

# **SYARIKAT TAKAFUL MALAYSIA BERHAD**

## **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS** **QUARTER ENDED 30 JUNE 2015**

### **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 ("Bursa Securities") ("Listing Requirements"), 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 30 June 2015. 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 2014. 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 2014.

### **2 Auditors' Report**

The auditors' report on the audited financial statements of the preceding year ended 31 December 2014 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 30 June 2015.

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2015

### 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 12 May 2015 approved a final dividend of 35% single tier in respect of the financial year ended 31 December 2014 as proposed by the Directors. The final dividend was paid on 25 May 2015.

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>6 months ended 30 June 2015</b>			
Revenue from external participants	915,842	80,149	995,991
Profit before zakat and taxation	112,113	(84)	112,029
<b>As at 30 June 2015</b>			
Segment assets by location of assets	6,985,058	456,041	7,441,099
<b>6 months ended 30 June 2014</b>			
Revenue from external participants	780,096	76,736	856,832
Profit before zakat and taxation	97,879	2,435	100,314
<b>As at 30 June 2014</b>			
Segment assets by location of assets	6,697,004	412,195	7,109,199

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2015

### **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 2014.

### **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 2014.

### **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 announcement.

### **14 Review of Performance**

For the 2<sup>nd</sup> quarter ended 30 June 2015, the Group generated Operating Revenue of RM433.5 million compared to RM424.8 million in the corresponding quarter of the preceding year. The increase is mainly attributable to higher sales generated by General Takaful business and higher net investment income. The half year Operating Revenue increased by 16.2% to RM996.0 million from RM856.8 million in the same period of the preceding year. The increase is mainly attributable to higher sales generated by both Family Takaful and General Takaful business and higher net investment income.

For the quarter under review, Family Takaful recorded gross earned contributions of RM287.3 million against RM279.1 million in the same period last year. For the 6 months period, Family Takaful generated gross earned contributions of RM524.3 million as compared to RM486.0 million in the corresponding period last year. The increase is mainly attributable to higher sales from Family Takaful Group Medical and Group Term products.

For the quarter under review, General Takaful generated gross earned contributions of RM112.6 million as compared to RM106.8 million in the corresponding quarter of preceding year. For the 6 months period, General Takaful recorded gross earned contributions of RM248.8 million as compared to RM222.2 million in the corresponding period last year. The growth was mainly from Fire and Motor class of business.

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## **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS** **QUARTER ENDED 30 JUNE 2015**

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

The surplus transfer in the quarter under review from Family Takaful was RM18.0 million as compared to RM24.0 million in the same period last year. For the 6 months period, the surplus transfer from Family Takaful decreased by RM9.6 million to RM39.8 million as compared to RM49.3 million in the same period last year. The lower surplus transfer from Family Takaful is mainly due to the shift to wakalah model products and lower realized gains on disposal of investments.

For the quarter under review, the surplus transfer from General Takaful was RM9.5 million as compared to RM14.9 million in the same period last year. For the 6 months period, General Takaful recorded RM16.1 million as compared to RM28.2 million last year. The General Takaful reported lower surplus transfer mainly due to higher contribution ceded to retakaful and lower realized gains on disposal of investments.

For the quarter under review, the Group recorded profit before zakat and taxation of RM49.8 million, decreased by 11.6% as compared to RM55.6 million in the same period last year, mainly attributable to lower surplus transfer. For the 6 months period, the Group recorded profit before zakat and taxation of RM112.0 million, increased by 11.7% as compared to RM100.3 million in the same period last year. The higher profit is attributable to higher wakalah fee income.

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

There were no material changes in the quarterly results as compared to the results of the preceding financial quarter.

### **16 Current Year Prospects**

For the year 2015, Takaful Malaysia will continue its value proposition of rewarding its customers with 15% Cash Back for General Takaful products 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 shareholders' 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 30 JUNE 2015

### 18 Taxation

The effective rate of taxation is higher than the statutory tax rate mainly due to non deductible expenses in accordance with the Income Tax Act 1967.

