

# **SYARIKAT TAKAFUL MALAYSIA BERHAD**

## **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**

### **QUARTER ENDED 31 DECEMBER 2013**

#### **1 Basis of Preparation**

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”) and Shariah rulings and precepts.

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 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 2013. It also includes Takaful funds established in accordance with Islamic Financial Services Act, 2013 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 profit or loss and other comprehensive income of the Takaful Operator, Family Takaful Fund and General Takaful Fund are supplementary financial information presented in accordance with the requirements of BNM and Islamic Financial Services Act, 2013 in Malaysia to segregate assets, liabilities, income and expenses of Takaful funds from its own. The statements of financial position and profit or loss and other comprehensive income of the Takaful Operator include only assets, liabilities, income and expenses of the Takaful Operator, excluding the Takaful funds managed by it. The statements of financial position and profit or loss and other comprehensive income of the Family and General Takaful Fund include only the assets, liabilities, income and expenses of the family solidarity fund and General Takaful Fund that is set up, managed and controlled by the Takaful Operator.

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 2012. 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 2012.

#### **2 Auditors’ Report**

The auditors’ report on the audited financial statements of the preceding year ended 31 December 2012 did not contain any qualification.

#### **3 Seasonality of Operations**

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

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2013

### 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 2013.

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

The Directors on 3 September 2013 declared a first interim dividend of 12% single tier in respect of the financial year ending 31 December 2013 and paid on 4 October 2013.

The Directors on 26 November 2013 declared a second interim dividend of 30% single tier in respect of the financial year ending 31 December 2013 and paid on 23 December 2013.

### 8 Segmental Reporting

#### Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
<b>12 months ended 31 December 2013</b>			
Revenue from external participants	1,537,994	175,012	1,713,006
Profit before zakat and taxation	175,338	3,966	179,304
<b>As at 31 December 2013</b>			
Segment assets by location of assets	6,529,042	395,501	6,924,543

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2013

### 8 Segmental Reporting (continued)

#### Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
<b>12 months ended 31 December 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 December 2012</b>			
Segment assets by location of assets	<u>5,946,218</u>	<u>425,426</u>	<u>6,371,644</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 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.

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### QUARTER ENDED 31 DECEMBER 2013

#### **13 Contingent Liabilities**

The Group subsidiary in Indonesia, PT Asuransi Takaful Keluarga, was served with additional tax assessment for year of assessment 2007 amounting to approximately RM5.2 million (Rp19.5 billion) on 30 December 2013. The additional assessment raised by the Indonesia tax office is mainly due to the disallowance of unit linked contribution reserves and increase in value of unit linked investments as tax deduction.

Similar tax assessments have been raised by the Indonesia tax authority to other conventional life insurers and takaful companies. As such, Indonesian Life Insurance Association (AAJI) is involved in representing the industry to address the issue specifically pertaining to unit linked contribution reserve to be allowed for tax deduction with the tax authority.

The management of the subsidiary and AAJI is of the view that they have justifiable ground to object to the additional tax assessment. Hence no tax provision has been made. The management has submitted an objection letter to the tax office on February 4, 2014.

#### **14 Review of Performance**

For the 4<sup>th</sup> quarter ended 31 December 2013, the Group generated Operating Revenue of RM378.5 million, compared to RM316.1 million in the corresponding quarter of the preceding year. The increase is mainly attributable to higher sales generated by both Family and General Takaful business. The 12 months Operating Revenue increased by 6.6% to RM1,713.0 million from RM1,607.5 million in the same period of the preceding year. The increase is mainly attributable to higher sales generated by Family and General Takaful.

For the quarter under review, Family Takaful recorded gross earned contributions of RM246.1 million against RM198.3 million for the same period last year and General Takaful generated gross earned contributions of RM101.9 million as compared to RM125.1 million in the corresponding quarter of the preceding year. For the 12 months period, Family Takaful generated gross earned contributions of RM1,099.0 million as compared to RM987.6 million in the corresponding period last year, whereas General Takaful recorded gross earned contributions of RM425.0 million as compared to RM457.1 million in the corresponding period last year. The Family Takaful recorded gross earned contribution growth of 11.3% for the 12 months period, mainly attributable to higher sales from Group Family products.

