

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2014

### **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 March 2014. 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 2013. 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 2013.

### **2 Auditors' Report**

The auditors' report on the audited financial statements of the preceding year ended 31 December 2013 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.

### **4 Unusual Items**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows in the current quarter ended 31 March 2014.

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### QUARTER ENDED 31 MARCH 2014

#### 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 22 April 2014 approved a final dividend of 40% single tier in respect of the financial year ended 31 December 2013 as proposed by the Directors. The final dividend was paid on 8 May 2014.

No dividend was declared for the current quarter under review.

#### 8 Segmental Reporting

##### Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
<b>3 months ended 31 March 2014</b>			
Revenue from external participants	397,062	34,962	432,024
Profit before zakat and taxation	44,895	(199)	44,696
<b>As at 31 March 2014</b>			
Segment assets by location of assets	6,619,544	433,422	7,052,966
<b>3 months ended 31 March 2013</b>			
Revenue from external participants	470,569	48,962	519,531
Profit before zakat and taxation	39,244	1,002	40,246
<b>As at 31 March 2013</b>			
Segment assets by location of assets	6,188,717	449,691	6,638,408

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2014

### **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 2013.

### **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 2013.

### **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**

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.

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### QUARTER ENDED 31 MARCH 2014

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

For the 1<sup>st</sup> quarter ended 31 March 2014, the Group generated Operating Revenue of RM432.0 million, compared to RM519.5 million in the corresponding quarter of the preceding year. The decrease is mainly attributable to lower sales generated by Family Takaful business.

For the quarter under review, Family Takaful recorded gross earned contributions of RM194.2 million against RM273.1 million for the same period last year and General Takaful generated gross earned contributions of RM79.6 million as compared to RM79.2 million in the corresponding quarter of the preceding year. The decrease in Family Takaful's gross earned contributions for the 3 months period, mainly attributable to lower sales from Group Family products.

The surplus transfer in the quarter under review from Family Takaful was RM25.4 million as compared to RM35.5 million in the same period last year. The lower surplus transfer from Family Takaful is mainly due to lower underwriting and investment results.

For the quarter under review, the surplus transfer from General Takaful was RM13.3 million as compared to RM10.1 million in the same period last year. The General Takaful reported higher surplus transfer mainly due to lower claims incurred and better investment results for the quarter under review.

For the quarter under review, the Group recorded profit before zakat and taxation of RM44.7 million, increased by 11.2% as compared to RM40.2 million in the same period last year. The higher profit is attributable to 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 RM44.7 million which was lower than the preceding quarter of RM53.7 million by RM9.0 million mainly due to lower net investment income.

#### **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.

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2014

### 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	
	31.3.2014	31.3.2013
	RM'000	RM'000
Current tax expense:		
- Current financial period	12,077	11,764
Deferred tax benefits:		
- Current financial period	(2,122)	(3,972)
Total tax expense	<u>9,955</u>	<u>7,792</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 March 2014.

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2014

### 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	
		31.3.2014	31.3.2013
Owners of the Company	(RM'000)	35,074	32,223
Weighted average number of ordinary shares in issue	('000)	162,817	162,817
<b>Basic EPS</b>	(sen)	21.54	19.79

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

The calculation of diluted earnings per ordinary share at 31 March 2014 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	
		31.3.2014	31.3.2013
Owners of the Company	(RM'000)	35,074	32,223
Weighted average number of ordinary shares in issue	('000)	162,817	162,817
Effects of dilution	('000)	2,472	-
Diluted weighted average number of ordinary shares in issue	('000)	165,289	162,817
<b>Diluted EPS</b>	(sen)	21.22	19.79

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2014

#### 23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	31 March 2014			31 December 2013		
	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	40,125	(3,688)	36,437	40,150	(2,278)	37,872
Provision for IBNR	159,317	(34,681)	124,636	155,657	(32,845)	122,812
Provision for outstanding claims	199,442	(38,369)	161,073	195,807	(35,123)	160,684
Actuarial liabilities	3,830,014	(157,679)	3,672,335	3,708,819	(148,340)	3,560,479
Unallocated surplus	685,695	-	685,695	699,984	-	699,984
AFS reserves	(55,384)	-	(55,384)	(2,177)	-	(2,177)
Translation reserves	700	-	700	1,238	-	1,238
Net asset value attributable to unitholders	161,415	-	161,415	147,059	-	147,059
Participants' fund	4,622,440	(157,679)	4,464,761	4,554,923	(148,340)	4,406,583
	4,821,882	(196,048)	4,625,834	4,750,730	(183,463)	4,567,267