	3 months ended		Cumulative 6 months ended	
	30.6.2015 RM'000	30.6.2014 RM'000	30.6.2015 RM'000	30.6.2014 RM'000
Current tax expense:				
- Current financial period	9,537	13,875	19,958	25,952
Deferred tax benefits:				
- Current financial period	1,052	(1,961)	6,384	(4,083)
Total tax expense	<u>10,589</u>	<u>11,914</u>	<u>26,342</u>	<u>21,869</u>

18.1 Based on recent amendments to Section 60AA of the Income Tax Act 1967 (ITA), the wakalah fee received by Shareholders' fund from Family Business is not subjected to income tax. Accordingly, commission and management expenses incurred by Shareholders' fund in relation to Family Business are disallowed as deductible expenses. The amended Section 60AA of ITA will be effective for year of assessment 2015 onwards.

### 19 Status of Corporate Proposal

With the announcement to Bursa Malaysia Securities Berhad on the completion of the Share Split on 28 May 2015, there is no corporate proposal announced but not completed as at the date of this announcement.

### 20 Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 30 June 2015.

### 21 Material Litigation

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

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2015

### 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 6 months ended	
		30.6.2015	30.6.2014	30.6.2015	30.6.2014
Owners of the Company (RM'000)		<u>38,949</u>	<u>42,442</u>	<u>85,173</u>	<u>77,516</u>
Weighted average number of ordinary shares in issue	('000)	<u>815,032</u>	<u>814,085</u>	<u>815,032</u>	<u>814,085</u>
<b>Basic EPS</b>	(sen)	<u>4.78</u>	<u>5.21</u>	<u>10.45</u>	<u>9.52</u>

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

The calculation of diluted earnings per ordinary share at 30 June 2015 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 6 months ended	
		30.6.2015	30.6.2014	30.6.2015	30.6.2014
Owners of the Company (RM'000)		<u>38,949</u>	<u>42,442</u>	<u>85,173</u>	<u>77,516</u>
Weighted average number of ordinary shares in issue	('000)	<u>815,032</u>	<u>814,085</u>	<u>815,032</u>	<u>814,085</u>
Effects of dilution	('000)	<u>4,744</u>	<u>3,746</u>	<u>4,744</u>	<u>3,746</u>
Diluted weighted average number of ordinary shares in issue	('000)	<u>819,776</u>	<u>817,831</u>	<u>819,776</u>	<u>817,831</u>
<b>Diluted EPS</b>	(sen)	<u>4.75</u>	<u>5.19</u>	<u>10.39</u>	<u>9.48</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 JUNE 2015**

**23 Takaful Contract Liabilities**

The takaful contract liabilities consist of the following:

	30 June 2015		31 December 2014	
	Gross RM'000	Retakaful RM'000	Gross RM'000	Retakaful RM'000
				Net RM'000
<b>Family Takaful Fund</b>				
Provision for claims reported by participants	34,936	(4,023)	33,310	(3,352)
Provision for IBNR	198,758	(51,897)	169,748	(49,805)
Provision for outstanding claims	233,694	(55,920)	203,058	(53,157)
Actuarial liabilities	4,280,449	(230,539)	4,022,859	(206,644)
Unallocated surplus	696,440	-	732,842	-
AFS reserves	(78,697)	-	(61,878)	-
Translation reserves	536	-	765	-
Net asset value attributable to unitholders	189,984	-	179,900	-
Participants' fund	5,088,712	(230,539)	4,874,488	(206,644)
	5,322,406	(286,459)	5,077,546	(259,801)
				4,817,745

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**23 Takaful Contract Liabilities (continued)**