The surplus transfer in the quarter under review from Family Takaful was RM29.7 million as compared to RM28.3 million in the same period last year. The higher surplus transfer from Family Takaful is mainly due to better underwriting and investment results. For the 12 months period, the surplus transfer from Family Takaful decreased by RM15.0 million to RM114.8 million as compared to the same period last year, mainly attributable to higher wakalah fee expense.

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### QUARTER ENDED 31 DECEMBER 2013

#### **14 Review of Performance (continued)**

For the quarter under review, the surplus transfer from General Takaful was RM17.0 million as compared to RM15.9 million in the same period last year. For the 12 months period, General Takaful recorded RM49.3 million as compared to RM66.5 million last year. The General Takaful reported lower surplus transfer mainly due to shift to wakalah model products where margins are being transferred in the form of wakalah fee to Takaful Operator.

For the quarter under review, the Group recorded profit before zakat and taxation of RM53.7 million, increased by 38.0% as compared to RM38.9 million in the same period last year. For the 12 months period, the Group recorded profit before zakat and taxation of RM179.3 million, increased by 42.9% as compared to RM125.5 million in the same period last year. The higher profit is attributable to higher net wakalah fee income and better investment results.

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

The profit before zakat and taxation registered RM53.7 million which was higher than the preceding quarter of RM42.8 million by RM10.9 million mainly due to higher surplus transfer from Family and General Takaful.

#### **16 Current Year Prospects**

Takaful Malaysia will continue its value proposition of rewarding its customers with the 15% Cash Back and establish a strong foothold in the local insurance and takaful arena as the preferred choice for insurance. Through its extensive range of products and services the company continues to be the market leader in the Group Family Takaful business. The successful implementation of core initiatives in Operational Excellence, Technology Driven Capabilities, Product Innovation and Performance Oriented Culture will enable the Company to be ahead of its competitors, increase its overall market shares and continuously improving on shareholder's value.

#### **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.

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2013

### 18 Taxation

The effective rate of taxation is lower than the statutory tax rate for the quarter mainly due to non-allowable expenses in accordance with the Income Tax Act 1967.

	3 months ended		Cumulative 12 months ended	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Current tax expense:				
- Current financial period	13,833	7,329	52,191	44,634
Deferred tax benefits:				
- Current financial period	(1,989)	(2,324)	(8,784)	(20,320)
Total tax expense	<u>11,844</u>	<u>5,005</u>	<u>43,407</u>	<u>24,314</u>

The Section 60AA of the Income Tax Act 1967 (ITA) does not provide deduction on commission expense incurred by Shareholders' Fund (also known as Takaful Operator).

Based on the recent amendment of Section 60AA of the Income Tax Act 1967 (ITA) pursuant to Finance Act 2014 (Act 761) gazette on 23 January 2014, a tax deduction is only allow on commission expenses incurred by Shareholders' Fund in connection with General Business. The deductibility of commission payment relating to family business was not provided in the Finance Act 2014.

The Malaysian Takaful Association has presented the issue on non-deductibility of commission expenses incurred by Shareholders' Fund in connection with Family business to Ministry of Finance (MOF) on 16 January 2014. The MOF noted the disparity of tax treatment on the said commission expenses between takaful and conventional insurance and is currently assessing/studying the matter to determine the appropriate tax treatment for the said commission expenses.

Based on the opinion of the Company's tax agent, the Directors are of the view that the Group and the Company has reasonable ground to claim the deduction of the said commission expenses. Accordingly, the Group and the Company continues to deduct the said commission expenses in estimating the provision for income tax.

### 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 2013.

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2013

### 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 quarter / period by the weighted average number of ordinary shares in issue during the period.

