared the services of the Internal Audit Department of AMB, which assists the Audit Committee of AMB to discharge its duties and responsibilities.

The Internal Audit function undertakes independent reviews or assessments of the Company's operations and its system of internal controls and provides continuous monitoring of the controls and risk management procedures. The internal audit personnel are independent from the day-to-day activities of the Company and have unrestricted access to all activities conducted by the Company.

Internal audit findings are discussed at management level and actions are taken in response to the internal audit recommendations. The Audit Committee of AMB reviews all internal audit findings and management responses. The requirements of BNM's Guidelines on Internal Audit Function of Licensed Institution (BNM/RH/GL 013-4) have been met.

The Audit Committee of AMB plays a vital role in ensuring the effectiveness of the internal audit function. Accordingly, two private discussions are held by the Audit Committee of AMB with the Chief Internal Auditor on a yearly basis without the presence of the Management.

Corporate governance (continued)

D. Internal Controls and Operational Risk Management (continued)

D3. Internal Control Activities

The Company's key internal control processes include the following:-

Underwriting and reinsurance

The Company exercises control over underwriting exposures covering both risks accepted and reinsured. Exposure limits are reviewed annually.

Operational authority limits covering underwriting of risks and claims settlement are reviewed and updated regularly. Treaty and retention limits are set for various products and channels of business.

Review on reinsurers is conducted on an annual basis to ensure that reinsurers have secured ratings from accredited rating agencies and complied with Allianz SE Group's reinsurers security listing.

Reinsurance arrangements are executed in accordance with the requirements as promulgated in the Insurance Act, 1996 and Insurance Regulations 1996. The reinsurers are selected based on the selection criteria prescribed by the Company.

Financial control procedures

Financial control procedures are put in place and are documented in the procedural workflows of each business unit. These workflows are subject to review and improvement to reflect changing risks and process enhancement as and when required.

Investment

The Investment Committee of AMB is responsible for setting investment policies, objectives, guidelines and controls for the Investment Department, which resides at the Company. The Investment Department is responsible for managing the investment functions of the Group.

The Company adopted the Group Master Investment Manual which sets out the detailed investment procedures and controls, including an Investment Code of Ethics to ensure that the Company's interests prevail over the personal interests of the employees.

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Corporate governance (continued)

D. Internal Controls and Operational Risk Management (continued)

D3. Internal Control Activities (continued)

Investment (continued)

The Investment limits are set at various levels with limits which are more stringent than the regulatory limits as prescribed by BNM. The investment limits are monitored continuously to ensure compliance with the investment limits as specified in the Risk-Based Capital Framework for Insurers issued by BNM.

The investment performance and equity/bond exposure reports are amongst the reports submitted to the Senior Management Committee for review on a monthly basis and to the Investment Committee of AMB for review at its regular meetings.

Information system

The Company complied with the BNM's Guidelines on Management of Information Technology ("IT") Environment (GPIS 1) and Internet Security (GPI 26) by establishing a reliable information security system and Group Information Security Policy and Standard ("Policy") to protect information confidentiality, integrity, availability and non-repudiation.

All employees are required to strictly abide and comply with the Policy.

An IT Steering Committee is established to be responsible for the overall strategic deployment of IT in tandem to the business objectives of the Company, establishing effective IT plans, recommending to Senior Management Committee for approval on IT-related expenditure and monitoring the progress of approved IT projects.

Data management framework

The Company has in place a Data Management Framework ("DMF") to establish and maintain a sound data management and management information system framework. The objective of the DMF is to manage data and disseminating of information effectively and efficiently and to maximise the effective use and value of data assets. In addition, DMF aims to ensure the integrity of data assets by preventing unauthorised or inappropriate use of data and information.

Product development

A Product Development Management Framework ("Framework") which sets out the policies and procedures on product development was established by the Company in accordance with the requirements of the Guideline on Introduction of New Products for Insurance Company and Takaful Operators issued by BNM.

Corporate governance (continued)

D. Internal Controls and Operational Risk Management (continued)

D3. Internal Control Activities (continued)

Product development (continued)

The Framework aims to promote sound risk management practices in managing and controlling product risk by ensuring the appropriate assessment and mitigation of risk during the development and marketing stages. The Framework will also assist to ensure that the products developed and marketed by the Company are appropriate to the needs and resources of the targeted consumer segments.

All new products launched in the financial year ended 31 December 2011 were developed in accordance with the requirements of the Framework, approved by the Senior Management Committee, certified by the Appointed Actuary and lodged with BNM pursuant to Section 142 of the Insurance Act, 1996, prior to the same being market by the Company.

The ongoing product risk management is embedded within the risk management framework of the Company.

Whistleblowing procedures

The Whistleblowing Committee of the Company was established to further enhance corporate governance and to meet the expectations of the Code of Conduct for Business Ethics and Compliance of the Company. Guidelines and procedures for the Whistleblowing Committee are in place to handle, review, assess and take appropriate actions to the complaints or concerns raised by the employees relating to any illegal or questionable activities in the Company. Such complaints or concerns may be made anonymously. The whistleblowing procedures will help to promote transparency and accountability throughout the Company.

Ethics and compliance

The Ethics and Compliance Committee was set up to meet the expectation of the Sales Policy and the Sales Agent Code of Conduct of the Company. Guidelines and procedures of the Ethics and Compliance Committee are in place to handle, review, assess and take appropriate actions to address complaints against or concerns involving agents. This will help promote the professionalism of the sales force throughout the Company.

Corporate governance (continued)

D. Internal Controls and Operational Risk Management (continued)

D3. Internal Control Activities (continued)

Anti-fraud and anti-corruption

The Anti-Fraud Committee has been set up to coordinate all activities concerning fraud prevention and detection. The Anti-Fraud Policy, framework and procedures have been in place to assist the Anti-Fraud Committee. The Anti-Fraud Committee is also responsible for all fraud investigations and ensuring that necessary remedial actions are taken to mitigate the recurrence of fraud.

In line with the Allianz SE Group's Anti-Corruption Program ("Program") the Company has adopted the Allianz SE Group's Anti-Corruption Policy ("Anti-Corruption Policy"). The Anti-Corruption Policy serves to outline Allianz SE Group's existing controls and behavioral guidelines on the risk areas of dealing with government officials, business courtesies, hiring of representatives, political contributions, joint ventures and outsourcing agreements as well as facilitation payments.

Anti-money laundering/Counter financing terrorism

The Company has in place internal policies and procedures relating to Anti-Money Laundering and Counter Financing of Terrorism. These policies and procedures set out the basis and requirements to prevent money laundering and terrorism financing activities in the Company. The Company will co-operate with any national and any international competent authorities and law enforcement authorities in combating money laundering/financing of terrorist group operations.

Employees and agents

All staff are required to make an annual declaration that they fulfilled the minimum criteria of "A Fit and Proper Person" as prescribed in Part XII of the Insurance Regulations 1996. In addition, all staff are also required to attest that they understand and comply with the requirements of the following internal guidelines and policies:-

(i) Related Party Transaction Declaration;
(ii) Disclosure of Data;
(iii) Conflict of Interest;
(iv) Allianz Group Code of Conduct;
(v) IT Security Policy and Guideline e-Awareness Declaration;
(vi) Allianz Anti-Corruption Policy; and
(vii) Anti-Fraud Awareness Declaration.

Corporate governance (continued)

D. Internal Controls and Operational Risk Management (continued)

D3. Internal Control Activities (continued)

Employees and agents (continued)

The Company's agents are subject to the Allianz Group Code of Conduct for Business Ethics and Compliance, Sales Policy, Sales Agent Code of Conduct and Life Insurance Association of Malaysia ("LIAM")'s Code of Ethics and Conduct where they are required to sign the declaration of observance to promote and maintain uniform ethical standards, and to uphold the trust and welfare of the customers at all times.

All internal control deficiencies or breaches are reported to the Senior Management Committee and/or the Board, where applicable, as soon as they are identified by the Compliance Department, Internal Audit Department, business units or BNM examiners. Corrective measures will be at the same time presented to the Senior Management Committee and/or the Board for consideration. The progress of the corrective measures will also be presented on a timely manner to the Senior Management Committee and/or the Board until the matters are fully resolved.

E. Public Accountability

The Company complied with the provisions relating to policies under Parts XII and XV of the Insurance Act, 1996. Each staff of the Company and the agency force (intermediary) are also required to adhere to LIAM's Code of Ethics and Conduct when dealing with customers.

In addition to the above, the Company has also put in place action plan to ensure that the Company's products, sales and after sales processes meet the Guidelines on Minimum Standards for Treating Customer Fairly Framework issued by LIAM.

Members of the public are also made aware of avenues for appeal against the Company's practices or decisions. A Company's policy contract contains a written disclosure alerting them to the existence of the Financial Mediation Bureau ("FMB") and BNM's Customer Services Bureau ("CSB"), their roles in investigating complaints into unfair market practices, their contact details and procedures for lodging complaints with the FMB or CSB. In addition, notices containing the same information are exhibited in the Head Office and all the Company's branches. The Company's letter to any claimant on the rejection of a claim also includes similar information for appeal to FMB and CSB.

The Company has a well defined complaint management process to handle all complaints within the stipulated turnaround time. There is also an avenue for public to lodge complaints via the Group's website.

Corporate governance (continued)

F. Financial Reporting

Statutory reporting and public disclosure

The Company exercises due care and diligence in ensuring compliance with the requirements of statutory reporting to BNM and other relevant authorities, the accuracy of information contained in the reports submitted to the relevant authorities, as well as maintaining appropriate accounting records. The Retention Period of Documents Policy has been in place to ensure that the Company's accounting records are properly kept.

The external auditors are appointed in accordance with the provisions of the Insurance Act, 1996 and the Companies Act, 1965. They provide an independent opinion that the financial statements have been prepared in accordance with the Financial Reporting Standards, as modified by BNM Guidelines and the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Company and its financial performance and cash flows.

The Company complied with Sections 87(1) and 89(1) of the Insurance Act 1996 in respect of submission of annual audited financial statements, unaudited interim financial statements and quarterly returns to BNM.

The abridged audited financial statements of the Company are published in two daily national press and a copy of which also exhibited at all branches in a conspicuous position. In addition, the audited financial statements and the unaudited interim financial statements of the Company are also made available in the Group's website at www.allianz.com.my.

Management reporting

Financial reports form the primarily basis for decisions making and strategies taken by the Senior Management Committee and the Board in respect of the Company's corporate objectives and day-to-day operations. To enable the Senior Management Committee and the Board to effectively monitor the financial condition and performance as well as challenges or risks faced by the Company towards achieving its corporate objectives and subsequently formulate appropriate strategies, various management reports including the risk-based capital results are submitted to the Senior Management Committee and the Board for review at its regular meetings.

Company No. 104248-X

Corporate governance (continued)

F. Financial Reporting (continued)

Management reporting (continued)

The financial and business performance reports as well as the yearly corporate goals target performance report are regular monthly reports submitted to the Senior Management Committee for review. These reports cover the performance of all key operational areas and highlighting challenges faced by the Company, to enable the Management to assess the business development and financial condition of the Company at any point in time and formulate appropriate strategies in addressing operational problems or risks in a timely manner.

In addition, special purpose management reports prepared for decision making will also presented to the Senior Management Committee on a need to basis.

Annual business plans and budgets are reviewed by the Senior Management Committee before submitting to the Board for approval. Financial condition and business performance reports are also submitted to the Board for review at its regular meetings. These reports cover all key operational areas and provide a sound basis for the Board to assess the financial performance of the Company and to identify potential problems or risks face by the Company, thus enable the Board to effectively monitor on an ongoing basis, the affairs of the Company.

Similarly, comprehensive special purpose management reports prepared for decision making will also presented to the Board on a need to basis.

Business continuity plans

Business Continuity Plan for the Company has been formulated to ascertain that the Company will recover and restore any interrupted critical functions within a predetermined time upon the occurrence of any disastrous events.

The testing for Business Continuity Plan for all business functions and Disaster Recovery Plan test for all main application systems have been conducted during the financial year ended 31 December 2011 and submitted for the Board's endorsement.

Training and development

The Company aims to equip employees with the relevant knowledge, skills and competencies required for their roles through structured training and development programmes. These include a combination of classroom training, on-the-job attachment, professional examinations and project assignments. Employees are encouraged to embrace the culture of continuous learning for personal competency and career development.

Company No. 104248-X

Directors of the Company

Directors who served since the date of the last report are:-

Tan Sri Razali Ismail (Chairman-Independent Non-Executive Director)
Dato' Seri Nik Abidin Bin Nik Omar (Independent Non-Executive Director)
Foo San Kan (Independent Non-Executive Director)
Dato' Dr. Thillainathan A/L Ramasamy (Appointed with effect from 6 June 2011) (Independent Non-Executive Director)
Jens Reisch (Executive Director)
Craig Anthony Ellis (Resigned with effect from 6 June 2011) (Non-Independent Non-Executive Director)

Directors' interests

As the Company is a wholly-owned subsidiary of AMB, the interests and deemed interests in the ordinary shares of the related corporations of the Company (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interest of the spouses or children of the Directors who themselves are not Directors of the Company) are shown in the Directors' report of AMB.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in 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.

There were no arrangements during and at the end of the financial year, which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Ultimate holding company

The ultimate holding company is Allianz SE, a public listed company incorporated and domiciled in Germany.

Immediate holding company

The immediate holding company is AMB, a public limited company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

Company No. 104248-X

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:-

………………………………………………………

Tan Sri Razali Ismail

………………………………………………………

Jens Reisch

Kuala Lumpur,

Date: 22 March 2012

Allianz Life Insurance Malaysia Berhad

(Company No. 104248-X)
(Incorporated in Malaysia)

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 30 to 136 are drawn up in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2011 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:-

…………………………………………………………..
Tan Sri Razali Ismail

…………………………………………………………..
Jens Reisch

Kuala Lumpur,

Date: 22 March 2012

Allianz Life Insurance Malaysia Berhad

(Company No. 104248-X)
(Incorporated in Malaysia)

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Ong Eng Chow**, the officer primarily responsible for the financial management of Allianz Life Insurance Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 30 to 136 are, to the best of my knowledge and belief, 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 in Kuala Lumpur in the Wilayah Persekutuan on 22 March 2012.

