

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 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* 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 December 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 Takaful Fund and General Takaful 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 Group and of the Company excluding the Takaful funds manage by it. The statements of financial position and comprehensive income of the Family Takaful Fund include only the assets, liabilities, income and expenses of the family solidarity fund that is set up, managed and controlled by the Group and the Company. The statements of financial position and comprehensive income of the General Takaful Fund include only the assets, liabilities, income and expenses of General Takaful fund other than the family solidarity fund that is set up, managed and controlled by the Group and 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 DECEMBER 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 December 2012.

### **5 Estimates**

There was no material changes in the basis used for accounting estimates for the current quarter under review.

### **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 was paid on 28 May 2012.

The Directors on 7 August 2012 declared a first interim dividend of 15% single tier in respect of the financial year ending 31 December 2012 which was paid on 21 September 2012.

The Directors on 14 December 2012 declared a second interim dividend of 10% single tier in respect of the financial year ending 31 December 2012 which was paid on 11 January 2013.

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

### 8 Segmental Reporting

#### Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
<b>12 months ended 31.12.2012</b>			
Revenue from external participants	<u>1,408,284</u>	<u>199,250</u>	<u>1,607,534</u>
Profit before zakat and taxation	<u>123,780</u>	<u>1,678</u>	<u>125,458</u>
<b>As at 31.12.2012</b>			
Segments assets by location of assets	<u>5,946,218</u>	<u>425,426</u>	<u>6,371,644</u>
	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
<b>12 months ended 31.12.2011</b>			
Revenue from external participants	<u>1,149,401</u>	<u>196,072</u>	<u>1,345,473</u>
Profit before zakat and taxation	<u>98,543</u>	<u>2,875</u>	<u>101,418</u>
<b>As at 31.12.2011</b>			
Segments assets by location of assets	<u>5,449,554</u>	<u>396,425</u>	<u>5,845,979</u>

### 9 Investment Properties

A valuation has been carried out on all investment properties during the current financial quarter under review and the carrying values of the investment properties reflect the new valuation.

### 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.

# **SYARIKAT TAKAFUL MALAYSIA BERHAD**

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

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

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

### **13 Contingent Liabilities**

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

### **14 Review of Performance**

For the 4th quarter ended 31 December 2012, the Group generated Operating Revenue of RM316.1 million, an increase of 3.9% compared to RM304.1 million in the corresponding quarter of the preceding year. For the 12 months period, Operating Revenue increased by 19.5% to RM1,607.5 million from RM1,345.5 million in the same period of the preceding year. The increase is mainly attributable to higher sales generated by Family Takaful business.

For the quarter under review, Family Takaful recorded gross earned contributions of RM198.3 million against RM205.6 million for the same period last year and General Takaful generated gross earned contributions of RM125.1 million compared to RM105.8 million in the corresponding quarter of the preceding year. For the 12 months period, Family Takaful generated gross earned contributions of RM987.7 million compared to RM694.7 million in the corresponding period last year whereas General Takaful recorded gross earned contribution was RM457.1 million compared to RM401.7 million in the corresponding period last year. The Family Takaful recorded gross earned contribution growth of 42.2% for the 12 months period, mainly attributable to higher sales and release of unearned contribution reserve arising from the change in reserving estimates from Group Family Takaful products.

The surplus transfer in the quarter under review from Family Takaful was RM28.3 million as compared to RM33.1 million in the same period last year, while the surplus transfer from General Takaful was RM15.9 million as compared to RM27.3 million in the same period last year. For the 12 months period under review, the surplus transfer from Family Takaful increased by RM32.0 million to RM129.8 million as compared to the same period last year while General Takaful recorded RM66.5 million compared to RM85.5 million last year. The higher surplus transfer from Family Takaful is mainly due to better underwriting, investment results and release of unearned contribution reserve. The General Takaful reported lower surplus transfer mainly due to shift to wakalah model products.

For the 12 months period, the Group recorded profit before zakat and taxation of RM125.5 million, increased by 23.7% as compared to RM101.4 million in the same period last year. Besides the higher surplus transfers as explained in the preceding paragraph, the higher profit is also attributable to higher net wakalah fee income.

# SYARIKAT TAKAFUL MALAYSIA BERHAD

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

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

For the quarter under review, the Operating Revenue registered RM316.1 million as compared to preceding quarter of RM416.2 million. The lower operating revenue is attributable to lower contribution generated by both Family and General Takaful business.

The profit before zakat and taxation registered RM38.9 million which was higher than the preceding quarter of RM22.6 million by RM16.3 million due to higher wakalah fee income.

### 16 Current Year Prospects

The Company will continue its "We Should Talk" marketing campaign to propel the Company's growth rate to outpace the industry's growth rate to be the leading takaful operator in Malaysia. With the introduction of new products and services in 2013, the Company is expected to increase market share while improving on shareholder value. The Company will also be looking at increasing the number of exclusive or preferred partnerships with major financial institutions to grow the bancatakaful business.

### 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 higher than the statutory tax rate for the quarter mainly due to non-allowable expenses income in accordance with the Income Tax Act 1967.