		3 months ended		Cumulative 12 months ended	
		31.12.2013	31.12.2012	31.12.2013	31.12.2012
Owners of the Company	(RM'000)	41,484	32,424	138,999	101,245
Weighted average number of ordinary shares in issue	('000)	162,817	162,817	162,817	162,817
<b>Basic EPS</b>	(sen)	25.48	19.91	85.37	62.18

#### Diluted earnings per share (“Diluted EPS”)

The calculation of diluted earnings per ordinary share at 31 December 2013 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

		3 months ended		Cumulative 12 months ended	
		31.12.2013	31.12.2012	31.12.2013	31.12.2012
Owners of the Company	(RM'000)	41,484	32,424	138,999	101,245
Weighted average number of ordinary shares in issue	('000)	162,817	162,817	162,817	162,817
Effects of dilution	('000)	1,047	-	1,047	-
Diluted weighted average number of ordinary shares in issue	('000)	163,864	162,817	163,864	162,817
<b>Diluted EPS</b>	(sen)	25.32	19.91	84.83	62.18

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2013

### 23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	31 December 2013			31 December 2012		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
<b>Family Takaful Fund</b>						
Provision for claims reported by participants	40,150	(2,278)	37,872	28,387	(3,707)	24,680
Provision for IBNR	155,657	(32,845)	122,812	120,178	(14,964)	105,214
Provision for outstanding claims	195,807	(35,123)	160,684	148,565	(18,671)	129,894
Actuarial liabilities	3,708,819	(148,340)	3,560,479	3,274,935	(63,856)	3,211,079
Unallocated surplus	699,984	-	699,984	681,054	-	681,054
AFS reserves	(2,177)	-	(2,177)	97,326	-	97,326
Translation reserves	1,238	-	1,238	359	-	359
Net asset value attributable to unitholders	147,059	-	147,059	201,097	-	201,097
Participants' fund	4,554,923	(148,340)	4,406,583	4,254,771	(63,856)	4,190,915
	4,750,730	(183,463)	4,567,267	4,403,336	(82,527)	4,320,809



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**23 Takaful Contract Liabilities (continued)**

	31 December 2013			31 December 2012		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
<b>General Takaful Fund</b>						
Provision for claims reported by participants	433,215	(291,300)	141,915	389,557	(221,036)	168,521
Provision for IBNR	232,252	(80,970)	151,282	194,952	(61,443)	133,509
Provision for outstanding claims	665,467	(372,270)	293,197	584,509	(282,479)	302,030
Provision for unearned contributions	296,425	(80,200)	216,225	295,439	(72,297)	223,142
	961,892	(452,470)	509,422	879,948	(354,776)	525,172
Unallocated surplus	215,677	-	215,677	209,283	-	209,283
AFS reserves	3,556	-	3,556	10,464	-	10,464
Translation reserves	(109)	-	(109)	1,048	-	1,048
Participants' fund	219,124	-	219,124	220,795	-	220,795
	1,181,016	(452,470)	728,546	1,100,743	(354,776)	745,967

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2013

### 23 Takaful Contract Liabilities (continued)

	31 December 2013			31 December 2012		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
<b>Group</b>						
Provision for claims reported by participants	473,365	(293,578)	179,787	417,944	(224,743)	193,201
Provision for IBNR	387,909	(113,815)	274,094	315,130	(76,407)	238,723
Provision for outstanding claims	861,274	(407,393)	453,881	733,074	(301,150)	431,924
Provision for unearned contributions	296,425	(80,200)	216,225	295,439	(72,297)	223,142
	<u>1,157,699</u>	<u>(487,593)</u>	<u>670,106</u>	<u>1,028,513</u>	<u>(373,447)</u>	<u>655,066</u>
Actuarial liabilities	3,708,819	(148,340)	3,560,479	3,274,935	(63,856)	3,211,079
Unallocated surplus	915,661	-	915,661	890,337	-	890,337
AFS reserves	1,379	-	1,379	107,790	-	107,790
Translation reserves	1,129	-	1,129	1,407	-	1,407
Net asset value attributable to unitholders	108,964	-	108,964	160,117	-	160,117
Participants' fund	<u>4,735,952</u>	<u>(148,340)</u>	<u>4,587,612</u>	<u>4,434,586</u>	<u>(63,856)</u>	<u>4,370,730</u>
	<u>5,893,651</u>	<u>(635,933)</u>	<u>5,257,718</u>	<u>5,463,099</u>	<u>(437,303)</u>	<u>5,025,796</u>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2013

