

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The Group subsidiary companies are Cagamas Berhad ("Cagamas"), Cagamas MBS Berhad ("CMBS"), and Cagamas SRP Berhad ("CSRP"). During the year, Cagamas MGP Berhad ("CMGP") (formerly known as Cagamas HKMC Berhad ("CHKMC")) which had previously been a joint-venture company became a subsidiary company of the Group, following the purchase of the remaining shares in CHKMC by the Company.

The principal activities of Cagamas consist of purchase of mortgage loans, personal loans and hire purchase and leasing debts from primary lenders approved by Cagamas and the issue of bonds and notes to finance the purchases. Cagamas also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing and funded by issuance of Sukuk.

The principal activities of CMBS consist of purchases of mortgage assets and Islamic mortgage assets from the Government of Malaysia ("GOM") and issuance of residential mortgage-backed securities ("RMBS") and Islamic residential mortgage-backed securities ("IRMBS") to finance the purchases.

The principal activities of CMGP consist of the provision of mortgage guarantee and mortgage indemnity business and other form of credit protection.

The principal activities of CSRP consist of mortgage guarantee and mortgage indemnity business and other form of credit protection in relation to My First Home Scheme ("Skim Rumah Pertamaku") initiated by the GOM.

Other than as declared above, there was no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	413,160	99,308

DIVIDENDS

The dividends paid by the Company since 31 December 2011 were as follows:-

In respect of the financial year ended 31 December 2012:	RM'000
- a first interim dividend paid on 7 May 2012	16,875
- a second interim and special dividend paid on 1 November 2012	28,125
	45,000

RESERVES AND PROVISIONS

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

RATING PROFILE OF THE BONDS AND SUKUK

RAM Rating Services Berhad ("RAM") assigned a rating of AAP/P1 to the bonds, notes and Sukuk issued by the Group. Malaysian Rating Corporation Berhad ("MARC") has assigned ratings of AAA/AAA_D and MARC-1/MARC-1_D to the bonds, notes and Sukuk issued by the Group. In addition, RAM and MARC have also assigned ratings of AAA and AAA/AAA_D/AAA_{IS} respectively to the assets-backed Fixed Rate Serial Bonds and Sukuk Musyarakah issuance.

Directors' Report (continued)

RELATED PARTY TRANSACTIONS

Most of the transactions of the Group involving mortgage loans, hire purchase and leasing debts, Islamic financing facilities as well as issuance of unsecured debt securities and Sukuk are done at arm's length with various financial institutions including that of substantial shareholders of the Company.

DIRECTORS

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

Dato' Ooi Sang Kuang (Chairman)
Datuk George Ratilal
Dato' Charon Wardini Mokhzani
Dato' Sri Abdul Wahid Omar
Tan Sri Dato' Sri Tay Ah Lek
Cheah Tek Kuang
Marzunisham bin Omar

In accordance with Articles 19.13 and 19.14 of the Company's Articles of Association, Dato' Ooi Sang Kuang and Dato' Sri Abdul Wahid Omar retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration as disclosed in Note 34 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the register of Directors' shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares or options over shares in the Company or shares, options over shares and debentures of its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statement and statement of financial positions of the Group and the Company were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and the Company had been written down to an amount which they might be expected so to realise.

Directors' Report (continued)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amounts to be written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

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

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

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

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

In the opinion of the Directors:

- (a) the results of the operations of the Group and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) 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 to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

AUDITORS

Our auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

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



DATO' OOI SANG KUANG
CHAIRMAN



TAN SRI DATO' SRI TAY AH LEK
DIRECTOR

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	Group			Company		
		31 December 2012	31 December 2011	1 January 2011	31 December 2012	31 December 2011	1 January 2011
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Cash and short-term funds	5	710,969	479,219	150,788	790	458	551
Deposits and placements with financial institutions	6	365,349	323,394	81,722	542	688	350
Derivative financial instruments	7	1,115	-	2,848	-	-	-
Available-for-sale investment securities	8	2,150,695	2,062,487	1,489,594	-	-	-
Amount due from counterparties	9	3,696,142	4,307,044	4,325,110	-	-	-
Islamic financing debts	10	8,076,861	6,879,635	6,854,347	-	-	-
Mortgage assets							
- Conventional	11	9,659,351	10,510,760	11,384,572	-	-	-
- Islamic	12	7,124,273	7,434,894	7,696,191	-	-	-
Hire purchase assets							
- Conventional	13	9	52	761	-	-	-
- Islamic	14	15,937	21,221	25,463	-	-	-
Amount due from SPE		-	67	62	-	-	-
Other assets	15	36,171	36,093	42,879	89	-	-
Property and equipment	16	4,363	4,311	5,363	-	-	-
Intangible assets	17	9,552	11,796	13,943	-	-	-
Deferred taxation	18	12,688	13,810	5,170	-	-	-
Tax recoverable		175	-	-	12	-	-
Investment in subsidiaries	19	-	-	-	4,185,663	4,081,628	3,981,628
Investment in SPE	20	-	-	-	-	-	-
Interest in a joint venture company	21	-	53,079	51,852	-	50,000	50,000
Amount due from subsidiary		-	-	-	-	-	133,335
TOTAL ASSETS		31,863,650	32,137,862	32,130,665	4,187,096	4,132,774	4,165,864
LIABILITIES							
Unsecured bearer bonds and notes	22	9,217,450	9,868,021	10,039,490	-	-	-
Sukuk	23	11,707,559	10,585,467	10,651,329	-	-	-
Derivative financial instruments	7	53,741	58,278	46,813	-	-	-
Residential mortgage-backed securities	24	3,195,295	3,842,781	4,135,420	-	-	-
Islamic residential mortgage-backed securities	25	2,865,314	3,382,798	3,382,798	-	-	-
Deferred guarantee fee income		1,038	748	-	-	-	-
Deferred Wakalah fee income		420	219	-	-	-	-
Deferred taxation	18	474,569	429,539	368,789	-	-	33,335
Provision for taxation		23,441	15,374	13,272	-	-	64
Other liabilities	26	63,079	63,642	13,473	21	5	10
Amount due to a subsidiary		-	-	-	-	2	2
TOTAL LIABILITIES		27,601,906	28,246,867	28,651,384	21	7	33,411
REPRESENTED BY:							
Share capital	27	150,000	150,000	150,000	150,000	150,000	150,000
Reserves	28	4,111,744	3,740,995	3,329,281	4,037,075	3,982,767	3,982,453
SHAREHOLDERS' FUNDS		4,261,744	3,890,995	3,479,281	4,187,075	4,132,767	4,132,453
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		31,863,650	32,137,862	32,130,665	4,187,096	4,132,774	4,165,864
NET TANGIBLE ASSETS PER SHARE (RM)							
	36	28.35	25.86	23.10	27.91	27.55	27.55

INCOME STATEMENT

For the Financial Year Ended 31 December 2012

	Note	Group		Company	
		31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Interest income	29	1,005,229	1,047,142	43	31
Interest expense	30	(625,996)	(652,088)	-	-
Income from Islamic operations	48	198,748	234,204	-	-
Non-interest income/(expense)	31	1,469	(773)	132,502	30,500
		579,450	628,485	132,545	30,531
Administration and general expenses		(21,008)	(20,089)	(90)	(63)
Personnel cost		(18,376)	(18,020)	-	-
Share of profit in a joint venture company	21	1,127	1,112	-	-
OPERATING PROFIT		541,193	591,488	132,455	30,468
Purchased goodwill written off	19	142	-	-	-
Writeback of allowance for impairment losses	32	10,577	-	-	-
PROFIT BEFORE TAXATION AND ZAKAT	33	551,912	591,488	132,455	30,468
Zakat		(1,118)	(2,260)	-	-
Taxation	35	(137,634)	(147,120)	(33,147)	(7,654)
PROFIT FOR THE FINANCIAL YEAR		413,160*	442,108*	99,308	22,814
EARNINGS PER SHARE (SEN)	36	275.44	294.74	66.21	15.21
DIVIDEND PER SHARE (SEN)	37			30.00	15.00

* As set out in Note 49 to the financial statements, profit for the financial year of the Group includes profit from CMBS of RM190,071,000 (2011: RM212,088,000) that may be subject to a discretionary bonus fee to the GOM after full settlement of the RMBS/IRMBS.

STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2012

	Group		Company	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Profit for the financial year	413,160	442,108	99,308	22,814
Other comprehensive income/(loss):				
Available-for-sale investment securities				
- Net (loss)/gain on fair value changes before taxation	(1,945)	4,915	-	-
- Deferred taxation	486	(1,252)	-	-
Cash flow hedge				
- Net gain/(loss) on cash flow hedge before taxation	5,425	(15,274)	-	-
- Deferred taxation	(1,357)	3,602	-	-
Share of other comprehensive (loss)/income in a joint venture company	(20)	115	-	-
Other comprehensive income/(loss) for the financial year, net of taxation	2,589	(7,894)	-	-
Total comprehensive income for the financial year	415,749	434,214	99,308	22,814

STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2012

Group	RM'000	Note	Issued and fully paid ordinary shares of RM1 each			Non-distributable			Distributable		
			Share capital	Share premium relief reserve	Reverse acquisition relief reserve	Share premium relief reserve	AFS reserve	Cash flow hedge reserve	Retained earnings	Other reserves*	Total
Balance as at 1 January 2012			150,000	3,831,628	(3,831,628)	7,323	(40,697)	2,147,149	1,627,220	3,890,995	
Profit for the financial year			-	-	-	-	-	413,160	-	413,160	
Other comprehensive (loss)/income			-	-	-	(1,459)	4,068	-	-	2,609	
Share of other comprehensive loss in a joint venture company			-	-	-	(20)	-	-	-	(20)	
Total comprehensive (loss)/income for the financial year			-	-	-	(1,479)	4,068	413,160	-	415,749	
Transfer to share reserve			-	-	-	-	-	(190,071)	190,071	-	
First interim dividends in respect of financial year ended											
31 December 2012		37	-	-	-	-	-	(16,875)	-	(16,875)	
Second interim and special dividends in respect of the financial year ended 31 December 2012		37	-	-	-	-	-	(28,125)	-	(28,125)	
Balance as at 31 December 2012		27 & 28	150,000	3,831,628	(3,831,628)	5,844	(36,629)	2,325,238	1,817,291	4,261,744	

* As set out in note 49 to the financial statements, other reserves relate to retained profits of CMBS that may be subject to a discretionary bonus fee to the GOM after the full settlement of the RMBS/IRMS.

Statement of Changes in Equity

For the Financial Year Ended 31 December 2012 (continued)

Group	RM'000	Note	Issued and fully paid ordinary shares of RM1 each				Non-distributable			Distributable		
			Share capital	Share premium relief reserve	Share acquisition relief reserve	Reverse AFS reserve	Cash flow hedge reserve	Retained earnings	Other reserves*	Total		
Balance as at 1 January 2011			150,000	3,831,628	(3,831,628)	3,545	(29,025)	1,939,629	1,415,132	3,479,281		
Profit for the financial year			-	-	-	-	-	442,108	-	442,108		
Other comprehensive income/(loss)			-	-	-	3,663	(11,672)	-	-	(8,009)		
Share of other comprehensive income in a joint venture company			-	-	-	115	-	-	-	115		
Total comprehensive income/(loss) for the financial year			-	-	-	3,778	(11,672)	442,108	-	434,214		
Transfer to share reserve			-	-	-	-	-	(212,088)	212,088	-		
First interim dividends in respect of financial year ended 31 December 2011		37	-	-	-	-	-	(16,875)	-	(16,875)		
Second interim dividends in respect of financial year ended 31 December 2011		37	-	-	-	-	-	(5,625)	-	(5,625)		
Balance as at 31 December 2011		27 & 28	150,000	3,831,628	(3,831,628)	7,323	(40,697)	2,147,149	1,627,220	3,890,995		

* As set out in note 49 to the financial statements, other reserves relate to retained profits of CMBS that may be subject to a discretionary bonus fee to the GOM after the full settlement of the RMBS/IRMS.

Statement of Changes in Equity

For the Financial Year Ended 31 December 2012 (continued)

Company	RM'000	Note	Issued and fully paid ordinary shares RM1 each	Non- Distributable	Distributable	Total
			Share capital	Share premium relief reserves	Retained profits	
Balance as at 1 January 2012			150,000	3,831,628	151,139	4,132,767
Profit for the financial year			-	-	99,308	99,308
Other comprehensive income			-	-	-	-
Total comprehensive income for the financial year			-	-	99,308	99,308
Special dividends in respect of financial year ended 31 December 2012		37	-	-	(22,500)	(22,500)
First interim dividends in respect of financial year ended 31 December 2012		37	-	-	(16,875)	(16,875)
Second interim dividends in respect of financial year ended 31 December 2012		37	-	-	(5,625)	(5,625)
Balance as at 31 December 2012		27 & 28	150,000	3,831,628	205,447	4,187,075
Balance as at 1 January 2011			150,000	3,831,628	150,825	4,132,453
Profit for the financial year			-	-	22,814	22,814
Other comprehensive income			-	-	-	-
Total comprehensive income for the financial year			-	-	22,814	22,814
First interim dividends in respect of financial year ended 31 December 2011		37	-	-	(16,875)	(16,875)
Second interim dividends in respect of financial year ended 31 December 2011		37	-	-	(5,625)	(5,625)
Balance as at 31 December 2011		27 & 28	150,000	3,831,628	151,139	4,132,767

STATEMENT OF CASH FLOW

For the Financial Year Ended 31 December 2012

	Note	Group		Company	
		31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
OPERATING ACTIVITIES					
Profit for the financial year		413,160	442,108	99,308	22,814
Adjustments for investment items and items not involving the movement of cash and cash equivalents:					
Amortisation of premium less accretion of discount on available-for-sale investment securities		(2,031)	1,678	-	-
Amortisation of premium less accretion of discount on Islamic debt securities		(2,968)	(2,486)	-	-
Accretion of discount on mortgage assets - Conventional		(266,879)	(283,338)	-	-
Accretion of discount on mortgage assets - Islamic		(150,790)	(179,100)	-	-
Accretion of discount on hire purchase assets - Conventional		(1)	(10)	-	-
Accretion of discount on hire purchase assets - Islamic		(485)	(2,639)	-	-
Income from Islamic debt securities		(96)	(828)	-	-
Interest income		(712,366)	(762,096)	-	-
Income from Islamic operations		(625,059)	(650,029)	-	-
Interest expense		625,996	652,088	-	-
Profit attributable to Sukuk holders		588,034	596,784	-	-
Guarantee fee expense		(161)	(1)	-	-
Wakalah fee expense		51	104	-	-
Management fee		(500)	(500)	(500)	(500)
Depreciation of property and equipment		1,065	1,126	-	-
Amortisation of intangible assets		2,508	2,631	-	-
Gain on disposal of property and equipment		(112)	(26)	-	-
Gain on disposal of available-for-sale investment securities		(4,159)	(4,948)	-	-
Allowance for impairment losses on mortgage and Islamic mortgage assets		(10,578)	-	-	-
Unrealised loss on revaluation of IRS		-	3	-	-
Purchased goodwill written off		(142)	-	-	-
Share of profit in a joint venture company		(1,127)	(1,112)	-	-
Taxation		170,634	154,620	33,147	7,654
Zakat		1,118	2,260	-	-
Operating profit/(loss) before working capital changes		25,112	(33,711)	131,955	29,968

Statement of Cash Flow

For the Financial Year Ended 31 December 2012 (continued)

Note	Group		Company	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Decrease in amount due from counterparties	605,546	24,262	-	-
Increase in Islamic financing debts	(1,190,455)	(18,730)	-	-
Decrease in mortgage assets - Conventional	1,048,214	1,173,144	-	-
Decrease in mortgage assets - Islamic	455,529	435,076	-	-
Decrease in hire purchase assets - Conventional	382	1,463	-	-
Decrease in hire purchase assets - Islamic	6,186	7,279	-	-
(Increase)/decrease in other assets	(5,346)	817	(88)	-
Decrease in amount due from subsidiary	-	-	-	133,335
Decrease in unsecured bearer bonds and notes	(645,000)	(165,000)	-	-
Increase/(decrease) in Sukuk	1,111,265	(79,180)	-	-
Decrease in residential mortgage-backed securities	(649,971)	(292,638)	-	-
Decrease in Islamic residential mortgage-backed securities	(519,968)	-	-	-
Increase/(decrease) in other liabilities	397	16,272	13	(33,340)
Cash generated from operating activities	241,891	1,069,054	131,880	129,963
Profit received from Islamic assets	629,374	648,394	-	-
Guarantee fee paid	(13)	(19)	-	-
Wakalah fee paid	(102)	(108)	-	-
Management fee received	500	500	500	500
Fee income received	711	991	-	-
Interest received	761,223	723,284	-	-
Interest paid	(629,078)	(658,558)	-	-
Profit attributable to Sukuk holders	(574,723)	(583,466)	-	-
Payment of zakat	(2,260)	(1,785)	-	-
Payment of taxation	(117,607)	(64,725)	(33,159)	(7,718)
Net cash generated from operating activities	309,916	1,133,562	99,221	122,745

Statement of Cash Flow

For the Financial Year Ended 31 December 2012 (continued)

	Note	Group		Company	
		31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
INVESTING ACTIVITIES					
Purchase of available-for-sale investment securities		(4,431,501)	(3,235,490)	-	-
Sale of available-for-sale investment securities		4,389,587	2,678,389	-	-
Derivative financial instruments		(225)	(964)	-	-
Purchase of property and equipment		(1,121)	(74)	-	-
Purchase of intangible assets		(264)	(484)	-	-
Investment in a subsidiary, net of cash acquired		18,668	-	(54,035)	(100,000)
Proceeds received from disposal of property and equipment		111	26	-	-
Income received from available-for-sale investment securities		33,439	16,750	-	-
Income received from Islamic debt securities		95	888	-	-
Net cash generated from/(utilised in) investing activities		8,789	(540,959)	(54,035)	(100,000)
FINANCING ACTIVITIES					
Payment of dividends		(45,000)	(22,500)	(45,000)	(22,500)
Net cash utilised in financing activities		(45,000)	(22,500)	(45,000)	(22,500)
Net increase in cash and cash equivalents		273,705	570,103	186	245
Cash and cash equivalents as at beginning of the financial year		802,613	232,510	1,146	901
Cash and cash equivalents as at end of the financial year		1,076,318	802,613	1,332	1,146
Analysis of cash and cash equivalents:					
Cash and short-term funds	5	710,969	479,219	790	458
Deposits and placements with financial institutions	6	365,349	323,394	542	688
		1,076,318	802,613	1,332	1,146

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The principal activities of the Company is investment holding.