	3 months ended		Cumulative 12 months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Current tax expense:-				
- Current financial year	7,329	4,088	44,634	24,434
(Over)/Under provision in prior years	-	4,288	-	4,288
Deferred tax benefit:-				
- Current financial year	(2,324)	(18)	(20,320)	(4,416)
Total tax expense	<u>5,005</u>	<u>8,358</u>	<u>24,314</u>	<u>24,306</u>

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

### 19 Status of Corporate Proposal

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

### 20 Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 31 December 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		Cumulative 12 months ended	
		31.12.2012	31.12.2011	31.12.2012	31.12.2011
Owners of the Company	(RM'000)	<u>32,423</u>	<u>32,565</u>	<u>101,245</u>	<u>76,785</u>
Weighted average number of ordinary shares in issue	('000)	<u>162,817</u>	<u>162,817</u>	<u>162,817</u>	<u>162,817</u>
<b>Basic earnings per share</b>	(sen)	<u>19.91</u>	<u>20.00</u>	<u>62.18</u>	<u>47.16</u>

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

### 23 Takaful Contract Liabilities

The takaful contract liabilities consist 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 December 2012</b>						
Provision for claims reported by participants	28,387	(3,707)	24,680	389,557	(221,036)	168,521
Provision for IBNR	120,178	(14,964)	105,214	194,952	(61,443)	133,509
Provision for outstanding claims	148,565	(18,671)	129,894	584,509	(282,479)	302,030
Provision for unearned contributions	-	-	-	295,439	(72,297)	223,142
	<b>148,565</b>	<b>(18,671)</b>	<b>129,894</b>	<b>879,948</b>	<b>(354,776)</b>	<b>525,172</b>
Actuarial liabilities	3,273,504	(63,856)	3,209,648	-	-	-
Unallocated surplus	683,386	-	683,386	210,331	-	210,331
AFS reserve	97,326	-	97,326	10,464	-	10,464
Net asset value attributable to unitholders	200,555	-	200,555	-	-	-
<b>Participants' Fund liabilities</b>	<b>4,254,771</b>	<b>(63,856)</b>	<b>4,190,915</b>	<b>220,795</b>	<b>-</b>	<b>220,795</b>
<b>Total takaful contract liabilities</b>	<b>4,403,336</b>	<b>(82,527)</b>	<b>4,320,809</b>	<b>1,100,743</b>	<b>(354,776)</b>	<b>745,967</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	3,126,369	(64,808)	3,061,561	-	-	-
Unallocated surplus	510,582	-	510,582	174,659	-	174,659
AFS reserve	110,710	-	110,710	9,380	-	9,380
Net asset value attributable to unitholders	187,822	-	187,822	-	-	-
<b>Participants' Fund liabilities</b>	<b>3,935,483</b>	<b>(64,808)</b>	<b>3,870,675</b>	<b>184,039</b>	<b>-</b>	<b>184,039</b>
<b>Total takaful contract liabilities</b>	<b>4,038,164</b>	<b>(72,810)</b>	<b>3,965,354</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 DECEMBER 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>	3,667,053	(40,617)	3,626,436
Earned contributions	694,719	(28,671)	666,048
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)	(24,191)	(25,054)
Surplus attributable to takaful operator	(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>3,935,483</b>	<b>(64,808)</b>	<b>3,870,675</b>
Earned contributions	987,661	(46,869)	940,792
Liabilities paid for death, maturities, surrenders, benefits and claims	(530,420)	40,233	(490,187)
Fees deducted, net	(195,496)	-	(195,496)
Investment income	186,381	-	186,381
Realised gains and losses	99,185	-	99,185
Fair value gains and losses	9,532	-	9,532
Other operating income	6,587	-	6,587
Other operating expenses	(12,723)	-	(12,723)
Profit paid to participants	(2,330)	-	(2,330)
Decrease in actuarial reserves	(14,309)	489	(13,820)
Surplus attributable to takaful operator	(135,816)	6,636	(129,180)
AFS Reserves	(13,384)	-	(13,384)
Withholding tax	(41,036)	-	(41,036)
Effect of movement in exchange rates	(24,544)	463	(24,081)
<b>As at 31 December 2012</b>	<b>4,254,771</b>	<b>(63,856)</b>	<b>4,190,915</b>



# SYARIKAT TAKAFUL MALAYSIA BERHAD

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

### 23 Takaful Contract Liabilities (continued)

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

	General Takaful 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	295,749
Net claims incurred for the year	(172,553)
Fees deducted, net	(80,600)
Investment income	31,031
Realised gains and losses	13,508
Fair value gains and losses	(306)
Other operating income	5,675
Other operating expenses	(5,319)
Profit paid to participants	(27,561)
Increase in unearned contribution reserves	39,425
Surplus transferred to statements of comprehensive income	(61,832)
AFS reserve	1,084
Withholding tax	(1,773)
Effect of movement in exchange rates	228
<b>As at 31 December 2012</b>	<b>220,795</b>

### 24 Takaful Operator Income

The takaful operator income consists of the following:

	3 months ended		Cumulative 12 months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Surplus transfer from:				
Family takaful	28,256	33,100	129,827	97,818
General takaful	15,882	27,323	66,454	85,547
Wakalah fee income	64,367	39,117	280,267	144,433
<b>Total Takaful operator income</b>	<b>108,505</b>	<b>99,540</b>	<b>476,548</b>	<b>327,798</b>



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

**26 Other Operating Income**

The other operating income consists of the following:

	Takaful Operator		Family Takaful		General Takaful		Group	
	3 months ended		3 months ended		3 months ended		3 months ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Service charge and management fee	2,204	1,765	-	-	-	-	563	364
Gain on foreign exchange	-	-	-	-	-	-	-	-
Writeback of allowance for impaired debts	-	-	(603)	1,912	(184)	8,564	(787)	10,476
Writeback of allowance for impaired financing	593	821	643	2,042	626	2,042	1,862	4,905
Writeback of special reserve	-	-	-	30,673	-	23,061	-	53,734
Gain on Disposal of Assets	48	-	-	-	-	-	48	-
Other income	503	932	4,076	-	2,416	-	6,994	-
<b>Total other operating income</b>	<b>3,348</b>	<b>3,518</b>	<b>4,116</b>	<b>34,627</b>	<b>2,858</b>	<b>33,667</b>	<b>8,680</b>	<b>69,479</b>

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

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

**26 Other Operating Income (continued)**

The other operating income consists of the following:

	Takaful Operator Cumulative		Family Takaful Cumulative		General Takaful Cumulative		Group Cumulative	
	12 months ended	31.12.2011	12 months ended	31.12.2011	12 months ended	31.12.2011	12 months ended	31.12.2011
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Service charge and management fee	8,072	7,495	-	-	-	-	1,501	1,409
Gain on foreign exchange	-	-	-	-	74	-	74	-
Writeback of allowance for impaired debts	-	-	1,666	3,999	2,540	19,648	4,206	23,647
Writeback of allowance for impaired financing	849	821	643	2,042	643	2,042	2,135	4,905
Writeback of special reserve	-	-	-	30,673	-	23,061	-	53,734
Gain on Disposal of Assets	159	-	-	-	-	-	159	-
Other income	1,931	1,922	4,278	402	2,418	960	8,627	3,284
<b>Total other operating income</b>	<b>11,011</b>	<b>10,238</b>	<b>6,587</b>	<b>37,116</b>	<b>5,675</b>	<b>45,711</b>	<b>16,702</b>	<b>86,979</b>

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

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

**27 Other Operating Expenses**

The other operating expenses consist of the following:

	Takaful Operator 3 months ended	Family Takaful 3 months ended	General Takaful 3 months ended	Group 3 months ended
	31.12.2012	31.12.2012	31.12.2012	31.12.2012
Depreciation	(3,196)	-	-	(3,472)
Impairment losses	(217)	(929)	(292)	(1,437)
Loss from foreign exchange	(40)	(30)	(119)	(189)
Commission	(23,748)	(40)	(1,621)	(25,306)
Agency related expenses	(1,390)	-	-	(1,390)
Other expenses	35	(3,308)	(1,763)	(4,906)
Loss on Disposal of Assets	-	-	-	-
	(329)	(1,207)	(30)	(1,566)
<b>Total other operating expenses</b>	<b>(28,556)</b>	<b>(4,307)</b>	<b>(3,795)</b>	<b>(40,567)</b>

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

**27 Other Operating Expenses (continued)**

The other operating expenses consist of the following:

	Takaful Operator Cumulative 12 months ended	Family Takaful Cumulative 12 months ended	General Takaful Cumulative 12 months ended	Group Cumulative 12 months ended
	31.12.2012	31.12.2012	31.12.2012	31.12.2012
Depreciation	(11,308)	-	-	(15,161)
Impairment losses	(1,081)	(5,549)	(2,285)	(8,250)
Loss from foreign exchange	(43)	(95)	(213)	(268)
Commission	(103,297)	(9,642)	(9,532)	(100,691)
Agency related expenses	(3,646)	-	-	(3,646)
Other expenses	(3,871)	(7,078)	(3,490)	(9,540)
Loss on Disposal of Assets	-	-	-	-
<b>Total other operating expenses</b>	<b>(123,246)</b>	<b>(22,364)</b>	<b>(14,851)</b>	<b>(160,249)</b>
				<b>(132,954)</b>

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 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 December 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 31.12.2012 RM'000	As at 31.12.2011 RM'000
<b>Total retained profits of the Group:</b>		
-Realised	299,772	257,535
-Unrealised	1,307	(677)
	<hr/> 301,079	<hr/> 256,858
<b>Total share of retained profits of associates:</b>		
-Realised	-	-
-Unrealised	-	-
	<hr/> 301,079	<hr/> 256,858
Add: Consolidation adjustments	27,221	27,183
	<hr/> 328,300	<hr/> 284,041
<b>Total retained profits as per statement of changes in equity</b>	<hr/> <hr/> <b>328,300</b>	<hr/> <hr/> <b>284,041</b>

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, 25 February 2013