…………..……………………..
Ong Eng Chow

Before me:

Independent Auditors' Report to the member of Allianz Life Insurance Malaysia Berhad

(Company No. 104248-X)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Allianz Life Insurance Malaysia Berhad, which comprise the statement of financial position as at 31 December 2011, the income statement, statement of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 30 to 136.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2011 and of its financial performance and cash flow for the 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 member of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Loh Kam Hian
Approval Number: 2941/09/12(J)
Chartered Accountant

Petaling Jaya,

Date: 22 March 2012

Allianz Life Insurance Malaysia Berhad

(Company No. 104248-X)
(Incorporated in Malaysia)

Statement of financial position as at 31 December 2011

	Note	2011 RM'000	2010 RM'000
Assets			
Property, plant and equipment	3	20,122	16,773
Investment properties	4	2,990	2,650
Intangible assets	5	125	171
Investments	6	3,515,447	2,904,567
Reinsurance assets	7	83,026	81,080
Insurance receivables	8	48,775	41,958
Other receivables, deposits and prepayments	9	60,102	76,271
Current tax assets		2,754	-
Cash and cash equivalents		302,411	227,218
Total assets		4,035,752	3,350,688
Equity, policyholders' funds and liabilities			
Share capital	10	236,600	236,600
Fair value reserve	11	2,522	711
Retained earnings/(Accumulated losses)	11	5,724	(12,499)
Total equity		244,846	224,812
Insurance contract liabilities	12	3,483,232	2,849,319
Deferred tax liabilities	13	8,401	6,248
Other financial liabilities	14	1,463	1,582
Insurance payables	15	84,991	73,888
Other payables and accruals	16	144,246	134,381
Benefits and claims liabilities	17	68,573	59,545
Current tax liabilities		-	913
Total liabilities		3,790,906	3,125,876
Total equity, policyholders' funds and liabilities		4,035,752	3,350,688

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

Allianz Life Insurance Malaysia Berhad

(Company No. 104248-X)
(Incorporated in Malaysia)

Income statement for the year ended 31 December 2011

	Note	2011 RM'000	2010 RM'000
Operating revenue	18	1,295,036	1,145,284
Gross earned premiums		1,143,710	1,029,459
Premiums ceded to reinsurers		(67,630)	(64,147)
Net earned premiums	19	1,076,080	965,312
Investment income	20	151,326	115,825
Realised gains and losses	21	32,868	36,671
Fair value gains and losses	22	(205)	195
Fee and commission income	23	6,238	7,498
Other operating income		4,544	6,211
Other revenue		194,771	166,400
Gross benefits and claims paid		(297,108)	(282,184)
Claims ceded to reinsurers		51,712	45,089
Gross change to contract liabilities		(619,417)	(534,600)
Change in contract liabilities ceded to reinsurers		1,946	9,476
Net benefits and claims	24	(862,867)	(762,219)
Fee and commission expense		(272,106)	(255,471)
Management expenses	25	(86,788)	(72,004)
Other operating expenses		(9,386)	(10,993)
Other expenses		(368,280)	(338,468)
Profit before tax		39,704	31,025
Tax expense	26	(21,481)	(16,481)
Net profit for the year		18,223	14,544

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

Allianz Life Insurance Malaysia Berhad

(Company No. 104248-X)
(Incorporated in Malaysia)

Statement of comprehensive income for the year ended 31 December 2011

	2011 RM'000	2010 RM'000
Net profit for the year attributable to owners of the Company	18,223	14,544
Other comprehensive income:		
Available-for-sale financial assets' fair value reserve	2,415	2,271
Tax effects thereon	(604)	(568)
Other comprehensive income for the year, net of tax	1,811	1,703
Total comprehensive income for the year attributable to owners of the Company	20,034	16,247

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

Allianz Life Insurance Malaysia Berhad

(Company No. 104248-X)
(Incorporated in Malaysia)

Statement of changes in equity for the year ended 31 December 2011

	Note	Non-distributable Share capital RM'000	Non-distributable Fair value reserve RM'000	Distributable (Accumulated losses)/ Retained earnings RM'000	Total equity RM'000
At 1 January 2010		157,000	(992)	(27,043)	128,965
Fair value of available-for-sale financial assets		-	1,703	-	1,703
Total other comprehensive income for the year		-	1,703	-	1,703
Profit for the year		-	-	14,544	14,544
Total comprehensive income for the year		-	1,703	14,544	16,247
Issue of ordinary shares	10	79,600	-	-	79,600
At 31 December 2010/1 January 2011		236,600	711	(12,499)	224,812
Fair value of available-for-sale financial assets		-	1,811	-	1,811
Total other comprehensive income for the year		-	1,811	-	1,811
Profit for the year		-	-	18,223	18,223
Total comprehensive income for the year		-	1,811	18,223	20,034
At 31 December 2011		236,600	2,522	5,724	244,846

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

Allianz Life Insurance Malaysia Berhad

(Company No. 104248-X)
(Incorporated in Malaysia)

Statement of cash flow for the year ended 31 December 2011

	2011 RM'000	2010 RM'000
Cash flows from operating activities		
Profit before tax	39,704	31,025
Investment income	(151,326)	(115,825)
Interest expense	1,369	1,343
Realised gains recorded in income statement	(32,972)	(36,676)
Fair value loss/(gain) on investments recorded in income statement	545	(195)
Purchase of held-to-maturity (HTM) financial investments	(196,304)	(188,137)
Maturity of HTM financial investments	10,000	40,000
Purchase of available-for-sale (AFS) financial investments	(891,672)	(1,093,917)
Maturity of AFS financial investments	133,596	104,362
Proceeds from sale of AFS financial investments	461,141	677,531
Purchase of held-for-trading (HFT) financial investments	(364,649)	(2,955,838)
Maturity of HFT financial investments	11,999	2,491,372
Proceeds from sale of HFT financial investments	273,993	431,429
Change in LAR	4,215	(183,870)
Non-cash items:		
Increase in fair value changes	(12,883)	(59,489)
Change in fair value of investment property	(340)	-
Change in revaluation reserve	(1,613)	-
Allowance for/(Reversal of) impairment loss on receivables	246	(333)
Bad debts written off	150	-
Amortisation of intangible assets	46	45
Depreciation of property, plant and equipment	2,652	1,677
Loss on disposal of property, plant and equipment	104	5
Property, plant and equipment written off	850	16
Unrealised foreign exchange gain	(726)	-
Changes in working capital:		
Change in reinsurance assets	(1,946)	(9,476)
Change in insurance receivables	(7,229)	(7,330)
Change in other receivables, deposits and prepayments	13,531	(35,332)
Change in insurance contract liabilities	633,913	594,089
Change in other financial liabilities	(119)	(122)
Change in insurance payables	11,103	2,018
Change in other payables	11,154	30,318
Change in benefits and claims liabilities	9,028	22,386
Cash used in operating activities	**(42,440)**	**(258,924)**

Company No. 104248-X

Statement of cash flow for the year ended 31 December 2011 (continued)

	2011 RM'000	2010 RM'000
Tax paid	(24,835)	(8,500)
Dividends received	14,663	10,466
Coupon interest received	132,845	103,569
Rental income on investment properties received	186	186
Net cash flows generated from/(used in) operating activities	**80,419**	**(153,203)**
Investing activities		
Proceeds from disposal of property, plant and equipment	156	38
Acquisition of property, plant and equipment	(5,382)	(2,681)
Acquisition of intangible assets	-	(170)
Net cash flows used in investing activities	**(5,226)**	**(2,813)**
Financing activities		
Issue of ordinary shares	-	79,600
Decrease in subordinated loans	-	(3,600)
Net cash generated from financing activities	**-**	**76,000**
Net increase/(decrease) in cash and cash equivalents	75,193	(80,016)
Cash and cash equivalents at 1 January	227,218	307,234
Cash and cash equivalents at 31 December	**302,411**	**227,218**
Cash and cash equivalents comprises:		
Fixed and call deposits (with maturity less than three months):		
Licensed bank	282,515	220,820
Cash and bank balances	19,896	6,398
	302,411	**227,218**

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

Allianz Life Insurance Malaysia Berhad
(Company No. 104248-X)
(Incorporated in Malaysia)

Notes to the financial statements

Corporate information

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

Suite 3A-15, Level 15, Block 3A
Plaza Sentral, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur, Malaysia

The Company is principally engaged in the underwriting of life insurance and investment-linked business.

The ultimate holding company is Allianz SE, a public company incorporated and domiciled in Germany. The immediate holding company is Allianz Malaysia Berhad, a public limited company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements were approved by the Board of Directors on 22 March 2012.

1. Basis of preparation

1.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") as modified by Guidelines/Circulars issued by BNM pursuant to Section 90 of the Insurance Act, 1996, generally accepted accounting principles in Malaysia, the Companies Act, 1965 and the Insurance Act and Regulations, 1996.

The following accounting standards, amendments and interpretations of the FRS framework have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Company:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*
- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*

Company No. 104248-X

1. Basis of preparation (continued)

1.1 Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures* (revised)
- Amendments to FRS 1, *First–time Adoption of Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First - time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes-Deferred Tax: Recovery of Underlying Assets*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits (2011)*
- FRS 127, *Separate Financial Statements (2011)*
- FRS 128, *Investment in Associates and Joint Ventures (2011)*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures-Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 7, *Financial Instruments: Disclosures-Mandatory Date of FRS 9 and Transition Disclosures*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 132, *Financial instruments: Presentation-Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- FRS 9, *Financial Instruments (2009)*
- FRS 9, *Financial Instruments (2010)*

Company No. 104248-X

1. Basis of preparation (continued)

1.1 Statement of compliance (continued)

The Company's financial statements for annual period beginning on 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the MASB and International Financial Reporting Standards ("IFRSs"). As a result, the Company will not be adopting the above FRSs, Interpretations and amendments.

1.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for property, plant and equipment, investment properties and those financial instruments that have been measured at their fair value and life insurance contract liabilities in accordance with the valuation methods specified in the RBC Framework issued by BNM, as explained in their respective accounting policy notes.

1.3 Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

1.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 2 (b)(i) – revaluation of land and buildings
- Note 2 (c)(i) – valuation of investment properties
- Note 2 (f) – fair value of financial instruments
- Note 2 (u) – valuation of life insurance contract liabilities

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

The Company revalues its properties comprising land and buildings every five years and at shorter intervals whenever the fair value of the revalued assets are expected to differ materially from their carrying value.

The revalued amounts of property are determined by using the comparison method. The comparison method entails critical analysis of recent evidence of values of comparable properties in the neighbourhood and making adjustment for differences such as differences in location, size and shape of land, age and condition of building, tenure, title restrictions if any and other relevant characteristics.

Valuation of the properties involves a degree of judgement before arriving at the respective property’s revalued amount. As such, the revalued amount of the properties may be different from its actual market price.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statement.

2. Significant accounting policies (continued)

(b) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

Costs include expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "realised gains and losses" in the income statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

2. Significant accounting policies (continued)

(b) Property, plant and equipment (continued)

(iii) Depreciation (continued)

The estimated useful lives for the current and comparative periods are as follows:-

• buildings	50 years
• office equipment, furniture and fittings	10 years
• computers	5 years
• motor vehicles	5 years
• office renovations and partitions	10 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at end of the reporting period.

(c) Investment properties

(i) Investment properties carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. These include land held for a currently undetermined future use.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in the income statement for the period in which they arise.

Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in the income statement in the period in which the item is derecognised.

2. Significant accounting policies (continued)

(c) Investment properties (continued)

(ii) Reclassification to/ from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised in other comprehensive income and accumulated in equity as revaluation reserve. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the income statement.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

(iii) Determination of fair value

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment properties portfolio annually.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The determination of the fair values involves a degree of judgement. As such, the fair value of the investment properties may be different from its actual market price.

2. Significant accounting policies (continued)

(d) Intangible assets

(i) Development costs

Expenditure incurred on software development is capitalised. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the income statement as incurred.

(iv) Amortisation

Amortisation is based on the cost of an asset less its residual value. Intangible assets with finite useful lives are amortised from the date that they are available for use. Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative periods are as follows:

- capitalised software development costs   5 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

2. Significant accounting policies (continued)

(e) Leased assets

(i) Finance lease

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating lease

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Company's statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in the income statement as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to the income statement in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

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2. Significant accounting policies (continued)

(f) Financial instruments

(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 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.

(ii) Financial instrument categories and subsequent measurement

The Company categorises and measures financial instruments as follows:

Financial assets

(1) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

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.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in income statement.

2. Significant accounting policies (continued)

(f) Financial instruments (continued)

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

Financial assets (continued)

(2) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that the Company has the positive intention and ability to hold-to-maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(3) Loans and receivables, excluding insurance receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market and include other receivables, deposits and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(4) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in income statement. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into income statement. Interest calculated for a debt instrument using the effective interest method is recognised in income statement.

2. Significant accounting policies (continued)

(f) Financial instruments (continued)

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

Financial assets (continued)

(5) Insurance receivables

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

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2(g)(ii).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2(f)(v), have been met.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (See Note 2(g)).

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, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

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.

2. Significant accounting policies (continued)

(f) Financial instruments (continued)

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

Financial liabilities (continued)

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in income statement.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to income statement using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in income statement upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

2. Significant accounting policies (continued)

(f) Financial instruments (continued)

(v) 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 the income statement.

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 the income statement.

(g) Impairment of financial assets

(i) Financial assets, excluding insurance receivables

All financial assets (except for financial assets categorised as fair value through profit or loss and fixed and call deposits) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables (excluding insurance receivables as set out in Note 2(g)(ii) below) and held-to-maturity investments is recognised in income statement and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

2. Significant accounting policies (continued)

(g) Impairment of financial assets (continued)

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

An impairment loss in respect of available-for-sale financial assets is recognised in the income statement and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to income statement.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in income statement and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in income statement for an investment in an equity instrument classified as available-for-sale is not reversed through income statement.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income statement, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement.