	30 June 2015		31 December 2014		
	Gross RM'000	Retakaful RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
<b>General Takaful Fund</b>					
Provision for claims reported by participants	401,732	(303,658)	375,636	(259,623)	116,013
Provision for IBNR	224,426	(87,256)	229,797	(93,087)	136,710
Provision for outstanding claims	626,158	(390,914)	605,433	(352,710)	252,723
Provision for unearned contributions	289,236	(49,898)	290,899	(69,949)	220,950
	915,394	(440,812)	896,332	(422,659)	473,673
Unallocated surplus	201,351	-	213,256	-	213,256
AFS reserves	(8,406)	-	(6,357)	-	(6,357)
Translation reserves	333	-	234	-	234
Participants' fund	193,278	-	207,133	-	207,133
	1,108,672	(440,812)	1,103,465	(422,659)	680,806



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**23 Takaful Contract Liabilities (continued)**

Group	30 June 2015			31 December 2014		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Provision for claims reported by participants	436,668	(307,681)	128,987	408,946	(262,975)	145,971
Provision for IBNR	423,184	(139,153)	284,031	399,545	(142,892)	256,653
Provision for outstanding claims	859,852	(446,834)	413,018	808,491	(405,867)	402,624
Provision for unearned contributions	289,236	(49,898)	239,338	290,899	(69,949)	220,950
	1,149,088	(496,732)	652,356	1,099,390	(475,816)	623,574
Actuarial liabilities	4,280,449	(230,539)	4,049,910	4,022,859	(206,644)	3,816,215
Unallocated surplus	897,791	-	897,791	946,098	-	946,098
AFS reserves	(87,103)	-	(87,103)	(68,235)	-	(68,235)
Translation reserves	869	-	869	999	-	999
Net asset value attributable to unitholders	152,470	-	152,470	142,100	-	142,100
Participants' fund	5,244,476	(230,539)	5,013,937	5,043,821	(206,644)	4,837,177
	6,393,564	(727,271)	5,666,293	6,143,211	(682,460)	5,460,751

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**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 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	958,130	(65,737)	892,393	276,984	-	276,984	1,235,114	(65,737)	1,169,377
Investment income	191,950	-	191,950	29,164	-	29,164	221,114	-	221,114
Realised gains and (losses)	37,490	-	37,490	4,519	-	4,519	42,009	-	42,009
Fair value gains and (losses)	12,894	-	12,894	(23)	-	(23)	12,871	-	12,871
Other operating income	3,277	-	3,277	3,263	-	3,263	6,540	-	6,540
Net benefits and claims	(607,136)	69,152	(537,984)	(89,213)	-	(89,213)	(696,349)	69,152	(627,197)
Fees deducted (net)	(192,999)	-	(192,999)	(128,368)	-	(128,368)	(321,367)	-	(321,367)
Other operating expenses	(15,567)	-	(15,567)	(9,058)	-	(9,058)	(24,625)	-	(24,625)
Profit paid to participants	(552)	-	(552)	(29,877)	-	(29,877)	(30,429)	-	(30,429)
Reversal of excess payment transferred to participants	(1,239)	-	(1,239)	-	-	-	(1,239)	-	(1,239)
Increase in actuarial liabilities	58,295	(58,016)	279	-	-	-	58,295	(58,016)	279
Profit attributable to the Takaful Operator	(67,443)	(3,414)	(70,857)	(59,186)	-	(59,186)	(126,334)	(3,414)	(129,748)
Change in AFS reserve	(59,701)	-	(59,701)	(9,912)	-	(9,912)	(69,613)	-	(69,613)
Withholding tax	(10,655)	-	(10,655)	(626)	-	(626)	(11,281)	-	(11,281)
Effect of movement in exchange rates	12,821	(289)	12,532	342	-	342	13,163	(289)	12,874
<b>At 31 December 2014</b>	<b>4,874,488</b>	<b>(206,644)</b>	<b>4,667,844</b>	<b>207,133</b>	<b>-</b>	<b>207,133</b>	<b>5,043,821</b>	<b>(206,644)</b>	<b>4,837,177</b>