The Group subsidiary companies are Cagamas Berhad (“Cagamas”), Cagamas MBS Berhad (“CMBS”), Cagamas SRP Berhad (“CSR”) and Cagamas MGP Berhad (“CMGP”) (formerly known as Cagamas HKMC Berhad (“CHKMC”).

The principal activities of Cagamas consist of purchase of mortgage loans, personal loans and hire purchase and leasing debts from primary lenders approved by Cagamas and the issue of bonds and notes to finance the purchases. Cagamas also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing and funded by issuance of Sukuk.

The principal activities of CMBS consist of the purchases of mortgage assets and Islamic mortgage assets from the Government of Malaysia (“GOM”) and issuance of residential mortgage-backed securities (“RMBS”) and Islamic residential mortgage-backed securities (“IRMBS”) to finance the purchases.

The principal activities of CMGP consist of the provision of mortgage guarantee and mortgage indemnity business and other form of credit protection.

The principal activities of CSR consist of mortgage guarantee and mortgage indemnity business and other form of credit protection in relation to My First Home Scheme (“Skim Rumah Pertamaku”) initiated by the GOM.

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The addresses of the registered office and principal place of business is Level 32, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

The financial statements of the Group and the Company for the financial year ended 31 December 2012 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1 ‘First-time adoption of MFRS’. The Group and the Company have consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 January 2011 (transition date) as if these policies had always been in effect.

The financial statements of the Group and the Company have been prepared under the historical cost conventional unless otherwise indicated in this summary of significant accounting policies.

The financial statements incorporate those activities relating to the Islamic operations of the Group.

The Islamic operations of the Group refer to the purchase of Islamic house financing debts, Islamic hire purchase debts, Islamic mortgage assets and Islamic personal financing from approved originators, issuance of Sukuk under Shariah principles, and acquisition, investment and trading of Islamic financial instruments.

Notes To The Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3 to the financial statements.

- (a) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective:

The Group and the Company will apply the following new standards, amendments to standards and interpretations in the following periods:

- (i) Financial year beginning on 1 January 2013

- MFRS 10 "Consolidated financial statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and separate financial statements" and IC Interpretation 112 "Consolidation - special purpose entities".

There is no significant impact arising from the initial application of this standard.

- MFRS 12 "Disclosures of interests in other entities" (effective from 1 January 2013) sets out the required disclosures for entities reporting under two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

There is no significant impact arising from the initial application of this standard.

- MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosure", but apply to all assets and liabilities measured at fair value, not just financial ones.

There is no significant impact arising from the initial application of this standard.

- The revised MFRS 127 "Separate financial statements" (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

There is no significant impact arising from the initial application of this standard.

- Amendment to MFRS 101 "Financial statement, presentation" (effective from 1 July 2012) requires entities to separate items presented in other comprehensive income ("OCI") in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

The initial application of this standard will result in additional disclosures in the financial statements.

Notes To The Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

- (a) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (continued):

The Group and the Company will apply the following new standards, amendments to standards and interpretations in the following periods: (continued)

- (i) Financial year beginning on 1 January 2013 (continued)

- Amendment to MFRS 7 “Financial instruments: Disclosure” (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

The initial application of this standard will result in additional disclosures in the financial statements.

- (ii) Financial year beginning on 1 January 2014

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

There is no significant impact arising from the initial application of this standard.

- (iii) Financial year beginning on 1 January 2015

- MFRS 9 “Financial instruments - classification and measurement of financial assets and financial liabilities” (effective from 1 January 2013) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

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

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9

On initial application of this standard, financial assets classified as available-for-sale will need to be reclassified.

- (b) Transition from FRS to MFRS

- (i) MFRS 1 mandatory exceptions

- Estimates

MFRS estimates as at transaction date are consistent with the estimates as at the same date made in conformity with FRS.

- Hedge accounting

Hedge accounting can only be applied prospectively from the transition date to a hedging relationship that qualifies for hedge accounting under MFRS 139 ‘Financial instruments: Recognition and measurement’ at that date. Hedging relationships cannot be designated retrospectively.

Notes To The Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Transition from FRS to MFRS (continued)

(ii) MFRS 1 exemption options

- Exemption from business combination

MFRS 1 provides the option to apply MFRS 3 “Business combinations” prospectively for business combinations that occurred from the transition date or from a designated date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date or a designated date prior to the transition date. The Group elected to apply MFRS 3 prospectively to business combinations that occurred after 1 January 2011. Business combinations that occurred prior to 1 January 2011 have not been restated. In addition, the Group has also applied MFRS 127 “Consolidated and separate financial statements” from the same date.

2.2 Economic entities in the Group

(a) *Subsidiaries*

The Group financial statements consolidate the financial statements of the Company and all its subsidiaries. Subsidiaries are those corporations, partnerships or other entities in which the Group and the Company have power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting except for certain business combination which were accounted for using the merger method as follows:

- subsidiaries that were consolidated prior to 1 April 2002 in accordance with Malaysian Accounting Standard 2 “Accounting for Acquisitions and Mergers”, the generally accepted accounting principles prevailing at that time;
- business combinations consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 that meet the conditions of a merger as set out in FRS 122₂₀₀₄ “Business Combinations”;
- internal group reorganisations, as defined in MFRS 122, consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 where:
 - the ultimate shareholders remain the same, and the rights of each such shareholder, relative to the others, are unchanged; and
 - the minorities’ share of net assets of the Group is not altered by the transfer.
- business combinations involving entities or businesses under common control with arrangement dates on/after 1 January 2006.

The Group has taken advantage of the exemption provided by MFRS 1, MFRS 3 and FRS 122₂₀₀₄ to apply these Standards prospectively. Accordingly, business combinations entered into prior to the respective dates have not been restated to comply with these Standards.

Notes To The Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group (continued)

(a) Subsidiaries (continued)

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Intragroup transactions, balances and unrealised gains in transactions between group of companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary companies, and is recognised in the consolidated income statement.

(b) Joint venture company ("JV")

The Group's interest in a previous JV is accounted for in the consolidated financial statements through the equity method of accounting. Equity accounting involves recognising the Group's share of the post-acquisition results of the JV in the income statement and its share of post-acquisition movements in reserves.

2.3 Special Purpose Entities ("SPE")

An SPE shall be consolidated when the substance of the relationship between an entity and the SPE indicates that the SPE is controlled by that entity. In the context of an SPE, control may arise through the pre-determination of the activities of the SPE (operating on "autopilot") or otherwise. The application of the control concept require, in each case, judgement in the context of all relevant factors.

Control over another entity requires having the ability to direct or dominate its decision-making, regardless of whether this power is actually exercised. Under the definitions of MFRS 127, the ability to govern decision-making alone, however is not sufficient to establish control. The ability to govern decision-making must be accompanied by the objective of obtaining benefits from the entity's activities.

The Group has not consolidated BNM Sukuk and CSME since the Group has no power to exercise control over the financial and operating policies in the SPE and it does not obtain economic benefits from its activities.

Notes To The Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Amount due from counterparties and Islamic financing debts

The Group's main activities, inter alia, involve the purchase of, conventional and Islamic, mortgage loans and hire purchase and leasing debts.

As at the statement of financial position date, amounts due from counterparties and Islamic financing debts in respect of mortgage loans and hire purchase and leasing debts are stated at their unpaid principal balances due to the Group. Interest/profit income on amount due from counterparties and Islamic financing debts is recognised on an accrual basis and computed at the respective interest/profit rates based on monthly rest.

2.5 Mortgage assets and hire purchase assets

Mortgage assets and hire purchase assets are acquired by the Group from the originators at fair values. The originator acts as servicer and remits the principal and interest/profit income from the assets to the Group at specified intervals as agreed by both parties.

As at the statement of financial position date, mortgage assets and hire purchase assets are stated at their unpaid principal balances due to the Group and adjusted for unaccreted discount. Interest/profit income on the assets are recognised on an accrual basis and computed at the respective interest/profit rates based on monthly rest. The discount arising from the difference between the purchase price and book value of the mortgage assets and hire purchase assets acquired is accreted to the income statement over the term of the assets using the effective yield method.

2.6 Available-for-sale ("AFS") investment securities

AFS investment securities are securities that are acquired and held for yield or capital growth and are usually held for an indefinite period of time, which may be sold in response to market conditions.

Purchases of investments are recognised on the date the Group and the Company contracts to purchase the investment. Investments are derecognised when the Group and the Company has contracted to sell the investment and has transferred substantially all risks and rewards of ownership.

AFS investment securities are carried at fair value on the statement of financial position with the cumulative fair value changes reflected under AFS reserve in equity, and recognised in the income statement when the investment securities are disposed of, collected or otherwise sold, or when the securities are determined to be impaired. The fair value of the AFS investment securities is derived from market indicative quotes or observable market prices at the reporting date.

The realised gains or losses on derecognition of AFS investment securities, which are derived based on the difference between the proceeds received and the carrying value of the securities plus any cumulative unrealised gains and losses arising from changes in fair value previously recognised in equity, are credited or charged to the current year's income statement.

See accounting policy on impairment of financial assets in Note 2.9 (a) to the financial statements.

Interest/profit income from AFS investment securities is recognised using the effective interest rate method. The amortisation of premium and accretion of discount on AFS investment securities are recognised as interest/profit income using the effective yield method.

2.7 Investment in subsidiary and SPE

Investment in subsidiary and SPE are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Note 2.9 to the financial statements describes the Group's accounting policy on impairment of assets and Note 3 details out the critical accounting estimates and assumptions.

Notes To The Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property and equipment and depreciation

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

Depreciation is calculated on a straight line basis to write off the cost of the assets over their estimated useful lives, with the exception of work-in-progress which is not depreciated. Depreciation rates for each category of property and equipment are summarised as follows:

Office equipment	20 - 25%
Motor vehicles	20%
Furniture and fittings	10%

Subsequent costs are included in the asset's carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

At each statement of financial position date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. The Group's accounting policy on impairment of non-financial assets is reflected in Note 2.9 (b) to the financial statements.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in profit/(loss) from operations.

2.9 Impairment of assets

(a) Financial assets

(i) *Assets carried at amortised cost*

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Notes To The Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of assets (continued)

(a) Financial assets (continued)

(ii) *Assets classified as AFS*

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised, is removed from equity and recognised in the income statement. If, in the subsequent period, the fair value of a debt instrument classified as AFS investment securities increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

(b) Non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The impairment loss is charged to the income statement, unless it reverses a previous revaluation in which it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement.

2.10 Income recognition

Interest income for conventional assets and income on Islamic assets are recognised using the effective interest/profit rate method. Accretion of discount is recognised on an effective yield basis. Guarantee and wakalah fee income are recognised upon the issuance of the guarantee, based on the straight line method.

2.11 Premium and discount on unsecured bearer bonds, notes and Sukuk

Premium on unsecured bearer bonds, notes and Sukuk represents the excess of the issue price over the redemption value of the bonds/Sukuk are accepted to the income statement over the life of the bonds/Sukuk on an effective yield basis. Where the redemption value exceeds the issue price of the bonds/Sukuk, the difference, being the discount is amortised to the income statement over the life of the bonds/Sukuk on an effective yield basis.

2.12 Current and deferred tax

Current tax expense represents taxation at the current rate based on taxable profit earned during the financial year.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

Notes To The Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Cash and cash equivalents

For the purpose of statement of cash flow, cash and cash equivalents comprise cash and bank balances and deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.15 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision maker. The chief operating decision maker is the person or group that allocated resources and assesses the performance of the operating segments of the Group. The Group has determined that the Chief Executive Officer of a subsidiary company, Cagamas Berhad to be the chief operating decision maker.

2.16 Derivative financial instruments and hedge accounting

Interest rate swaps ("IRS")/Interest profit rate swaps ("IPRS") are used by the Group to hedge the issuance of its debt securities from potential movements in interest/profit rates. Further details of the IRS/IPRS are disclosed in Note 7 to the financial statements.

Fair value of IRS/IPRS is recognised at inception on the statement of financial position, and subsequent changes in fair value as a result of fluctuation in market interest/profit rates are recorded as derivative assets (favourable) or derivative liabilities (unfavourable).

For derivatives that are not designated as hedging instruments, losses and gains from the changes in fair value are taken to the income statement.

For derivatives that are designated as hedging instruments, the method of recognising fair value gain or loss depends on the type of hedge.

To apply hedge accounting, the Group documents at the inception the relationship between the hedging instrument and hedged item, including the risk management objective for undertaking various hedge transactions and methods used to assess the effectiveness of the hedge.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivative is highly effective in offsetting changes in the fair value or cash flows of the hedged items.

Cash flow hedge

The effective portion of changes in the fair value of a derivative designated and qualifying as a hedge of future cash flows is recognised directly in the cash flow hedge reserve, and taken to the income statement in the periods when the hedged item affects gain or loss. The ineffective portion of the gain or loss is recognised immediately in the income statement under "Non-interest income".

When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the cash flow hedge reserve remains until the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in the cash flow hedge reserve is recognised immediately in the income statement.

Notes To The Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group and the Company expect a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for the future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured as the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risk specific to obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Zakat

Zakat or “alms giving” is mandatory for all muslims who possesses to minimum nisab.

The Group and the Company recognises its obligations towards the payment of zakat on business. Zakat for the current period is recognised when the Group and the Company has a current zakat obligation as a result of a zakat assessment. The amount of zakat expenses shall be assessed when the Group and the Company has been in operations for at least 12 months, i.e. for the period known as haul.

Zakat rates enacted or substantively enacted by the statement of financial position date are used to determine the zakat expense. The rate of zakat on business, as determined by National Fatwa Council for the financial year is 2.5% (2011: 2.5%) of the zakat base. The zakat base of the Company is determined based on the the profit after tax of each company within the group after deducting dividend income and certain non-operating income and expenses. Zakat on business is calculated by multiplying the zakat rate with zakat base. The amount of zakat assessed is recognised as an expense in the year in which it is incurred.

2.19 Employee benefits

(a) Short-term employee benefits

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

(b) Defined contributions plans

The Group contributes to the Employees’ Provident Fund (“EPF”), the national defined contribution plan. The contributions to EPF are charged to the income statement in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations in the future. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Notes To The Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Intangible assets

(a) *Computer software*

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

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

Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives, not exceeding a period of 3 years.

(b) *Service rights to transaction administrator and administrator fees*

Service rights to transaction administrator and administrator fees ("Servicer Rights") represents secured rights to receive expected future economics benefits by way of transaction administrator and administrator fees for Residential Mortgage-Backed Securities ("RMBS") and Islamic Residential Mortgage-Backed Securities ("IRMBS") issuances.

Service rights are recognised as intangible assets at cost and amortised using the straight line method over the tenure of RMBS and IRMBS.

Computer software and service rights are tested annually for any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Computer software and service rights are carried at cost less accumulated amortisation and accumulated impairment losses. See accounting policy on impairment of non-financial assets in Note 2.9 (b) to the financial statements.

2.21 RMBS and IRMBS

RMBS and IRMBS were issued to fund the purchases of mortgage assets and Islamic mortgage assets from the GOM. As at the statement of financial position date, RMBS and IRMBS are stated at amortised costs.

Interest expense on RMBS and profit attributable to IRMBS are recognised using the effective yield method.

2.22 Share capital

(a) *Classification*

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(b) *Dividends to shareholders of the Company*

Dividends on ordinary shares are recognised as liabilities when declared before the statement of financial position date. A dividend proposed or declared after the statement of financial position date, but before the financial statements are authorised for issue, is not recognised as a liability at the statement of financial position. Upon the dividend becoming payable, it will be accounted for as a liability.

Notes To The Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Functional and presentation currency

Items included in the financial statements of the Group and the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”).

The financial statements are presented in Ringgit Malaysia, which is the Group’s and Company’s functional and presentation currency.

2.24 Financial instruments

(a) Description

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

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

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

(b) Fair value estimation for disclosure purposes

Please refer to Note 44 for detailed methods and assumptions used to estimate the fair value for each type of financial instruments.

In assessing fair values of another financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Quoted market prices or dealer quotes for the specific or similar instruments are used for long term debt. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine the fair value for the remaining financial instruments. In particular, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The face value of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year is assumed to approximate their fair values.

2.25 Contingent liabilities and contingent assets

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

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

Notes To The Financial Statements (continued)

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and exercise of judgement by management in the process of applying the Group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the asset and liability with the next financial year are outlined below.

(a) Fair value of derivatives and AFS investment securities

The estimates and assumptions considered most likely to have an impact on the Group's results and financial positions are those relating to the fair valuation of derivatives and unquoted AFS investment securities for which valuation models are used. The Group has exercised its judgement to select appropriate valuation techniques for these instruments. However, changes in the assumptions made and market factors used could affect the reported fair values.

(b) Impairment of mortgage assets and hire purchase assets

The Group makes allowances for losses on mortgage assets and hire purchase assets based on assessment of recoverability. Whilst management is guided by the requirement of the MFRS 139, management makes judgement on the future and other key factors in respect of the recovery of the assets. Among the factors considered are the net realisable value of the underlying collateral value and the capacity to generate sufficient cash flows to service the assets.

(c) Securitisation and SPE

The Group incorporates its SPE primarily for the purpose of asset securitisation transactions. The Group does not consolidate its SPE that it does not control. As it can sometimes be difficult to determine whether the Group controls an SPE, it makes judgements about its exposure to the risks and rewards, as well as about its ability to make financial and operational decisions for the SPE in question. In many instances, elements are present that, considered in isolation, indicate control or lack of control over an SPE, but when considered together make it difficult to reach clear conclusion. When assessing whether the Group has to consolidate an SPE, the Group evaluates a range of factors to determine control, including whether:

- (i) the Group will obtain the majority of the benefits of the activities of an SPE;
- (ii) the Group retains the majority of the residual ownership risks related to the assets in order to obtain the benefits from its activities;
- (iii) the Group has decision-making powers to obtain the majority of the benefits; or
- (iv) the activities of the SPE being conducted on behalf of the Group according to the Group's specific business needs so that the Group obtains the benefits from the SPE's operations.

The Group consolidates an SPE if the assessment of the relevant factors indicates that the Group has control over it.

(d) Discretionary bonus fee

The discretionary bonus fee to be paid to GOM is determined by CMBS by reference to guidelines, criteria and performance indicators deemed appropriate by CMBS. This is based on the performance by the GOM in discharging its servicing responsibilities until the point where the RMBS and/or IRMBS have been fully redeemed and all obligations and liabilities of CMBS in respect of the RMBS/IRMBS have been discharged.

Notes To The Financial Statements (continued)

4. RISK MANAGEMENT OBJECTIVE AND POLICIES

Risk Management is an integral part of the Group's business and operations. It encompasses identification, measurement, analysing, controlling, monitoring and reporting of risks on an enterprise-wide basis.

The Group has streamlined risk management according to its business activities, and enhanced key controls to ensure effectiveness of risk management and its independence from risk taking activities.