(ii) Insurance receivables

Insurance receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal or interest or both for insurance receivables is past due for more than 90 days or 3 months, as prescribed in the Guidelines on Financial Reporting for Insurers issued by BNM.

2. Significant accounting policies (continued)

(g) Impairment of financial assets (continued)

(ii) Insurance receivables (continued)

An impairment loss in respect of insurance receivables is recognised in income statement and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of insurance receivables increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income statement, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement.

(h) Impairment of other assets

The carrying amounts of other assets (except for deferred tax asset and investment properties that are measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that largely independent of the cash inflows of other assets or groups of assets (known as "cash-generating unit").

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

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

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

2. Significant accounting policies (continued)

(h) Impairment of other assets (continued)

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

(i) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Ordinary share capital

Ordinary shares issued by the Company are classified as equity.

(ii) Dividends on ordinary share capital

Dividends on ordinary share are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the end of the reporting period are dealt with as a subsequent event.

(j) Product classification

The Company issues contracts that transfer insurance risk or financial risk or both.

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. Insurance risk is the risk other than financial risk.

2. Significant accounting policies (continued)

(j) Product classification (continued)

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

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

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

Insurance and investment 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 issuer; and
- that are contractually based on the:-
    - performance of a specified pool of contracts or a specified type of contract;
    - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
    - the profit or loss of the company, fund or other entity that issues the contract.

Under the terms of the contracts, surpluses in the DPF funds can be distributed on discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation and unbundling 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 an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

2. Significant accounting policies (continued)

(j) Product classification (continued)

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

(k) Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance 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 reinsurance asset that the Company 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 Company will receive from the reinsurer. The impairment loss is recorded in income statement.

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

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

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

2. Significant accounting policies (continued)

(k) Reinsurance (continued)

Reinsurance contracts that do not transfer significant insurance 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 any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

(l) Life insurance underwriting results

The surplus transferable from the Life fund to the income statement is based on the surplus determined by an annual actuarial valuation of the liabilities to policyholders, made in accordance with the provisions of the Insurance Act 1996 by the Company's appointed actuary.

Gross premiums

Gross premiums are recognised as soon as the amount of the premiums can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

At the end of the financial period, all due premiums are accounted for to the extent that they can be reliably measured. Premiums not received on due dates are recognised as revenue in the income statement and reported as outstanding premiums in the statement of financial position.

Reinsurance premiums

Gross reinsurance premiums on ceded reinsurance are recognised as an expense when payable or on the date on which the policy is effective.

Benefits, claims and expenses

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

Benefits and claims, including settlement costs, are accounted for using the case-by-case method and for this purpose, the amounts payable under a policy are recognised as follows:

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

2. Significant accounting policies (continued)

(l) Life insurance underwriting results (continued)

Benefits, claims and expenses (continued)

- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered; and
- bonus on DPF policy upon its declaration.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contracts.

Commission and agency expenses

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, and income derived from reinsurers in the course of ceding of premiums to reinsurers, are charged to income statement in the period in which they are incurred.

Fees and commission income

Insurance policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as income over the period in which the related services are performed. If the fees are for services to be provided in future periods, then, they are deferred and recognised over those future periods.

(m) Life insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed benefits and, in the case of the participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit liabilities of investment-linked policies.

2. Significant accounting policies (continued)

(m) Life insurance contract liabilities (continued)

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

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

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

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company.

Adjustments to the liabilities at each reporting date are recorded in income statement. Profits originated from margins of adverse deviations on run-off contracts, are recognised in income statement over the life of the contract, whereas losses are fully recognised in income statement during the first year of run-off.

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

(n) Investment contract liabilities

Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

2. Significant accounting policies (continued)

(n) Investment contract liabilities (continued)

Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, investment contract liabilities are remeasured at fair value through profit or loss.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position.

Fair value adjustments are performed at each reporting date and are recognised in income statement. Fair value is determined through the use of prospective discounted cash flow techniques. For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each investment-linked fund multiplied by the unit-price of those funds at the end of reporting period. The fund assets and fund liabilities used to determine the unit-prices at the end of reporting period are adjusted to take into account the effect of deferred tax on unrealised gains on assets in the fund.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

(o) Other revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Rental income

Rental income from investment properties are recognised in income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

2. Significant accounting policies (continued)

(o) Other revenue recognition (continued)

(ii) Interest income

Interest income is recognised in the income statements on accrual basis, using the effective interest method except where an interest bearing investments is considered non-performing i.e. where repayments are in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, interest income is recognised on the receipt basis until all arrears have been paid.

(iii) Dividend income

Dividend income is recognised in the income statement on the date the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iv) Realised gains and losses on investments

Realised gains and losses recorded in income statement on investments include gains and losses on financial assets and investment properties. Gain and loss arising on disposal of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

(p) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of reporting period.

2. Significant accounting policies (continued)

(p) Income tax (continued)

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. Contingent liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

(r) Employee benefits

(i) Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2. Significant accounting policies (continued)

(r) Employee benefits (continued)

(ii) State plans

The Company's contributions to statutory pension fund are charged to the income statement in the year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

(s) Other financial liabilities and insurance payables

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

(t) Cash and cash equivalents and placements with financial institutions

Cash and cash equivalents consist of cash in hand, deposits held at call with financial institutions and highly liquid investments which have an insignificant risk of changes in value with original maturities of three months or less. For the purpose of statement of cash flow, cash and cash equivalents are presented net of bank overdrafts.

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with policy note 2(f)(3).

(u) Significant accounting judgements, estimates and assumptions

Valuation of life insurance contract liabilities

The valuation of life insurance contract liabilities is based on the Risk-Based Capital Framework for Insurers, issued by BNM.

2. Significant accounting policies (continued)

(u) Significant accounting judgements, estimates and assumptions (continued)

Valuation of life insurance contract liabilities (continued)

The life insurance contract liability is valued using a prospective actuarial valuation based on the sum of the present value of future guaranteed benefits and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The expected future cash flow is determined using best estimate assumptions and with due regard to significant recent experience.

An appropriate allowance for provision of risk margin for adverse deviation from expected experience is included in the valuation of non-participating life policies and non-unit actuarial liabilities of investment-linked policies.

For a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the premium and claim liabilities is valued separately at a probability of sufficiency level at 75%. Liability is calculated on the basis of the 1/24th method; applied to premiums, reduced by the percentage of accounted gross direct business commissions and agency-related expenses to corresponding premiums.

The risk-free discount rate is used for all cash flows to determine the liability of a non-participating life policy and the non-unit actuarial liability of an investment-linked policy. A discount rate based on the historical yield and future investment outlook of the participating fund, net of tax on investment income of the life fund is used for all cash flows to determine the liability of participating policies.

Risk-free discount rate for durations of less than 15 years is zero-coupon spot yields of Malaysian Government Securities ("MGS") with matching duration. Risk-free discount rate for durations of 15 years or more is zero-coupon spot yields of MGS with 15 years term to maturity. Duration is the term to maturity of each future cash flow. The MGS zero-coupon spot yields are obtained from a recognised bond pricing agency in Malaysia.

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3. Property, plant and equipment

	Note	Land RM'000	Buildings RM'000	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovation and partitions RM'000	Work-in progress RM'000	Total RM'000
Cost/Valuation								
At 1 January 2010		5,485	4,310	14,023	1,356	7,883	273	33,330
Additions		-	-	1,359	-	163	1,159	2,681
Disposals		-	-	(951)	(102)	(43)	-	(1,096)
Written off		-	-	(391)	-	(16)	-	(407)
Reclassification		-	-	54	-	208	(262)	-
At 31 December 2010/1 January 2011		5,485	4,310	14,094	1,254	8,195	1,170	34,508
Additions		-	-	1,875	380	845	2,282	5,382
Disposals		-	-	(577)	(309)	(6)	-	(892)
Written off		-	-	(1,502)	-	(3,375)	-	(4,877)
Reclassification		-	-	1,965	-	496	(2,461)	-
Revaluation of property		1,095	5	-	-	-	-	1,100
At 31 December 2011		6,580	4,315	15,855	1,325	6,155	991	35,221

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3. Property, plant and equipment (continued)

	Land RM'000	Buildings RM'000	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovation and partitions RM'000	Work-in progress RM'000	Total RM'000
Depreciation							
At 1 January 2010	244	155	11,815	604	4,684	-	17,502
Depreciation for the year	61	59	914	1	642	-	1,677
Disposals	-	-	(924)	(102)	(27)	-	(1,053)
Written off	-	-	(378)	-	(13)	-	(391)
At 31 December 2010/1 January 2011	305	214	11,427	503	5,286	-	17,735
Depreciation for the year	64	62	1,384	528	614	-	2,652
Disposals	-	-	(493)	(135)	(4)	-	(632)
Written off	-	-	(1,382)	-	(2,645)	-	(4,027)
Elimination of accumulated depreciation on revaluation	(362)	(267)	-	-	-	-	(629)
At 31 December 2011	7	9	10,936	896	3,251	-	15,099
Carrying amounts							
At 1 January 2010	5,241	4,155	2,208	752	3,199	273	15,828
At 31 December 2010	5,180	4,096	2,667	751	2,909	1,170	16,773
At 31 December 2011	6,573	4,306	4,919	429	2,904	991	20,122

Included in property, plant and equipment are fully depreciated assets which are still in use costing RM12,361,000 (2010 – RM14,229,000).

3. Property, plant and equipment (continued)

3.1 Property, plant and equipment under the revaluation model

The land and buildings were revalued in October 2011 by independent professional qualified valuers using the comparison method.

Had the land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been as follows:

	2011 RM'000	2010 RM'000
Land	4,716	4,772
Buildings	3,420	3,504
	8,136	8,276

3.2 Land

Included in the carrying amounts of land are:

	2011 RM'000	2010 RM'000
Freehold land	850	570
Long term leasehold land	5,723	4,610
	6,573	5,180

4. Investment properties

	Note	2011 RM'000	2010 RM'000
At 1 January		2,650	2,650
Fair value changes	22	340	-
At 31 December		2,990	2,650
Included in the above are:			
At fair value:			
Freehold land		610	410
Buildings		2,380	2,240
		2,990	2,650

4. Investment properties (continued)

The fair value of the investment properties is determined based on valuations performed by an external independent valuer in October 2011 using the comparison method.

Investment properties comprise a number of commercial properties leased to third parties.

The following are recognised in the income statements in respect of investment properties:

	2011 RM'000	2010 RM'000
Rental income	96	96
Direct operating expenses		
- income generating investment properties	(3)	(3)

5. Intangible assets

	Note	2011 RM'000	2010 RM'000
Software development costs			
Cost			
At 1 January		3,681	3,511
Additions from internal development		-	170
At 31 December		3,681	3,681
Amortisation			
At 1 January		3,510	3,465
Amortisation for the year	25	46	45
At 31 December		3,556	3,510
Carrying amounts			
At 1 January		171	46
At 31 December		125	171

The software development costs are in relation to the internal development expenditure incurred for the Open Product Underwriting System ("OPUS"), the on-going integrated system to improve the efficiency of the business activity of the Company. These software development costs are amortised over a period of five years.

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6. Investments

	2011 RM'000	2010 RM'000
Malaysian government securities	1,086,790	783,610
Malaysian government guaranteed bonds	322,996	190,998
Ringgit denominated bonds by foreign issuers in Malaysia	189,729	200,535
Quoted equity securities of corporations in Malaysia	380,408	340,476
Quoted equity securities of corporations outside Malaysia	-	15,912
Unquoted equity securities of corporations in Malaysia	2,147	2,147
Quoted bonds of corporations in Malaysia	-	3,798
Unquoted bonds of corporations in Malaysia	988,965	912,918
Quoted unit trusts in Malaysia	77,231	48,088
Unquoted unit trusts in Malaysia	375	384
Unquoted unit trusts outside Malaysia	23,234	30,002
Negotiable certificate of deposits	-	15,196
Structured deposits	176,393	88,981
Government guaranteed loan	190,000	190,000
Commercial loans	-	7,225
Mortgage loans	89	97
Policy loans	10,602	9,819
Automatic premium loans	51,810	44,241
Fixed and call deposits with:		
Licensed banks	14,678	20,140
	3,515,447	2,904,567

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6. Investments (continued)

The Company's financial investments are summarised by categories as follows:

	Current		Non-current		Total	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Held-to-maturity financial assets ("HTM")	-	-	783,188	595,758	783,188	595,758
Available-for-sale financial assets ("AFS")	2,111,428	1,696,189	-	74,602	2,111,428	1,770,791
Loans and receivables ("LAR")	77,105	74,215	190,074	197,179	267,179	271,394
Held-for-trading ("HFT")	353,652	266,624	-	-	353,652	266,624
	2,542,185	2,037,028	973,262	867,539	3,515,447	2,904,567

	Amortised cost 2011 RM'000	Fair value 2011 RM'000	Amortised cost 2010 RM'000	Fair Value 2010 RM'000
Held-to-maturity				
Malaysian government securities	487,359	506,864	351,683	361,063
Malaysian government guaranteed bonds	187,562	197,679	126,098	134,197
Ringgit denominated bonds by foreign issuers in Malaysia	108,267	111,615	117,977	120,110
	783,188	816,158	595,758	615,370

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6. Investments (continued)

	Fair value 2011 RM'000	Fair value 2010 RM'000
Available-for-sale		
Malaysian government securities	567,000	424,291
Malaysian government guaranteed bonds	120,237	64,900
Ringgit denominated bonds by foreign issuers in Malaysia	76,299	77,540
Quoted equity securities of corporations in Malaysia	215,655	204,045
Quoted equity securities of corporations outside Malaysia	-	15,912
Quoted bonds of corporations in Malaysia	-	3,023
Unquoted bonds of corporations in Malaysia	898,625	845,194
Quoted unit trusts in Malaysia	75,657	47,856
Unquoted unit trusts in Malaysia	375	384
Unquoted unit trusts outside Malaysia	8,270	10,897
Negotiable certificate of deposits with other licensed financial institutions	-	14,642
Structured deposits with licensed banks	147,163	59,960
	2,109,281	1,768,644