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**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 2015</b>	4,874,488	(206,644)	4,667,844	207,133	-	207,133	5,043,821	(206,644)	4,837,177
Net earned contributions	524,280	(30,997)	493,283	138,822	-	138,822	663,102	(30,997)	632,105
Investment income	103,884	-	103,884	14,340	-	14,340	118,224	-	118,224
Realised gains and (losses)	31,442	-	31,442	3,136	-	3,136	34,578	-	34,578
Fair value gains and (losses)	(4,670)	-	(4,670)	-	-	-	(4,670)	-	(4,670)
Other operating income	2,085	-	2,085	479	-	479	2,564	-	2,564
Net benefits and claims	(375,272)	39,833	(335,439)	(49,374)	-	(49,374)	(424,646)	39,833	(384,813)
Fees deducted (net)	(122,852)	-	(122,852)	(78,455)	-	(78,455)	(201,307)	-	(201,307)
Other operating expenses	(8,014)	-	(8,014)	(4,746)	-	(4,746)	(12,760)	-	(12,760)
Profit paid to participants	(491)	-	(491)	(19,526)	-	(19,526)	(20,017)	-	(20,017)
Reversal of excess payment transferred to participants	(774)	-	(774)	-	-	-	(774)	-	(774)
Increase in actuarial liabilities	118,525	(23,818)	94,707	-	-	-	118,525	(23,818)	94,707
Profit attributable to the Takaful Operator	(31,484)	(8,836)	(40,320)	(16,112)	-	(16,112)	(47,310)	(8,836)	(56,146)
Change in AFS reserve	(16,819)	-	(16,819)	(2,050)	-	(2,050)	(18,869)	-	(18,869)
Withholding tax	(9,166)	-	(9,166)	(470)	-	(470)	(9,636)	-	(9,636)
Effect of movement in exchange rates	3,550	(77)	3,473	101	-	101	3,651	(77)	3,574
<b>At 30 June 2015</b>	<b>5,088,712</b>	<b>(230,539)</b>	<b>4,858,173</b>	<b>193,278</b>	<b>-</b>	<b>193,278</b>	<b>5,244,476</b>	<b>(230,539)</b>	<b>5,013,937</b>

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

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**24 Takaful Operator Income**

The takaful operator income consists of the following:

	Takaful Operator			
	3 months ended		6 months ended	
	30.6.2015	30.6.2014	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000	RM'000
Surplus transfer from:				
Family Takaful Fund	18,031	23,970	39,761	49,334
General Takaful Fund	9,466	14,896	16,063	28,173
Wakalah fee income	94,334	89,876	222,575	190,758
<b>Total Takaful Operator income</b>	<b>121,831</b>	<b>128,742</b>	<b>278,399</b>	<b>268,265</b>

**25 Investment Income**

The investment income consists of the following:

	Takaful Operator		Family Takaful Fund		General Takaful Fund		Group	
	3 months ended		3 months ended		3 months ended		3 months ended	
	30.6.2015	30.6.2014	30.6.2015	30.6.2014	30.6.2015	30.6.2014	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Rental income	183	180	2,457	2,318	186	207	1,335	1,301
Dividend income	1,636	1,105	8,769	5,861	1,272	1,228	11,677	8,194
Profit income	5,945	5,765	44,647	39,121	6,173	6,115	56,765	51,001
Accretion / (Amortisation)	(261)	(295)	(1,059)	(845)	(371)	(360)	(1,691)	(1,500)
Investment expenses	(12)	26	(514)	(298)	(11)	(44)	(232)	(789)
	<b>7,491</b>	<b>6,781</b>	<b>54,300</b>	<b>46,157</b>	<b>7,249</b>	<b>7,146</b>	<b>67,854</b>	<b>58,207</b>

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**25 Investment Income (continued)**

The investment income consists of the following (continued):