#### 23 Takaful Contract Liabilities (continued)

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

	Family Takaful Fund			General Takaful Fund			Group		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
<b>At 1 January 2012</b>	3,935,483	(64,808)	3,870,675	184,039	-	184,039	4,081,300	(64,808)	4,016,492
Net earned contributions	987,661	(46,869)	940,792	335,174	-	335,174	1,322,835	(46,869)	1,275,966
Investment income	186,381	-	186,381	31,031	-	31,031	217,412	-	217,412
Realised gains and (losses)	98,082	-	98,082	13,508	-	13,508	111,590	-	111,590
Fair value gains and (losses)	10,634	-	10,634	(306)	-	(306)	10,328	-	10,328
Other operating income	6,587	-	6,587	5,675	-	5,675	12,262	-	12,262
Net benefits and claims	(530,420)	40,233	(490,187)	(172,553)	-	(172,553)	(702,973)	40,233	(662,740)
Fees deducted (net)	(195,496)	-	(195,496)	(80,600)	-	(80,600)	(276,096)	-	(276,096)
Other operating expenses	(12,722)	-	(12,722)	(5,319)	-	(5,319)	(18,041)	-	(18,041)
Profit paid to participants	(2,330)	-	(2,330)	(27,558)	-	(27,558)	(29,888)	-	(29,888)
Increase in actuarial liabilities	(14,309)	489	(13,820)	-	-	-	(14,309)	489	(13,820)
Profit attributable to the Takaful Operator	(135,816)	6,636	(129,180)	(61,833)	-	(61,833)	(200,407)	6,636	(193,771)
Change in AFS reserve	(13,384)	-	(13,384)	1,084	-	1,084	(12,300)	-	(12,300)
Withholding tax	(41,036)	-	(41,036)	(1,773)	-	(1,773)	(42,809)	-	(42,809)
Effect of movement in exchange rates	(24,544)	463	(24,081)	226	-	226	(24,318)	463	(23,855)
<b>At 31 December 2012</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>4,434,586</b>	<b>(63,856)</b>	<b>4,370,730</b>

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2013

### 23 Takaful Contract Liabilities (continued)

	Family Takaful Fund			General Takaful Fund			Group		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
<b>At 1 January 2013</b>	4,254,771	(63,856)	4,190,915	220,795	-	220,795	4,434,586	(63,856)	4,370,730
Net earned contributions	1,098,994	(51,952)	1,047,042	292,023	-	292,023	1,391,017	(51,952)	1,339,065
Investment income	181,023	-	181,023	30,877	-	30,877	211,900	-	211,900
Realised gains and (losses)	117,092	-	117,092	15,844	-	15,844	132,936	-	132,936
Fair value gains and (losses)	9,025	-	9,025	596	-	596	9,621	-	9,621
Other operating income	1,133	-	1,133	1,798	-	1,798	2,931	-	2,931
Net benefits and claims	(654,446)	63,696	(590,750)	(134,498)	-	(134,498)	(782,178)	63,696	(718,482)
Fees deducted (net)	(245,834)	-	(245,834)	(116,324)	-	(116,324)	(362,158)	-	(362,158)
Other operating expenses	(8,796)	-	(8,796)	(2,985)	-	(2,985)	(11,781)	-	(11,781)
Profit paid to participants	(762)	-	(762)	(30,877)	-	(30,877)	(31,639)	-	(31,639)
Excess payment transferred to participants	7,067	-	7,067	-	-	-	7,067	-	7,067
Increase in actuarial liabilities	38,482	(85,501)	(47,019)	-	-	-	38,482	(85,501)	(47,019)
Profit attributable to the Takaful Operator	(92,464)	(11,745)	(104,209)	(49,447)	-	(49,447)	(145,792)	(11,745)	(157,537)
Change in AFS reserve	(99,503)	-	(99,503)	(6,908)	-	(6,909)	(106,411)	-	(106,411)
Withholding tax	(3,417)	-	(3,417)	(613)	-	(612)	(4,030)	-	(4,030)
Effect of movement in exchange rates	(47,442)	1,018	(46,424)	(1,157)	-	(1,157)	(48,599)	1,018	(47,581)
<b>At 31 December 2013</b>	<b>4,554,923</b>	<b>(148,340)</b>	<b>4,406,583</b>	<b>219,124</b>	<b>-</b>	<b>219,124</b>	<b>4,735,952</b>	<b>(148,340)</b>	<b>4,587,612</b>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2013