	Cost 2011 RM'000	Cost 2010 RM'000
Unquoted equity securities of corporations in Malaysia	2,147	2,147
	2,147	2,147
Total available-for-sale financial investments	2,111,428	1,770,791

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6. Investments (continued)

	Amortised cost 2011 RM'000	Fair value 2011 RM'000	Amortised cost 2010 RM'000	Fair value 2010 RM'000
Loans and receivables				
Government guaranteed loans	190,000	190,000	190,000	190,000
Commercial loans	-	-	7,097	7,097
Mortgage loans	89	89	97	97
Policy loans	10,602	10,602	9,819	9,819
Automatic premium loans	51,810	51,810	44,241	44,241
Fixed and call deposits with:				
Licensed banks	14,678	14,678	20,140	20,140
	267,179	267,179	271,394	271,394

6. Investments (continued)

	Fair value	
	2011	2010
	RM'000	RM'000
Held-for-trading		
Malaysian government securities	32,431	7,636
Malaysian government guaranteed bonds	15,197	-
Ringgit denominated bonds by foreign issuers in Malaysia	5,163	5,018
Quoted equity securities of corporations in Malaysia	164,753	136,431
Quoted bonds of corporations in Malaysia	-	775
Unquoted bonds of corporations in Malaysia	90,340	67,724
Commercial loans	-	128
Quoted unit trusts in Malaysia	1,574	232
Unquoted unit trusts outside Malaysia	14,964	19,105
Negotiable certificate of deposits with other licensed financial institutions	-	554
Structured deposits with licensed banks	29,230	29,021
	353,652	266,624

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6. Investments (continued)

Carrying values of financial instruments

	HTM RM'000	AFS RM'000	LAR RM'000	HFT RM'000	Total RM'000
At 1 January 2010	446,618	1,377,180	87,524	210,767	2,122,089
Purchases/placements	188,137	1,093,917	9,231,235	2,955,838	13,469,127
Maturities	(40,000)	(104,362)	(9,047,365)	(2,491,372)	(11,683,099)
Disposals	-	(661,842)	-	(410,442)	(1,072,284)
Fair value gains/(losses) recorded in:					
Income statement					
- Unrealised (losses)/gains	-	(510)	-	1,504	994
- Movement in impairment allowance	-	(799)	-	-	(799)
Insurance contract liabilities	-	64,662	-	-	64,662
Other comprehensive income	-	2,271	-	-	2,271
Amortisation of premiums	(416)	(2,868)	-	(123)	(3,407)
Accretion of discounts	1,419	3,142	-	452	5,013
At 31 December 2010	595,758	1,770,791	271,394	266,624	2,904,567

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6. Investments (continued)

Carrying values of financial instruments (continued)

	HTM RM'000	AFS RM'000	LAR RM'000	HFT RM'000	Total RM'000
At 1 January 2011	595,758	1,770,791	271,394	266,624	2,904,567
Purchases/placements	196,304	891,672	11,060,039	364,649	12,512,664
Maturities	(10,000)	(133,596)	(11,064,254)	(11,999)	(11,219,849)
Disposals	-	(435,044)	-	(267,118)	(702,162)
Fair value gains/(losses) recorded in:					
Income statement					
- Unrealised (losses)/gains	-	(715)	-	559	(156)
- Unrealised foreign exchange gains	-	-	-	726	726
- Movement in impairment allowance	-	(389)	-	-	(389)
Insurance contract liabilities	-	14,003	-	-	14,003
Other comprehensive income	-	2,415	-	-	2,415
Amortisation of premiums	(315)	(2,867)	-	(127)	(3,309)
Accretion of discounts	1,441	5,158	-	338	6,937
At 31 December 2011	783,188	2,111,428	267,179	353,652	3,515,447

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7. Reinsurance assets

	Note	2011 RM'000	2010 RM'000
Reinsurance of insurance contracts			
Actuarial liabilities			
- Current		5,258	4,185
- Non -current		77,768	76,895
	12	83,026	81,080

8. Insurance receivables

	Note	2011 RM'000	2010 RM'000
Current			
Due premium including agents, brokers and co-insurers balances		44,054	41,849
Due from reinsurers and cedants		1,412	564
Due from a related company	8.1	3,654	-
Group claims receivable		795	273
		49,915	42,686
Less: Allowance for impairment		(1,140)	(728)
		48,775	41,958

8.1 Amounts due from a related company

The amounts due from a related company are unsecured, interest free and repayable on demand.

9. Other receivables, deposits and prepayments

	Note	2011 RM'000	2010 RM'000
Non-current			
Other receivables		4,176	4,547
Malaysian Institute of Insurance ("MII") bonds		100	100
		4,276	4,647
Current			
Other receivables		733	17,401
Sundry deposits		480	1,475
Less: Allowance for impairment		(203)	(369)
		1,010	18,507
Income due and accrued		31,134	26,417
Due from related companies	9.1	722	463
Due from inter-fund	16	22,960	26,237
		55,826	71,624
		60,102	76,271

9.1 Amounts due from related companies

The amounts due from related companies are unsecured, interest free and repayable on demand.

10. Share capital

	Amount 2011 RM'000	Number of shares 2011 '000	Amount 2010 RM'000	Number of shares 2010 '000
Authorised:				
Ordinary shares of RM1 each				
At 1 January	350,000	350,000	180,000	180,000
Created during the year	-	-	170,000	170,000
At 31 December	350,000	350,000	350,000	350,000
Issued and fully paid:				
Ordinary shares of RM1 each				
On issue at 1 January	236,600	236,600	157,000	157,000
Issued during the year	-	-	79,600	79,600
On issue at end of the year	236,600	236,600	236,600	236,600

11. Reserves

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available – for-sale financial assets until the investments are derecognised or impaired.

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has Section108 tax credit and tax exempt income to frank and distribute all of its distributable reserves as at 31 December 2011 if paid out as dividends.

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1 January 2008. As such, the remaining Section 108 tax credit as at 31 December 2011 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

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12. Insurance contract liabilities

	2011			2010		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
Actuarial liabilities	2,615,884	(83,026)	2,532,858	2,107,457	(81,080)	2,026,377
Unallocated surplus	485,217	-	485,217	414,316	-	414,316
Available-for-sale fair value reserves	64,590	-	64,590	51,707	-	51,707
Net asset value attributable to unitholders	314,966	-	314,966	274,877	-	274,877
Revaluation reserves	2,575	-	2,575	962	-	962
	3,483,232	(83,026)	3,400,206	2,849,319	(81,080)	2,768,239
		Note 7			Note 7	

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12. Insurance contract liabilities (continued)

	Gross			Reinsurance			
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	Net RM'000
At 1 January 2010	1,289,173	966,057	2,255,230	(2,275)	(69,329)	(71,604)	2,183,626
Premiums received	509,309	520,150	1,029,459	(8,586)	(55,561)	(64,147)	965,312
Liabilities paid for death, maturities, surrenders, benefits and claims	(61,451)	(220,733)	(282,184)	5,922	39,167	45,089	(237,095)
Benefits and claims experience variation	21,126	(38,557)	(17,431)	1,274	18,189	19,463	2,032
Fees deducted	(139,313)	(188,153)	(327,466)	1,511	5,987	7,498	(319,968)
Credit of interest or change in unit-prices	4,896	-	4,896	-	-	-	4,896
Adjustments due to changes in assumptions	(1,902)	37,755	35,853	-	(17,379)	(17,379)	18,474
Net asset value attributable to unitholders	-	26,238	26,238	-	-	-	26,238
Available-for-sale fair value reserves	49,428	15,234	64,662	-	-	-	64,662
Unallocated surplus	39,470	25,765	65,235	-	-	-	65,235
Deferred tax effects:							
Available-for-sale fair value reserves	(3,954)	(1,219)	(5,173)	-	-	-	(5,173)
At 31 December 2010	1,706,782	1,142,537	2,849,319	(2,154)	(78,926)	(81,080)	2,768,239

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12. Insurance contract liabilities (continued)

	Gross			Reinsurance			
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	Net RM'000
At 1 January 2011	1,706,782	1,142,537	2,849,319	(2,154)	(78,926)	(81,080)	2,768,239
Premiums received	493,687	650,023	1,143,710	(9,525)	(58,105)	(67,630)	1,076,080
Liabilities paid for death, maturities, surrenders, benefits and claims	(71,800)	(225,308)	(297,108)	6,557	45,155	51,712	(245,396)
Benefits and claims experience variation	34,554	(11,800)	22,754	396	(379)	17	22,771
Fees deducted	(96,784)	(261,402)	(358,186)	2,571	3,667	6,238	(351,948)
Credit of interest or change in unit-prices	5,978	-	5,978	-	-	-	5,978
Adjustments due to changes in assumptions	18,118	(1,093)	17,025	(319)	8,036	7,717	24,742
Net asset value attributable to unitholders	-	14,343	14,343	-	-	-	14,343
Available-for-sale fair value reserves	7,150	6,853	14,003	-	-	-	14,003
Revaluation reserves	1,200	529	1,729	-	-	-	1,729
Unallocated surplus	34,946	35,955	70,901	-	-	-	70,901
Deferred tax effects:							
Available-for-sale fair value reserves	(572)	(548)	(1,120)	-	-	-	(1,120)
Revaluation reserves	(81)	(35)	(116)	-	-	-	(116)
At 31 December 2011	2,133,178	1,350,054	3,483,232	(2,474)	(80,552)	(83,026)	3,400,206

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13. Deferred tax assets and liabilities

13.1 Recognised deferred tax assets and liabilities

Deferred tax on the shareholders' portion of unallocated surplus has not been accounted for in the financial statements as the surplus will be taxed only upon transfer to the shareholders' fund. The deferred tax impact on the shareholders' portion of unallocated surplus is RM 76,373,000 (2010: RM 67,384,000) based on the Malaysian tax rate of 25%.

13.2 Deferred tax assets / (liabilities) are attributable to the following:

	Assets		Liabilities		Net	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Property, plant and equipment	-	-	(589)	(326)	(589)	(326)
Fair value reserve of securities available-for-sale	-	-	(6,457)	(4,733)	(6,457)	(4,733)
Fair value movement to income statement	-	-	(1,166)	(1,116)	(1,166)	(1,116)
Revaluation reserve	-	-	(189)	(73)	(189)	(73)
Net tax assets/ (liabilities)	-	-	(8,401)	(6,248)	(8,401)	(6,248)

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13. Deferred tax assets and liabilities (continued)

13.3 Movement in temporary differences during the year

	At 1 January 2010	Recognised in insurance contract liabilities (Note 26)	Recognised in income statement (Note 26)	Recognised in other comprehen-sive income (Note 26)	At 31 December 2010/ 1 January 2011	Recognised in insurance contract liabilities (Note 26)	Recognised in income statement (Note 26)	Recognised in other comprehen-sive income (Note 26)	At 31 December 2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	(319)	-	(7)	-	(326)	-	(263)	-	(589)
Tax losses carry-forward	2,371	-	(2,371)	-	-	-	-	-	-
Fair value reserve of securities available-for-sale	1,008	(5,173)	-	(568)	(4,733)	(1,120)	-	(604)	(6,457)
Fair value movement to income statement	(982)	-	(134)	-	(1,116)	-	(50)	-	(1,166)
Revaluation reserve	(73)	-	-	-	(73)	(116)	-	-	(189)
Net tax assets/ (liabilities)	2,005	(5,173)	(2,512)	(568)	(6,248)	(1,236)	(313)	(604)	(8,401)

14. Other financial liabilities

	2011 RM'000	2010 RM'000
Non-current		
Deposits received from reinsurers	1,463	1,582

The carrying amounts disclosed above approximate fair value at the end of the reporting period.

15. Insurance payables

	Note	2011 RM'000	2010 RM'000
Current			
Due to reinsurers and cedants		12,189	6,386
Due to agents, brokers and co-insurers and insurers		72,762	67,457
Due to a related company	15.1	-	45
Due to ultimate holding company	15.2	40	-
		84,991	73,888

15.1 Amounts due to a related company

The amounts due to a related company are unsecured, interest free and repayable on demand.

15.2 Amounts due to ultimate holding company

The amounts due to ultimate holding company are unsecured, interest free and repayable on demand.

The carrying amounts disclosed above approximate fair value at the end of the reporting period.

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16. Other payables and accruals

	Note	2011 RM'000	2010 RM'000
Non-current			
Other payables	16.1	56,900	49,817
Current			
Other payables and accrued expenses	16.1	63,990	57,942
Due to immediate holding company	16.2	396	385
Due to inter-fund	9	22,960	26,237
		87,346	84,564
		144,246	134,381

16.1 Other payables and accrued expenses

Included in other payables and accrued expenses at 31 December 2011 is an amount of RM72,023,000 (2010 – RM61,428,000) relating to premium received in advance and RM15,181,000 (2010 – RM15,102,000) relating to premium deposits.

16.2 Amounts due to immediate holding company

The amounts due to the immediate holding company are unsecured, interest free and repayable on demand.

The carrying amounts disclosed above approximate fair value at the end of the reporting period.