The Group continues to develop its human resources, review existing processes and introduce new approaches in line with best practices in risk management. It is the Group's aim to create strong risk awareness amongst both its front-line and back office staff, where risks are systematically managed and the levels of risk taking are closely aligned to the risk appetite and risk-reward requirements set by the Board of Directors.

4.1 Risk Management Structure

The Board of Directors has ultimate responsibility for management of risks associated with the Group's operations and activities. The Board of Directors sets the risk appetite and tolerance level that are consistent with the Group's overall business objectives and desired risk profile. The Board of Directors also reviews and approves all significant risk management policies and risk exposures.

The Board Risk Committee assists the Board of Directors by ensuring that there is effective oversight and development of strategies, policies and infrastructure to manage the Group's risks.

Management is responsible for the implementation of the policies laid down by the Board of Directors by ensuring that there are adequate and effective operational procedures, internal controls and systems for identifying, measuring, analysing, controlling, monitoring and reporting of risks.

The Risk Management Department is independent of other departments involved in risk-taking activities. It is responsible for reporting risk exposures independently to the Board Risk Committee and coordinating the management of risks on an enterprise-wide basis.

4.2 Credit risk management

Credit risk is the possibility that a borrower or counterparty fails to fulfil its financial obligations when they fall due. Credit risk arises in on balance sheet items such as lending and investments, and in off balance sheet items from guarantees and treasury hedging activities.

The Group manages its credit risk by screening borrowers and counterparties, stipulates prudent eligibility criteria and conducts due diligence on loans and financings to be purchased. The Group has in place an internal rating system which sets out the maximum credit limit permissible for each category of rating. The credit limits are reviewed periodically and are determined based on a combination of external ratings, internal credit assessment and business requirements. All credit exposures are monitored on a regular basis and non-compliance is independently reported to management and the Board of Directors for immediate remedy.

Credit risk is also mitigated via underlying assets which comprise of mortgage assets and hire purchase assets.

Notes To The Financial Statements (continued)

4. RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

4.3 Market risk management

Market risk is the potential loss arising from adverse movements of market prices and rates. Market risk exposure is limited to interest rate risk only as the Group is not engaged in any equity, foreign exchange or commodity trading activities.

The Group controls its market risk exposure by imposing threshold limits. The limits are set based on the Group's risk appetite and the risk-return relationship. These limits are regularly reviewed and monitored. An Asset Liability Management System which provides tools such as duration gap analysis, interest sensitivity analysis and income simulation is used to monitor the interest rate risk.

Derivative instruments such as interest rate swaps are also used to manage and hedge market risk exposures against fluctuations in the interest rates.

4.4 Liquidity risk management

Liquidity risk arises when the Group and the Company do not have sufficient funds to meet its financial obligations when they fall due.

The Group mitigates its liquidity risk by matching the timing of purchases of loans and debts with issuance of debt securities or Sukuk. The Group plans its cash flow positions and monitors closely every business transaction to ensure that available funds are sufficient to meet business requirements at all times. In addition, the Group sets aside considerable reserve liquidity to meet any unexpected shortfall in cash flow or adverse economic conditions in the financial markets.

The Group's liquidity management process, as carried out within the subsidiary and monitored by related departments, includes:

- (a) Managing cash flow mismatch and liquidity gap limits which involves assessing all of the Group's cash inflows against its cash outflows to identify the potential for any net cash shortfalls and the ability of the Group to meet its cash obligations when they fall due;
- (b) Matching funding of loan purchases against its expected cash flow, duration and tenor of the funding;
- (c) Monitoring the liquidity ratios of the Group against internal requirements;
- (d) Managing the concentration and profile of funding by diversification of funding sources.

Notes To The Financial Statements (continued)

5. CASH AND SHORT-TERM FUNDS

	Group			Company		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Cash and balances with banks and other financial institutions	51,282	50,877	295	11	17	15
Money at call and deposits placements maturing within one month	565,368	378,124	117,118	779	441	536
Mudharabah money at call and deposits placements maturing within one month	94,319	50,218	33,375	-	-	-
	710,969	479,219	150,788	790	458	551

6. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

Licensed banks	365,349	323,394	81,722	542	688	350
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7. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swaps (“IRS”) and interest profit rate swap (“IPRS”) are used as hedging tools to support issuance of fixed rate bonds to fund floating rate purchases of mortgage loans. By entering into IRS/IPRS, the Group is protected from adverse movements in interest/profit rates since the Group pays the floating rate receipts from its floating rate purchases to and receives fixed rate payments from the swap counterparties. These fixed rate payments will then be utilised to pay interest/profit on the fixed rate bonds issued.

The IRS/IPRS are also used to hedge the Group’s issuance of debt securities/Sukuk in a rising interest rate environment. In the first leg of the transaction, the Group pays fixed rate interest/profit and receives floating rate payments from the swap counterparties. On issuance of the debt securities, the Group enters into the IRS/IPRS transaction by taking an opposite position for the same amounts as in the first leg of the transaction. The IRS/IPRS protects the Group in a rising interest/profit rate environment since the Group will be receiving higher fixed rate as compared to the higher fixed rate that the Group is required to pay to the bondholders/Sukuk holders.

The objective when using any derivative instrument is to ensure that the risk and reward profile of any transaction is optimised. The intention is to only use derivatives to create economically effective hedges. However, because of the specific requirements of MFRS 139 to obtain hedge accounting, not all economic hedges are accounted for as accounting hedges, either because natural accounting offsets are expected or because obtaining hedge accounting would be especially onerous.

(a) Cash flow hedges

The Group has designated a number of IRS/IPRS as cash flow hedges during the financial year. The total fair value of derivatives included within cash flow hedges at 31 December 2012 was a credit of RM52.6 million (2011: RM58.3 million).

(b) Fair value hedges

At present, the Group does not designate any derivatives as “fair value hedges”.

Notes To The Financial Statements (continued)

7. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(c) Net investment hedges

At present, the Group does not designate any derivatives as net investment hedges.

All derivatives financial instruments are held for economic hedging purposes. However, not all derivatives are designated as hedge instruments under the terms of MFRS 139. The analysis below splits derivatives between those in accounting hedge relationships and those not in accounting hedge relationships.

Group	31 December 2012			31 December 2011			1 January 2011		
	Contract/ notional amount	Fair value		Contract/ notional amount	Fair value		Contract/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
RM'000									
Derivatives in accounting hedge relationships									
Derivatives designated as cash flow hedges:									
IRS/IPRS	910,000	1,115	(53,741)	435,000	-	(58,278)	570,000	-	(44,018)
Derivatives not in accounting hedge relationship									
IRS/IPRS	-	-	-	-	-	-	320,000	2,848	(2,795)
Total recognised derivative assets/ (liabilities)	910,000	1,115	(53,741)	435,000	-	(58,278)	890,000	2,848	(46,813)

The remaining terms and notional principal amounts of the outstanding IRS/IPRS of the Group at the statement of financial position date were:

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Maturing within one year	-	25,000	455,000
One year to three years	-	-	25,000
Three to five years	500,000	-	-
More than five years	410,000	410,000	410,000
	910,000	435,000	890,000

Notes To The Financial Statements (continued)

8. AVAILABLE-FOR-SALE (“AFS”) INVESTMENT SECURITIES

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At fair value:			
Malaysian government securities	322,318	386,962	291,782
Private debt securities	265,580	345,766	341,623
Malaysian government investment issues	578,956	522,140	214,154
BNM Sukuk	99,764	-	69,216
Islamic debt securities	428,180	381,459	415,537
Negotiable instruments of deposits	236,033	128,055	100,387
Malaysian treasury bills	-	-	6,929
Malaysian Islamic treasury bills	-	-	7,505
Quasi government debt securities	206,056	-	-
Islamic quasi government securities	13,808	-	-
Islamic negotiable instruments of deposits	-	298,105	42,461
	2,150,695	2,062,487	1,489,594

The maturity structure of AFS investment securities are as follows:

Maturing within one year	656,497	989,825	443,119
One year to three years	718,899	395,914	890,151
Three years to five years	536,212	326,482	156,324
More than five years	239,087	350,266	-
	2,150,695	2,062,487	1,489,594

9. AMOUNT DUE FROM COUNTERPARTIES

Relating to:

Mortgage loans	2,706,802	3,156,863	3,887,937
Hire purchase and leasing debts	116,299	345,348	437,173
Personal loans	873,041	804,833	-
	3,696,142	4,307,044	4,325,110

The maturity structure of amounts due from counterparties are as follows:

Maturing within one year	131,335	548,923	1,210,727
One year to three years	1,464,210	1,687,575	1,592,354
Three years to five years	2,100,597	1,070,544	1,522,029
More than five years	-	1,000,002	-
	3,696,142	4,307,044	4,325,110

Notes To The Financial Statements (continued)

10. ISLAMIC FINANCING DEBTS

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Relating to:			
Islamic house financing debts	1,063,445	525,417	553,644
Islamic hire purchase debts	4,034,911	3,217,740	2,587,283
Islamic personal financing	2,978,505	3,136,478	3,713,420
	8,076,861	6,879,635	6,854,347
The maturity structure of Islamic financing debts are as follows:			
Maturing within one year	2,619,653	1,038,705	702,765
One year to three years	3,002,670	3,199,533	1,284,009
Three years to five years	2,454,538	2,641,397	3,567,540
More than five years	-	-	1,300,033
	8,076,861	6,879,635	6,854,347

11. MORTGAGE ASSETS - CONVENTIONAL

Purchase Without Recourse ("PWOR")	9,659,351	10,510,760	11,384,572
The maturity structure of mortgage assets - conventional are as follows:			
Maturing within one year	1,663,485	1,623,330	1,613,063
One year to three years	1,979,075	2,147,410	2,188,906
Three years to five years	1,829,453	1,825,523	1,909,785
More than five years	6,295,342	7,288,837	8,319,443
	11,767,355	12,885,100	14,031,197
Less:			
Unaccreted discounts	(2,048,045)	(2,308,406)	(2,580,691)
Allowance for impairment losses	(59,959)	(65,934)	(65,934)
	9,659,351	10,510,760	11,384,572

12. MORTGAGE ASSETS - ISLAMIC

Purchase Without Recourse ("PWOR")	7,124,273	7,434,894	7,696,191
The maturity structure of mortgage assets - Islamic are as follows:			
Maturing within one year	957,786	912,502	848,709
One year to three years	1,112,566	1,198,873	1,153,802
Three years to five years	1,105,016	1,129,544	1,119,160
More than five years	5,358,972	5,742,327	6,282,631
	8,534,340	8,983,246	9,404,302
Less:			
Unaccreted discounts	(1,371,313)	(1,505,109)	(1,664,868)
Allowance for impairment losses	(38,754)	(43,243)	(43,243)
	7,124,273	7,434,894	7,696,191

Notes To The Financial Statements (continued)

13. HIRE PURCHASE ASSETS - CONVENTIONAL

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Purchase Without Recourse ("PWOR")	9	52	761
The maturity structure of the hire purchase assets - conventional are as follows:			
Maturing within one year	11	68	740
One year to three years	-	-	48
	11	68	788
Less:			
Unaccrued discounts	-	(1)	(11)
Allowance for impairment losses	(2)	(15)	(16)
	9	52	761

14. HIRE PURCHASE ASSETS - ISLAMIC

Purchase Without Recourse ("PWOR")	15,937	21,221	25,463
The maturity structure of hire purchase assets - Islamic are as follows:			
Maturing within one year	6,613	7,097	7,614
One year to three years	8,091	12,267	14,039
Three years to five years	1,894	2,914	5,068
More than five years	83	132	148
	16,681	22,410	26,869
Less:			
Unaccrued discounts	(668)	(1,013)	(1,230)
Allowance for impairment losses	(76)	(176)	(176)
	15,937	21,221	25,463

15. OTHER ASSETS

	Group			Company		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Mortgage assets repurchased	29,900	30,447	36,504	-	-	-
Staff loans and financing	2,918	3,439	4,327	-	-	-
Deposits	772	746	737	-	-	-
Prepayments	2,035	931	1,024	-	-	-
Prepaid mortgage guarantee fee	3	16	16	-	-	-
Prepaid wakalah fee	1	103	30	-	-	-
Other receivables	542	411	241	89	-	-
	36,171	36,093	42,879	89	-	-

Notes To The Financial Statements (continued)

16. PROPERTY AND EQUIPMENT

Group RM'000	Office equipment	Furniture and fittings	Motor vehicles	Work-in- progress	Total
31 December 2012					
Cost					
As at 1 January 2012	4,432	4,555	517	-	9,504
Additions	588	7	526	-	1,121
Disposals	(119)	-	(445)	-	(564)
As at 31 December 2012	4,901	4,562	598	-	10,061
Accumulated Depreciation					
As at 1 January 2012	(3,387)	(1,292)	(514)	-	(5,193)
Charge for the year	(552)	(452)	(61)	-	(1,065)
Disposals	115	-	445	-	560
As at 31 December 2012	(3,824)	(1,744)	(130)	-	(5,698)
Net book value as at 31 December 2012	1,077	2,818	468	-	4,363
31 December 2011					
Cost					
As at 1 January 2011	4,362	4,551	617	-	9,530
Additions	70	4	-	-	74
Disposals	-	-	(100)	-	(100)
As at 31 December 2011	4,432	4,555	517	-	9,504
Accumulated Depreciation					
As at 1 January 2011	(2,768)	(835)	(564)	-	(4,167)
Charge for the year	(619)	(457)	(50)	-	(1,126)
Disposals	-	-	100	-	100
As at 31 December 2011	(3,387)	(1,292)	(514)	-	(5,193)
Net book value as at 31 December 2011	1,045	3,263	3	-	4,311
1 January 2011					
Cost					
As at 1 January 2010	4,141	4,502	617	4	9,264
Additions	245	45	-	-	290
Disposals	(24)	-	-	-	(24)
Reclassification	-	4	-	(4)	-
As at 1 January 2011	4,362	4,551	617	-	9,530

Notes To The Financial Statements (continued)

16. PROPERTY AND EQUIPMENT (CONTINUED)

Group RM'000	Office equipment	Furniture and fittings	Motor vehicles	Work-in- progress	Total
Accumulated Depreciation					
As at 1 January 2010	(2,153)	(385)	(473)	-	(3,011)
Charge for the year	(631)	(450)	(91)	-	(1,172)
Disposals	16	-	-	-	16
As at 1 January 2011	(2,768)	(835)	(564)	-	(4,167)
Net book value as at 1 January 2011	1,594	3,716	53	-	5,363

17. INTANGIBLE ASSETS

Group RM'000	Service rights	Computer software	Licenses	Computer software under development	Total
31 December 2012					
Cost					
As at 1 January 2012	16,717	11,869	1,013	-	29,599
Additions	-	121	143	-	264
Reclassifications	-	4	(4)	-	-
As at 31 December 2012	16,717	11,994	1,152	-	29,863
Accumulated Amortisation					
As at 1 January 2012	(7,706)	(9,212)	(885)	-	(17,803)
Charge for the year	(1,204)	(1,122)	(182)	-	(2,508)
Reclassifications	-	(186)	186	-	-
As at 31 December 2012	(8,910)	(10,520)	(881)	-	(20,311)
Net book value as at 31 December 2012	7,807	1,474	271	-	9,552
31 December 2011					
Cost					
As at 1 January 2011	16,717	11,389	1,009	-	29,115
Additions	-	480	4	-	484
As at 31 December 2011	16,717	11,869	1,013	-	29,599
Accumulated Amortisation					
As at 1 January 2011	(6,502)	(8,154)	(516)	-	(15,172)
Charge for the year	(1,204)	(1,059)	(368)	-	(2,631)
As at 31 December 2011	(7,706)	(9,213)	(884)	-	(17,803)
Net book value as at 31 December 2011	9,011	2,656	129	-	11,796

Notes To The Financial Statements (continued)

17. INTANGIBLE ASSETS (CONTINUED)

Group RM'000	Service rights	Computer software	Licenses	Computer software under development	Total
1 January 2011					
Cost					
As at 1 January 2010	16,717	10,433	967	297	28,414
Additions	-	659	42	-	701
Reclassification	-	297	-	(297)	-
As at 1 January 2011	16,717	11,389	1,009	-	29,115
Accumulated Amortisation					
As at 1 January 2010	(5,298)	(7,186)	(324)	-	(12,808)
Charge for the year	(1,204)	(968)	(192)	-	(2,364)
As at 1 January 2011	(6,502)	(8,154)	(516)	-	(15,172)
Net book value as at 1 January 2011	10,215	3,235	493	-	13,943

Service rights are amortised on a straight line basis over the tenure of RMBS/IRMBS. The remaining amortisation period of the intangible assets ranges from 2 to 15 years (2011: 3 to 16 years).

18. DEFERRED TAXATION

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position.

RM'000	Group			Company		
	31 December 2012	31 December 2011	1 January 2011	31 December 2012	31 December 2011	1 January 2011
Deferred taxation assets (before offsetting)	12,688	13,810	5,170	-	-	-
Deferred taxation liabilities (before offsetting)	(474,569)	(429,539)	(368,789)	-	-	(33,335)
Deferred taxation liabilities	(461,881)	(415,729)	(363,619)	-	-	(33,335)

The movements in deferred tax assets and liabilities of the Group during the financial year comprise the following:

Group RM'000	Balance as at 1 January	Recognised in income statement	Recognised in reserves	Balance as at 31 December
31 December 2012				
Deferred taxation assets/(liabilities)				
Accelerated tax depreciation	(4,003)	643	-	(3,360)
Unaccreted discount on mortgage assets	(423,048)	(45,762)	-	(468,810)
Revaluation of AFS investment securities	(2,385)	-	502	(1,883)
Unrealised losses on revaluation of IRS under cash flow hedge accounting	13,568	-	(1,357)	12,211
Provisions	-	412	-	412
Deferred tax arising from acquisition on JV company	-	-	(118)	(118)
Temporary difference relating to guarantee/ Wakalah fees	242	(177)	(29)	36
Temporary difference relating to accrued interest on deposits and placements	(103)	(62)	(204)	(369)
	(415,729)	(44,946)	(1,206)	(461,881)

Notes To The Financial Statements (continued)

18. DEFERRED TAXATION (CONTINUED)

Group RM'000	Balance as at 1 January	Recognised in income statement	Recognised in reserves	Balance as at 31 December
31 December 2011				
Deferred taxation assets/(liabilities)				
Accelerated tax depreciation	(4,787)	784	-	(4,003)
Unaccreted discount on mortgage assets	(367,665)	(55,383)	-	(423,048)
Revaluation of AFS investment securities	(1,133)	-	(1,252)	(2,385)
Unrealised losses on revaluation of IRS under cash flow hedge accounting	9,966	-	3,602	13,568
Temporary difference relating to guarantee/ Wakalah fees	-	242	-	242
Temporary difference relating to accrued interest on deposits and placements	-	(103)	-	(103)
	(363,619)	(54,460)	2,350	(415,729)

1 January 2011

Deferred taxation assets/(liabilities)

Accelerated tax depreciation	(4,622)	(165)	-	(4,787)
Unaccreted discount on mortgage assets	(309,734)	(57,931)	-	(367,665)
Revaluation of AFS investment securities	(282)	-	(851)	(1,133)
Unrealised gains on revaluation of IRS	(1,496)	1,496	-	-
Unrealised losses on revaluation of IRS under cash flow hedge accounting	11,968	(1,375)	(627)	9,966
Temporary difference relating to allowance for impairment losses	27,341	(27,341)	-	-
	(276,825)	(85,316)	(1,478)	(363,619)

There was no movement in deferred tax assets and liabilities of the Company during the financial year. The movements in deferred tax assets and liabilities in the previous financial years comprise the following:

**Company
RM'000**

31 December 2011

Deferred taxation assets/(liabilities)

Temporary difference relating to dividend receivable from subsidiary company	33,335	33,335	-	-
	33,335	33,335	-	-

1 January 2011

Deferred taxation assets/(liabilities)

Temporary difference relating to dividend receivable from subsidiary company	-	(33,335)	-	(33,335)
	-	(33,335)	-	(33,335)

19. INVESTMENT IN SUBSIDIARIES

Company	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Investment in subsidiaries			
Unquoted shares at cost	4,185,663	4,081,628	3,981,628

Notes To The Financial Statements (continued)

19. INVESTMENT IN SUBSIDIARIES (CONTINUED)

During the financial year, the Company acquired the remaining shares in a joint venture company, Cagamas MGP Berhad ("CMGP") (formerly known as Cagamas HKMC Berhad ("CHKMC")) for a purchase consideration of RM 54,035,414. The acquisition was completed on 20 December 2012 and it resulted in a gain as follows:

	31 December 2012
	RM'000
Purchase consideration	54,035
Share of net assets acquired	54,177
Gain	(142)

The gain arising from the acquisition of CMGP was recognised in the income statement during the financial year.