	Takaful Operator		Family Takaful Fund		General Takaful Fund		Group	
	6 months ended 30.6.2015	6 months ended 30.6.2014	6 months ended 30.6.2015	6 months ended 30.6.2014	6 months ended 30.6.2015	6 months ended 30.6.2014	6 months ended 30.6.2015	6 months ended 30.6.2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Rental income	341	286	4,851	3,509	390	332	2,597	1,320
Dividend income	2,482	2,230	13,305	11,473	2,032	2,266	17,819	15,969
Profit income	11,701	11,310	88,840	76,225	12,687	12,246	113,228	99,781
Accretion / (Amortisation)	(553)	(582)	(2,088)	(1,729)	(749)	(715)	(3,390)	(3,026)
Investment expenses	(134)	(176)	(1,024)	(643)	(20)	(114)	(580)	(933)
	13,837	13,068	103,884	88,835	14,340	14,015	129,674	113,111

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**26 Other Operating Income**

The other operating income consists of the following:

	Takaful Operator		Family Takaful Fund		General Takaful Fund		Group	
	3 months ended		3 months ended		3 months ended		3 months ended	
	30.6.2015	30.6.2014	30.6.2015	30.6.2014	30.6.2015	30.6.2014	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Service charged and management fee	2,586	1,576	-	-	-	-	460	467
Gain on foreign exchange	-	-	52	-	9	12	61	12
Writeback of allowance for impaired debts	-	-	571	4,947	-	1,668	-	6,615
Writeback of allowance for impaired financing	2	-	-	-	-	-	2	-
Writeback of allowance for impaired wakalah fee receivables	61	-	-	-	-	-	61	-
Gain on disposal of assets	91	28	-	-	-	-	91	28
Other income	362	1,441	1,260	-	-	-	698	1,290
	<u>3,102</u>	<u>3,045</u>	<u>1,883</u>	<u>4,947</u>	<u>9</u>	<u>1,680</u>	<u>1,373</u>	<u>8,412</u>

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 JUNE 2015**

**26 Other Operating Income (continued)**

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

	Takaful Operator		Family Takaful Fund		General Takaful Fund		Group	
	6 months ended	30.6.2014	6 months ended	30.6.2014	6 months ended	30.6.2014	6 months ended	30.6.2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Service charged and management fee	5,001	3,240	-	-	-	-	936	796
Gain on foreign exchange	-	-	52	-	-	2	52	2
Writeback of allowance for impaired debts	-	-	-	1,636	-	2,168	-	3,804
Writeback of allowance for impaired financing	312	-	-	-	-	-	312	-
Writeback of allowance for impaired wakalah fee receivables	220	-	-	-	-	-	220	-
Gain on disposal of assets	76	28	-	-	-	-	76	28
Other income	850	1,984	2,085	676	479	-	2,873	2,660
	<b>6,459</b>	<b>5,252</b>	<b>2,137</b>	<b>2,312</b>	<b>479</b>	<b>2,170</b>	<b>4,469</b>	<b>7,290</b>

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 JUNE 2015**

**27 Other Operating Expenses**

The other operating expenses consist of the following:

	Takaful Operator		Family Takaful Fund		General Takaful Fund		Group	
	3 months ended	30.6.2014	3 months ended	30.6.2014	3 months ended	30.6.2014	3 months ended	30.6.2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Depreciation	(2,647)	(1,643)	-	-	-	-	(3,784)	(2,721)
Impairment losses	(475)	-	(3,312)	(264)	(610)	-	(4,397)	(264)
Commission expenses / Administration fees	(32,251)	(29,969)	25	160	-	(12)	(32,226)	(29,799)
Agency related expenses	(1,696)	(818)	-	-	-	-	(1,696)	(818)
Allowance for impaired debts	-	-	-	-	(2,556)	-	(1,985)	-
Allowance for impaired financing	-	(47)	-	-	-	-	-	(47)
Debts written off	-	-	(19)	-	-	-	(19)	-
Other expenses	(404)	(315)	(2,124)	(2,246)	(421)	(496)	(2,187)	(1,924)
	(37,473)	(32,792)	(5,430)	(2,350)	(3,587)	(508)	(46,294)	(35,573)



