

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 March 2012

### **1 Basis of Preparation**

The Group has adopted the Malaysian Financial Reporting Standard (MFRS) framework and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* for the first time in these condensed interim financial statements.

The unaudited financial statements have been prepared using historical cost basis except for certain financial assets and financial liabilities that are stated at fair value.

The unaudited interim financial statements have been prepared in accordance with MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB"), IAS 34 *Interim Financial Reporting* issued by International Accounting Standards Board, paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and Guidelines/Circulars issued by Bank Negara Malaysia ("BNM").

The unaudited interim financial statements of the Group comprise the Company and its subsidiaries, and the Group's interest in an associate as at and for the quarter ended 31 March 2012. It also includes Takaful funds established in accordance with Takaful Act, 1984, in Malaysia, which are managed and controlled by the Group and by the Company as operator of the fund.

The statements of financial position and the statements of comprehensive income of the Operator, Family Fund and General Fund are supplementary financial information presented in accordance with the requirements of Bank Negara Malaysia. In accordance with Takaful Act, 1984 in Malaysia, the Company is required to segregate assets, liabilities, income and expenses of Takaful funds from its own. The statements of financial position and comprehensive income of the Operator include only assets, liabilities, income and expenses of the Company excluding the Takaful funds managed by it. The statements of financial position and comprehensive income of the Family Fund include only the assets, liabilities, income and expenses of the family solidarity fund that is set up, managed and controlled by the Company. The statements of financial position and comprehensive income of the General Fund include only the assets, liabilities, income and expenses of Takaful fund other than the family solidarity fund that is set up, managed and controlled by the Company.

The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 2011. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2011.

### **2 Auditors' Report**

The auditors' report on the audited financial statements of the preceding year ended 31 December 2011 did not contain any qualification.

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 March 2012

### **3 Seasonality of operations**

The Group's operations are not materially affected by seasonal or cyclical factors for the period under review.

### **4 Unusual Items**

Save as disclosed in notes 14 and 15, there were no unusual items affecting assets, liabilities, equity, net income or cash flows in the current quarter ended 31 March 2012.

### **5 Estimates**

There were no material changes in the basis used for accounting estimates for the current quarter under review other than a change in reserving methodology made in accordance with Bank Negara Malaysia guidelines which take effect from financial year beginning on and after 1 July 2011. The total impact of the change in reserving methodology is approximately RM4.7 million profits to the Shareholders' Fund.

### **6 Debt and Equity Securities**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter under review.

### **7 Dividends**

The shareholders at the Annual General Meeting held on 3 May 2012 approved a final dividend of 10% single tier in respect of the financial year ended 31 December 2011 as proposed by the Directors. The final dividend will be paid on 28 May 2012.

No dividend was declared for the current quarter under review.

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 March 2012

### 8 Segmental Reporting.

#### Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
<b>3 months ended 31.3.2012</b>			
Revenue from external participants	385,297	43,748	429,045
Profit before zakat and tax	38,833	(1,321)	37,512
<b>As at 31.3.2012</b>			
Segments assets by location of assets	5,716,558	401,464	6,118,022
<b>3 months ended 31.3.2011</b>			
Revenue from external participants	261,240	47,742	308,982
Profit before zakat and tax	28,710	(613)	28,096
<b>As at 31.3.2011</b>			
Segments assets by location of assets	5,131,464	352,974	5,484,438

### 9 Investment Properties

The valuation of investment properties has been brought forward without amendment from the annual audited financial statements for the year ended 31 December 2011.

### 10 Material Events Subsequent to the End of the Period

There is no material event subsequent to the end of the period under review that has not been reported in the interim financial statements for the current financial quarter.

### 11 Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statement as at and for the year ended 31 December 2011.

### 12 Changes in Composition of the Company/Group

There is no change in the composition of the Group for the current financial quarter under review.

# **SYARIKAT TAKAFUL MALAYSIA BERHAD**

## **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS** **QUARTER ENDED 31 March 2012**

### **13 Contingent Liabilities**

There were no contingent liabilities as at the date of this report.

### **14 Review of Performance**

For the 1st quarter ended 31 March 2012, the Group generated Operating Revenue of RM429.0 million, an increase of 38.8% compared to RM309.0 million in the corresponding quarter of the preceding year. The increase is mainly attributable to the release of unearned contribution reserve arising from the change in reserving methodology for Group Family Takaful products, higher sales generated by Family Takaful Fund and higher investment income.

For the quarter under review, Family Takaful recorded gross earned contributions of RM248.5 million, against RM123.5 million for the same period last year whereas General Takaful generated lower gross earned contributions of RM96.8 million compared to RM97.7 million in the corresponding quarter of the preceding year.