The subsidiaries of the Company are as follows:

Name	Principal activities	Interest in equity held by the Company		
		31 December 2012	31 December 2011	1 January 2011
Cagamas	Purchases of mortgage loans, personal loans and hire purchases and leasing debts from primary lenders approved by Cagamas and the issue of bonds and notes to finance the purchases. Cagamas also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing and funded by issuance of Sukuk.	100%	100%	100%
CMBS	Purchase of mortgage assets and Islamic mortgage assets from the Government of Malaysia ("GOM") and issuance of residential mortgage-backed securities ("RMBS") and Islamic residential mortgage-backed securities ("IRMBS") to finance the purchase of mortgage assets and Islamic mortgage assets.	100%	100%	100%
CMGP	Mortgage guarantee and mortgage indemnity business and other form of credit protection.	100%	50%	50%
CSRP	Mortgage guarantee and mortgage indemnity business and other form of credit protection in relation to My First Home Scheme ("Skim Rumah Pertamaku") initiated by the GOM.	100%	100%	100%

Notes To The Financial Statements (continued)

20. INVESTMENT IN SPECIAL PURPOSE ENTITIES (“SPE”)

Company	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Investment in SPE:			
Unquoted shares at cost	-*	-*	-*

* denotes RM4

The SPE of the Company are as follows:

Name	Principal activities	Interest in equity held by the Company		
		31 December 2012	31 December 2011	1 January 2011
BNM Sukuk	Undertake the issuance of Islamic securities investment, namely BNM Sukuk Ijarah based on Syariah principles to finance the purchase of the beneficial interest of land and building from BNM and, thereafter to lease back the same land and building to BNM for the contractual period which is similar to the tenure of the BNM Sukuk Ijarah, and BNM Sukuk Murabahah based on Syariah principles via the issuance of trust Certificates to evidence investors’ beneficial interest over commodity assets and its profit, arising from the sale of commodity assets to BNM.	100%	100%	100%
CSME	Securitisation of small and medium enterprise credit facilities via cash or synthetic securitisations or a combination of both.	100%	100%	100%

The results and net assets of BNM Sukuk and CSME were not consolidated with the Company since the Group has no power to exercise control over the financial and operating policies in the SPE and does not obtain economic benefits from their activities.

Notes To The Financial Statements (continued)**21. INTEREST IN A JOINT VENTURE ("JV") COMPANY**

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Group			
Share of net assets of a JV	-	53,079	51,852
Company			
Unquoted shares at cost	-	50,000	50,000

Previously, the Company had a 50% interest in a joint venture ("JV"), Cagamas MGP Berhad ("CMGP") (formerly known as Cagamas HKMC Berhad ("CHKMC")), which provide mortgage guarantee and mortgage indemnity business and other form of credit protection. CMGP became a fully-owned subsidiary of the Company with effect from 20 December 2012.

The following amounts represent the Company's 50% share of the net assets and liabilities, and results of the JV. They were included in the statement of financial position and income statement of the Group. For the financial year ended 31 December 2012, the 50% share of the results of the JV were included up to 20 December 2012.

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Group			
Assets			
Current assets	-	53,350	52,048
Liabilities			
Current liabilities	-	(271)	(196)
Net assets	-	53,079	51,852
Income	1,821	1,820	1,602
Expenses	(319)	(337)	(372)
Profit before taxation	1,502	1,483	1,230
Taxation and zakat	(375)	(371)	(308)
Profit after taxation	1,127	1,112	922

There are no contingent liabilities relating to the Group's interest in the JV, and no contingent liabilities of the venture itself.

Notes To The Financial Statements (continued)

22. UNSECURED BEARER BONDS AND NOTES

Group	Year of maturity	31 December 2012		31 December 2011		1 January 2011	
		Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
(a) Fixed rate bonds	2011	-	-	-	-	480,000	3.912 - 4.350
		-		-		480,000	
Add: Interest payable		-		-		4,150	
		-		-		484,150	
(b) Floating rate notes	2011	-		-		135,000	2.370 - 2.990
	2012	-		25,000	3.060	25,000	3.060
	2013	180,000	3.410	180,000	3.410	180,000	3.410
		180,000		205,000		340,000	
Add: Interest payable		2,686		2,846		3,407	
		182,686		207,846		343,407	
(c) Medium - term notes	2011	-		-		710,000	2.950 - 4.630
	2012	-		900,000	3.230 - 4.210	750,000	3.400 - 4.210
	2013	290,000	3.290 - 5.000	190,000	3.400 - 4.900	155,000	3.500 - 5.000
	2014	2,230,000	3.300 - 4.660	2,175,000	3.480 - 4.660	2,070,000	4.320 - 4.660
	2015	420,000	3.350 - 5.300	255,000	3.820 - 5.300	255,000	3.820 - 5.300
	2016	1,230,000	3.470 - 4.930	1,215,000	3.650 - 4.930	380,000	4.700 - 4.930
	2017	1,520,000	3.500 - 4.640	1,465,000	3.980 - 4.640	1,465,000	3.980 - 4.640
	2018	150,000	3.950 - 5.710	150,000	3.950 - 5.710	140,000	5.710
	2019	845,000	3.750 - 5.280	840,000	4.800 - 5.280	840,000	4.800 - 5.280
	2020	185,000	4.360 - 6.000	185,000	4.360 - 6.000	185,000	4.360 - 6.000
	2021	315,000	4.150 - 5.380	315,000	4.100 - 5.380	310,000	5.120 - 5.380
	2022	465,000	3.900 - 4.480	360,000	4.480 - 4.950	360,000	4.480 - 4.950
	2023	150,000	4.250 - 6.050	150,000	4.250 - 6.050	140,000	6.050
	2024	430,000	4.000 - 5.520	425,000	5.267 - 5.520	425,000	5.267 - 5.520
	2025	5,000	4.650	5,000	4.650	5,000	4.650
	2026	10,000	4.410	10,000	4.410	-	-
	2027	25,000	4.140 - 4.170	250,000	5.150	250,000	5.150
	2028	430,000	6.250 - 6.500	430,000	6.250 - 6.500	430,000	6.250 - 6.500
	2029	245,000	5.500 - 5.690	245,000	5.500 - 5.750	245,000	5.500 - 5.750
		8,945,000		9,565,000		9,115,000	
Add: Interest payable		89,764		95,175		96,933	
		9,034,764		9,660,175		9,211,933	
		9,217,450		9,868,021		10,039,490	

Notes To The Financial Statements (continued)

22. UNSECURED BEARER BONDS AND NOTES (CONTINUED)

The maturity structure of unsecured bearer bonds and notes are as follows:

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Maturing within one year	562,450	1,023,021	1,429,490
One year to three years	2,650,000	2,545,000	1,110,000
Three years to five years	2,750,000	1,470,000	2,325,000
More than five years	3,255,000	4,830,000	5,175,000
	9,217,450	9,868,021	10,039,490

(a) *Fixed rate bonds*

The fixed rate bonds were redeemable at par on the due dates, unless previously redeemed, together with the accrued interest where applicable.

(b) *Floating rate notes*

Bonds with variable coupon plus a spread redeemable at par on the due dates.

(c) *Short-term notes and medium-term notes*

The short-term notes and medium-term notes are redeemable at par on the due dates, unless previously redeemed, together with the accrued interest where applicable.

23. SUKUK

Group	Year of maturity	31 December 2012		31 December 2011		1 January 2011	
		Amount outstanding RM'000	Effective profit rate %	Amount outstanding RM'000	Effective profit rate %	Amount outstanding RM'000	Effective profit rate %
(a) Bithaman Ajil							
(i) Primary Sukuk	2011	-	-	-	-	240,000	4.050 - 4.160
	2012	-	-	240,000	4.150	240,000	4.150
		-		240,000		480,000	
(ii) Secondary Sukuk	2011	-	-	-	-	14,930	-
	2012	-	-	4,980	-	4,980	-
		-		244,980		499,910	
Less: Unamortised deferred expenses		-		(1,245)		(11,995)	
		-		243,735		487,915	

Notes To The Financial Statements (continued)

23. SUKUK (CONTINUED)

Group	Year of maturity	31 December 2012		31 December 2011		1 January 2011	
		Amount outstanding RM'000	Effective profit rate %	Amount outstanding RM'000	Effective profit rate %	Amount outstanding RM'000	Effective profit rate %
(b) Islamic commercial papers	2011	-	-	-	-	300,000	3.000
	2013	500,000	3.210	-	-	-	-
		500,000		-		300,000	
Add: Profit payable		264		-		4,932	
		500,264		-		304,932	
(c) Islamic medium-term notes	2011	-	-	-	-	1,170,000	2.950 - 4.630
	2012	-	-	1,685,000	3.230 - 3.900	1,285,000	3.300 - 3.900
	2013	3,445,000	3.250 - 5.000	3,070,000	3.480 - 5.000	2,930,000	3.410 - 5.000
	2014	1,055,000	3.330 - 4.660	920,000	3.480 - 4.660	290,000	4.000 - 4.660
	2015	2,575,000	3.350 - 5.300	1,455,000	3.820 - 5.300	1,055,000	3.820 - 5.300
	2016	880,000	3.500 - 4.930	755,000	3.650 - 4.930	740,000	3.850 - 4.930
	2017	725,000	3.500 - 4.050	5,000	4.050	5,000	4.050
	2018	205,000	3.950 - 5.800	205,000	3.950 - 5.800	195,000	5.710 - 5.800
	2019	365,000	3.750 - 5.280	345,000	5.030 - 5.280	345,000	5.030 - 5.280
	2020	270,000	5.900 - 6.000	270,000	4.360 - 6.000	270,000	4.360 - 6.000
	2021	245,000	4.150 - 5.307	245,000	4.150 - 5.380	235,000	5.150 - 5.380
	2022	25,000	3.900 - 4.480	5,000	4.480	5,000	4.480
	2023	345,000	4.250 - 6.350	345,000	4.250 - 6.350	335,000	6.050 - 6.350
	2024	315,000	4.000 - 5.520	305,000	5.270 - 5.520	305,000	5.270 - 5.520
	2025	5,000	4.650	5,000	4.650	5,000	4.650
	2026	20,000	4.410 - 4.650	20,000	4.410 - 4.920	-	-
	2027	15,000	4.140	-	-	-	-
2028	405,000	6.250 - 6.500	405,000	6.250 - 6.500	405,000	6.250 - 6.500	
2029	180,000	5.500 - 5.750	180,000	5.500 - 5.750	180,000	5.500 - 5.750	
		11,075,000		10,220,000		9,755,000	
Add: Profit payable		132,295		121,732		103,482	
		11,207,295		10,341,732		9,858,482	
		11,707,559		10,585,467		10,651,329	

Notes To The Financial Statements (continued)

23. SUKUK (CONTINUED)

The maturity structure of the Sukuk are as follows:

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Maturing within one year	4,077,559	2,050,467	1,822,594
One year to three years	3,630,000	3,990,000	4,458,735
Three years to five years	1,605,000	2,210,000	1,345,000
More than five years	2,395,000	2,335,000	3,025,000
	11,707,559	10,585,467	10,651,329

(a) *Bithaman Ajil*

Bithaman Ajil were issued under the Islamic principle of Bai' Bithaman Ajil with non-detachable secondary Sukuk. The non-detachable secondary Sukuk are redeemable on the due dates.

(b) *Islamic commercial papers*

Islamic commercial papers were issued by the Company based on various Islamic principles. These are short-term Islamic instruments with maturities ranging from 1 to 12 months and were issued at a discount or at par (coupon-bearing).

(c) *Islamic medium-term notes*

Islamic medium-term notes are long term papers issued by the Company based on various Islamic principles including Sukuk Alim and variable rate Sukuk Murabahah. These Sukuk have tenures of more than 1 year and carry a profit which is determined at the point of issuance. Profit on these Sukuk is paid half-yearly/quarterly depending on issuance.

24. RESIDENTIAL MORTGAGE-BACKED SECURITIES ("RMBS")

Group	Year of maturity	31 December 2012		31 December 2011		1 January 2011	
		Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
RMBS	2011	-	-	-	-	290,000	4.95
	2012	-	-	645,000	4.10 - 4.71	645,000	4.10 - 4.71
	2014	725,000	4.28 - 5.50	725,000	4.28 - 5.50	725,000	4.28 - 5.50
	2015	320,000	5.10	320,000	5.10	320,000	5.10
	2017	870,000	4.52 - 5.34	870,000	4.52 - 5.34	870,000	4.52 - 5.34
	2019	260,000	4.70	260,000	4.70	260,000	4.70
	2020	385,000	5.65	385,000	5.65	385,000	5.65
	2022	250,000	4.90	250,000	4.90	250,000	4.90
	2025	265,000	5.92	265,000	5.92	265,000	5.92
	2027	105,000	5.08	105,000	5.08	105,000	5.08
		3,180,000		3,825,000		4,115,000	
Add: Interest payable		15,295		17,781		20,420	
		3,195,295		3,842,781		4,135,420	

Notes To The Financial Statements (continued)

24. RESIDENTIAL MORTGAGE-BACKED SECURITIES (“RMBS”) (CONTINUED)

The maturity structure of the RMBS is as follows:

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Maturing within one year	15,295	662,781	310,420
One year to three years	1,045,000	725,000	645,000
Three years to five years	870,000	320,000	1,045,000
More than five years	1,265,000	2,135,000	2,135,000
	3,195,295	3,842,781	4,135,420

The RMBS have the following features:

- (a) The subsidiary has an option to redeem partially the RMBS subject to the terms and conditions of each transaction.
- (b) The RMBS's interest is payable quarterly in arrears.
- (c) The RMBS are constituted by a Trust Deed made between CMBS and the Trustee, to act for the benefit of the bondholders.
- (d) The RMBS constitute direct, unconditional, unsubordinated and secured obligations of CMBS and rank pari passu without discrimination, preference or priority among themselves, but are subject to payments preferred under law and the Issue Documents.
- (e) The RMBS are issued on a limited recourse basis. Holders of the RMBS will be limited in their recourse to the underlying mortgage assets, the related collections and the proceeds from the enforcement of other securities related to the mortgage assets.

25. ISLAMIC RESIDENTIAL MORTGAGE-BACKED SECURITIES (“IRMBS”)

Group	Year of maturity	31 December 2012		31 December 2011		1 January 2011	
		Amount outstanding RM'000	Effective profit rate %	Amount outstanding RM'000	Effective profit rate %	Amount outstanding RM'000	Effective profit rate %
IRMBS	2012	-	-	515,000	3.70 - 4.24	515,000	3.70 - 4.24
	2014	270,000	3.70 - 3.78	270,000	3.70 - 3.78	270,000	3.70 - 3.78
	2015	515,000	3.78 - 4.71	515,000	3.78 - 4.71	515,000	3.78 - 4.71
	2017	810,000	3.90 - 5.01	810,000	3.90 - 5.01	810,000	3.90 - 5.01
	2019	245,000	4.02	245,000	4.02	245,000	4.02
	2020	400,000	5.27	400,000	5.27	400,000	5.27
	2022	320,000	4.17	320,000	4.17	320,000	4.17
	2027	290,000	4.34	290,000	4.34	290,000	4.34
		2,850,000		3,365,000		3,365,000	
Add: Profit attributable		15,314		17,798		17,798	
		2,865,314		3,382,798		3,382,798	

Notes To The Financial Statements (continued)

25. ISLAMIC RESIDENTIAL MORTGAGE-BACKED SECURITIES (“IRMBS”) (CONTINUED)

The maturity structure of the IRMBS is as follows:

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Maturing within one year	15,314	532,798	17,798
One year to three years	785,000	270,000	515,000
Three years to five years	810,000	515,000	785,000
More than five years	1,255,000	2,065,000	2,065,000
	2,865,314	3,382,798	3,382,798

The IRMBS have the following features:

- (a) The subsidiary has an option to redeem partially the IRMBS subject to the terms and conditions of each transaction.
- (b) The profit on IRMBS is distributable quarterly in arrears.
- (c) The IRMBS are constituted by a Trust Deed made between CMBS and the Trustee, to act for the benefit of the IRMBS holders.
- (d) The IRMBS constitute direct, unconditional, unsubordinated and secured obligations of CMBS and rank pari passu without discrimination, preference or priority among themselves, but are subject to payments preferred under law and the Issue Documents.
- (e) The IRMBS are issued on a limited recourse basis. Holders of the IRMBS will be limited in their recourse to the underlying mortgage assets, the related collections and the proceeds from the enforcement of other securities related to the mortgage assets.