17. Benefits and claims liabilities

	2011 RM'000	2010 RM'000
Current		
Gross benefits and claims liabilities	79,727	68,852
Less: Recoverable from reinsurers	(11,154)	(9,307)
Net benefits and claims liabilities	68,573	59,545

18. Operating revenue

	Note	2011 RM'000	2010 RM'000
Gross earned premiums	19	1,143,710	1,029,459
Investment income	20	151,326	115,825
		1,295,036	1,145,284

19. Net earned premiums

	2011 RM'000	2010 RM'000
Gross earned premiums	1,143,710	1,029,459
Premiums ceded to reinsurers	(67,630)	(64,147)
Net earned premiums	1,076,080	965,312

20. Investment income

	2011 RM'000	2010 RM'000
Rental of premises from		
- Investment properties	96	96
- Self occupied properties	90	90
Held-to-maturity financial assets		
Coupon income from:		
- Malaysian government securities	17,558	14,014
- Malaysian government guaranteed bonds	7,277	5,801
- Ringgit denominated bonds by foreign issuers in Malaysia	4,964	3,949
Accretion of discounts on:		
- Malaysian government securities	579	589
- Malaysian government guaranteed bonds	520	463
- Ringgit denominated bonds by foreign issuers in Malaysia	342	367
Amortisation of premiums on:		
- Malaysian government securities	(206)	(111)
- Malaysian government guaranteed bonds	(56)	(50)
- Ringgit denominated bonds by foreign issuers in Malaysia	(53)	(255)

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20. Investment income (continued)

	2011 RM'000	2010 RM'000
Available-for-sale financial assets		
Coupon income from:		
- Malaysian government securities	21,298	15,622
- Malaysian government guaranteed bonds	3,988	2,550
- Ringgit denominated bonds by foreign issuers in Malaysia	3,408	2,589
- Quoted bonds of corporations in Malaysia	79	97
- Unquoted bonds of corporations in Malaysia	41,294	35,475
Dividend income from:		
- Quoted equity securities in Malaysia	5,103	4,474
- Quoted unit trusts in Malaysia	3,776	1,056
- Unquoted unit trusts in Malaysia	12	8
Accretion of discounts on:		
- Malaysian government securities	142	443
- Malaysian government guaranteed bonds	326	313
- Ringgit denominated bonds by foreign issuers in Malaysia	10	9
- Quoted bonds of corporations in Malaysia	265	221
- Unquoted bonds of corporations in Malaysia	2,597	2,156
- Structured deposits	1,818	-
Amortisation of premiums on:		
- Malaysian government securities	(2,008)	(1,705)
- Malaysian government guaranteed bonds	(3)	-
- Unquoted bonds of corporations in Malaysia	(833)	(888)
- Negotiable certificate of deposits	(23)	(275)
Interest income from financial institutions:		
- Negotiable certificate of deposits	77	949
- Structured deposits	4,710	2,891
Loans and receivables		
Interest income from:		
- Government guaranteed loans	8,656	4,218
- Commercial loans	187	566
- Mortgage loans	6	(3)
- Policy loans	748	642
- Automatic premium loans	3,650	3,038
Interest income from financial institutions:		
- Fixed and call deposits	8,524	6,783

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20. Investment income (continued)

	2011 RM'000	2010 RM'000
Held for trading financial assets		
Coupon income from:		
- Malaysian government securities	743	308
- Malaysian government guaranteed bonds	369	-
- Ringgit denominated bonds by foreign issuers in Malaysia	246	1
- Government guaranteed loans	-	47
- Quoted bonds of corporations in Malaysia	15	25
- Unquoted bonds of corporations in Malaysia	3,325	2,779
- Commercial loans	-	10
Dividend income from:		
- Quoted equity securities in Malaysia	5,710	3,334
- Quoted unit trusts in Malaysia	62	1,595
Interest income from financial institutions:		
- Negotiable certificate of deposits	2	1,089
- Structured deposits	1,725	126
Accretion of discounts on:		
- Malaysian government securities	1	56
- Quoted bonds of corporations in Malaysia	36	54
- Unquoted bonds of corporations in Malaysia	37	342
- Structured deposits	264	-
Amortisation of premiums on:		
- Malaysian government securities	(36)	(20)
- Malaysian government guaranteed bonds	(1)	-
- Unquoted bonds of corporations in Malaysia	(88)	(96)
- Negotiable certificate of deposits	(1)	(7)
- Structured deposits	(1)	-
	151,326	115,825

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21. Realised gains and losses

	2011 RM'000	2010 RM'000
Realised losses on disposal of property, plant and equipment	(104)	(5)
Realised gains on disposal of investments in debt and equity securities:		
Malaysian government securities	-	3,485
Quoted equity securities of corporations in Malaysia	33,353	34,301
Quoted unit trusts in Malaysia	-	74
Quoted bonds of corporations in Malaysia	1,220	1,058
Unquoted bonds of corporations in Malaysia	-	28
Realised losses on disposal of investments in debt and equity securities:		
Quoted equity securities of corporations outside Malaysia	(582)	-
Quoted unit trusts outside Malaysia	(1,016)	(2,270)
Structured deposits	(3)	-
	32,868	36,671

22. Fair value gains and losses

	Note	2011 RM'000	2010 RM'000
Investment properties	4	340	-
Financial assets – held for trading		(156)	994
Impairment loss on financial investments		(389)	(799)
		(205)	195

23. Fee and commission income

	2011 RM'000	2010 RM'000
Reinsurance commission income	6,238	7,498

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24. Net benefits and claims

	2011 RM'000	2010 RM'000
Gross benefits and claims paid	(297,108)	(282,184)
Claims ceded to reinsurers	51,712	45,089
Net claims paid	(245,396)	(237,095)
Gross change in contract liabilities	(619,417)	(534,600)
Change in contract liabilities ceded to reinsurers	1,946	9,476
	(862,867)	(762,219)

25. Management expenses

	Note	2011 RM'000	2010 RM'000
Advertising and marketing expenses		5,530	1,319
Amortisation of intangible assets	5	46	45
Auditors' remuneration		230	210
Allowance for/(Reversal of) impairment loss on receivables		246	(333)
Bad debts written off		150	-
Bank charges		8,145	6,876
Depreciation on property, plant and equipment	3	2,652	1,677
Employee benefits expense	25(a)	39,803	39,484
Directors' fee and remuneration		325	281
Levies		1,201	88
Rental of premises:			
Third parties		4,572	3,502
Other expense		23,888	18,855
		86,788	72,004

(a) Employee benefits expense

	2011 RM'000	2010 RM'000
Wages and salaries	21,190	19,957
Social security contributions	210	188
Contributions to Employee's Provident Fund	3,971	3,873
Other benefits	14,432	15,466
	39,803	39,484

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25. Management expenses (continued)

(b) Key management personnel compensation

	2011 RM'000	2010 RM'000
Executive director:		
Salaries	770	1,349
Bonus	100	1,232
Contributions to Employee's Provident Fund	168	228
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	272	445
	1,310	3,254
Non-executive directors:		
Fees	228	195
Remuneration	97	86
Estimated money value of benefits-in-kind	52	32
	377	313
	1,687	3,567
Other key management personnel:		
Short term employee benefits	6,061	4,092

Other key management personnel comprise other than the Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

The number of executive and non-executive directors whose total remuneration received during the year falls within the following bands is analysed below:

	Number of directors 2011	2010
Executive director:		
Below RM1,000,000	-	1
RM1,000,000 and above	1	1
Non-executive directors:		
Below RM50,000	1	-
RM50,000 – RM100,000	2	2
RM101,000 – RM150,000	-	-
RM151,000 – RM200,000	1	1

25. Management expenses (continued)

(c) The details of remuneration receivable by the CEO during the year are as follows:

	2011 RM'000	2010 RM'000
Salaries and other emoluments	770	907
Bonus	100	846
Contributions to Employee's Provident Fund	168	120
Estimated money value of benefits-in-kind	272	432
	1,310	2,305
Amount included in Employee Benefits Expense	1,310	2,305

26. Tax expense

	2011 RM'000	2010 RM'000
(a) Recognised in the income statement		
Current tax expense		
Current year	19,931	13,963
Under provision in prior years	1,237	6
	21,168	13,969
Deferred tax expense		
Origination and reversal of temporary differences	313	2,572
Over provision in prior year	-	(60)
	21,481	16,481

The income tax provided for in the life fund for the current and previous financial years is in respect of investment income which is taxed at a tax rate of 8% applicable for life insurance business and 25% (2010: 25%) on income other than investment income which is taxed under Section 60(8) of the Income Tax Act, 1967.

For the shareholders' fund, the corporate tax rate is at 25% for year of assessment 2011 and subsequent years of assessment. Consequently, deferred tax assets and liabilities of shareholders' fund are measured using these tax rates. The taxes of respective funds are disclosed in Note 34 – Insurance funds.

26. Tax expense (continued)

(b) Reconciliation of tax expense

	2011 RM'000	2010 RM'000
Profit before tax	39,704	31,025
Tax at Malaysian tax rates of 25%	9,926	7,756
Tax rate differential of 17% in respect of life fund	(2,284)	(1,941)
Life fund assessable investment income	12,602	10,568
Other items	-	152
Under/(Over) provision in prior years	1,237	(54)
Total tax expense	21,481	16,481

(c) Income tax recognised directly in other comprehensive income

	2011 RM'000	2010 RM'000
Fair value reserve		
At 1 January	237	(331)
Net gain arising from change in fair value	604	568
At 31 December	841	237

(d) Income tax recognised in insurance contract liabilities

	2011 RM'000	2010 RM'000
Available-for-sale fair value reserves		
At 1 January	4,496	(677)
Net gain arising from change in fair value	1,120	5,173
At 31 December	5,616	4,496
Revaluation reserves		
At 1 January	73	73
Net gain arising from change in fair value	116	-
At 31 December	189	73

26. Tax expense (continued)

Previously, investment income and gains from disposal of investments from life fund was taxed twice, once at tax rate of 8% in the life fund and again at a tax rate of 25% when the surplus from life fund is transferred to shareholders' fund. In a Gazette Order on 21 April 2008 and effective from year of assessment 2008 onwards, insurance companies are permitted a set-off ("Section 110B Credits") from the total amount of tax imposed on the shareholders' fund to overcome the incidence of double taxation.

Section 110B credits are governed by a specific Inland Revenue Board ("IRB") guideline issued on 5 November 2008 which details the computation of said credits available to the shareholders' fund of an insurance company. Section 110B credits are applied before dividend tax credits when computing net tax payable to IRB.

Under Section 60 (10A) of the Income Tax Act, 1967 ("Act"), tax losses of the life fund are restricted for deduction against future statutory income of the life fund.

However, Section 60 is silent with regards to the utilisation of unabsorbed tax losses arising from the shareholders' fund. The industry in general (including the Company), has in the past, adopted the position that the tax losses of the shareholders' fund should be preserved for utilisation against the taxable income from the same source. However, the tax authority has made adjustments to utilise the unabsorbed losses of the shareholders' fund to offset against the income of the life fund based on the general provision of the Act.

This will result in the tax losses from the shareholders' fund (that would be taxed at the corporate rate) to be offset against the taxable income of the life fund (that would be taxed at a lower rate of 8%).

Arising from the adjustments made by the tax authority, the Company's taxation beginning year of assessment 2010, has been prepared without bringing forward unabsorbed tax losses of the shareholders' fund.

The industry has appealed to the Ministry of Finance to allow tax losses of the shareholders' fund to be preserved for utilisation against the taxable income from the same source.

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27. Operating leases

Leases as lessee

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2011 RM'000	2010 RM'000
Less than one year	680	949
Between one and five years	522	897
	1,202	1,846

The Company leases a number of offices under operating leases. The leases typically run for a period of 1-5 years, with an option to renew the lease after that date. None of the leases includes contingent rentals.

Leases as lessor

The Company leases out its investment properties under operating leases. The future minimum lease receivables under non-cancellable leases are as follows:

	2011 RM'000	2010 RM'000
Less than one year	168	49
Between one and five years	203	-
	371	49

28. Capital commitments

	2011 RM'000	2010 RM'000
Property, plant and equipment		
Authorised but not contracted for	10,841	6,779
Contracted but not provided for	2,560	2,585
	13,401	9,364

29. Related parties

(a) Identity of related parties

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Company, and members of senior management committee of the Company. There were no significant transactions with the Company during the financial year other than key management personnel compensation as disclosed in Note 25.

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29. Related parties

(b) The significant related party transactions of the Company, other than key management personnel compensation (see note 25), are as follows:

Transactions	Amount transacted for the year ended 31 December 2011 RM'000	Amount transacted for the year ended 31 December 2010 RM'000
Ultimate holding company		
Reinsurance premium	(527)	(186)
Group equity incentive	51	(16)
Payment of IT service costs	(135)	(138)
Payment of personnel expenses	(300)	-
Sharing of HR database platform expenses	(13)	-
Payment of global marketing expenses	(420)	(557)
Immediate holding company		
Rental expenses	(42)	(11)
Payment of other expenses	(689)	(80)
Sharing of common expenses	(2,934)	(3,054)
Related companies*		
Reinsurance premium and commission	(48,233)	(44,632)
Insurance premium	(90)	-
Motor insurance premium	(146)	(130)
Investment in foreign unit trust	13,671	4,271
Payment of fund management fees and advisory fees	(993)	(755)
Payment of brokerage fee for purchases and sales of equity	(359)	-
Payment/(Reimbursement) of personnel expenses	(476)	11
Payment/(Reimbursement) of other expenses	(4,948)	80
Rental expenses	(115)	(84)
Rental income	98	90
Payment of intranet portal network cost	(169)	(170)
Sharing of common expenses	43	1,022
Telemarketing fee	(464)	(1,252)

* Related companies are companies within the Allianz S.E. group.

The terms and conditions for the above transactions are based on normal trade terms.

Significant related party balances related to the above transactions are disclosed in note 8, 9, 15 and 16.

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30. Risk management framework

As a provider of insurance services, the Company considers risk management to be one of their core competencies. It is an integral part of the Company's business process. In order to protect its assets, the Company has established a Group-wide risk management framework to promote a strong risk management culture supported by a robust risk governance structure.

This framework ensures that risks are properly identified, analysed and evaluated. Risk appetite is defined by the Company's risk strategy and limit structure. Close monitoring and reporting allows the Company to detect deviations from its risk tolerance limit at an early stage.

The Allianz risk management framework consists of the following four primary components:

(a) Risk underwriting and identification
A sound risk underwriting and identification framework including risk assessment, risk standards, and clear targets form the foundation for adequate risk taking and management decisions such as individual transaction approval, new product approval, strategic or tactical asset allocation.