Higher surplus transfer noted in the quarter under review from Family Takaful of RM56.1 million as compared to RM27.9 million for the same period last year. This is mainly due to release of unearned contribution reserve, better underwriting results and higher investment income.

The surplus transfer in the quarter under review from General Takaful was RM12.8 million as compared to RM19.9 million in the corresponding quarter of preceding year. The lower surplus transfer is due to higher claims provisioning mainly arising from the change in IBNR claims reserving methodology.

For the quarter under review, the group profit before zakat and taxation of RM37.5 million, increased by 33% as compared to RM28.1 million in the same period last year. The higher profit is mainly attributable to higher surplus transfer from Family Takaful fund and higher wakalah fee income.

### **15 Material Changes in the Quarterly Results Compared to the Results of the Preceding Financial Quarter**

For the quarter under review, the profit before zakat and taxation registered RM37.5 million which was lower than the preceding quarter of RM41.4 million by RM3.9 million. The preceding quarter results include one-off adjustments of approximately RM24.6 million pertaining to the release of contingent special reserves from Family and General Takaful Funds. Excluding the one-off adjustments, the current quarter profit before zakat and taxation is higher by RM16.0 million as compared to the preceding quarter.

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 March 2012

### 16 Current Year Prospects

The Group and Company's prospect for the current financial year continue to be encouraging despite growing competition from new takaful players. Barring unforeseen circumstances, the Group and Company are expected to sustain the revenue growth supported by the following strategies:

- 1) Introduction of new products,
- 2) Expanded distribution capabilities especially through telemarketing, internet sales and new agent recruitment initiatives,
- 3) New IT portal initiatives to improve customer service standards,
- 4) Future partnership tie-ups with Islamic banks, and
- 5) Launching of takaful awareness campaign.

### 17 Variance of actual profit from profit forecast or profit guarantee

The Group did not issue any profit forecast nor profit guarantee during the current quarter under review.

### 18 Taxation

The effective rate of taxation is lower than the statutory tax rate for the quarter and financial year to date mainly due to non taxable income in accordance with the Income Tax Act 1967.

	3 months ended	
	31.3.2012	31.3.2011
Current tax expense:-		
- Current financial year	8,670	5,025
Deferred tax benefit:-		
- Current financial year	(2,188)	672
Total tax expense	<u>6,482</u>	<u>5,697</u>

### 19 Status of Corporate Proposal

There has been no new corporate proposal since the date of the last quarterly report.

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 March 2012

### 20 Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 31 March 2012.

### 21 Material Litigation

There was no material litigation pending as at the date of this announcement.

### 22 Earnings per Share

#### Basic earnings per share ("Basic EPS")

Basic EPS of the Group is calculated by dividing the net profit attributable to ordinary shareholders for the period by the weighted average number of ordinary shares in issue during the period.

		3 months ended 31.3.2012	3 months ended 31.3.2011
Owners of the Company	(RM'000)	<u>30,961</u>	<u>22,389</u>
Weighted average number of ordinary shares in issue	('000)	<u>162,817</u>	<u>162,817</u>
<b>Basic earnings per share</b>	(sen)	<u>19.02</u>	<u>13.75</u>

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 March 2012

### 23 Takaful Contract Liabilities

The takaful contract liabilities consists of the following:

	Family Takaful			General Takaful		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
<b>31 March 2012</b>						
Provision for claims reported by participants	33,125	(1,859)	29,953	395,813	(219,334)	176,479
Provision for IBNR	64,200	(5,832)	58,368	177,558	(67,048)	110,510
Provision for outstanding claims	97,325	(7,691)	88,321	573,370	(286,381)	286,989
Provision for unearned contributions	-	-	-	367,186	(90,520)	276,666
	<b>97,325</b>	<b>(7,691)</b>	<b>88,321</b>	<b>940,557</b>	<b>(376,901)</b>	<b>563,655</b>
Actuarial liabilities	3,332,985	(68,831)	3,264,154			-
Unallocated surplus	426,614	-	426,614	169,833		169,833
AFS reserve	103,422	-	103,422	11,306		11,306
Special reserve	24,947	-	24,947			-
Net asset value attributable to unitholders	195,865	-	195,865			-
Foreign currency translation reserve			-	718		718
<b>Participants' Fund liabilities</b>	<b>4,083,833</b>	<b>(68,831)</b>	<b>4,015,001</b>	<b>181,857</b>	<b>-</b>	<b>181,857</b>
<b>Total takaful contract liabilities</b>	<b>4,181,158</b>	<b>(76,522)</b>	<b>4,103,322</b>	<b>1,122,414</b>	<b>(376,901)</b>	<b>745,513</b>
<b>31 December 2011</b>						
Provision for claims reported by participants	30,237	(1,279)	28,958	387,642	(215,374)	172,268
Provision for IBNR	72,444	(6,723)	65,721	143,859	(38,643)	105,216
Provision for outstanding claims	102,681	(8,002)	94,679	531,501	(254,017)	277,484
Provision for unearned contributions	-	-	-	352,154	(88,597)	263,557
	<b>102,681</b>	<b>(8,002)</b>	<b>94,679</b>	<b>883,655</b>	<b>(342,614)</b>	<b>541,041</b>
Actuarial liabilities	3,124,962	(64,808)	3,060,154			
Unallocated surplus	496,451	-	485,635	169,476		169,476
AFS reserve	110,710	-	110,710	9,380		9,380
Special reserve	24,947	-	24,947			
Net asset value attributable to unitholders	187,822	-	187,822			
Foreign currency translation reserve				5,183		5,183
<b>Participants' Fund liabilities</b>	<b>3,944,892</b>	<b>(64,808)</b>	<b>3,869,268</b>	<b>184,039</b>	<b>-</b>	<b>184,039</b>
<b>Total takaful contract liabilities</b>	<b>4,047,573</b>	<b>(72,810)</b>	<b>3,963,947</b>	<b>1,067,694</b>	<b>(342,614)</b>	<b>725,080</b>

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 March 2012

### 23 Takaful Contract Liabilities (continued)

Participants' fund liabilities and its movements are analysed as follows:

	Family Takaful		
	Gross RM'000	Retakaful RM'000	Net RM'000
<b>At 1 January 2011</b>	<b>3,676,462</b>	<b>(40,617)</b>	<b>3,635,845</b>
Earned contributions	694,719	(28,671)	666,049
Liabilities paid for death, maturities, surrenders, benefits and claims	(482,465)	27,743	(454,722)
Fees deducted	(127,479)	-	(127,479)
Investment income	165,760	-	165,760
Realised gains	71,641	-	71,641
Fair value gains	12,009	-	12,009
Other operating income (net)	27,572	-	27,572
Profit paid to participants	(2,420)	-	(2,420)
Increase in actuarial reserve	(863)	(24,192)	(25,055)
Surplus attributable to shareholder	(98,746)	928	(97,818)
AFS reserve	5,370	-	5,370
Effect of movement in exchange rates	3,332	-	3,332
<b>At 31 December 2011</b>	<b>3,944,892</b>	<b>(64,808)</b>	<b>3,880,084</b>
Earned contributions	248,522	(12,100)	236,422
Liabilities paid for death, maturities, surrenders, benefits and claims	(102,755)	-	(102,755)
Claims ceded to retakaful	-	5,082	5,082
Gross change to contract liabilities	3,950	-	3,950
Change to contract liabilities ceded to retakaful	-	(280)	(280)
Wakalah fee	(35,757)	-	(35,757)
Commission expense	(2,738)	-	(2,738)
Investment income	43,788	-	43,788
Realised gains and losses	41,960	-	41,960
Fair value gains and losses	4,794	-	4,794
Other operating income	3,042	-	3,042
Other operating expenses	(2,723)	-	(2,723)
Profit paid to participants	(522)	-	(522)
Increase in actuarial reserves	17,010	(4,184)	12,826
Profit attributable to the Group transferred to statement of comprehensive income	(63,408)	7,298	(56,110)
AFS Reserves	(7,525)	-	(7,525)
Effect of movement in exchange rates	(8,697)	161	(8,536)
<b>At 31 March 2012</b>	<b>4,083,833</b>	<b>(68,831)</b>	<b>4,015,001</b>



# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 March 2012

### 23 Takaful Contract Liabilities (continued)

Participants' fund liabilities and its movements are analysed as follows:

	<b>General Takaful</b> RM'000
<b>At 1 January 2011</b>	185,448
Net contributions received/receivable	287,018
Net claims incurred for the year	(201,176)
Fees deducted, net	(31,438)
Investment income	28,532
Other operating income	57,285
Release of special reserve	(23,061)
Profit paid to participants	(23,173)
Increase in unearned contribution reserves	328
Surplus attributable to shareholder	(85,547)
AFS reserve	(9,285)
Effect of movement in exchange rates	(892)
<b>At 31 December 2011</b>	<b>184,039</b>
Net contributions received/receivable	85,819
Net claims incurred for the year	(52,635)
Fees deducted, net	(12,998)
Investment income	6,885
Realised gains and losses	3,473
Fair value gains and losses	(922)
Other operating income	449
Other operating expenses	(1,043)
Profit paid to participants	(6,064)
Increase in unearned contribution reserves	(14,993)
Surplus transferred to statements of comprehensive income	(12,823)
AFS reserve	1,951
Effect of movement in exchange rates	719
<b>At 31 March 2012</b>	<b>181,857</b>