26. OTHER LIABILITIES

	Group			Company		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Provision for zakat	1,119	2,260	1,785	-	-	-
Amount due to Government	50,847	50,115	-	-	-	-
Other payables	11,113	11,267	11,688	21	5	10
	63,079	63,642	13,473	21	5	10

27. SHARE CAPITAL

Group and Company	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Ordinary shares of RM1 each:			
Authorised:			
Balance as at beginning and end of the financial year	500,000	500,000	500,000
Issued and fully paid:			
Balance as at beginning and end of the financial year	150,000	150,000	150,000

Notes To The Financial Statements (continued)

28. RESERVES

(a) AFS reserves

This amounts represents the unrealised fair value gains or losses on AFS investment securities.

(b) Cash flow hedge reserves

This amounts represents the effective portion of changes in fair value on derivatives designated and qualifying as hedge of future cash flows.

29. INTEREST INCOME

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest income from:				
Amount due from counterparties relating to:				
Mortgage loans	178,368	181,728	-	-
Hire purchase assets	449	744	-	-
Mortgage assets	468,427	512,253	-	-
Mortgage assets repurchased	972	1,183	-	-
AFS investments securities	63,828	50,002	-	-
Deposits and placements with financial institutions	28,666	19,145	43	31
	740,710	765,055	43	31
Accretion of discount less amortisation of premium (net)	264,519	282,087	-	-
	1,005,229	1,047,142	43	31

30. INTEREST EXPENSE

	Group	
	2012 RM'000	2011 RM'000
Interest expense on:		
Fixed rate bonds	-	10,109
Floating rate notes (FRNs)	7,226	10,170
Medium-term notes	435,456	431,274
Short-term notes	-	-
RMBS	183,309	200,533
Deposits and placements of financial institutions	5	2
	625,996	652,088

Notes To The Financial Statements (continued)**31. NON-INTEREST (EXPENSE)/INCOME**

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Realised net loss on derivatives	(8,798)	(11,055)	-	-
Other non-operating income	5,458	4,887	2	-
Gain on disposal of AFS investment securities	4,024	4,850	-	-
Gain on disposal of property and equipment	112	26	-	-
Guarantee fee income	173	19	-	-
Management fee income	500	500	500	500
Dividend income	-	-	132,000	30,000
	1,469	(773)	132,502	30,500

32. ALLOWANCE FOR IMPAIRMENT LOSSES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Writeback of allowance impairment losses	(10,577)	-	-	-

33. PROFIT BEFORE TAXATION AND ZAKAT

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
The following items have been charged/(credited) in arriving at profit before taxation and zakat:				
Directors' remuneration (Note 34)	1,587	1,186	-*	-*
Rental of premises	2,148	2,234	-	-
Hire of equipment	251	230	-	-
Auditor's remuneration				
- audit fees	237	215	-*	-*
Depreciation of property and equipment	1,065	1,126	-	-
Amortisation of intangible assets	2,508	2,631	-	-
Servicer fee	3,620	3,925	-	-
Repairs and maintenance	1,590	1,353	-	-
Donations and sponsorship	177	404	-	-
Corporate expenses	739	624	-	-
Travelling	248	274	-	-
Writeback of provision for impairment losses on mortgage and Islamic mortgage loans	(10,577)	-	-	-
Gain on disposal of property and equipment	(112)	-	-	-
Personnel costs:				
Salary and allowances	10,261	10,755	-	-
Bonus	3,722	2,790	-	-
Overtime	61	55	-	-
Employees Provident Fund and SOCSO	2,298	2,394	-	-
Insurance	242	236	-	-

* Directors' remuneration of RM540,000 and auditors' remuneration of RM21,019 (2011: RM374,000 and RM19,462 respectively) for the Company in the financial year was borne by Cagamas Berhad.

Notes To The Financial Statements (continued)

34. DIRECTORS' REMUNERATION

The Directors of the Company who have held office during the financial year are as follows:

Non-executive Directors:

Dato' Ooi Sang Kuang (Chairman)
 Datuk George Ratilal
 Dato' Charon Wardini Mokhzani
 Dato' Sri Abdul Wahid Omar
 Tan Sri Dato' Sri Tay Ah Lek
 Cheah Tek Kuang
 Marzunisham bin Omar

The aggregate amount of emoluments received by the Directors of the Group and the Company during the financial year is as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Fees	919	795	360	289
Other remuneration	668	391	180	85
	1,587	1,186	540	374

Notes To The Financial Statements (continued)

35. TAXATION

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(a) Tax charge for the financial year				
Current tax	92,688	92,660	33,147	40,989
Deferred taxation (Note 18)	44,946	54,460	-	(33,335)
	137,634	147,120	33,147	7,654
Current tax:				
Current year	92,642	92,728	33,135	40,952
Under/(over) provision in prior year	46	(68)	12	37
Deferred taxation:				
Origination and reversal of temporary differences	44,946	54,460	-	(33,335)
	137,634	147,120	33,147	7,654

(b) Reconciliation of income tax expense

The tax on the Group and the Company profit before taxation and zakat differs from the theoretical amount that would arise using the statutory income tax rate of Malaysia as follow:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before taxation and zakat	551,912	591,488	132,455	30,468
Tax calculated at Malaysian tax rate of 25% (2011: 25%)	137,978	147,872	33,114	7,617
Expenses not deductible for tax purposes	339	202	21	-
Income not subject to tax	(317)	(278)	-	-
Over provision in prior year	46	(72)	12	37
Deduction arising from zakat contribution	(280)	(565)	-	-
Change in taxation basis	(132)	24	-	-
Expenses allowed for double deduction	-	(63)	-	-
	137,634	147,120	33,147	7,654

Notes To The Financial Statements (continued)

36. NET TANGIBLE ASSETS AND EARNINGS PER SHARE

The net tangible assets per share is calculated by dividing the net tangible assets of RM4,252,191,000 of the Group and RM4,187,075,000 of the Company respectively (2011: RM3,879,199,000 and RM4,132,767,000 for the Group and the Company respectively) by 150,000,000 shares of the Group and the Company in issue.

Basic and diluted earnings per share is calculated by dividing the profit for the financial year of RM413,160,000 of the Group and RM99,308,000 of the Company respectively (2011: RM422,108,600 of the Group and RM22,814,000 of the Company respectively) by 150,000,000 shares of the Group and the Company in issue. For the diluted earnings per share calculation, no adjustment has been made to weighted number of ordinary shares in issue as there are no dilutive potential ordinary shares.

37. DIVIDENDS

	Company			
	Net per share sen	2012 Amount of dividend net of tax RM'000	Net per share sen	2011 Amount of dividend net of tax RM'000
Dividends paid are as follows:				
First interim dividend paid	11.25	16,875	11.25	16,875
Second interim dividend paid	-	-	3.75	5,625
Special dividend paid	18.75	28,125	-	-
	30.00	45,000	15.00	22,500

38. SIGNIFICANT RELATED PARTY TRANSACTION AND BALANCES

(a) *Related parties and relationships*

The related parties and their relationships with the Company are as follows:

Related parties	Relationships
Cagamas Berhad ("Cagamas")	Subsidiary
Cagamas MBS Berhad ("CMBS")	Subsidiary
Cagamas SRP Berhad ("CSR")	Subsidiary
Cagamas MGP Berhad ("CMGP")	Subsidiary (formerly known as Cagamas HKMC Berhad, a joint venture company prior to 20 December 2012)
BNM Sukuk Berhad ("BNM Sukuk")	Special purpose entity ("SPE")
Cagamas SME Berhad ("CSME")	Special purpose entity ("SPE")
Bank Negara Malaysia ("BNM")	Other related party
Key management personnel	Other related party
Entities in which key management personnel have control	Other related party

Notes To The Financial Statements (continued)

38. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) *Related parties and relationships (continued)*

BNM is regarded as a related party on the basis of having significant influence over the Group and the Company.

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

Entities in which key management personnel have control are defined as entities that are controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel.

(b) *Significant related party transactions and balances*

Most of the transactions involving mortgage loans, personal loans, hire purchase and leasing debts and Islamic financing facilities as well as issuance of unsecured debt securities and Sukuk are transacted with the shareholders of the Group. These transactions were carried out on commercial terms (i.e. terms and conditions obtainable in transactions with unrelated parties) and at market rates unless otherwise stated. These transactions have been disclosed on the statement of financial position and income statement of the Group.

Set out below are significant related party transactions which were conducted in the normal course of business:

Group RM'000	Subsidiary company	Previous JV	Wholly owned SPE of ultimate holding company	Other related party
2012				
Income				
Bank swap premium	-	-	-	419
Transaction administrator and administrator fees	7,808	-	124	77
Management fee	16	484	-	-
Expenses				
FAST* and RENTAS** charges	-	-	-	61
Guarantee and Wakalah fee expense	-	115	-	-
Amount due from				
Bank swap premium	-	-	-	133
Transaction administrator and administrator fees	829	-	-	-
BNM current accounts	-	-	-	29
Reimbursement of operating expenses	-	-	-	249
* Fully Automated System for Issuing and Tendering				
** Real-Time Electronic Transfer of Funds and Securities				

Notes To The Financial Statements (continued)

38. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Significant related party transactions and balances (continued)

Group RM'000	Subsidiary company	JV	Wholly owned SPE of ultimate holding company	Other related party
2011				
Income				
Bank swap premium	-	-	-	541
Transaction administrator and administrator fees	8,540	-	160	93
Management fee	-	500	-	-
Expenses				
FAST* and RENTAS** charges	-	-	-	59
Guarantee and Wakalah fee expense	-	127	-	-
Amount due from				
Bank swap premium	-	-	-	133
Transaction administrator and administrator fees	910	-	36	-
BNM current accounts	-	-	-	30
Reimbursement of operating expenses	2	9	8	290

* Fully Automated System for Issuing and Tendering

** Real-Time Electronic Transfer of Funds and Securities

The amount due from subsidiaries are unsecured, interest free and repayable in arrears on each interest payment/profit distribution date.

In addition, the Group's key management personnel received remuneration for services rendered during the financial year. The total compensation paid to the Group's key management personnel was RM4,751,518 (2011: RM5,102,167).

The total remuneration paid to the Directors is disclosed in Note 34 to the financial statements.

(c) Transaction with the Government of Malaysia and its related parties

As BNM has significant influence over the Group and the Company, the Government of Malaysia and entities controlled, jointly controlled or has significant influence by the Government of Malaysia are related parties of the Company and the Group.

The Group enters into transactions with many of these entities to purchase mortgage loans, personal loans and hire purchase and leasing debts and to issue bonds and notes to finance the purchase as part of its normal operations.

These transactions are carried out on commercial terms and are consistently applied to all parties whether government-related or not.

39. CAPITAL COMMITMENTS

	Group	
	2012 RM'000	2011 RM'000
Capital expenditure:		
Authorised and contracted for	1,960	558
Authorised but not contracted for	1,567	4,306
<hr/>		
Analysed as follows:		
Property and equipment	158	454
Computer equipments	3,369	4,410

Notes To The Financial Statements (continued)

40. LEASE COMMITMENTS

The Group has lease commitments in respect of rented premises and hired equipment, all of which are classified as operating leases. A summary of the long-term commitments is as follows:

	2012 RM'000	2011 RM'000
Maturing within one year	3,033	833
One year to three years	2,866	96
	5,899	929

41. MARKET RISK

41.1 Interest/profit rate risk

Cash flow interest/profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest/profit rates. Fair value interest/profit rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest/profit rates. The Group takes on the exposure of the effects of fluctuations in the prevailing levels of market interest/profit rates on both its fair value and cash flow risks. Interest/profit margin may increase as a result of such changes but may reduce or create losses in the event that an unexpected movement in the market interest/profit rates arise.

The following tables summarise the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The carrying amounts of derivative financial instruments, which are principally used to reduce the Group's exposure to interest/profit rate movements, are included in "other assets" and "other liabilities" under the heading "non-interest bearing".

Notes To The Financial Statements (continued)

41. MARKET RISK (CONTINUED)

41.1 Interest/profit rate risk (continued)

Group RM'000	Effective interest/ profit rate %	Within one year	One year to three years	Three years to five years	More than five years	Non-interest/ profit bearing	Total
Cash and short-term funds	3.26	659,761	-	-	-	51,208	710,969
Deposits and placements with financial institutions	3.47	365,349	-	-	-	-	365,349
AFS investment securities	3.48	656,497	682,522	572,589	239,087	-	2,150,695
Amount due from counterparties	4.52	131,335	1,464,210	2,100,597	-	-	3,696,142
Islamic financing debts	3.97	2,619,653	3,002,670	2,454,538	-	-	8,076,861
Mortgage assets:							
- Conventional	3.97	1,663,485	1,979,075	1,829,453	6,295,342	(2,108,004)	9,659,351
- Islamic	3.98	957,787	1,112,566	1,105,016	5,358,972	(1,410,068)	7,124,273
Hire purchase assets:							
- Conventional	4.00	11	-	-	-	(2)	9
- Islamic	4.00	6,613	8,091	1,894	83	(744)	15,937
Other assets	-	6,944	9,037	6,010	10,881	3,169	36,041
Total assets		7,067,435	8,258,171	8,070,097	11,904,365	(3,464,441)	31,835,627
Unsecured bearer bonds and notes	4.60	562,450	2,650,000	2,750,000	3,255,000	-	9,217,450
Sukuk	4.19	4,077,559	3,630,000	1,605,000	2,395,000	-	11,707,559
RMBS	5.06	15,295	1,045,000	870,000	1,265,000	-	3,195,295
IRMBS	4.47	15,314	785,000	810,000	1,255,000	-	2,865,314
Other liabilities	-	-	-	-	-	112,578	112,578
Total liabilities		4,670,618	8,110,000	6,035,000	8,170,000	112,578	27,098,196
Interest/profit sensitivity gap		2,396,817	148,171	2,035,097	3,734,365		
Cumulative gap		2,396,817	2,544,988	4,580,085	8,314,450		

Notes To The Financial Statements (continued)

41. MARKET RISK (CONTINUED)

41.1 Interest/profit rate risk (continued)

Group RM'000	Effective interest/ profit rate %	Within one year	One year to three years	Three years to five years	More than five years	Non-interest/ profit bearing	Total
Cash and short-term funds	3.05	428,385	-	-	-	50,834	479,219
Deposits and placements with financial institutions	3.10	300,672	2,503	20,219	-	-	323,394
AFS investment securities	3.60	964,669	395,914	351,638	350,266	-	2,062,487
Amount due from counterparties	4.82	548,923	1,687,575	1,070,544	1,000,002	-	4,307,044
Islamic financing debts	3.99	1,038,705	3,199,533	2,641,397	-	-	6,879,635
Mortgage assets:							
- Conventional	3.97	1,623,330	2,147,410	1,825,523	7,288,837	(2,374,340)	10,510,760
- Islamic	3.99	912,503	1,198,873	1,129,543	5,742,327	(1,548,352)	7,434,894
Hire purchase assets:							
- Conventional	4.00	68	-	-	-	(16)	52
- Islamic	4.00	7,097	12,267	2,914	132	(1,189)	21,221
Other assets	-	6,328	8,808	6,248	12,502	52,135	86,021
Total assets		5,830,680	8,652,883	7,048,026	14,394,066	(3,820,928)	32,104,727
Unsecured bearer bonds and notes	4.58	1,023,021	2,545,000	1,470,000	4,830,000	-	9,868,021
Sukuk	4.25	2,050,467	3,990,000	2,210,000	2,335,000	-	10,585,467
RMBS	4.94	662,781	725,000	320,000	2,135,000	-	3,842,781
IRMBS	4.40	532,798	270,000	515,000	2,065,000	-	3,382,798
Other liabilities	-	88	-	-	58,189	59,142	117,419
Total liabilities		4,269,155	7,530,000	4,515,000	11,423,189	59,142	27,796,486
Interest/profit sensitivity gap		1,561,525	1,122,883	2,533,026	2,970,877		
Cumulative gap		1,561,525	2,684,408	5,217,434	8,188,311		

Notes To The Financial Statements (continued)

41. MARKET RISK (CONTINUED)

41.1 Interest/profit rate risk (continued)

Group RM'000	Effective interest/ profit rate %	Within one year	One year to three years	Three years to five years	More than five years	Non-interest/ profit bearing	Total
Cash and short-term funds	2.75	150,508	-	-	-	280	150,788
Deposits and placements with financial institutions	3.06	81,722	-	-	-	-	81,722
AFS investment securities	3.47	443,119	890,151	156,324	-	-	1,489,594
Amount due from counterparties	4.68	1,210,727	1,592,354	1,522,029	-	-	4,325,110
Islamic financing debts	4.03	702,765	1,284,009	3,567,540	1,300,033	-	6,854,347
Mortgage assets:							
- Conventional	4.09	1,613,063	2,188,906	1,909,785	8,319,443	(2,646,625)	11,384,572
- Islamic	4.10	848,709	1,153,802	1,119,160	6,282,631	(1,708,111)	7,696,191
Hire purchase assets:							
- Conventional	4.14	740	48	-	-	(27)	761
- Islamic	4.18	7,614	14,039	5,068	148	(1,406)	25,463
Other assets	-	9,751	9,586	7,373	16,313	53,473	96,496
Total assets		5,068,718	7,132,895	8,287,279	15,918,568	(4,302,416)	32,105,044
Unsecured bearer bonds and notes	4.66	1,429,490	1,110,000	2,325,000	5,175,000	-	10,039,490
Sukuk	4.24	1,822,594	4,458,735	1,345,000	3,025,000	-	10,651,329
RMBS	4.94	310,420	645,000	1,045,000	2,135,000	-	4,135,420
IRMBMS	4.40	17,798	515,000	785,000	2,065,000	-	3,382,798
Other liabilities	-	3,936	305	-	42,572	11,017	57,830
Total liabilities		3,584,238	6,729,040	5,500,000	12,442,572	11,017	28,266,867
Interest/profit sensitivity gap		1,484,480	403,855	2,787,279	3,475,996		
Cumulative gap		1,484,480	1,888,335	4,675,614	8,151,610		

Notes To The Financial Statements (continued)

41. MARKET RISK (CONTINUED)

41.1 Interest/profit rate risk (continued)

The tables represents a static position which provides an indication of the potential impact on the Group's statement of financial position through gap analysis of the interest/profit rate sensitive assets, liabilities and off-balance sheet items by time bands. A positive interest/profit rate sensitivity gap exists when more interest/profit sensitive assets than interest/profit sensitive liabilities reprice or mature during a given time period. Similarly, a negative interest/profit rate sensitivity gap exists when more interest/profit sensitive liabilities than interest/profit sensitive assets reprice or mature during a given time period. Any negative interest/profit rate sensitivity gap is to be funded by the Group's shareholders' funds, unsecured bearer bonds and notes or Sukuk or money market borrowings.

For decision-making purposes, the Group manages their exposure to interest/profit rate risk. The Group sets limits on the sensitivity of the Group's forecasted net interest income/income at risk to projected changes in interest/profit rates. The Group also undertakes duration analysis before deciding on the size and tenure of the debt securities/Sukuk to be issued to ensure that the Group's assets and liabilities are closely matched within the tolerance limit set by the Board.