#### 24 Takaful Operator Income

The takaful operator income consists of the following:

	<b>Takaful Operator</b>			
	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31.12.2013</b>	<b>31.12.2012</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Surplus transfer from:				
Family Takaful Fund	29,665	28,257	114,848	129,828
General Takaful Fund	17,017	15,881	49,271	66,453
Wakalah fee income	82,550	64,367	392,799	280,267
Total Takaful Operator income	<u>129,232</u>	<u>108,505</u>	<u>556,918</u>	<u>476,548</u>

#### 25 Investment Income

The investment income consists of the following:

	<b>Takaful Operator</b>		<b>Family Takaful Fund</b>		<b>General Takaful Fund</b>		<b>Group</b>	
	<b>3 months ended</b>		<b>3 months ended</b>		<b>3 months ended</b>		<b>3 months ended</b>	
	<b>31.12.2013</b>	<b>31.12.2012</b>	<b>31.12.2013</b>	<b>31.12.2012</b>	<b>31.12.2013</b>	<b>31.12.2012</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Rental income	189	172	2,013	2,308	205	252	1,014	1,307
Dividend income	2,438	1,901	10,663	9,229	1,877	2,273	14,978	13,405
Profit income	5,334	3,888	38,019	40,197	6,392	7,106	49,745	51,190
Accretion / (Amortisation)	(307)	(155)	(1,165)	(1,129)	(425)	(468)	(1,897)	(1,752)
Investment expenses	(50)	(153)	(737)	743	(35)	(136)	(1,694)	755
	<u>7,604</u>	<u>5,653</u>	<u>48,793</u>	<u>51,348</u>	<u>8,014</u>	<u>9,027</u>	<u>62,146</u>	<u>64,905</u>

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
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**25 Investment Income (continued)**

The investment income consists of the following (continued):

	<b>Takaful Operator</b>		<b>Family Takaful Fund</b>		<b>General Takaful Fund</b>		<b>Group</b>	
	<b>12 months ended</b>		<b>12 months ended</b>		<b>12 months ended</b>		<b>12 months ended</b>	
	<b>31.12.2013</b>	<b>31.12.2012</b>	<b>31.12.2013</b>	<b>31.12.2012</b>	<b>31.12.2013</b>	<b>31.12.2012</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Rental income	642	737	7,320	8,820	783	1,032	3,087	4,895
Dividend income	6,975	5,137	31,667	24,417	5,831	4,967	44,473	34,521
Profit income	18,301	14,675	150,661	159,248	26,536	27,479	195,498	201,402
Accretion / (Amortisation)	(1,104)	(513)	(5,770)	(4,448)	(2,064)	(1,902)	(8,938)	(6,863)
Investment expenses	(285)	(580)	(2,855)	(1,656)	(209)	(545)	(1,415)	(386)
	<u>24,529</u>	<u>19,456</u>	<u>181,023</u>	<u>186,381</u>	<u>30,877</u>	<u>31,031</u>	<u>232,705</u>	<u>233,569</u>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2013

#### 26 Other Operating Income

The other operating income consists of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Service charged and management fee	1,913	2,204	-	-	-	-	1,636	562
Gain on foreign exchange	-	-	-	-	-	-	-	-
Writeback of allowance for impaired debts	-	-	1,511	-	1,117	-	2,628	-
Writeback of allowance for impaired financing	-	593	-	643	-	626	-	1,862
Gain on disposal of assets	(7)	48	-	-	-	-	(7)	48
Other income	560	503	-	4,076	166	2,416	725	6,995
	<u>2,466</u>	<u>3,348</u>	<u>1,511</u>	<u>4,719</u>	<u>1,283</u>	<u>3,042</u>	<u>4,982</u>	<u>9,467</u>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2013