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 31 MARCH 2014**

**23 Takaful Contract Liabilities (continued)**

	31 March 2014			31 December 2013		
	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	420,185	(294,829)	125,356	433,215	(291,300)	141,915
Provision for IBNR	248,772	(95,653)	153,119	232,252	(80,970)	151,282
Provision for outstanding claims	668,957	(390,482)	278,475	665,467	(372,270)	293,197
Provision for unearned contributions	313,271	(82,949)	230,322	296,425	(80,200)	216,225
	982,228	(473,431)	508,797	961,892	(452,470)	509,422
Unallocated surplus	214,927	-	214,927	215,677	-	215,677
AFS reserves	(5,965)	-	(5,965)	3,556	-	3,556
Translation reserves	410	-	410	(109)	-	(109)
Participants' fund	209,372	-	209,372	219,124	-	219,124
	1,191,600	(473,431)	718,169	1,181,016	(452,470)	728,546

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2014

### 23 Takaful Contract Liabilities (continued)

	31 March 2014			31 December 2013		
	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	460,310	(298,517)	161,793	473,365	(293,578)	179,787
Provision for IBNR	408,089	(130,334)	277,755	387,909	(113,815)	274,094
Provision for outstanding claims	868,399	(428,851)	439,548	861,274	(407,393)	453,881
Provision for unearned contributions	313,271	(82,949)	230,322	296,425	(80,200)	216,225
	<u>1,181,670</u>	<u>(511,800)</u>	<u>669,870</u>	<u>1,157,699</u>	<u>(487,593)</u>	<u>670,106</u>
Actuarial liabilities	3,830,014	(157,679)	3,672,335	3,708,819	(148,340)	3,560,479
Unallocated surplus	900,622	-	900,622	915,661	-	915,661
AFS reserves	(61,349)	-	(61,349)	1,379	-	1,379
Translation reserves	1,110	-	1,110	1,129	-	1,129
Net asset value attributable to unitholders	123,674	-	123,674	108,964	-	108,964
Participants' fund	<u>4,794,071</u>	<u>(157,679)</u>	<u>4,636,392</u>	<u>4,735,952</u>	<u>(148,340)</u>	<u>4,587,612</u>
	<u>5,975,741</u>	<u>(669,479)</u>	<u>5,306,262</u>	<u>5,893,651</u>	<u>(635,933)</u>	<u>5,257,718</u>

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2014

### 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 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 MARCH 2014

### 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 2014</b>	4,554,923	(148,340)	4,406,583	219,124	-	219,124	4,735,952	(148,340)	4,587,612
Net earned contributions	206,915	(12,714)	194,201	79,568	-	79,568	286,483	(12,714)	273,769
Investment income	42,678	-	42,678	6,869	-	6,869	49,547	-	49,547
Realised gains and (losses)	36,803	-	36,803	6,766	-	6,766	43,569	-	43,569
Fair value gains and (losses)	(564)	-	(564)	-	-	-	(564)	-	(564)
Other operating income	827	-	827	500	-	500	1,327	-	1,327
Net benefits and claims	(138,540)	13,325	(125,215)	(26,693)	-	(26,693)	(165,233)	13,325	(151,908)
Fees deducted (net)	(50,494)	-	(50,494)	(40,869)	-	(40,869)	(91,363)	-	(91,363)
Other operating expenses	(12,503)	-	(12,503)	(2,178)	-	(2,178)	(14,681)	-	(14,681)
Profit paid to participants	(117)	-	(117)	(10,866)	-	(10,866)	(10,983)	-	(10,983)
Reversal of excess payment transferred to participants	(702)	-	(702)	-	-	-	(702)	-	(702)
Increase in actuarial liabilities	48,083	(8,937)	39,146	-	-	-	48,083	(8,937)	39,146
Profit attributable to the Takaful Operator	(24,772)	(611)	(25,383)	(13,111)	-	(13,111)	(37,529)	(611)	(38,140)
Change in AFS reserve	(53,207)	-	(53,207)	(9,521)	-	(9,521)	(62,728)	-	(62,728)
Withholding tax	(5,376)	-	(5,376)	(737)	-	(737)	(6,113)	-	(6,113)
Effect of movement in exchange rates	18,486	(402)	18,084	520	-	520	19,006	(402)	18,604
<b>At 31 March 2014</b>	<b>4,622,440</b>	<b>(157,679)</b>	<b>4,464,761</b>	<b>209,372</b>	<b>-</b>	<b>209,372</b>	<b>4,794,071</b>	<b>(157,679)</b>	<b>4,636,392</b>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2014

#### 24 Takaful Operator Income

The takaful operator income consists of the following:

	<b>Takaful Operator</b>	
	<b>3 months ended</b>	
	<b>31.3.2014</b>	<b>31.3.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Surplus transfer from:		
Family Takaful Fund	25,364	35,535
General Takaful Fund	13,277	10,100
Wakalah fee income	100,882	123,090
Total Takaful Operator income	139,523	168,725