**SYARIKAT TAKAFUL MALAYSIA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 JUNE 2015**

**27 Other Operating Expenses (continued)**

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

	Takaful Operator		Family Takaful Fund		General Takaful Fund		Group	
	6 months ended	30.6.2014	6 months ended	30.6.2014	6 months ended	30.6.2014	6 months ended	30.6.2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Depreciation	(4,997)	(3,657)	-	-	-	-	(7,278)	(5,817)
Impairment losses	(475)	(1,350)	(3,949)	(8,973)	(610)	(1,870)	(5,034)	(12,193)
Loss from foreign exchange	-	-	-	-	(3)	-	(3)	-
Commission expenses / Administration fees	(73,117)	(60,884)	-	-	-	(45)	(73,117)	(60,844)
Agency related expenses	(3,469)	(1,987)	-	-	-	-	(3,469)	(1,987)
Allowance for impaired debts	-	-	(116)	-	(3,913)	-	(4,029)	-
Allowance for impaired financing	(235)	(47)	-	-	-	-	(235)	(47)
Debts written off	-	-	(514)	-	-	-	(514)	-
Other expenses	(843)	(329)	(3,487)	(2,577)	(220)	(794)	(3,860)	(2,696)
	(83,136)	(68,254)	(8,066)	(11,550)	(4,746)	(2,709)	(97,539)	(83,584)

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 JUNE 2015**

**28 Fair Value Information**

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

30 June 2015	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	71,247	-	-	71,247	-	-	-	-	71,247	71,247
Unit trusts	26,166	16,618	-	42,784	-	-	-	-	42,784	42,784
Institutional Trust Account	-	-	39,177	39,177	-	-	-	-	39,177	39,177
Islamic debt securities	3,851	286,092	-	289,943	2,116	-	-	2,116	292,059	291,931
Investment in linked funds	37,514	-	-	37,514	-	-	-	-	37,514	37,514
	138,778	302,710	39,177	480,665	2,116	-	-	2,116	482,781	482,653
<b>Family Takaful</b>										
<b>Financial assets</b>										
Equity securities	604,625	-	-	604,625	-	-	-	-	604,625	604,625
Unit trusts	162,604	56,906	-	219,510	-	-	-	-	219,510	219,510
Institutional Trust Account	-	-	83,023	83,023	-	-	-	-	83,023	83,023
Islamic debt securities	85,529	1,930,325	-	2,015,854	36,172	366,994	-	403,166	2,419,020	2,411,511
Malaysian Government Islamic papers	-	164,363	-	164,363	-	113,770	-	113,770	278,133	276,978
	852,758	2,151,594	83,023	3,087,375	36,172	480,764	-	516,936	3,604,311	3,595,647

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 JUNE 2015**

**28 Fair Value Information (continued)**

30 June 2015	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	64,477	-	-	64,477	-	-	-	-	64,477	64,477
Unit trusts	19,424	2,397	-	21,821	-	-	-	-	21,821	21,821
Institutional Trust Account	-	-	26,801	26,801	-	-	-	-	26,801	26,801
Islamic debt securities	-	317,439	-	317,439	3,593	5,000	-	8,593	326,032	326,982
Malaysian Government Islamic papers	-	-	-	-	-	32,929	-	32,929	32,929	32,601
	83,901	319,836	26,801	430,538	3,593	37,929	-	41,522	472,060	472,682
<b>Group</b>										
<b>Financial assets</b>										
Equity securities	740,349	-	-	740,349	-	-	-	-	740,349	740,349
Unit trusts	208,194	75,921	-	284,115	-	-	-	-	284,115	284,115
Institutional Trust Account	-	-	149,001	149,001	-	-	-	-	149,001	149,001
Islamic debt securities	89,380	2,533,856	-	2,623,236	41,881	371,994	-	413,875	3,037,111	3,030,424
Malaysian Government Islamic papers	-	164,363	-	164,363	-	146,699	-	146,699	311,062	309,579
	1,037,923	2,774,140	149,001	3,961,064	41,881	518,693	-	560,574	4,521,638	4,513,468