The table below summarises the sensitivity of the Group's financial instruments to interest rate movements. The analysis is based on the assumptions that interest will fluctuate by 100 basis points, with all other variables held constant.

Group RM'000	-100 basis points	+100 basis points
31 December 2012		
AFS reserve	(5,868)	3,636
Interest Rate Swap	47,507	(44,620)
Taxation effect on the above at tax rate of 25%	(10,409)	10,246
Effect on shareholders' funds	31,230	(30,738)
As percentage of shareholders' funds	0.7%	(0.7)%
31 December 2011		
AFS reserve	(29,821)	28,640
Interest Rate Swap	31,206	(28,770)
Taxation effect on the above at tax rate of 25%	(347)	32
Effect on shareholders' funds	1,038	(98)
As percentage of shareholders' funds	0.0%	0.0%
1 January 2011		
AFS reserve	(20,806)	20,297
Interest Rate Swap	34,507	(31,650)
Taxation effect on the above at tax rate of 25%	(3,425)	2,838
Effect on shareholders' funds	10,276	(8,515)
As percentage of shareholders' funds	0.3%	(0.2)%

42. CREDIT RISK

42.1 Credit risk concentration

The Group's counterparties are mainly the GOM, and financial institutions in Malaysia. The financial institutions are governed by the Banking and Financial Institutions Act, 1989 and the Islamic Banking Act, 1983 and are subject to periodic review by the BNM. The following tables summarise the Group's maximum exposure to credit risk by counterparty or customer or the industry in which they are engaged as at the statement of financial position date:

Notes To The Financial Statements (continued)

42. CREDIT RISK (CONTINUED)

42.1 Credit risk concentration (continued)

Group RM'000	Cash and short-term funds	Deposits and placement with financial institutions	AFS investment securities	Amount due from counter parties	Islamic financing debts	Mortgage assets - Conventional	Mortgage assets - Islamic	Hire purchase assets - Conventional	Hire purchase assets - Islamic	Other assets	Total
31 December 2012											
Government bodies	-	-	1,112,715	-	-	-	-	-	-	30,149	1,142,864
Financial institutions:											
Commercial banks	710,969	365,349	455,790	3,579,842	8,076,861	-	-	-	-	3,379	13,192,190
Investment banks	-	-	-	-	-	-	-	-	-	-	-
Communications, electricity, gas and water	-	-	40,763	-	-	-	-	-	-	-	40,763
Transportation	-	-	107,091	-	-	-	-	-	-	-	107,091
Leasing	-	-	-	116,300	-	-	-	-	-	-	116,300
Individual	-	-	-	-	-	9,659,351	7,124,273	9	15,937	-	16,799,570
Others	-	-	434,336	-	-	-	-	-	-	6,648	440,984
Total	710,969	365,349	2,150,695	3,696,142	8,076,861	9,659,351	7,124,273	9	15,937	40,176	31,839,762

Notes To The Financial Statements (continued)

42. CREDIT RISK (CONTINUED)

42.1 Credit risk concentration (continued)

Group RM'000	Cash and short-term funds	Deposits and placement with financial institutions	AFS investment securities	Amount due from counter parties	Islamic financing debts	Mortgage assets -		Hire purchase assets -		Total
						Conventional	Islamic	Conventional	Islamic	
31 December 2011										
Government bodies	-	-	1,187,085	-	-	-	-	-	30,737	1,217,822
Financial institutions:										
Commercial banks	479,219	323,394	636,063	3,883,385	6,879,635	-	-	-	133	12,201,829
Investment banks	-	-	-	-	-	-	-	-	-	-
Communications, electricity, gas and water	-	-	81,111	82,702	-	-	-	-	-	163,813
Transportation	-	-	25,516	-	-	-	-	-	-	25,516
Leasing	-	-	-	340,957	-	-	-	-	-	340,957
Individual	-	-	-	-	-	10,510,760	7,434,894	52	21,221	17,966,927
Others	-	-	132,712	-	-	-	-	-	56,201	188,913
Total	479,219	323,394	2,062,487	4,307,044	6,879,635	10,510,760	7,434,894	52	21,221	32,105,777

Notes To The Financial Statements (continued)

42. CREDIT RISK (CONTINUED)

42.1 Credit risk concentration (continued)

Group RM'000	Cash and short-term funds	Deposits and placement with financial institutions	AFS investment securities	Amount due from counter parties	Islamic financing debts	Mortgage		Hire		Total	
						assets - Conventional	assets - Islamic	purchase assets - Conventional	purchase assets - Islamic		
1 January 2011											
Government bodies	-	-	966,628	-	-	-	-	-	-	36,629	1,003,257
Financial institutions:											
Commercial banks	96,330	81,722	211,336	3,838,439	6,854,347	-	-	-	-	2,980	11,085,154
Investment banks	54,458	-	-	-	-	-	-	-	-	-	54,458
Communications, electricity, gas and water	-	-	101,404	100,116	-	-	-	-	-	-	201,520
Transportation	-	-	26,347	19,234	-	-	-	-	-	-	45,581
Leasing	-	-	-	367,321	-	-	-	-	-	-	367,321
Individual	-	-	-	-	-	11,384,572	7,696,191	761	25,463	-	19,106,987
Others	-	-	183,879	-	-	-	-	-	-	56,887	240,766
Total	150,788	81,722	1,489,594	4,325,110	6,854,347	11,384,572	7,696,191	761	25,463	96,496	32,105,044

Notes To The Financial Statements (continued)

42. CREDIT RISK (CONTINUED)

42.2 Amount due from counterparties, Islamic financing debts, mortgage assets and hire purchase assets

All mortgage assets and hire purchase assets are categorised as either:

- neither past due nor impaired; or
- past due but not individually impaired.

The impairment allowance is assessed on a pool of financial assets which are not individually impaired.

Credit risk loans comprise amount due from counterparties, Islamic financing debts, mortgage assets and hire purchase assets which are due more than 90 days. The coverage ratio is calculated in reference to total impairment allowance and the carrying value (before impairment) of credit risk loans.

Group RM'000	Neither past due nor impaired	Past due but not individually impaired	Total	Impairment allowance	Total carrying value	Credit risk loan	Credit ratio
31 December 2012							%
Amount due from counterparties	3,696,142	-	3,696,142	-	3,696,142	-	-
Islamic financing debt	8,076,861	-	8,076,861	-	8,076,861	-	-
Mortgage assets:							
- Conventional	9,597,206	122,104	9,719,310	59,959	9,659,351	122,104	49
- Islamic	7,074,774	88,254	7,163,028	38,754	7,124,274	88,254	44
Hire purchase assets:							
- Conventional	5	6	11	2	9	6	33
- Islamic	15,861	152	16,013	76	15,937	152	50
	28,460,849	210,516	28,671,365	98,791	28,572,574	210,516	

31 December 2011

Amount due from counterparties	4,307,044	-	4,307,044	-	4,307,044	-	-
Islamic financing debt	6,879,635	-	6,879,635	-	6,879,635	-	-
Mortgage assets:							
- Conventional	10,463,715	112,979	10,576,694	65,934	10,510,760	112,979	58
- Islamic	7,417,008	61,129	7,478,137	43,243	7,434,894	61,129	71
Hire purchase assets:							
- Conventional	61	7	68	16	52	7	> 100
- Islamic	21,236	161	21,397	176	21,221	161	> 100
	29,088,699	174,276	29,262,975	109,369	29,153,606	174,276	

1 January 2011

Amount due from counterparties	4,325,110	-	4,325,110	-	4,325,110	-	-
Islamic financing debt	6,854,347	-	6,854,347	-	6,854,347	-	-
Mortgage assets:							
- Conventional	11,329,948	120,558	11,450,506	65,934	11,384,572	120,558	55
- Islamic	7,686,612	52,822	7,739,434	43,243	7,696,191	52,822	82
Hire purchase assets:							
- Conventional	775	2	777	16	761	2	> 100
- Islamic	25,347	292	25,639	176	25,463	292	60
	30,222,139	173,674	30,395,813	109,369	30,286,444	173,674	

Notes To The Financial Statements (continued)

42. CREDIT RISK (CONTINUED)

42.2 Amount due from counterparties, Islamic financing debts, mortgage assets and hire purchase assets (continued)

Amount due from counterparties, Islamic financing debts, mortgage assets and hire purchase assets neither past due nor individually impaired are as below:

Group RM'000	31 December 2012		31 December 2011		1 January 2011	
	Strong	Total	Strong	Total	Strong	Total
Amount due from counterparties	3,696,142	3,696,142	4,307,044	4,307,044	4,325,110	4,325,110
Islamic financing debts	8,076,861	8,076,861	6,879,635	6,879,635	6,854,347	6,854,347
Mortgage assets:						
- Conventional	9,597,206	9,597,206	10,463,715	10,463,715	11,329,948	11,329,948
- Islamic	7,074,774	7,074,774	7,417,008	7,417,008	7,686,612	7,686,612
Hire purchase assets:						
- Conventional	5	5	61	61	775	775
- Islamic	15,861	15,861	21,236	21,236	25,347	25,347
	28,460,849	28,460,849	29,088,699	29,088,699	30,222,139	30,222,139

For the purpose of analysis of credit risk quality, the following internal measures of credit quality have been used:

Strong - there is a very high likelihood that the asset being recovered in full. This comprise amount due from counterparties, Islamic financing debts, mortgage assets and hire purchase assets.

An aging analysis of mortgage assets and hire purchase assets that are past due but not individually impaired is set out below.

Group RM'000	91 to 120 days	121 to 150 days	151 to 180 days	Over 180 days	Total
31 December 2012					
Mortgage assets:					
- Conventional	16,029	12,049	10,196	83,830	122,104
- Islamic	9,060	10,828	6,712	61,654	88,254
Hire purchase assets:					
- Conventional	-	-	-	6	6
- Islamic	1	-	-	151	152
	25,090	22,877	16,908	145,641	210,516

31 December 2011

Mortgage assets:					
- Conventional	15,326	10,526	6,971	80,156	112,979
- Islamic	6,851	4,847	5,941	43,490	61,129
Hire purchase assets:					
- Conventional	-	-	4	3	7
- Islamic	35	28	-	98	161
	22,212	15,401	12,916	123,747	174,276

1 January 2011

Mortgage assets:					
- Conventional	20,158	14,374	8,378	77,648	120,558
- Islamic	8,071	4,075	6,581	34,095	52,822
Hire purchase assets:					
- Conventional	-	-	2	-	2
- Islamic	-	172	41	79	292
	28,229	18,621	15,002	111,822	173,674

Notes To The Financial Statements (continued)

42. CREDIT RISK (CONTINUED)

42.2 Amount due from counterparties, Islamic financing debts, mortgage assets and hire purchase assets (continued)

For the purpose of this analysis, an asset is considered past due and included above when payment due under strict contractual terms is received late or missed. The amount included is either the entire financial assets, not just the payment, of both principal and interest, overdue on Purchase-Without-Recourse ("PWOR") assets. This may result from administrative delays on the side of the borrower leading to assets being past due but not impaired. Therefore, loans and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary.

The impairment allowance on such loans is calculated on a collective, not individual basis as this reflects homogeneous nature of the assets, which allows statistical techniques to be used, rather than individual assessments.

For the financial year ended 31 December 2012, the Group has deemed it impracticable to disclose the financial effect of collateral for its mortgage assets and hire purchase assets.

The movement in impairment allowance during the financial year were as follows:

Group RM'000	Balance as at 1 January	Provision made	Writeback of provision	Balance as at 31 December
31 December 2012				
Mortgage assets:				
- Conventional	65,934	2,451	(8,426)	59,959
- Islamic	43,243	840	(5,328)	38,755
Hire purchase assets:				
- Conventional	16	-	(14)	2
- Islamic	176	22	(122)	76
	109,369	3,313	(13,890)	98,792
31 December 2011				
Mortgage assets:				
- Conventional	65,934	-	-	65,934
- Islamic	43,243	-	-	43,243
Hire purchase assets:				
- Conventional	16	-	-	16
- Islamic	176	-	-	176
	109,369	-	-	109,369
1 January 2011				
Mortgage assets:				
- Conventional	65,934	-	-	65,934
- Islamic	43,243	-	-	43,243
Hire purchase assets:				
- Conventional	16	-	-	16
- Islamic	176	-	-	176
	109,369	-	-	109,369

Notes To The Financial Statements (continued)

42. CREDIT RISK (CONTINUED)

42.3 AFS investment securities

AFS investment securities are measured on fair value basis. The Group mainly uses the ratings by external rating agencies, mainly RAM Rating Services Berhad (“RAM”) and Malaysian Rating Corporation Berhad (“MARC”). The table below presents an analysis of AFS investment securities external ratings designation:

Group RM'000	Investment Grade			Total
	GOM	AAA	AA1 to AA2	
31 December 2012				
Malaysian government securities	322,318	-	-	322,318
Government-issued instruments	578,956	-	-	578,956
Private debt securities	-	209,531	56,049	265,580
Negotiable instruments of deposits	-	236,033	-	236,033
Islamic private debt securities	-	428,180	-	428,180
Bank Negara Malaysia	99,764	-	-	99,764
Quasi debt securities	206,056	-	-	206,056
Islamic quasi government securities	-	13,808	-	13,808
	1,207,094	887,552	56,049	2,150,695
31 December 2011				
Malaysian government securities	386,962	-	-	386,962
Government-issued instruments	522,140	-	-	522,140
Private debt securities	-	132,713	187,896	320,609
Negotiable instruments of deposits	-	76,594	76,618	153,212
Islamic negotiable instrument of deposits	-	298,105	-	298,105
Islamic private debt securities	-	356,068	25,391	381,459
	909,102	863,480	289,905	2,062,487
1 January 2011				
Malaysian government securities	291,782	-	-	291,782
Government-issued instruments	214,154	-	-	214,154
Private debt securities	-	163,376	178,247	341,623
Negotiable instruments of deposits	-	50,014	50,373	100,387
Islamic negotiable instrument of deposits	-	42,461	-	42,461
Islamic private debt securities	-	415,537	-	415,537
BNM negotiable notes	69,216	-	-	69,216
Malaysian treasury bills	6,929	-	-	6,929
Malaysian Islamic treasury bills	7,505	-	-	7,505
	589,586	671,388	228,620	1,489,594

None of these assets are impaired nor past due but not impaired.

42.4 Amount due from related company, SPE and holding company

None of these assets are impaired nor past due but not impaired.

Notes To The Financial Statements (continued)

43. LIQUIDITY RISK

43.1 Funding approach

Sources of liquidity are regularly reviewed to maintain a wide diversification of debt portfolios. This involves managing market access in order to widen sources of funding to avoid over dependence on a single funding source as well as to minimise cost of funding.

43.2 Liquidity pool

The Group's liquidity pool comprised the following cash and unencumbered assets:

Group RM'000	Cash and deposit in licenced financial institutions	Derivative financial instruments	AFS investment securities	Mortgage assets	Islamic mortgage assets	Other available liquidity	Total
As at 31 December 2012	1,076,318	1,115	2,150,695	9,659,351	7,124,273	11,823,821	31,835,573
As at 31 December 2011	802,613	-	2,062,487	10,510,760	7,434,894	11,243,972	32,054,726
As at 1 January 2011	232,510	2,848	1,489,594	11,384,572	7,696,191	11,248,551	32,054,266

43.3 Contractual maturity of financial liabilities

The tables below present the cash flows payable by the Group under non-derivative financial liabilities by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are contractual undiscounted cash flow, whereas the Group manages the liquidity risk based on a different basis.

Notes To The Financial Statements (continued)

43. LIQUIDITY RISK (CONTINUED)

43.3 Contractual maturity of financial liabilities (continued)

Group RM'000	Remaining contractual maturities					Total
	On demand up to 1 month	One to three months	Three to twelve months	One to five years	Over five years	
31 December 2012						
Liabilities						
Unsecured bearer bonds and notes	13,804	51,175	824,379	6,607,046	4,218,626	11,715,030
Sukuk	33,621	845,097	3,524,016	6,202,325	3,210,408	13,815,467
RMBS	4,731	35,392	120,782	2,410,591	1,587,399	4,158,895
IRMBS	20,597	31,959	95,504	2,001,607	1,507,166	3,656,833
Unexpired financial guarantees	3,266	-	-	-	-	3,266
Other liabilities	6,025	-	-	-	51,956	57,981
Total liabilities	82,044	963,623	4,564,681	17,221,569	10,575,555	33,407,472
Assets held for managing liquidity risk	1,199,839	993,052	4,867,368	17,567,731	15,892,862	40,520,852
31 December 2011						
Liabilities						
Unsecured bearer bonds and notes	14,564	219,569	1,135,574	5,420,955	6,151,098	12,941,760
Sukuk	29,190	624,444	1,688,105	6,958,692	3,270,651	12,571,082
RMBS	4,783	42,635	783,377	1,598,080	2,560,815	4,989,690
IRMBS	-	37,284	618,508	1,239,111	2,397,125	4,292,028
Unexpired financial guarantees	1,684	-	-	-	-	1,684
Other liabilities	5,338	-	-	-	51,524	56,862
Total liabilities	55,559	923,932	4,225,564	15,216,838	14,431,213	34,853,106
Assets held for managing liquidity risk	1,097,966	1,230,521	4,144,603	16,558,493	18,515,948	41,547,531

Notes To The Financial Statements (continued)

43. LIQUIDITY RISK (CONTINUED)

43.3 Contractual maturity of financial liabilities (continued)

Group RM'000	Remaining contractual maturities						Total
	On demand up to 1 month	One to three months	Three to twelve months	One to five years	Over five years		
1 January 2011							
Liabilities							
Unsecured bearer bonds and notes	149	207,776	1,147,420	3,745,651	5,663,018	10,764,014	
Sukuk	215,702	510,584	1,411,582	6,899,361	4,106,527	13,143,756	
RMBS	318,912	42,635	442,043	2,319,630	2,670,059	5,793,279	
IRMBS	17,798	37,090	110,832	1,801,903	2,490,125	4,457,748	
Other liabilities	106,560	-	-	-	1,675	108,235	
Total liabilities	659,121	798,085	3,111,877	14,766,545	14,931,404	34,267,032	
Assets held for managing liquidity risk	1,041,111	1,183,518	3,452,986	16,161,760	20,104,783	41,944,158	

Notes To The Financial Statements (continued)

43. LIQUIDITY RISK (CONTINUED)

43.4 Derivatives liabilities

The Group's derivatives comprise IRS/IPRS held by a subsidiary, for which net cash flows are exchanged, held for hedging purposes. The derivatives held by the subsidiary is settled on a net basis.

The following table analyses the subsidiaries' derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. Contractual maturities are assessed to be essential for an understanding of all derivatives. The amounts disclosed in the table below are the contractual undiscounted cash flows.