#### 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>31.3.2014</b>	<b>31.3.2013</b>	<b>31.3.2014</b>	<b>31.3.2013</b>	<b>31.3.2014</b>	<b>31.3.2013</b>	<b>31.3.2014</b>	<b>31.3.2013</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	106	110	1,191	1,740	125	223	19	746
Dividend income	1,125	924	5,612	3,639	1,038	862	7,775	5,425
Profit income	5,545	3,725	37,104	42,235	6,131	6,855	48,780	52,815
Accretion / (Amortisation)	(287)	(192)	(884)	(1,359)	(355)	(536)	(1,526)	(2,087)
Investment expenses	(202)	(169)	(345)	(528)	(70)	(138)	(144)	(546)
	6,287	4,398	42,678	45,727	6,869	7,266	54,904	56,353

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2014

#### 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	
	31.3.2014 RM'000	31.3.2013 RM'000	31.3.2014 RM'000	31.3.2013 RM'000	31.3.2014 RM'000	31.3.2013 RM'000	31.3.2014 RM'000	31.3.2013 RM'000
Service charged and management fee	1,664	1,691	-	-	-	-	329	450
Gain on foreign exchange	-	-	-	-	-	4	-	4
Writeback of allowance for impaired debts	-	-	-	-	500	-	500	-
Gain on disposal of assets	-	148	-	-	-	-	-	148
Other income	543	874	827	12	-	176	1,370	1,061
	<u>2,207</u>	<u>2,713</u>	<u>827</u>	<u>12</u>	<u>500</u>	<u>180</u>	<u>2,199</u>	<u>1,663</u>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2014

#### 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	
	31.3.2014 RM'000	31.3.2013 RM'000	31.3.2014 RM'000	31.3.2013 RM'000	31.3.2014 RM'000	31.3.2013 RM'000	31.3.2014 RM'000	31.3.2013 RM'000
Depreciation	(2,014)	(2,721)	-	-	-	-	(3,096)	(3,715)
Impairment losses	(1,350)	(184)	(8,709)	(757)	(1,870)	(346)	(11,929)	(1,287)
Loss from foreign exchange	-	-	-	-	(10)	-	(10)	-
Commission expenses / Administration fees	(30,915)	(40,538)	(160)	(42)	(33)	(10)	(31,045)	(40,560)
Agency related expenses	(1,169)	(976)	-	-	-	-	(1,169)	(976)
Allowance for impaired debts	-	-	(3,311)	(689)	-	(1,046)	(3,311)	(1,735)
Other expenses	(14)	(833)	(482)	(984)	(298)	(269)	(772)	(1,264)
	<u>(35,462)</u>	<u>(45,252)</u>	<u>(12,662)</u>	<u>(2,472)</u>	<u>(2,211)</u>	<u>(1,671)</u>	<u>(51,332)</u>	<u>(49,537)</u>

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2014

### 28 Fair Value Information

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

31 March 2014	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	92,894	-	-	92,894	-	-	-	-	92,894	92,894
Unit trusts	26,790	6,258	-	33,048	-	-	-	-	33,048	33,048
Institutional Trust Account	-	-	49,418	49,418	-	-	-	-	49,418	49,418
Islamic debt securities	4,775	236,405	-	241,180	2,074	-	-	2,074	243,254	243,277
Investment in linked funds	37,741	-	-	37,741	-	-	-	-	37,741	37,741
	162,200	242,663	49,418	454,281	2,074	-	-	2,074	456,355	456,378
<b>Family Takaful</b>										
<b>Financial assets</b>										
Equity securities	772,978	-	-	772,978	-	-	-	-	772,978	772,978
Unit trusts	144,285	67,070	-	211,355	-	-	-	-	211,355	211,355
Institutional Trust Account	-	-	141,477	141,477	-	-	-	-	141,477	141,477
Islamic debt securities	84,130	1,641,940	-	1,726,070	8,699	242,928	-	251,627	1,977,697	1,983,374
Malaysian Government Islamic papers	-	291,606	-	291,606	-	113,092	-	113,092	404,698	404,306
	1,001,393	2,000,616	141,477	3,143,486	8,699	356,020	-	364,719	3,508,205	3,513,490