(b) Risk evaluation, reporting and controlling
The Company's qualitative and quantitative risk reporting and controlling framework provides transparency and early warning indicators to senior management with regards to its overall risk profile and whether the profile is within the delegated limits and authorities.

(c) Risk strategy and risk appetite
The Company's risk strategy clearly defines its risk appetite. It ensures that returns are appropriate for the risks taken and that the delegated authorities are in line with the Company's overall risk bearing capacity. The risk-return profile is improved through integration of risk considerations and capital needs into management and decision making processes. This also keeps risk strategy and business objectives consistent with each other and allows the Company to take opportunities within its risk appetite.

(d) Communication and transparency
Finally, a transparent and robust risk disclosure provides a basis for communicating this strategy to the Company's internal and external stakeholders, ensuring a sustainable positive impact on valuation and financing.

30. Risk management framework (continued)

Risk governance structure

The Board assumes ultimate responsibility over the effectiveness of the Company's risk management and internal control systems by establishing and supervising the operation of the risk management framework. The Board has delegated the responsibility to establish and supervise the operation of the risk management framework to the Risk Management Committee ("RMC") to discharge their oversight function effectively.

RMC bears the overall responsibility for effective risk identification, measurement, monitoring and control functions of the Company. RMC also oversees the Senior Management's activities in managing the key risk areas of the Company and to ensure that the risk management process is in place and functioning effectively. The RMC is responsible for driving the risk management framework of AMB and to report to the Board on its recommendations and/or decisions. Through structured reporting from Risk Management Working Committee ("RMWC"), RMC will consolidate the status of the risks and present them to the Board for consideration.

RMC serves and provides as a platform for two way communications between the management and the Board on matters of the Group's risk management framework and its strategies. RMWC are responsible in formulating risk management strategies, policies and risk tolerance for RMC review and onward transmission of recommendation to the Board. RMWC determine the allocation of risks by cascading and/or escalating to the relevant owners. RMWC also oversee the compliance of all risk management process by all departments of the Company and provides pre-emptive recommendations to ensure timely action is taken in managing and mitigating the identified risks.

30. Risk management framework (continued)

Governance and regulatory framework

The Company is required to comply with the requirements of the Insurance Act, relevant laws and guidelines from BNM, Bursa Malaysia and LIAM.

The Company is also required to comply with all Allianz SE Group's policies and standards. If there is any conflict with the local laws or regulations, the stricter will apply.

31. Insurance risk

Underwriting risk includes the risk of incurring higher claims costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in the legal or economic conditions of insurance or reinsurance cover. This may result in the insurer having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected.

The Company seeks to minimise underwriting risks through a formalised reinsurance arrangement with an appropriate mix and spread of business between classes of business based on its overall strategy. This is complemented by observing formalised underwriting guidelines and limits and standards applied to the security of reinsurers.

31. Insurance risk (continued)

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

The table below shows the concentration of life insurance contract liabilities with and without DPF by type of contract.

	Gross			Reinsurance			
	With DPF RM '000	Without DPF RM '000	Total RM '000	With DPF RM '000	Without DPF RM '000	Total RM '000	Net RM '000
31 December 2011							
Whole life	1,195,816	168,124	1,363,940	-	(15,641)	(15,641)	1,348,299
Endowment	408,027	309,738	717,765	-	(1,716)	(1,716)	716,049
Mortgage	-	121,176	121,176	-	(57,135)	(57,135)	64,041
Riders and others	303,450	109,553	413,003	(2,474)	(6,060)	(8,534)	404,469
Total	1,907,293	708,591	2,615,884	(2,474)	(80,552)	(83,026)	2,532,858
31 December 2010							
Whole life	946,918	118,379	1,065,297	-	(14,192)	(14,192)	1,051,105
Endowment	335,448	238,613	574,061	-	(1,091)	(1,091)	572,970
Mortgage	-	133,648	133,648	-	(56,216)	(56,216)	77,432
Riders and others	241,173	93,278	334,451	(2,154)	(7,427)	(9,581)	324,870
Total	1,523,539	583,918	2,107,457	(2,154)	(78,926)	(81,080)	2,026,377

As all of the business is derived from Malaysia, the entire life insurance contract liabilities are in Malaysia and no investment contract.

31. Insurance risk (continued)

Key assumptions

Significant judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experiences, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

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

- Mortality and morbidity rates
  Experience study on mortality and morbidity rates is carried out on annual basis. The actual claim experience is compared against industrial mortality table and reinsurers' mortality risk charges. Mortality and morbidity assumptions vary by product type and underwriting procedures.

  For investment-linked and universal life contracts, it is assumed that the Company will be able to increase mortality risk charges in future years in line with emerging mortality experience.

  An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

- Longevity
  The Company is not exposed to longevity risk.

- Expenses
  Expense assumption was set during initial pricing stage. Expense assumption is inflated annually to reflect higher cost of underwriting, issuing and maintaining the policies. Expense assumption varies by premium term, distribution channel, policy duration and underwriting procedures. The expense assumption is reviewed annually, it is compared to actual expense that the Company incurred.

  An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

31. Insurance risk (continued)

Key assumptions (continued)

- Lapse and surrender rates
  Experience study on lapse and surrender rates is carried out on annual basis using statistical method. Lapse and surrender rates vary by product type, distribution channel and policy duration.

  An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

- Discount rate
  In the valuation of the total benefits insurance liabilities of participating life policies, the Company has assumed a long term gross rate of return of 4.50% - 6.50% per annum. The long term gross rate of return is derived based on a basket of strategic asset allocations. The Company calculates long term gross rate by assuming each asset class will earn the targeted yield. The strategic asset allocation and targeted yield are reviewed annually in accordance to the Company's investment philosophy, market condition and the prevailing long term market return for each asset class.

  Malaysian Government Securities (MGS) spot rate is used in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

31. Insurance risk (continued)

The assumptions that have significant effects on the gross insurance contract liabilities and reinsurance assets are listed below.

	Mortality and morbidity rates[1]		Lapse and surrender rate		Discount rate	
	2011	2010	2011	2010	2011	2010
	%	%	%	%	%	%
Type of business						
With fixed and guaranteed terms and with DPF contracts						
Life insurance	70-80	70-80	3-30	3-30	4.50-6.50	4.50-6.50
Without DPF contracts						
Life insurance	70-150	70-150	3-40	3-35	MGS spot yield	Weighted MGS yield

[1] Industry mortality and morbidity experience tables that were observed in Malaysia between year 1999 and 2003

31. Insurance risk (continued)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit before tax. Sensitivities testing on individual assumptions are meaningful to analyse the magnitude of reserve changes for each assumption. However, it should be studied with care as it does not capture the possible correlation effect when all assumptions are being stressed simultaneously. 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 Profit before tax# RM'000	Impact on Gross liabilities* RM'000	Impact on Net liabilities* RM'000
Life insurance contracts				
31 December 2011				
Mortality	+5%	-	14,332	11,522
Discount rate	-0.5%	(18,000)	209,338	206,288
Expenses	+10%	-	18,003	17,748
Lapse and surrender rates	-10%	-	31,097	30,637
31 December 2010				
Mortality	+5%	-	16,052	12,912
Discount rate	-0.5%	(15,000)	240,121	229,534
Expenses	+10%	-	25,899	22,896
Lapse and surrender rates	-10%	-	25,859	25,593

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

31. Insurance risk (continued)

Sensitivities (continued)

The above illustration is only prepared for adverse scenario, where the key assumptions are being moved in an unfavourable direction. In respect of Life fund, it would affect the insurance contract liabilities and correspondingly surplus available for transfer from life fund to shareholders' fund.

* The impact on gross and net liabilities only reflects the changes in the prescribed assumptions above without adjustment to policyholders' bonuses for the life participating business. Impact on insurance contract liabilities also reflects adjustments for tax, where applicable.

32. Financial risks

Exposure to credit, liquidity, market (currency risk, interest rate yield risk, price risk) and operational risk arises in the normal course of the Company's business. The Company is guided by its risk management framework as well as policies and guidelines from the ultimate holding company, Allianz SE which sets out its general risk management philosophy. Through financial risk management, business strategies are evaluated to ensure their appropriateness to the strategic, operational and financial risks tolerance.

32.1 Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from the underwriting of life insurance business and the investment in fixed income instruments. Financial loss may materialise when the counterparty failed to meet payment obligations for various reasons.

The Company has credit policies in place to mitigate the credit risk from underwriting of insurance business and it is monitored on an ongoing basis. Reinsurance is prioritised to local insurers or reinsurers, and if the Company has to place overseas, only counterparties that have a credit rating that is acceptable to Allianz SE Group are used.

With effect from 12 September 2008, all bond investments must carry a minimum rating of AA- or P1 by rating agencies established in Malaysia or minimum rating of A- by any internationally recognised rating agency as outlined in the Company's Investment Mandate which is approved by the Board of Directors.

The Company considers rating of BBB and above as investment grades and ratings below BBB as non-investment grade. Assets which are not rated by rating agencies are classified as non-rated.

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32. Financial risks (continued)

32.1 Credit risk (continued)

Credit exposure

The table below shows the maximum exposure to credit risk for the financial assets on the statement of financial position.

	Insurance and Shareholders' funds RM '000	Investment-linked funds RM '000	Total RM '000
31 December 2011			
HTM financial investments			
Malaysian government securities	487,359	-	487,359
Malaysian government guaranteed bonds	187,562	-	187,562
Ringgit denominated bonds by foreign issuers in Malaysia	108,267	-	108,267
LAR			
Government guaranteed loans	190,000	-	190,000
Other loans	62,501	-	62,501
Fixed and call deposits	14,678	-	14,678
AFS financial investments			
Malaysian government securities	567,000	-	567,000
Malaysian government guaranteed bonds	120,237	-	120,237
Ringgit denominated bonds by foreign issuers in Malaysia	76,299	-	76,299
Debt securities	898,625	-	898,625
Structured deposits	147,163	-	147,163

32. Financial risks (continued)

32.1 Credit risk (continued)

Credit exposure (continued)

The table below shows the maximum exposure to credit risk for the financial assets on the statement of financial position (continued).

	Insurance and Shareholders' funds RM'000	Investment-linked funds RM'000	Total RM'000
31 December 2011 (continued)			
HFT financial investments			
Malaysian government securities	22,129	10,302	32,431
Malaysian government guaranteed bonds	10,098	5,099	15,197
Ringgit denominated bonds by foreign issuers in Malaysia	1,549	3,614	5,163
Debt securities	30,197	60,143	90,340
Structured deposits	-	29,230	29,230
Reinsurance assets	83,026	-	83,026
Insurance receivables	48,775	-	48,775
Cash and cash equivalents	266,466	35,945	302,411
	3,321,931	144,333	3,466,264

32. Financial risks (continued)

32.1 Credit risk (continued)

Credit exposure (continued)

The table below shows the maximum exposure to credit risk for the financial assets on the statement of financial position (continued).

	Insurance and Shareholders' funds RM '000	Investment-linked funds RM '000	Total RM '000
31 December 2010			
HTM financial investments			
Malaysian government securities	351,683	-	351,683
Malaysian government guaranteed bonds	126,098		126,098
Ringgit denominated bonds by foreign issuers in Malaysia	117,977	-	117,977
LAR			
Government guaranteed loans	190,000	-	190,000
Commercial loans	7,097	-	7,097
Other loans	54,157	-	54,157
Fixed and call deposits	20,140	-	20,140
AFS financial investments			
Malaysian government securities	424,291	-	424,291
Malaysian government guaranteed bonds	64,900	-	64,900
Ringgit denominated bonds by foreign issuers in Malaysia	77,540	-	77,540
Debt securities	848,217	-	848,217
Negotiable certificate of deposits	14,642	-	14,642
Structured deposits	59,960	-	59,960

32. Financial risks (continued)

32.1 Credit risk (continued)

Credit exposure (continued)

The table below shows the maximum exposure to credit risk for the financial assets on the statement of financial position (continued).

	Insurance and Shareholders' funds RM'000	Investment-linked funds RM'000	Total RM'000
31 December 2010 (continued)			
HFT financial investments			
Malaysian government securities	4,042	3,594	7,636
Ringgit denominated bonds by foreign issuers in Malaysia	1,506	3,512	5,018
Debt securities	8,578	59,921	68,499
Commercial loans	-	128	128
Negotiable certificate of deposits	-	554	554
Structured deposits	-	29,021	29,021
Reinsurance assets	81,080	-	81,080
Insurance receivables	41,958	-	41,958
Cash and cash equivalents	196,726	30,492	227,218
	2,690,592	127,222	2,817,814

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32. Financial risks (continued)

32.1 Credit risk (continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposures of the Company by classifying financial assets according to the Company's credit ratings of counterparties.

	Neither past-due nor impaired				
	Investment grade * RM'000	Non-rated RM'000	Investment-linked funds RM'000	Past-due but not impaired RM'000	Total RM'000
31 December 2011					
HTM financial investments					
Malaysian government securities	-	487,359	-	-	487,359
Malaysian government guaranteed bonds	-	187,562	-	-	187,562
Ringgit denominated bonds by foreign issuers in Malaysia	108,267	-	-	-	108,267
LAR					
Government guaranteed loans	-	190,000	-	-	190,000
Other loans	-	62,501	-	-	62,501
Fixed and call deposits	4,373	10,305	-	-	14,678
AFS financial investments					
Malaysian government securities	-	567,000	-	-	567,000
Malaysian government guaranteed bonds	-	120,237	-	-	120,237
Ringgit denominated bonds by foreign issuers in Malaysia	76,299	-	-	-	76,299
Debt securities	898,625	-	-	-	898,625
Structured deposits	147,163	-	-	-	147,163

* Investment grade is defined as investment with rating BBB and above.