Group RM'000	On demand up to 1 month	One to three months	Three to twelve months	One to five years	Over five years	Total
31 December 2012						
Derivatives held for hedging - IRS/IPRS	-	(4,896)	(5,246)	(34,059)	(14,536)	(58,737)
31 December 2011						
Derivatives held for hedging - IRS	-	(4,540)	(4,491)	(38,622)	(17,555)	(65,208)
1 January 2011						
Derivatives held for hedging - IRS	(3,200)	(5,536)	(4,621)	(30,892)	(6,715)	(50,964)

44. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arms length transaction. The information presented herein represents the estimates of fair values as at the date of the statement of financial position.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market values are not available, fair values are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values. In addition, fair value information for non-financial assets and liabilities such as property and equipment are excluded, as they do not fall within the scope of MFRS 7, which requires the fair value information to be disclosed.

Notes To The Financial Statements (continued)

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates relative to their terms. The extent to which instruments are favourable or unfavourable and the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

44.1 Fair value of financial instruments

The estimated fair values of the Group's financial instruments approximated their carrying values in the statement of financial position except for the following:

Group RM'000	31 December 2012		31 December 2011		1 January 2011	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Assets						
Amount due from counterparties	3,696,142	3,658,310	4,307,044	4,225,749	4,325,110	4,331,896
Islamic financing debts	8,076,861	8,118,391	6,879,635	6,933,983	6,854,347	6,883,641
Mortgage assets:						
- Conventional	9,659,351	10,975,345	10,510,760	11,582,348	11,384,572	12,135,566
- Islamic	7,124,273	7,802,410	7,434,894	7,951,609	7,696,191	8,045,000
Hire purchase assets:						
- Conventional	9	3	52	75	761	758
- Islamic	15,937	17,826	21,221	22,586	25,463	25,506
	28,572,573	30,572,285	29,153,606	30,716,350	30,286,444	31,422,367
Liabilities						
Unsecured bearer bonds and notes	9,217,450	9,253,355	9,688,021	9,877,465	10,039,490	10,439,339
Sukuk	11,707,559	11,691,278	10,585,467	10,742,244	10,651,329	10,792,463
RMBS	3,195,295	3,377,904	3,842,781	4,036,711	4,135,420	4,280,168
IRMBS	2,865,314	2,963,803	3,382,798	3,442,405	3,382,798	3,384,279
	26,985,618	27,286,340	27,499,067	28,098,825	28,209,037	28,896,249

The following methods and assumptions were used to estimate the fair value of financial instruments as at the statement of financial position date:

(a) *Cash and short-term funds*

The carrying amount of cash and short-term funds is used as reasonable estimate of fair values as the maturity is less than or equal to a month.

(b) *Amounts due from counterparties*

The fair value of the fixed rate assets portfolio is based on the present value of estimated future cash flows discounted at the prevailing market rates of loans with similar credit risk and maturities at the statement of financial position date. The fair value of the floating rate assets portfolio is based on their carrying amount as the repricing date of the floating rate assets portfolio is not greater than 6 months.

Notes To The Financial Statements (continued)

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

44.1 Fair value of financial instruments (continued)

(c) *Mortgage assets and hire purchase assets*

The fair value of the mortgage assets and hire purchase assets are derived at using the present value of future cash flows discounted based on the mortgage assets market yield to maturity at the date of the statement of financial position.

(d) *AFS investment securities*

The fair value of the AFS investment securities is derived from the market indicative quotes or observable market prices at the date of the statement of financial position.

(e) *Islamic financing debts*

The fair value of the Islamic financing debts is based on the present value of estimated future cash flows discounted at the prevailing market rates of loans with similar credit risk and maturities at the date of the statement of financial position.

(f) *Other financial assets*

Other financial assets include other debtors and deposits. The fair value of other financial assets is estimated at their carrying amount.

(g) *Unsecured bearer bonds and notes and Sukuk*

The fair value of the unsecured bearer bonds and notes and Sukuk is derived from the market indicative quotes or observable market prices at the date of the statement of financial position.

(h) *Amount due (to)/from subsidiary companies, JV and SPE*

The estimated fair value of amount due (to)/from a related company approximated their book value due to short tenure of less than one year.

(i) *RMBS and IRMBS*

The fair value of the RMBS and IRMBS is derived from the market indicative quotes or observable market prices at the date of the statement of financial position.

(j) *Other financial liabilities*

Other financial liabilities include creditors and accruals. The fair value of other financial liabilities is estimated at their carrying amount.

(k) *Derivatives financial instruments*

The estimated fair value of the IRS/IPRS is based on the estimated future cash flows discounted using the market interest rate at the statement of financial position date.

Notes To The Financial Statements (continued)

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

44.2 Fair value hierarchy

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 and liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group RM'000	Level 1	Level 2	Level 3	Total
31 December 2012				
Assets				
AFS investment securities	-	2,150,695	-	2,150,695
Derivative financial instruments	-	1,115	-	1,115
Liabilities				
Derivative financial instruments	-	53,741	-	53,741
31 December 2011				
Assets				
AFS investment securities	-	2,062,487	-	2,062,487
Liabilities				
Derivative financial instruments	-	58,278	-	58,278

45. SEGMENT REPORTING

The Chief Executive Officer (the chief operating decision maker) of Cagamas Berhad makes strategic decisions and allocation of resources centrally on behalf of the Group. The Group has determined the following operating segments based on reports reviewed by the chief operating decision maker in making its strategic decisions:

(a) *Purchase With Recourse ("PWR")*

The PWR scheme consists of purchase of mortgage loans, personal loans, hire purchase and leasing debts and Islamic financing facilities such as home financing, hire purchase financing and personal financing from the primary lenders approved by the Group. The loans and financing are acquired with recourse to the primary lenders should the loans and financing fail to comply with agreed prudential criteria.

(b) *Purchase Without Recourse ("PWOR")*

Under the PWOR scheme, the Group purchases the mortgage assets and hire purchase assets from counterparty on an outright basis for the remaining tenure of the respective assets purchased. The purchases are made without recourse to counterparty, other than certain warranties to be provided by the seller pertaining to the quality of the assets.

In each reporting segments, income is derived by seeking investments to maximise returns. These returns consist of interest and gains on the appreciation in the value of investments.

There were no changes in the reportable segments during the year.

Notes To The Financial Statements (continued)

45. SEGMENT REPORTING (CONTINUED)

Group RM'000	Purchase with recourse	Purchase without recourse	Mortgage guarantee	Total
2012				
External revenue	505,701	1,047,728	3,572	1,557,001
External interest/profit expense	(396,566)	(679,466)	-	(1,076,032)
Profit before taxation and zakat	81,552	466,643	3,716	551,911
Zakat	(752)	(366)	-	(1,118)
Taxation	(20,047)	(116,420)	(1,167)	(137,634)
Net profit by segment	60,753	349,857	2,549	413,159
Segment assets	13,332,547	18,315,755	215,348	31,863,650
Segment liabilities	10,728,144	16,871,514	2,249	27,601,907
Other information:				
Capital expenditure	792	593	-	1,385
Depreciation and amortisation	1,355	2,217	-	3,572
2011				
External revenue	486,469	1,113,951	3,071	1,603,491
External interest/profit expense	369,891	329,994	-	699,885
Profit before taxation and zakat	90,472	498,118	2,898	591,488
Zakat	(1,084)	(1,176)	-	(2,260)
Taxation	(22,111)	(124,261)	(748)	(147,120)
Net profit by segment	67,277	372,681	2,150	442,108
Segment assets	12,163,834	19,870,381	103,647	32,137,862
Segment liabilities	16,480,652	11,764,727	1,488	28,246,867
Other information:				
Capital expenditure	299	259	-	558
Depreciation and amortisation	2,014	1,743	-	3,757

Notes To The Financial Statements (continued)

46. ANALYSIS OF GROUP'S FINANCIAL POSITION AND PERFORMANCE

ASSETS AND LIABILITIES

RM'000	Cagamas Holdings Berhad and Cagamas	CMBS	CMGP	CSRP	Consolidation adjustments	Total
31 December 2012						
ASSETS						
Cash and short-term funds	371,729	248,400	44,456	46,384	-	710,969
Deposits and placement with financial institutions	542	302,793	28,247	33,767	-	365,349
Derivative financial instruments	1,115	-	-	-	-	1,115
AFS investment securities	1,165,983	922,381	36,031	26,300	-	2,150,695
Amounts due from counterparties	3,696,142	-	-	-	-	3,696,142
Islamic financing debts	8,076,861	-	-	-	-	8,076,861
Mortgage assets:						
- Conventional	6,093,780	3,565,571	-	-	-	9,659,351
- Islamic	3,828,813	3,295,460	-	-	-	7,124,273
Hire purchase assets:						
- Conventional	9	-	-	-	-	9
- Islamic	15,937	-	-	-	-	15,937
Amount due from SPE	829	-	-	-	(829)	-
Other assets	11,142	25,029	-	-	-	36,171
Property and equipment	4,363	-	-	-	-	4,363
Intangible assets	9,552	-	-	-	-	9,552
Deferred taxation	12,622	-	65	1	-	12,688
Tax recoverable	12	-	163	-	-	175
Investment in subsidiaries	4,185,663	-	-	-	(4,185,663)	-
Investment in SPE	-*	-	-	-	-	-
TOTAL ASSETS	27,475,094	8,359,634	108,962	106,452		31,863,650
LIABILITIES						
Unsecured bearer bonds and notes	9,217,450	-	-	-	-	9,217,450
Sukuk	11,707,559	-	-	-	-	11,707,559
Derivative financial instruments	53,741	-	-	-	-	53,741
RMBS	-	3,195,295	-	-	-	3,195,295
IRMBS	-	2,865,314	-	-	-	2,865,314
Deferred taxation	3,391	470,664	178	336	-	474,569
Deferred guarantee fee income	-	-	3	1,035	-	1,038
Deferred Wakalah fee income	-	-	1	419	-	420
Provision for taxation	18,698	4,588	-	155	-	23,441
Other liabilities	62,793	97	121	68	-	63,079
Amount due to a subsidiary/ related company	-	829	-	-	(829)	-
TOTAL LIABILITIES	21,063,632	6,536,787	303	2,013		27,601,906

* denotes RM4

Notes To The Financial Statements (continued)

46. ANALYSIS OF GROUP'S FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

ASSETS AND LIABILITIES

RM'000	Cagamas Holdings Berhad and Cagamas	CMBS	CMGP	CSRP	Consolidation adjustments	Total
31 December 2011						
ASSETS						
Cash and short-term funds	355,757	67,693	-	55,769	-	479,219
Deposits and placement with financial institutions	688	299,984	-	22,722	-	323,394
Derivative financial instruments	-	-	-	-	-	-
AFS investment securities	596,599	1,440,732	-	25,156	-	2,062,487
Amounts due from counterparties	4,307,044	-	-	-	-	4,307,044
Islamic financing debts	6,879,635	-	-	-	-	6,879,635
Mortgage assets:						
- Conventional	6,578,196	3,932,564	-	-	-	10,510,760
- Islamic	3,918,909	3,515,985	-	-	-	7,434,894
Hire purchase assets:						
- Conventional	52	-	-	-	-	52
- Islamic	21,221	-	-	-	-	21,221
Amount due from SPE	67	-	-	-	-	67
Other assets	5,646	30,447	-	-	-	36,093
Property and equipment	4,311	-	-	-	-	4,311
Intangible assets	11,796	-	-	-	-	11,796
Deferred taxation	13,810	-	-	-	-	13,810
Investment in subsidiary companies	4,081,628	-	-	-	(4,081,628)	-
Investment in SPE	-	-	-	-	-	-
Amount due from holding company	2	-	-	-	(2)	-
Amount due from subsidiaries	910	-	-	-	(910)	-
Interest in a JV	50,000	-	-	-	3,079	53,079
TOTAL ASSETS	26,826,271	9,287,405	-	103,647	-	32,137,862

LIABILITIES

Unsecured bearer bonds and notes	9,868,021	-	-	-	-	9,868,021
Sukuk	10,585,467	-	-	-	-	10,585,467
Derivative financial instruments	58,278	-	-	-	-	58,278
RMBS	-	3,842,781	-	-	-	3,842,781
IRMBS	-	3,382,798	-	-	-	3,382,798
Deferred taxation	4,616	425,059	-	(136)	-	429,539
Deferred guarantee fee income	-	-	-	748	-	748
Deferred Wakalah fee income	-	-	-	219	-	219
Provision for taxation	12,279	2,506	-	589	-	15,374
Other liabilities	63,468	106	-	68	-	63,642
Amount due to a subsidiary/ related company	2	910	-	-	(912)	-
TOTAL LIABILITIES	20,592,131	7,654,160	-	1,488	-	28,246,867

* denotes RM4

Notes To The Financial Statements (continued)

46. ANALYSIS OF GROUP'S FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

ASSETS AND LIABILITIES

RM'000	Cagamas Holdings Berhad and Cagamas	CMBS	CMGP	CSRP	Consolidation adjustments	Total
1 January 2011						
ASSETS						
Cash and short-term funds	114,273	36,515	-	-	-	150,788
Deposits and placement with financial institutions	350	81,372	-	-	-	81,722
Derivative financial instruments	2,848	-	-	-	-	2,848
AFS investment securities	350,383	1,139,211	-	-	-	1,489,594
Amounts due from counterparties	4,325,110	-	-	-	-	4,325,110
Islamic financing debts	6,854,347	-	-	-	-	6,854,347
Mortgage assets:						
- Conventional	7,074,638	4,309,934	-	-	-	11,384,572
- Islamic	3,992,999	3,703,192	-	-	-	7,696,191
Hire purchase assets:						
- Conventional	761	-	-	-	-	761
- Islamic	25,463	-	-	-	-	25,463
Amount due from SPE	1,059	-	-	-	(997)	62
Other assets	6,375	36,504	-	-	-	42,879
Property and equipment	5,363	-	-	-	-	5,363
Intangible assets	13,943	-	-	-	-	13,943
Deferred taxation	5,170	-	-	-	-	5,170
Investment in subsidiary companies	3,981,628	-	-	-	(3,981,628)	-
Investment in SPE	-*	-	-	-	-	-
Amount due from holding company	2	-	-	-	(2)	-
Amount due from subsidiaries	133,335	-	-	-	(133,335)	-
Interest in a JV	50,000	-	-	-	1,852	51,852
TOTAL ASSETS	26,938,047	9,306,728	-	-	-	32,130,665
LIABILITIES						
Unsecured bearer bonds and notes	10,039,490	-	-	-	-	10,039,490
Sukuk	10,651,329	-	-	-	-	10,651,329
Derivative financial instruments	46,813	-	-	-	-	46,813
RMBS	-	4,135,420	-	-	-	4,135,420
IRMBS	-	3,382,798	-	-	-	3,382,798
Deferred taxation	-	368,789	-	-	-	368,789
Provision for taxation	46,585	22	-	-	(33,335)	13,272
Other liabilities	13,362	111	-	-	-	13,473
Amount due to a subsidiary/ related company	2	997	-	-	(999)	-
TOTAL LIABILITIES	20,797,581	7,888,137	-	-	-	28,651,384

* denotes RM4

Notes To The Financial Statements (continued)

46. ANALYSIS OF GROUP'S FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

INCOME STATEMENTS

RM'000	Cagamas Holdings Berhad and Cagamas	CMBS	CMGP	CSRP	Consolidation adjustments	Total
2012						
Interest income	662,603	339,054	118	3,454	-	1,005,229
Interest expense	(442,687)	(183,309)	-	-	-	(625,996)
Income from Islamic operations	101,412	100,902	2	61	(3,629)	198,748
Non-interest income/(expense)	137,475	-	-	173	(136,179)	1,469
	458,803	256,647	120	3,688	-	579,450
Administration and general expenses	(20,055)	(8,669)	(20)	(72)	7,808	(21,008)
Personnel costs	(18,376)	-	-	-	-	(18,376)
Share of profit in a JV company	-	-	-	-	1,127	1,127
OPERATING PROFIT	420,372	247,978	100	3,616	-	541,193
Purchased goodwill written off	-	-	-	-	142	142
Writeback of allowance for impairment losses	5,127	5,450	-	-	-	10,577
PROFIT BEFORE TAXATION AND ZAKAT	425,499	253,428	100	3,616	-	551,912
Zakat	(1,118)	-	-	-	-	(1,118)
Taxation	(106,110)	(63,356)	(25)	(1,143)	33,000	(137,634)
PROFIT FOR THE FINANCIAL YEAR	318,271	190,072	75	2,473		413,160

Notes To The Financial Statements (continued)**46. ANALYSIS OF GROUP'S FINANCIAL POSITION AND PERFORMANCE (CONTINUED)****INCOME STATEMENTS**

RM'000	Cagamas Holdings Berhad and Cagamas	CMBS	CMGP	CSRP	Consolidation adjustments	Total
2011						
Interest income	681,957	362,114	-	3,071	-	1,047,142
Interest expense	(451,555)	(200,533)	-	-	-	(652,088)
Income from Islamic operations	107,486	130,591	-	6	(3,879)	234,204
Non-interest income/(expense)	33,842	39	-	20	(34,674)	(773)
	371,730	292,211	-	3,097		628,485
Administration and general expenses	(18,978)	(9,464)	-	(199)	8,552	(20,089)
Personnel costs	(18,020)	-	-	-		(18,020)
Share of profit in a JV company	-	-	-	-	1,112	1,112
PROFIT BEFORE TAXATION AND ZAKAT	334,732	282,747	-	2,898		591,488
Zakat	(2,260)	-	-	-	-	(2,260)
Taxation	(83,213)	(70,659)	-	(748)	7,500	(147,120)
PROFIT FOR THE FINANCIAL YEAR	249,259	212,088	-	2,150		442,108

Notes To The Financial Statements (continued)

47. CAPITAL ADEQUACY

The Group and the Company's objectives when managing capital, which is a broader concept than the "equity" on the face of the statement of financial position, are:

- (a) To align with industry best practices and benchmark set by the regulators;
- (b) To safeguard the Group and the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefit to other stakeholders; and
- (c) To maintain a strong capital base to support the development of its business.

The Group and the Company is not subject to the BNM Guidelines. However, disclosure of the capital adequacy ratios is made on a voluntary basis for information purposes.

Capital adequacy and the use of regulatory capital are monitored by the Group and the Company's management, employing techniques based on the guidelines developed by the Basel Committee and as implemented by BNM, for supervisory purposes.

The Group maintains a ratio of total regulatory capital to its risk-weighted assets which is computed in accordance with the BNM revised Risk-Weighted Capital Adequacy Framework (RWCAF- Basel II).