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 31 MARCH 2014**

**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 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>31 March 2014</b>										
<b>General Takaful</b>										
Equity securities	124,514	-	-	124,514	-	-	-	-	124,514	124,514
Unit trusts	23,231	-	-	23,231	-	-	-	-	23,231	23,231
Institutional Trust Account	-	-	38,619	38,619	-	-	-	-	38,619	38,619
Islamic debt securities	-	324,809	-	324,809	3,381	-	-	3,381	328,190	328,253
Malaysian Government Islamic papers	-	20,122	-	20,122	-	32,798	-	32,798	52,920	52,784
	<b>147,745</b>	<b>344,931</b>	<b>38,619</b>	<b>531,295</b>	<b>3,381</b>	<b>32,798</b>	<b>-</b>	<b>36,179</b>	<b>567,474</b>	<b>567,401</b>
<b>Group</b>										
<b>Financial assets</b>										
Equity securities	990,386	-	-	990,386	-	-	-	-	990,386	990,386
Unit trusts	194,306	73,328	-	267,634	-	-	-	-	267,634	267,634
Institutional Trust Account	-	-	299,514	229,514	-	-	-	-	229,514	229,514
Islamic debt securities	88,905	2,203,154	-	2,292,059	14,154	242,928	-	257,082	2,549,141	2,554,904
Malaysian Government Islamic papers	-	311,728	-	311,728	-	145,890	-	145,890	457,618	457,090
	<b>1,273,597</b>	<b>2,588,210</b>	<b>299,514</b>	<b>4,091,321</b>	<b>14,154</b>	<b>388,818</b>	<b>-</b>	<b>402,972</b>	<b>4,494,293</b>	<b>4,499,528</b>

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 31 MARCH 2014**

**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>Takaful Operator</b>										
<b>Financial assets</b>										
Equity securities	96,254	-	-	96,254	-	-	-	-	96,254	96,254
Unit trusts	23,303	5,712	-	29,015	-	-	-	-	29,015	29,015
Institutional Trust Account	-	-	64,268	64,268	-	-	-	-	64,268	64,268
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	-	168,019	-	-	-	-	168,019	168,019
Institutional Trust Account	-	-	196,482	196,482	-	-	-	-	196,482	196,482
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 MARCH 2014**

**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 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>31 December 2013</b>										
<b>General Takaful</b>										
Equity securities	133,234	-	-	133,234	-	-	-	-	133,234	133,234
Unit trusts	22,554	-	-	22,554	-	-	-	-	22,554	22,554
Institutional Trust Account	-	-	38,147	38,147	-	-	-	-	38,147	38,147
Islamic debt securities	-	313,528	-	313,528	3,169	-	-	3,169	316,697	316,756
Malaysian Government Islamic papers	-	61,886	-	61,886	-	32,778	-	32,778	94,664	94,560
	<b>155,788</b>	<b>375,414</b>	<b>38,147</b>	<b>569,349</b>	<b>3,169</b>	<b>32,778</b>	<b>-</b>	<b>35,947</b>	<b>605,296</b>	<b>605,251</b>
<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	-	219,588	-	-	-	-	219,588	219,588
Institutional Trust Account	-	-	298,897	298,897	-	-	-	-	298,897	298,897
Islamic debt securities	77,897	2,224,742	-	2,302,639	10,451	246,841	-	257,292	2,559,931	2,561,856
Malaysian Government Islamic papers	-	455,731	-	455,731	-	145,629	-	145,629	601,360	601,122
	<b>1,237,599</b>	<b>2,752,620</b>	<b>298,897</b>	<b>4,289,116</b>	<b>10,451</b>	<b>392,470</b>	<b>-</b>	<b>402,921</b>	<b>4,692,037</b>	<b>4,693,724</b>

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### QUARTER ENDED 31 MARCH 2014

#### **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 MARCH 2014

#### 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:

	<b>Takaful Operator RM'000</b>	<b>Family Takaful RM'000</b>	<b>General Takaful RM'000</b>	<b>Group RM'000</b>
<b>Available-for-sale financial assets</b>				
At 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 / 1 January 2014	64,268	196,482	38,147	298,897
Maturity	(15,630)	(56,865)	-	(72,495)
Gains and losses recognised in profit or loss				
Investment income - realised	780	1,860	472	3,112
At 31 March 2014	49,418	141,477	38,619	229,514

#### 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 MARCH 2014

#### 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 31.3.2014 RM'000</b>	<b>As at 31.12.2013 RM'000</b>
<b>Total retained profits of the Group</b>		
Realised	347,936	319,388
Unrealised	49,992	47,869
	<hr/> 397,928	<hr/> 367,257
<b>Total share of retained profits of associates:</b>		
Realised	-	-
Unrealised	-	-
	<hr/> 397,928	<hr/> 367,257
Add: Consolidation adjustments	36,637	32,234
	<hr/> 434,565	<hr/> 399,491
<b>Total retained profits as per statements of financial position</b>	<hr/> <b>434,565</b>	<hr/> <b>399,491</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, 26 May 2014