#### 26 Other Operating Income (continued)

The other operating income consists of the following (continued):

	Takaful Operator 12 months ended		Family Takaful Fund 12 months ended		General Takaful Fund 12 months ended		Group 12 months ended	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Service charged and management fee	11,090	8,072	-	-	-	-	1,691	1,501
Gain on foreign exchange	-	-	-	-	-	74	-	74
Writeback of allowance for impaired debts	-	-	1,120	1,666	1,241	2,540	2,361	4,206
Writeback of allowance for impaired financing	8	849	-	643	-	643	8	2,135
Gain on disposal of assets	391	159	-	-	-	-	391	159
Other income	853	1,931	13	4,278	557	2,418	1,423	8,627
	<u>12,342</u>	<u>11,011</u>	<u>1,133</u>	<u>6,587</u>	<u>1,798</u>	<u>5,675</u>	<u>5,874</u>	<u>16,702</u>



# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2013

### 27 Other Operating Expenses

The other operating expenses consist of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Depreciation	(2,470)	(3,196)	-	-	-	-	(3,479)	(3,472)
Impairment losses	(210)	(217)	(162)	(929)	(88)	(292)	(466)	(1,437)
Loss from foreign exchange	(54)	(40)	-	(29)	-	(119)	(156)	(188)
Commission expenses / Administration fees	(26,738)	(23,748)	7	(40)	(102)	(1,621)	(26,704)	(25,306)
Agency related expenses	(2,364)	(1,390)	-	-	-	-	(2,364)	(1,390)
Allowance for impaired debts	-	-	-	(603)	(133)	(184)	-	(787)
Allowance for impaired financing	(204)	-	-	-	-	-	(204)	-
Debts written-off	-	-	(251)	-	(1,168)	-	(1,419)	-
Other expenses	(226)	35	(3,163)	(3,309)	(306)	(1,763)	(3,624)	(4,906)
	<u>(32,266)</u>	<u>(28,556)</u>	<u>(3,569)</u>	<u>(4,910)</u>	<u>(1,797)</u>	<u>(3,979)</u>	<u>(38,416)</u>	<u>(37,486)</u>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2013

#### 27 Other Operating Expenses (continued)

The other operating expenses consist of the following (continued):

	Takaful Operator 12 months ended		Family Takaful Fund 12 months ended		General Takaful Fund 12 months ended		Group 12 months ended	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Depreciation	(9,499)	(11,308)	-	-	-	-	(13,574)	(15,161)
Impairment losses	(394)	(1,081)	(1,418)	(5,549)	(435)	(1,700)	(2,253)	(8,330)
Loss from foreign exchange	(54)	(43)	(2)	(95)	(81)	(129)	(137)	(267)
Commission expenses / Administration fees	(130,270)	(103,297)	(112)	(9,642)	(201)	(9,532)	(130,324)	(122,247)
Agency related expenses	(5,836)	(3,646)	-	-	-	-	(5,836)	(3,646)
Allowance for impaired debts	-	-	-	-	-	-	-	-
Debts written off	-	-	(251)	-	(1,168)	-	(1,419)	-
Other expenses	(11,656)	(3,871)	(7,125)	(7,078)	(1,301)	(3,490)	(8,584)	(10,598)
	<u>(157,709)</u>	<u>(123,246)</u>	<u>(8,908)</u>	<u>(22,364)</u>	<u>(3,186)</u>	<u>(14,851)</u>	<u>(162,127)</u>	<u>(160,249)</u>

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2013

### 28 Fair Value Information

The table below analyses financial instruments carried at fair value by their valuation method.