The regulatory capital comprise of two tiers:

- (a) Tier 1 capital: share capital (net of any book values of treasury shares) and other reserves which comprise retained earnings and reserves created by appropriations of retained earnings; and
- (b) Tier 2 capital : comprise collective impairment allowances on mortgage assets and hire purchase assets and unrealised gains arising from fair valuation of financial instruments held as AFS.

Core capital ratio refers to the ratio of Tier 1 capital to risk-weighted assets. Risk-weighted capital ratio is the ratio of total capital base to risk-weighted assets.

Notes To The Financial Statements (continued)

47. CAPITAL ADEQUACY (CONTINUED)

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
The capital adequacy ratios are as follows:			
Tier I capital			
Paid up capital	150,000	150,000	150,000
Other reserves	3,928,213	3,774,369	3,354,761
	4,078,213	3,924,369	3,504,761
Deferred tax liabilities	461,433	415,729	363,619
Total Tier I capital	4,539,646	4,340,098	3,868,380
Tier II capital			
Allowance for impairment losses	98,792	109,369	109,369
Total Tier II capital	98,792	109,369	109,369
Total capital base	4,638,438	4,449,467	3,977,749
Capital ratios:			
Core*	35.6%	34.8%	26.0%
Risk-weighted*	36.4%	35.7%	26.8%
Breakdown of risk-weighted assets in the various risk categories is as follows:			
Credit risk	11,579,069	11,239,208	-
Operational risk	1,179,988	1,237,674	-
Total risk-weighted assets*	12,759,057	12,476,882	-
Breakdown of risk-weighted assets in the various risk-weight is as follows:			
0%	-	-	660,783
10%	-	-	26,176
20%	-	-	11,473,049
50%	-	-	23,361,088
100%	-	-	885,826
	-	-	36,406,922
Total risk-weighted assets*	-	-	14,863,598

* Computation using Basel II (Pillar 1) for 31 December 2012 and 2011 and Basel I for 1 January 2011

Notes To The Financial Statements (continued)

48. ISLAMIC OPERATIONS

STATEMENT OF FINANCIAL POSITION

As At 31 December 2012

	Note	Group		
		31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
ASSETS				
Cash and short-term funds	(a)	188,036	66,470	48,200
Deposits and placement with financial institutions	(b)	74,789	30,626	-
AFS investment securities	(c)	467,249	741,797	414,953
Derivative financial assets		1,115	-	-
Financing debts	(d)	8,076,861	6,879,635	6,854,347
Mortgage assets	(e)	7,115,616	7,431,303	7,696,191
Hire purchase assets	(f)	9,975	9,930	6,689
Deferred taxation		28	55	-
Other assets and prepayments		289,062	289,176	293,732
TOTAL ASSETS		16,222,731	15,448,992	15,314,112
LIABILITIES				
Sukuk	(g)	11,707,559	10,585,467	10,651,329
IRMBS	(h)	2,865,314	3,382,798	3,382,798
Deferred taxation		196,612	180,629	157,152
Provision for taxation		3,674	2,541	-
Other liabilities	(i)	11,538	10,624	8,901
TOTAL LIABILITIES		14,784,697	14,162,059	14,200,180
ISLAMIC OPERATIONS' FUNDS		1,438,034	1,286,933	1,113,932
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		16,222,731	15,448,992	15,314,112

Notes To The Financial Statements (continued)**48. ISLAMIC OPERATIONS (CONTINUED)**

INCOME STATEMENT

For The Financial Year Ended 31 December 2012

	Note	Group	
		2012 RM'000	2011 RM'000
Total income attributable		787,092	830,988
Income attributable to the Sukuk holders	(j)	(588,344)	(596,784)
Total net income	(k)	198,748	234,204
Administration and general expenses		(2,537)	(2,721)
OPERATING PROFIT FROM ISLAMIC OPERATIONS		196,211	231,483
Writeback of allowance for impairment losses		4,484	-
		200,695	231,483
Zakat		(1,118)	(2,260)
Taxation		(50,184)	(57,824)
PROFIT FOR THE FINANCIAL YEAR		149,393	171,399
STATEMENT OF COMPREHENSIVE INCOME			
For The Financial Year Ended 31 December 2012			
Profit for the financial year		149,393	171,399
Other comprehensive income:			
AFS investment securities			
- Net gain on fair value changes before taxation		173	2,137
- Deferred taxation		(43)	(535)
Cashflow hedge			
- Net gain on cashflow hedge before taxation		1,124	-
- Deferred taxation		(281)	-
Other comprehensive income for the financial year, net of taxation		973	1,602
Total comprehensive income for the financial year		150,366	173,001

Notes To The Financial Statements (continued)

48. ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS
For The Financial Year Ended 31 December 2012

Group RM'000	Allocated capital funds	AFS reserve	Cashflow hedge	Retained profits	Total
31 December 2012					
Balance as at 1 January 2012	294,159	2,448	-	990,326	1,286,933
Profit for the financial year	-	-	-	149,393	149,393
Arising from consolidation of a previous JV	-	-	-	735	735
Other comprehensive income	-	-	973	-	973
Total comprehensive income for the financial year	-	-	973	150,128	151,101
Balance as at 31 December 2012	294,159	2,448	973	1,140,454	1,438,034

31 December 2011

Balance as at 1 January 2011	294,159	846	-	818,927	1,113,932
Profit for the financial year	-	-	-	171,399	171,399
Other comprehensive income	-	1,602	-	-	1,602
Total comprehensive income for the financial year	-	1,602	-	171,399	173,001
Balance as at 31 December 2011	294,159	2,448	-	990,326	1,286,933

Notes To The Financial Statements (continued)**48. ISLAMIC OPERATIONS (CONTINUED)**

STATEMENT OF CASH FLOW

For The Financial Year Ended 31 December 2012

	Note	Group	
		2012 RM'000	2011 RM'000
OPERATING ACTIVITIES			
Profit for the financial year		149,393	171,399
Adjustments for investment items and items not involving the movement of cash and cash equivalents:			
Accretion of discount on AFS investment securities		(5,028)	-
Accretion of discount on debt securities		(2,968)	(2,486)
Accretion of discount on mortgage assets		(150,790)	(179,100)
Accretion of discount on hire purchase assets		(233)	(2,170)
Income from debts securities		(171,617)	(187,598)
Income from operations		(458,213)	(463,259)
Profit attributable to Sukuk holders		588,033	596,717
Gain on disposal of AFS investment securities		(135)	(99)
Allowance on impairment losses on mortgage assets		(4,484)	-
Amortisation of premium less accretion of discount on AFS investment securities		-	27
Wakalah fee expense		91	108
Taxation		50,184	61,245
Zakat		1,118	2,260
Operating loss before working capital changes		(4,649)	(2,956)
Increase in financing debts		(1,190,454)	(18,730)
Decrease in mortgage assets		465,858	438,667
Decrease/(increase) in hire purchase assets		605	(673)
Decrease/(increase) in other assets and prepayments		142	(374)
Increase/(decrease) in Sukuk		1,111,265	(79,180)
Decrease in IRMBS		(517,484)	-
Decrease in other liabilities		(2,322)	(479)
Cash (utilised in)/generated from operations		(137,039)	336,275
Income received from assets		627,649	648,394
Wakalah fee received/(paid)		107	(108)
Profit paid to Sukuk holders		(577,207)	(583,399)
Payment of taxation		(26,751)	(28,661)
Payment of zakat		(2,260)	(1,785)
Net cash (utilised in)/generated from operating activities		(115,501)	370,716

Notes To The Financial Statements (continued)

48. ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF CASH FLOW

For The Financial Year Ended 31 December 2012 (continued)

	Note	Group	
		2012 RM'000	2011 RM'000
INVESTING ACTIVITIES			
Purchase of AFS investment securities		(1,505,542)	(916,807)
Income received from debt securities		-	888
Sale of AFS investment securities		1,785,854	594,099
Derivative financial instruments		9	-
Income received from debt securities		96	-
Investment in subsidiary, net of cash acquired		813	-
Net cash generated from/(utilised in) investing activities		218,230	(321,820)
Net increase in cash and cash equivalents		165,729	48,896
Cash and cash equivalents as at beginning of the financial year		97,096	48,200
Cash and cash equivalents as at end of the financial year		262,825	97,096
Analysis of cash and cash equivalents:			
Cash and short-term funds	(a)	188,036	66,470
Deposits and placements with financial institutions	(b)	74,789	30,626
		262,825	97,096

Notes To The Financial Statements (continued)**48. ISLAMIC OPERATIONS (CONTINUED)**

(a) CASH AND SHORT-TERM FUNDS

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Cash and bank balances with banks and other financial institutions	82	110	47
Mudharabah money at call and deposit placements maturing within one month	187,954	66,360	48,153
	188,036	66,470	48,200

(b) DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

Licensed banks	74,789	30,626	-
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(c) AFS INVESTMENT SECURITIES

At fair value:

Malaysian government investment issues	266,512	264,119	147,966
Negotiable debt securities	-	-	5,073
Debt securities	87,165	179,573	211,948
Negotiable instrument of deposits	-	298,105	42,461
Malaysian treasury bills	99,764	-	7,505
Quasi government fixed group	13,808	-	-
	467,249	741,797	414,953

The maturity structure of AFS investment securities is as follows:

Maturing within one year	169,142	461,979	152,086
One year to three years	142,035	96,797	200,180
Three years to five years	70,506	111,822	62,687
More than five years	85,566	71,199	-
	467,249	741,797	414,953

Notes To The Financial Statements (continued)

48. ISLAMIC OPERATIONS (CONTINUED)

(d) FINANCING DEBTS

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
House financing debts	1,063,445	525,417	553,644
Hire purchase debts	4,034,911	3,217,740	2,587,283
Personnel financing	2,978,505	3,136,478	3,713,420
	8,076,861	6,879,635	6,854,347

The maturity structure of financing debts is as follows:

Maturing within one year	2,619,653	1,038,705	702,765
One year to three years	3,002,670	3,199,533	1,284,009
Three years to five years	2,454,538	2,641,397	3,567,540
More than five years	-	-	1,300,033
	8,076,861	6,879,635	6,854,347

(e) MORTGAGE ASSETS

PWOR	7,115,616	7,431,303	7,696,191
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The maturity structure of mortgage assets is as follows:

Maturing within one year	956,696	911,883	848,709
One year to three years	1,110,608	1,197,919	1,153,802
Three years to five years	1,103,236	1,128,708	1,119,160
More than five years	5,355,126	5,741,145	6,282,632
	8,525,666	8,979,655	9,404,303
Less: Unaccreted discount	(1,371,313)	(1,505,109)	(1,664,869)
Allowance for impairment losses	(38,737)	(43,243)	(43,243)
	7,115,616	7,431,303	7,696,191

Notes To The Financial Statements (continued)

48. ISLAMIC OPERATIONS (CONTINUED)

(f) HIRE PURCHASE ASSETS

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
PWOR	9,975	9,930	6,689
The maturity structure of hire purchase assets is as follows:			
Maturing within one year	3,448	2,737	1,842
One year to three years	5,016	4,904	3,136
Three years to five years	1,894	2,695	2,034
More than five years	83	132	148
	10,441	10,468	7,160
Less: Unaccreted discount	(445)	(538)	(365)
Allowance for impairment losses	(21)	-	(106)
	9,975	9,930	6,689

(g) SUKUK

Bithaman Ajil	-	243,735	487,915
Medium-term notes	11,207,295	10,341,732	9,858,482
Commercial papers	500,264	-	304,932
	11,707,559	10,585,467	10,651,329
The maturity structure of Sukuk is as follows:			
Maturing within one year	4,077,559	2,050,467	1,822,594
One year to three years	3,630,000	3,990,000	4,458,735
Three years to five years	1,605,000	2,210,000	1,345,000
More than five years	2,395,000	2,335,000	3,025,000
	11,707,559	10,585,467	10,651,329

Notes To The Financial Statements (continued)

48. ISLAMIC OPERATIONS (CONTINUED)

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
(h) ISLAMIC RESIDENTIAL MORTGAGE-BACKED SECURITIES ("IRMBS")			
IRMBS	2,865,314	3,382,798	3,382,798
The maturity structure of the IRMBS is as follows:			
Maturing within one year	15,314	532,798	17,798
One year to three years	785,000	270,000	515,000
Three years to five years	810,000	515,000	785,000
More than five years	1,255,000	2,065,000	2,065,000
	2,865,314	3,382,798	3,382,798
(i) OTHER LIABILITIES			
Zakat	1,119	2,260	1,785
Other payables	10,419	8,364	7,116
	11,538	10,624	8,901

(j) INCOME ATTRIBUTABLE TO THE SUKUK HOLDERS

	Group	
	2012 RM'000	2011 RM'000
Income from:		
Mortgage assets	333,450	347,982
Financing debts	254,247	248,442
Hire purchase assets	337	293
Deposits and placements of financial institutions	310	67
	588,344	596,784
Income attributable to the Sukuk holders analysed by concept:		
Mudharabah	310	448,796
Bai Al-Dayn	449,726	67
Musyarakah	138,308	147,921
	588,344	596,784

Notes To The Financial Statements (continued)

48. ISLAMIC OPERATIONS (CONTINUED)

(k) TOTAL NET INCOME

	Group	
	2012 RM'000	2011 RM'000
Income from:		
Mortgage assets	147,324	184,008
Hire purchase assets	301	199
Financing debts	23,650	22,865
AFS investment securities	21,548	20,716
Deposits and placements with financial institutions	6,197	6,412
Wakalah guarantee fee	52	4
Income from IPRS	(324)	-
	198,748	234,204
Total net income analysed by concept are as follows:		
Bai Al-Dayn	171,415	207,073
Mudharabah	12,829	10,835
Bai Bithaman Ajil	9,610	9,617
Murabahah	3,667	2,144
Musarakah	1,174	4,241
Bai Al-Inah	-	280
Ijarah	1	10
Wakalah	52	4
	198,748	234,204

(l) CAPITAL ADEQUACY

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Tier I capital			
Allocated capital funds	294,159	294,159	294,159
Other reserves	1,140,503	990,326	818,927
	1,434,662	1,284,485	1,113,086
Deferred tax liabilities	282	180,574	157,152
Total Tier I capital	1,434,944	1,465,059	1,270,238
Tier II capital			
Allowance for impairment losses	38,758	43,243	43,243
Total Tier II capital	38,758	43,243	43,243
Total capital base	1,473,702	1,508,302	1,313,481
Capital ratios:			
Core*	23.7%	27.4%	20.8%
Risk-weighted*	24.3%	28.2%	21.5%

Notes To The Financial Statements (continued)

48. ISLAMIC OPERATIONS (CONTINUED)

(l) CAPITAL ADEQUACY (CONTINUED)

Breakdown of risk-weighted assets in the various risk categories is as follow: -

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Credit risk	5,620,042	4,882,918	-
Operational risk	441,312	466,767	-
Total risk-weighted assets*	6,061,354	5,349,685	-

Breakdown of risk-weighted assets in the various categories of risk-weight is as follows:

0%	-	-	443,527
10%	-	-	14
20%	-	-	7,114,947
50%	-	-	9,361,059
100%	-	-	55,274
	-	-	16,974,821
Total risk-weighted assets*	-	-	6,158,794

* Computation using Basel II (Pillar 1) for 31 December 2012 and 2011 and Basel I for 1 January 2011.

The Group and the Company are not subject to the BNM Guidelines. However, disclosure of the capital adequacy ratios is made on a voluntary basis for information purposes.

(m) SHARIAH ADVISORS

The Group consults an independent Shariah advisor on an ad-hoc basis for all its Islamic products to ensure compliance with Islamic principles. In addition, the Group is required to obtain the approval of the Shariah Council of the regulatory bodies for its Islamic products.

Notes To The Financial Statements (continued)

49. DISCRETIONARY BONUS FEE

In the respective Servicing Agreements signed between GOM, CMBS, Cagamas and the Trustee, CMBS agreed to pay GOM a discretionary bonus fee, out of the retained profits of CMBS, to be determined by CMBS in respect of the services provided by GOM, after the RMBS/IRMBS have been fully redeemed and all obligations and liabilities of CMBS in respect of the RMBS/IRMBS have been discharged.

50. BUSINESS COMBINATION

During the financial year, the Company assumed full control of Cagamas MGP Berhad ("CMGP") (formerly known as Cagamas HKMC Berhad ("CHKMC")) by purchasing the remaining shares in CMGP from The Hong Kong Mortgage Corporation Limited ("HKMC"). The transaction was completed on 20 December 2012.

The following table summarises the consideration paid for the shares, the fair value of the assets acquired and the liabilities assumed at the acquisition date:

	RM'000
Consideration as at 20 December 2012:-	
Cash	54,035
Total consideration paid	54,035
Recognised amounts of identifiable assets acquired and liabilities assumed:-	
Cash and cash equivalent	36,342
AFS investment securities	17,991
Tax recoverable	60
Trade and other payables	(62)
Deferred tax liabilities	(154)
Total identifiable net assets	54,177
Goodwill	(142)
Total	54,035

51. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors.

STATEMENT BY DIRECTORS

Pursuant to Section 169 (15) of The Companies Act, 1965

We, Dato' Ooi Sang Kuang and Tan Sri Dato' Sri Tay Ah Lek, being two of the Directors of Cagamas Holdings Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 92 to 179 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2012 and of the results and the cash flows of the Group and the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965.

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



DATO' OOI SANG KUANG
CHAIRMAN

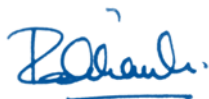


TAN SRI DATO' SRI TAY AH LEK
DIRECTOR

STATUTORY DECLARATION

Pursuant to Section 169 (16) of The Companies Act, 1965

I, Rafiza Ghazali, being the Officer primarily responsible for the financial management of Cagamas Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 92 to 179 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.



RAFIZA GHAZALI

Subscribed and solemnly declared by the abovenamed Rafiza Ghazali at Kuala Lumpur in Malaysia on 25 February 2013, before me.



CAPTAIN (R) JASNI BIN YUSOFF
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAGAMAS HOLDINGS BERHAD

(Incorporated in Malaysia)

(Company No: 762047-P)

Report on the financial statements

We have audited the financial statements of Cagamas Holdings Berhad on pages 92 to 179, which comprise the statements of financial position as at 31 December 2012 of the Group and Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Note 1 to 51.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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 the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Independent Auditors' Report To The Members Of Cagamas Holdings Berhad (Continued)

(Incorporated in Malaysia)
(Company No: 762047-P)

Report on other legal and regulatory requirements

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

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) Our audit report on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other matters

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

As stated in Note 2 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statement of financial position as at 31 December 2011 and 1 January 2011, and the statement of income, comprehensive income, changes in equity and cash flow for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information, and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as at 31 December 2012 and the financial performance and cash flow for the financial year then ended.



PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants



SOO HOO KHOON YEAP
No. 2682/10/13 (J)
Chartered Accountant

Kuala Lumpur,
Date: 25 February 2013