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 March 2012

### 24 TAKAFUL OPERATOR INCOME

The takaful operator income consists of the following:

	3 months ended 31.3.2012	3 months ended 31.3.2011
Surplus transfer from:		
Family takaful	56,110	27,939
General takaful	12,823	19,906
Wakalah fee income	47,200	26,602
<b>Total Takaful operator income</b>	<b>116,133</b>	<b>74,447</b>

### 25 INVESTMENT INCOME

The investment income consists of the following:

	Takaful Operator		Family Takaful		General Takaful	
	3 months ended 31.3.2012	3 months ended 31.3.2011	3 months ended 31.3.2012	3 months ended 31.3.2011	3 months ended 31.3.2012	3 months ended 31.3.2011
Rental Income	215	233	2,056	2,284	283	258
Dividend from Investment	887	601	4,042	3,547	579	684
Accretion/ (Amortisation)	(116)	(40)	(985)	906	(480)	59
Profit from Investment	3,456	2,561	39,364	32,035	6,655	5,693
Investment expenses	(176)	(128)	(688)	(590)	(153)	(11)
<b>Total investment income</b>	<b>4,267</b>	<b>3,227</b>	<b>43,788</b>	<b>38,182</b>	<b>6,884</b>	<b>6,683</b>

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 March 2012

### 26 OTHER OPERATING INCOME

The other operating income consists of the following:

	Takaful Operator		Family Takaful		General Takaful	
	3 months ended 31.3.2012	3 months ended 31.3.2011	3 months ended 31.3.2012	3 months ended 31.3.2011	3 months ended 31.3.2012	3 months ended 31.3.2011
Service charge and management fee	1,448	1,923	-	-	-	-
Gain on foreign exchange	122	550	-	-	6	-
Writeback of allowance for impaired debts	-	-	1,146	1,146	391	5,539
Writeback of allowance for impaired financing	8	-	518	-	17	-
Gain on Disposal of Assets	8	18	-	-	-	-
Other income	336	-	185	1,690	11	-
<b>Total other operating income</b>	<b>1,922</b>	<b>2,491</b>	<b>1,849</b>	<b>2,837</b>	<b>425</b>	<b>5,539</b>

### 27 OTHER OPERATING EXPENSES

The other operating expenses consist of the following:

	Takaful Operator		Family Takaful		General Takaful	
	3 months ended 31.3.2012	3 months ended 31.3.2011	3 months ended 31.3.2012	3 months ended 31.3.2011	3 months ended 31.3.2012	3 months ended 31.3.2011
Depreciation	(2,690)	(2,032)	-	-	-	-
Impairment losses	(578)	-	(1,646)	-	(922)	-
Loss from foreign exchange	-	-	-	-	(96)	(19)
Commission	(19,666)	(11,861)	-	-	-	-
Agency related expenses	(249)	-	-	-	-	-
Other expenses	(63)	(1,176)	(1,077)	(845)	(947)	(272)
<b>Total other operating expenses</b>	<b>(23,245)</b>	<b>(15,069)</b>	<b>(2,723)</b>	<b>(845)</b>	<b>(1,965)</b>	<b>(291)</b>

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### QUARTER ENDED 31 March 2012

28 Disclosures of interest expense, provision for and write off of inventories, gain or loss on derivatives and exceptional items are not applicable to the Group and the company.

### 29 SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group and of the Company as at 31 March 2012, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of the Bursa Malaysia Main Market Listing Requirements, are as follows:

	As at 31.3.2012 RM'000	As at 31.12.2011 RM'000
<b>Total retained profits of the Group:</b>		
-Realised	288,841	257,535
-Unrealised	<u>(678)</u>	<u>(677)</u>
<b>Total share of retained profits of associates:</b>	288,163	256,858
-Realised	-	-
-Unrealised	<u>-</u>	<u>-</u>
	288,163	256,858
Add: Consolidation adjustments	26,839	27,183
<b>Total retained profits as per statement of financial position</b>	<u><u>315,002</u></u>	<u><u>284,041</u></u>

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

By Order of the Board

**MOHAMAD ASRI BIN HAJI YUSOFF**  
Company Secretary (MIA 14171)  
Kuala Lumpur, 28 May 2012