31 December 2013	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>Takaful Operator</b>										
<b>Financial assets</b>										
Equity securities	96,254	-	-	96,254	-	-	-	-	96,254	96,254
Unit trusts	23,303	5,712	64,268	93,283	-	-	-	-	93,283	93,283
Islamic debt securities	4,908	239,235	-	244,143	1,944	-	-	1,944	246,087	246,108
Investment in linked funds	38,095	-	-	38,095	-	-	-	-	38,095	38,095
Malaysian Government Islamic papers	-	10,013	-	10,013	-	-	-	-	10,013	10,013
	162,560	254,960	64,268	481,788	1,944	-	-	1,944	483,732	483,753
<b>Family Takaful</b>										
<b>Financial assets</b>										
Equity securities	782,773	-	-	782,773	-	-	-	-	782,773	782,773
Unit trusts	101,584	66,435	196,482	364,501	-	-	-	-	364,501	364,501
Islamic debt securities	72,989	1,671,979	-	1,744,968	5,338	246,841	-	252,179	1,997,147	1,998,992
Malaysian Government Islamic papers	-	383,832	-	383,832	-	112,851	-	112,851	496,683	496,549
	957,346	2,122,246	196,482	3,276,074	5,338	359,692	-	365,030	3,641,104	3,642,815

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 31 DECEMBER 2013**

**28 Fair Value Information (continued)**

31 December 2013	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>General Takaful</b>										
Equity securities	133,234	-	-	133,234	-	-	-	-	133,234	133,234
Unit trusts	22,554	-	38,147	60,701	-	-	-	-	60,701	60,701
Islamic debt securities Malaysian Government Islamic papers	-	313,528	-	313,528	3,169	-	-	3,169	316,697	316,756
	-	61,886	-	61,886	-	32,778	-	32,778	94,664	94,560
	155,788	375,414	38,147	569,349	3,169	32,778	-	35,947	605,296	605,251
<b>Group</b>										
<b>Financial assets</b>										
Equity securities	1,012,261	-	-	1,012,261	-	-	-	-	1,012,261	1,012,261
Unit trusts	147,441	72,147	298,897	518,485	-	-	-	-	518,485	518,485
Islamic debt securities Malaysian Government Islamic papers	77,897	2,224,742	-	2,302,639	10,451	246,841	-	257,292	2,559,931	2,561,856
	-	455,731	-	455,731	-	145,629	-	145,629	601,360	601,122
	1,237,599	2,752,620	298,897	4,289,116	10,451	392,470	-	402,921	4,692,037	4,693,724

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 31 DECEMBER 2013**

**28 Fair Value Information (continued)**

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Total RM'000	Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000			
<b>31 December 2012</b>							
<b>Takaful Operator</b>							
<b>Financial assets</b>							
Equity securities	37,004	-	-	37,004	-	37,004	37,004
Unit trusts	31,574	-	61,270	92,844	-	92,844	92,844
Islamic debt securities	-	201,222	-	201,222	1,598	202,820	202,807
Investment in linked funds	40,980	-	-	40,980	-	40,980	40,980
Malaysian Government Islamic papers	-	20,155	-	20,155	-	20,155	20,155
	109,558	221,377	61,270	392,205	1,598	393,803	393,790
<b>Family Takaful</b>							
<b>Financial assets</b>							
Equity securities	466,430	-	-	466,430	-	466,430	466,430
Unit trusts	141,424	-	187,332	328,756	-	328,756	328,756
Investment units in commodity, equity and fixed income closed ended fund	-	-	59,662	59,662	-	59,662	59,662
Islamic debt securities	-	1,826,508	-	1,826,508	153,596	1,980,104	1,966,998
Malaysian Government Islamic papers	-	550,388	-	550,388	115,176	665,564	663,169
	607,854	2,376,896	246,994	3,231,744	268,772	3,500,516	3,485,015