32. Financial risks (continued)

32.1 Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposures of the Company by classifying financial assets according to the Company's credit ratings of counterparties. (continued)

	Neither past-due nor impaired				
	Investment grade * RM '000	Non-rated RM '000	Investment-linked funds RM '000	Past-due but not impaired RM '000	Total RM '000
31 December 2011 (continued)					
HFT financial investments					
Malaysian government securities	-	22,129	10,302	-	32,431
Malaysian government guaranteed bonds	-	10,098	5,099	-	15,197
Ringgit denominated bonds by foreign issuers in Malaysia	1,549	-	3,614	-	5,163
Debt securities	30,197	-	60,143	-	90,340
Structured deposits	-	-	29,230	-	29,230
Reinsurance assets	81,891	1,135	-	-	83,026
Insurance receivables	-	44,829	-	3,946	48,775
Cash and cash equivalents	266,466	-	35,945	-	302,411
	1,614,830	1,703,155	144,333	3,946	3,466,264

* Investment grade is defined as investment with rating BBB and above.

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32. Financial risks (continued)

32.1 Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposures of the Company by classifying financial assets according to the Company's credit ratings of counterparties. (continued)

	Neither past-due nor impaired				
	Investment grade * RM '000	Non-rated RM '000	Investment-linked funds RM '000	Past-due but not impaired RM '000	Total RM '000
31 December 2010					
HTM financial investments					
Malaysian government securities	-	351,683	-	-	351,683
Malaysian government guaranteed bonds	-	126,098	-	-	126,098
Ringgit denominated bonds by foreign issuers in Malaysia	78,781	39,196	-	-	117,977
LAR					
Government guaranteed loans	-	190,000	-	-	190,000
Commercial loans	-	7,097	-	-	7,097
Other loans	-	54,157	-	-	54,157
Fixed and call deposits	10,140	10,000	-	-	20,140
AFS financial investments					
Malaysian government securities	-	424,291	-	-	424,291
Malaysian government guaranteed bonds	-	64,900	-	-	64,900
Ringgit denominated bonds by foreign issuers in Malaysia	70,573	6,967	-	-	77,540
Debt securities	848,217	-	-	-	848,217
Negotiable certificate of deposits	14,642	-	-	-	14,642
Structured deposits	59,960	-	-	-	59,960

* Investment grade is defined as investment with rating BBB and above.

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32. Financial risks (continued)

32.1 Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposures of the Company by classifying financial assets according to the Company's credit ratings of counterparties.(continued)

	Neither past-due nor impaired				
	Investment grade * RM '000	Non-rated RM '000	Investment-linked funds RM '000	Past-due but not impaired RM '000	Total RM '000
31 December 2010 (continued)					
HFT financial investments					
Malaysian government securities	-	4,042	3,594	-	7,636
Ringgit denominated bonds by foreign issuers in Malaysia	1,506	-	3,512	-	5,018
Debt securities	8,578	-	59,921	-	68,499
Commercial loans	-	-	128	-	128
Negotiable certificate of deposits	-	-	554	-	554
Structured deposits	-	-	29,021	-	29,021
Reinsurance assets	80,052	1,028	-	-	81,080
Insurance receivables	-	36,815	-	5,143	41,958
Cash and cash equivalents	196,714	12	30,492	-	227,218
	1,369,163	1,316,286	127,222	5,143	2,817,814

* Investment grade is defined as investment with rating BBB and above.

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32. Financial risks (continued)

32.1 Credit risk (continued)

The table below provides information regarding the credit risk exposures of the Company by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade.

	AAA	AA	A	BBB	Non- rated	Investment-linked funds	Total
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
31 December 2011							
HTM financial investments							
Malaysian government securities	-	-	-	-	487,359	-	487,359
Malaysian government guaranteed bonds	-	-	-	-	187,562	-	187,562
Ringgit denominated bonds by foreign issuers in Malaysia	108,267	-	-	-	-	-	108,267
LAR							
Government guaranteed loans	-	-	-	-	190,000	-	190,000
Other loans	-	-	-	-	62,501	-	62,501
Fixed and call deposits	2,575	1,798	-	-	10,305	-	14,678
AFS financial investments							
Malaysian government securities	-	-	-	-	567,000	-	567,000
Malaysian government guaranteed bonds	-	-	-	-	120,237	-	120,237
Ringgit denominated bonds by foreign issuers in Malaysia	76,299	-	-	-	-	-	76,299
Debt securities	329,175	531,519	37,931	-	-	-	898,625
Structured deposits	147,163	-	-	-	-	-	147,163

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32. Financial risks (continued)

32.1 Credit risk (continued)

The table below provides information regarding the credit risk exposures of the Company by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade. (continued)

	AAA	AA	A	BBB	Non- rated	Investment-linked funds	Total
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
31 December 2011 (continued)							
HFT financial investments							
Malaysian government securities	-	-	-	-	22,129	10,302	32,431
Malaysian government guaranteed bonds	-	-	-	-	10,098	5,099	15,197
Ringgit denominated bonds by foreign issuers in Malaysia	1,549	-	-	-	-	3,614	5,163
Debt securities	11,402	18,795	-	-	-	60,143	90,340
Structured deposits	-	-	-	-	-	29,230	29,230
Reinsurance assets	-	80,620	1,271	-	1,135	-	83,026
Insurance receivables	-	-	-	-	48,775	-	48,775
Cash and cash equivalents	112,893	110,442	43,131	-	-	35,945	302,411
	789,323	743,174	82,333	-	1,707,101	144,333	3,466,264

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32. Financial risks (continued)

32.1 Credit risk (continued)

The table below provides information regarding the credit risk exposures of the Company by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade.(continued)

	AAA	AA	A	BBB	Non- rated	Investment-linked funds	Total
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
31 December 2010							
HTM financial investments							
Malaysian government securities	-	-	-	-	351,683	-	351,683
Malaysian government guaranteed bonds	-	-	-	-	126,098	-	126,098
Ringgit denominated bonds by foreign issuers in Malaysia	78,781	-	-	-	39,196	-	117,977
LAR							
Government guaranteed loans	-	-	-	-	190,000	-	190,000
Commercial loans	-	-	-	-	7,097		7,097
Other loans	-	-	-	-	54,157	-	54,157
Fixed and call deposits	2,500	1,951	5,689	-	10,000	-	20,140
AFS financial investments							
Malaysian government securities	-	-	-	-	424,291	-	424,291
Malaysian government guaranteed bonds	-	-	-	-	64,900	-	64,900
Ringgit denominated bonds by foreign issuers in Malaysia	70,573	-	-	-	6,967	-	77,540
Debt securities	298,191	478,161	66,982	4,883	-	-	848,217
Negotiable certificate deposits	14,642	-	-	-	-	-	14,642
Structured deposits	59,960	-	-	-	-	-	59,960

32. Financial risks (continued)

32.1 Credit risk (continued)

The table below provides information regarding the credit risk exposures of the Company by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade.(continued)

	AAA	AA	A	BBB	Non- rated	Investment-linked funds	Total
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
31 December 2010 (continued)							
HFT financial investments							
Malaysian government securities	-	-	-	-	4,042	3,594	7,636
Ringgit denominated bonds by foreign issuers in Malaysia	1,506	-	-	-	-	3,512	5,018
Debt securities	1,000	7,578	-	-	-	59,921	68,499
Commercial loans	-	-	-	-	-	128	128
Negotiable certificate of deposits	-	-	-	-	-	554	554
Structured deposits	-	-	-	-	-	29,021	29,021
Reinsurance assets	-	78,637	1,415	-	1,028	-	81,080
Insurance receivables	-	-	-	-	41,958	-	41,958
Cash and cash equivalents	108,964	55,393	32,357	-	12	30,492	227,218
	636,117	621,720	106,443	4,883	1,321,429	127,222	2,817,814

32. Financial risks (continued)

32.1 Credit risk (continued)

The table below provides information regarding the credit risk exposures of the Company according to the Company's categorisation of counter-parties by credit rating.

	AAA	AA	A	BBB	Non- rated	Investment-linked funds	Total
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
31 December 2011							
Investment grade	789,323	743,174	82,333	-	-	128,932	1,743,762
Not rated	-	-	-	-	1,703,155	15,401	1,718,556
Past due but not impaired	-	-	-	-	3,946	-	3,946
	789,323	743,174	82,333	-	1,707,101	144,333	3,466,264
31 December 2010							
Investment grade	636,117	621,720	106,443	4,883	-	123,500	1,492,663
Not rated	-	-	-	-	1,316,286	3,722	1,320,008
Past due but not impaired	-	-	-	-	5,143	-	5,143
	636,117	621,720	106,443	4,883	1,321,429	127,222	2,817,814

32. Financial risks (continued)

32.1 Credit risk (continued)

(i) Past due but not impaired financial assets

The Company has not provided the credit risk analysis for the financial asset of the investment-linked business. This is due to the fact that, in investment-linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities and the shareholders have no direct exposure to any credit risk in those assets.

Age analysis of financial assets past-due but not impaired

Insurance receivables	< 90 days	91-180 days	Investment-linked funds	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2011	3,946	-	-	3,946
31 December 2010	5,143	-	-	5,143

32. Financial risks (continued)

32.1 Credit risk (continued)

(ii) Past due and impaired financial assets

At 31 December 2011, based on combination of collective and individual assessment of receivables, there are impaired insurance receivables of RM1,140,000 (2010: RM 728,000) and other receivables of RM203,000 (2010: RM369,000) respectively. No collateral is held as security for any past due or impaired assets. The Company records impairment allowance for insurance receivables and other receivables in separate Allowance for impairment accounts. A reconciliation of the allowance for impairment losses for insurance receivables and other receivables are as follows:

	Insurance receivables		**Other receivables**	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
At 1 January	728	975	369	455
Allowance/(Reversal) during the year	412	(247)	(16)	(86)
Reversal for bad debts written off	-	-	(150)	-
At 31 December	1,140	728	203	369

32. Financial risks (continued)

32.2 Liquidity risk

Liquidity risk is the risk of loss resulting from the danger that short-term current or future payment obligations cannot be met or can only be met on the basis of altered conditions, along with the risk that in the case of a liquidity crisis of the Company, refinancing is only possible at higher interest rates or that assets may have to be liquidated at a discount.

Besides monitoring the liquidity position of the Company on a daily basis, the investment strategies particularly focus on the quality of investments and ensure a significant portion of liquid assets in the portfolio. Some other tools used by the Company include to ensure that its assets and liabilities are adequately matched and drawing down of funds to meet claim payments should the claim events exceed a certain amount as provided for in the reinsurance contracts.

Maturity profiles

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on remaining undiscounted contractual obligations, including interest/profit payable and receivable.

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

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

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32. Financial risks (continued)

32.2 Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
31 December 2011								
Insurance contract liabilities								
With DPF	2,133,178	110,243	(259,515)	(9,716)	1,922,282	5,640,845	-	7,404,139
Without DPF	1,350,054	827,420	83,408	35,906	344,961	371,134	-	1,662,829
Other financial liabilities	1,463	-	1,463	-	-	-	-	1,463
Insurance payables	84,991	84,991	-	-	-	-	-	84,991
Other payables	144,246	87,346	56,900	-	-	-	-	144,246
Benefits and claims liabilities	68,573	68,573	-	-	-	-	-	68,573
Total liabilities	3,782,505	1,178,573	(117,744)	26,190	2,267,243	6,011,979	-	9,366,241
31 December 2010								
Insurance contract liabilities								
With DPF	1,706,782	(39,989)	(452,448)	(16,457)	1,921,606	5,369,122	-	6,781,834
Without DPF	1,142,537	551,640	76,744	28,358	331,541	588,750	-	1,577,033
Other financial liabilities	1,582	-	1,582	-	-	-	-	1,582
Insurance payables	73,888	73,888	-	-	-	-	-	73,888
Other payables	134,381	84,564	49,817	-	-	-	-	134,381
Benefits and claims liabilities	59,545	59,545	-	-	-	-	-	59,545
Total liabilities	3,118,715	729,648	(324,305)	11,901	2,253,147	5,957,872	-	8,628,263

32. Financial risks (continued)

32.3 Market risk

Market risk is the risk of loss arising due to changes in market prices or parameters influencing market prices, and in particular the resultant interest rate guarantee risks from asset liability management or from changes to the participations. This includes changes in market prices due to a worsening of market liquidity. Market risk comprises of currency risk, interest rate risk and equity price risk.

The following risk mitigation actions are in place to control and monitor such risk:

- Investment Committee is actively monitoring the investment activities undertaken by the Company.
- The Investment Policy and Mandate which formulated the single counter limits, company limits and sector limits are in place. Compliance to such limits is monitored monthly and reported to Risk Management Working Committee / Risk Management Committee on a quarterly basis.
- Perform stress test as and when needed.
- Stop loss policy is in place.

The Company also issues investment-linked policies in a number of products. In the investment-linked business, the policyholders bear the investment risk on the assets held in the investment-linked funds as the policy benefits are directly linked to the value of the assets in the funds. The Company's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds.

32. Financial risks (continued)

32.3.1 Currency risk

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

The Company's primary transactions are carried out in Ringgit Malaysia (RM). As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the Insurance Act, 1996 and hence, primarily denominated in the same currency (RM) as its insurance contract liabilities. Thus the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which insurance contract liabilities are expected to be settled.

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

All currency risk in investment-linked funds is borne by policyholders.

Exposure to foreign currency risk

The Company's exposure to foreign currency risk, based on carrying amounts as at end of the reporting period was:

Denominated in	Financial assets RM'000	Investment-linked funds RM'000
31 December 2011		
USD	8,270	14,964
AUD	-	27,197
31 December 2010		
USD	10,897	19,105
HKD	15,911	-
AUD	-	26,920

32. Financial risks (continued)

32.3.1 Currency risk (continued)

A 10% (2010:10%) strengthening of the Ringgit Malaysia (RM) against the following currencies at the end of the reporting period would have increase/(decreased) the insurance contract liabilities by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted income and expenses.

	Impact on insurance contract liabilities 2011 RM'000	Impact on insurance contract liabilities 2010 RM'000
USD	(2,323)	(3,000)
HKD	-	(1,591)
AUD	(2,720)	(2,692)

A 10% (2010:10%) weakening of the Ringgit Malaysia (RM) against the above currencies at the end of the reporting period would have equal but opposite effect on the above currencies to the amount shown above, on the basis that all variables remained constant.

32. Financial risks (continued)

32.3.2 Interest rate/Profit yield risk

The Company is affected by changes in market interest rate due to the impact of such changes on interest income from investments and will incur an economic loss when the interest rates drop since the duration of policy liabilities is generally longer than the duration of the fixed income financial assets.

Besides the uncertainty of the cash flows of the insurance funds and scarcity of the longer dated instruments, it is not possible to hold assets that will perfectly match the policy liabilities.

Cash flow sensitivity analysis for variable rate instruments

The analysis below is performed for reasonable possible movements in interest rate with all other variable held constant, showing the impact on the profit before tax, equity and insurance contract liabilities.

	Change in variables	Impact on profit before tax# RM'000	Impact on equity* RM'000	Impact on Insurance contract liabilities** RM'000
31 December 2011				
Interest rate	+100 basis points	(18,000)	(20,467)	(83,522)
Interest rate	+200 basis points	(18,000)	(26,998)	(160,595)
31 December 2010				
Interest rate	+100 basis points	(15,000)	(17,111)	(69,156)
Interest rate	+200 basis points	(15,000)	(22,506)	(130,411)

The above illustration is only prepared for adverse scenario, where interest rate is being raised. The impact on profit would be dependent on whether the interests risk resides in shareholders' fund or life insurance fund. Where the interests risk resides in shareholders' fund, the impact will be directly to profit and equity of the Company. In respect of Life fund, it would affect the insurance contract liabilities and correspondingly surplus available for transfer from life insurance fund to shareholders fund. The above sensitivity test would yield proxy results if interest rate were to move in the opposite direction, with the Company.

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

**The impact on insurance contract liabilities only reflects the changes in the prescribed assumptions above without any adjustment to policyholders' bonuses for the life participating business. Impact on insurance contract liabilities also reflects adjustments for tax, where applicable.

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32. Financial risks (continued)

32.3.3 Price risk

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

The Company's price risk exposures relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investments securities not held for the account of the investment-linked business.

The Company's price risk policy requires it to prioritise capital preservation besides setting limits on overall portfolio, single security and sector holdings. The Company complies with BNM stipulated limits during the financial year and has no significant concentration of price risk.

Equity price risk sensitivity analysis

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets and liabilities whose changes in fair values are recorded in Income Statement) and Equity (that reflects adjustments to profit before tax and changes in fair value of AFS financial assets). 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.

		31 December 2011			31 December 2010		
	Changes in variable	Impact on profit before tax#	Impact on equity*	Impact on insurance contract liabilities** RM'000	Impact on profit before tax#	Impact on equity*	Impact on insurance contract liabilities** RM'000
Market indices							
Market value	-10%	-	-	(42,103)	-	-	(37,561)
Market value	-20%	(18,000)	(13,500)	(84,206)	(15,000)	(11,250)	(75,122)

32. Financial risks (continued)

32.3.3 Price risk (continued)

The above illustration is only prepared for adverse scenario, where market price is being moved in an unfavourable direction. The impact on profit would be dependent on whether the change in market price risk resides in shareholders' fund or life insurance fund. Where the change in market price resides in shareholders' fund, the impact will be directly to profit and equity of the Company. In respect of Life Fund, it would affect the insurance contract liabilities and correspondingly surplus available for transfer from life insurance fund to shareholders fund. The above sensitivity test would yield proxy results if market price were to move in the opposite direction, with the Company.

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

** The impact on insurance contract liabilities only reflects the changes in the prescribed assumptions above without any adjustment to policyholders' bonuses for the life participating business. Impact on insurance contract liabilities also reflects adjustments for tax, where applicable.

32.4 Operational risks

Operational risk is an event or action that may potentially impact partly or completely the achievement of the Company's objectives resulting from inadequate or failed internal processes and systems, human factors or external events.

The Company put in place the following controls to monitor and mitigate such risk:-

- Effective segregation of duties;
- Access controls, authorisation and reconciliation procedures;
- Automation of processes where possible;
- Staff training;
- Evaluation procedures such as internal audit.

32. Financial risks (continued)

32.5 Fair value of financial instruments

The Company's basis in estimation of fair values for financial instruments is as follows:

- The fair values of structured deposits and negotiable certificate of deposits are based on the indicative market prices from the issuing banks;

- The fair values of quoted equity securities of corporations quoted in Malaysia, quoted bonds of corporations in Malaysia and quoted unit trusts in Malaysia are based on quoted closing market price as at the end of the reporting period;

- The unquoted equity securities in and outside Malaysia are stated at cost. Where in the opinion of the Directors, there is a decline other than temporary in value of unquoted equity securities, the allowance for impairment is recognised as an expense in the financial year in which the decline is identified;

- The fair values of Malaysian government securities, Malaysian government guaranteed bonds, ringgit denominated bonds by foreign issuers in Malaysia and unquoted bonds of corporations are based on the indicative market yields obtained from three financial institutions;

- The fair values of unquoted unit trusts in and outside Malaysia are based on the net asset values of the unit trusts as at the date of the statements of assets and liabilities obtained from fund managers; and

- The carrying amount of government guaranteed loan, commercial loans, policy loans, mortgage loans, automatic premium loans, other secured loans, other unsecured loans, bankers' acceptances and fixed and call deposits are assumed to approximate their fair values.

- The carrying amounts of cash and cash equivalents, insurance receivables and other receivables approximate fair values due to the relatively short term nature of these financial instruments.

Estimation of the fair values of Malaysian government securities, Malaysian government guaranteed bonds, ringgit denominated bonds by foreign issuers in Malaysia, and unquoted bonds of corporations are based on the indicative market yields obtained from three financial institutions which involve projections of the market yields based on past transactions. There are elements of uncertainty in projecting the expected market yields and these uncertainties arise from changes in underlying risk and overall economic conditions. As such, the projected market yields may be different from the actual market yields in future.

32. Financial risks (continued)

32.5.1 Fair value hierarchy

Comparative figures have not been presented for 31 December 2010 by virtue of the exemption provided in paragraph 44G of FRS7.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included in 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).

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2011				
Malaysian government securities	-	599,431	-	599,431
Malaysian government guaranteed bonds	-	135,434	-	135,434
Ringgit denominated bonds by foreign issuers in Malaysia	-	81,462	-	81,462
Quoted equity securities of corporations in Malaysia	380,408	-	-	380,408
Unquoted bonds of corporations in Malaysia	-	988,965	-	988,965
Quoted unit trusts in Malaysia	77,231	-	-	77,231
Unquoted unit trusts in Malaysia	-	375	-	375
Unquoted unit trusts outside Malaysia	-	23,234	-	23,234
Structured deposits with licensed banks	-	176,393	-	176,393
	457,639	2,005,294	-	2,462,933

33. Capital management

Regulatory capital requirements

RBC Framework came into effect on 1 January 2009. Under this framework, insurance companies need to maintain a capital adequacy level that commensurate with their risk profiles. All insurance companies are required to maintain a minimum Capital Adequacy Ratio ("CAR") of 130% and an internal target capital level determined by BNM. The internal target will include additional capacity to absorb unexpected losses beyond those that are covered under the minimum required CAR.

The Company has been in compliance since 2009.

The total capital available of the Company as at 31 December 2011, as prescribed under the RBC Framework is provided below:

	Note	2011 RM'000	2010 RM'000
Tier 1 Capital			
Paid up share capital	10	236,600	236,600
Reserves, including retained earnings		490,940	401,816
Capital instruments which qualifies as Tier 1 Capital		401,790	476,347
		1,129,330	1,114,763
Tier 2 Capital			
Revaluation reserves		2,575	962
Available-for-sale reserves		67,112	52,419
		69,687	53,381
Amount deducted from Capital		(1,272)	(1,393)
Total capital available		1,197,745	1,166,751

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34. Insurance funds

The Company's activities are organised by funds and segregated into Life and Shareholders' funds in accordance with the Insurance Act, 1996 and Insurance Regulations, 1996.

The Company's statement of financial position and income statement have been further analysed by funds.

The life insurance business offers a wide range of participating and non-partipating Whole Life, Term Assurance, Endownment and , as well as investment-linked products.

Statement of financial position by funds
As at 31 December

	Shareholders' fund		Life fund		Total	
	2011	2010	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Property, plant and equipment	-	-	20,122	16,773	20,122	16,773
Investment properties	-	-	2,990	2,650	2,990	2,650
Intangible assets	-	-	125	171	125	171
Investments	225,797	176,447	3,289,650	2,728,120	3,515,447	2,904,567
Reinsurance assets	-	-	83,026	81,080	83,026	81,080
Insurance receivables	-	-	48,775	41,958	48,775	41,958
Other receivables, deposits and prepayments	20,016	17,498	40,086	58,773	60,102	76,271
Current tax (liabilities)/assets	(6,299)	-	9,053	-	2,754	-
Cash and cash equivalents	6,230	31,776	296,181	195,442	302,411	227,218
	245,744	225,721	3,790,008	3,124,967	4,035,752	3,350,688

34. Insurance funds (continued)

Statement of financial position by funds (continued)
As at 31 December

	Shareholders' fund		Life fund		Total	
	2011	2010	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total equity	244,846	224,812	-	-	244,846	224,812
Insurance contract liabilities	-	-	3,483,232	2,849,319	3,483,232	2,849,319
Insurance payables	-	-	84,991	73,888	84,991	73,888
Other financial liabilities	-	-	1,463	1,582	1,463	1,582
Other payables and accruals	57	48	144,189	134,333	144,246	134,381
Deferred tax liabilities	841	237	7,560	6,011	8,401	6,248
Current tax liabilities	-	624	-	289	-	913
Benefits and claims liabilities	-	-	68,573	59,545	68,573	59,545
	898	909	3,790,008	3,124,967	3,790,906	3,125,876
Total policyholders' funds and liabilities	245,744	225,721	3,790,008	3,124,967	4,035,752	3,350,688

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34. Insurance funds (continued)

Income statement/Revenue accounts by funds
For the year ended 31December

	Shareholders' fund		Life fund		Total	
	2011	2010	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	8,699	5,236	1,286,337	1,140,048	1,295,036	1,145,284
Gross earned premiums	-	-	1,143,710	1,029,459	1,143,710	1,029,459
Premiums ceded to reinsurers	-	-	(67,630)	(64,147)	(67,630)	(64,147)
Net premiums	-	-	1,076,080	965,312	1,076,080	965,312
Investment income	8,699	5,235	142,627	110,590	151,326	115,825
Realised gains and losses	292	(605)	32,576	37,276	32,868	36,671
Fair value gains and losses	-	-	(205)	195	(205)	195
Fee and commission income	-	-	6,238	7,498	6,238	7,498
Other operating income	-	-	4,544	6,211	4,544	6,211
Other revenue	8,991	4,630	185,780	161,770	194,771	166,400
Gross benefits and claims paid	-	-	(297,108)	(282,184)	(297,108)	(282,184)
Claims ceded to reinsurers	-	-	51,712	45,089	51,712	45,089
Gross change to contract liabilities	-	-	(619,417)	(534,600)	(619,417)	(534,600)
Change in contract liabilities ceded to reinsurers	-	-	1,946	9,476	1,946	9,476
Net benefits and claims	-	-	(862,867)	(762,219)	(862,867)	(762,219)
Fee and commission expense	-	-	(272,106)	(255,471)	(272,106)	(255,471)
Management expenses	(709)	(9)	(86,079)	(71,995)	(86,788)	(72,004)
Other operating expenses	(13)	(18)	(9,373)	(10,975)	(9,386)	(10,993)
Other expenses	(722)	(27)	(367,558)	(338,441)	(368,280)	(338,468)
Transfer from/(to) revenue accounts	18,000	15,000	(18,000)	(15,000)	-	-
Profit/surplus before tax	26,269	19,603	13,435	11,422	39,704	31,025
Tax expense (Note 26)	(8,046)	(5,059)	(13,435)	(11,422)	(21,481)	(16,481)
Net profit/surplus after tax	18,223	14,544	-	-	18,223	14,544

34. Insurance funds (continued)

Investment-linked funds statement of financial position
As at 31 December

	2011 RM'000	2010 RM'000
Assets		
Investments	277,833	249,586
Other receivables, deposits and prepayments	6,592	7,274
Cash and cash equivalents	35,945	30,492
Total assets	320,370	287,352
Liabilities		
Deferred tax liabilities	1,043	1,102
Other payables and accruals	103	124
Benefits and claims liabilities	4,102	11,247
Current tax liabilities	156	2
Total liabilities	5,404	12,475
Net asset value of funds (Note 12)	314,966	274,877

34. Insurance funds (continued)

Investment-linked funds income statement
For the year ended 31 December

	2011 RM'000	2010 RM'000
Investment income	12,080	9,415
Realised gains and losses	6,726	20,927
Fair value gains and losses	(792)	1,320
Other operating income	834	2,895
	18,848	34,557
Other operating expenses	(3,289)	(5,874)
Profit before tax	15,559	28,683
Tax expense	(1,216)	(2,445)
Net profit for the year	14,343	26,238

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34. Insurance funds (continued)

Information on cash flows by funds
As at 31 December

	Shareholders' fund		Life fund		Investment-linked funds		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows (used in)/from:								
Operating activities	(25,546)	(49,622)	100,512	(80,338)	5,453	(23,243)	80,419	(153,203)
Investing activities	-	-	(5,226)	(2,813)	-	-	(5,226)	(2,813)
Financing activities	-	76,000	-	-	-	-	-	76,000
Net (decrease)/increase in cash and cash equivalents	(25,546)	26,378	95,286	(83,151)	5,453	(23,243)	75,193	(80,016)
At beginning of year	31,776	5,398	164,950	248,101	30,492	53,735	227,218	307,234
At end of year	6,230	31,776	260,236	164,950	35,945	30,492	302,411	227,218