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 31 DECEMBER 2013**

**28 Fair Value Information (continued)**

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Total RM'000	Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000			
<b>31 December 2012</b>							
<b>General Takaful</b>							
<b>Financial assets</b>							
Equity securities	85,161	-	-	85,161	-	85,161	85,161
Unit trusts	13,257	-	36,379	49,636	-	49,636	49,636
Islamic debt securities	-	337,051	-	337,051	2,937	339,988	339,904
Malaysian Government Islamic papers	-	93,916	-	93,916	33,351	127,267	126,638
	<b>98,418</b>	<b>430,967</b>	<b>36,379</b>	<b>565,764</b>	<b>36,288</b>	<b>602,052</b>	<b>601,339</b>
<b>Group</b>							
<b>Financial assets</b>							
Equity securities	588,595	-	-	588,595	-	588,595	588,595
Unit trusts	186,255	-	284,981	471,236	-	471,236	471,236
Investment units in commodity, equity and fixed income closed ended fund	-	-	59,662	59,662	-	59,662	59,662
Islamic debt securities	-	2,364,781	-	2,364,781	158,131	2,522,912	2,509,709
Malaysian Government Islamic papers	-	664,459	-	664,459	148,527	812,986	809,962
	<b>774,850</b>	<b>3,029,240</b>	<b>344,643</b>	<b>4,148,733</b>	<b>306,658</b>	<b>4,455,391</b>	<b>4,439,164</b>

\* Comparative figures have not been analysed by levels, by virtue of transitional provision given in Appendix C2 of MFRS 13.

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2013

### **28 Fair Value Information (continued)**

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

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices in an active market and the fair value cannot be reliably measured. Please refer to respective note for the fair values of other financial assets and liabilities, together with the carrying amounts shown in the statements of financial position.

#### **Policy on transfer between levels**

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

#### **Level 1 fair value**

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

#### **Level 2 fair value**

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the identical financial assets or liabilities, either directly or indirectly.

#### **Non-derivative financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

#### **Transfer between Level 1 and 2 fair values**

There is no transfer between Level 1 and 2 fair values during the period.

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2013

### 28 Fair Value Information (continued)

#### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities. The following table shows a reconciliation of Level 3 fair values:

	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Group RM'000
<b>Available-for-sale financial assets</b>				
At 1 January 2012	48,726	174,649	33,711	257,086
Purchases	10,000	4,087	1,000	15,087
Gains and losses recognised in profit or loss				
Investment income - realised	2,544	8,596	1,668	12,808
At 31 December 2012 / 1 January 2013	61,270	187,332	36,379	284,981
Gains and losses recognised in profit or loss				
Investment income - realised	2,998	9,150	1,768	13,916
At 31 December 2013	64,268	196,482	38,147	298,897
<b>Fair value through profit or loss financial assets</b>				
At 1 January 2012	-	63,906	-	63,906
Redemption	-	(2,350)	-	(2,350)
Gains and losses recognised in profit or loss				
Fair value gains and losses	-	(1,894)	-	(1,894)
At 31 December 2012 / 1 January 2013	-	59,662	-	59,662
Redemption	-	(688)	-	(688)
Maturity	-	(60,602)	-	(60,602)
Gains and losses recognised in profit or loss				
Fair value gains and losses	-	1,628	-	1,628
At 31 December 2013	-	-	-	-

### 29 Disclosure of interest expense, provision for and write off of inventories, gain or loss on derivatives and exceptional items

Disclosure 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.



# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### QUARTER ENDED 31 DECEMBER 2013

#### 30 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 2013, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of the Bursa Malaysia Main Market Listing Requirements, are as follows:

	<b>As at 31.12.2013 RM'000</b>	<b>As at 31.12.2012 RM'000</b>
<b>Total retained profits of the Group</b>		
Realised	319,388	261,790
Unrealised	47,869	39,289
	<hr/> 367,257	<hr/> 301,079
<b>Total share of retained profits of associates:</b>		
Realised	-	-
Unrealised	-	-
	<hr/> 367,257	<hr/> 301,079
Add: Consolidation adjustments	32,234	27,221
	<hr/> 399,491	<hr/> 328,300
<b>Total retained profits as per statements of financial position</b>	<hr/> <b>399,491</b>	<hr/> <b>328,300</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 YUSOFF**  
Company Secretary (MIA 14171)  
Kuala Lumpur, 17 February 2014