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 JUNE 2015**

**28 Fair Value Information (continued)**

31 December 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	51,015	-	-	51,015	-	-	-	-	51,015	51,015
Unit trusts	26,237	14,292	-	40,529	-	-	-	-	40,529	40,529
Institutional Trust Account	-	-	38,259	38,259	-	-	-	-	38,259	38,259
Islamic debt securities	3,823	257,861	-	261,684	2,093	-	-	2,093	263,777	263,931
Investment in linked funds	37,800	-	-	37,800	-	-	-	-	37,800	37,800
	118,875	272,153	38,259	429,287	2,093	-	-	2,093	431,380	431,534
<b>Family Takaful</b>										
<b>Financial assets</b>										
Equity securities	431,351	-	-	431,351	-	-	-	-	431,351	431,351
Unit trusts	161,543	66,087	-	227,630	-	-	-	-	227,630	227,630
Institutional Trust Account	-	-	84,900	84,900	-	-	-	-	84,900	84,900
Islamic debt securities	98,983	1,867,807	-	1,966,790	15,441	316,651	-	332,092	2,298,882	2,297,121
Malaysian Government Islamic papers	-	236,397	-	236,397	-	112,582	-	112,582	348,979	349,047
	691,877	2,170,291	84,900	2,947,068	15,441	429,233	-	444,674	3,391,742	3,390,049

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
QUARTER ENDED 30 JUNE 2015**

**28 Fair Value Information (continued)**

31 December 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>General Takaful</b>										
Equity securities	53,624	-	-	53,624	-	-	-	-	53,624	53,624
Unit trusts	21,535	2,523	-	24,058	-	-	-	-	24,058	24,058
Institutional Trust Account	-	-	26,154	26,154	-	-	-	-	26,154	26,154
Islamic debt securities	-	344,344	-	344,344	3,555	5,000	-	8,555	352,899	352,997
Malaysian Government Islamic papers	-	5,069	-	5,069	-	32,663	-	32,663	37,732	37,695
	75,159	351,936	26,154	453,249	3,555	37,663	-	41,218	494,467	494,528
<b>Group</b>										
<b>Financial assets</b>										
Equity securities	535,990	-	-	535,990	-	-	-	-	535,990	535,990
Unit trusts	209,315	82,902	-	292,217	-	-	-	-	292,217	292,217
Institutional Trust Account	-	-	149,313	149,313	-	-	-	-	149,313	149,313
Islamic debt securities	102,806	2,470,012	-	2,572,818	21,089	321,651	-	342,740	2,915,558	2,914,049
Malaysian Government Islamic papers	-	241,466	-	241,466	-	145,245	-	145,245	386,711	386,742
	848,111	2,794,380	149,313	3,791,804	21,089	466,896	-	487,985	4,279,789	4,278,311

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2015

### **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 30 JUNE 2015

### 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 2014	64,268	196,482	38,147	298,897
	(28,236)	(117,624)	(13,614)	(159,474)
Gains and losses recognised in profit or loss				
Investment income - realised	2,227	6,042	1,621	9,890
At 31 December 2014 / 1 January 2015	38,259	84,900	26,154	149,313
Maturities	-	(3,802)	-	(3,802)
Gains and losses recognised in profit or loss				
Investment income - realised	918	1,925	647	3,490
At 30 June 2015	39,177	83,023	26,801	149,001

### 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.

### 30 Regulatory capital requirements

The Company's capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect participants and meet regulatory requirements.

The Company is required to comply with the regulatory capital requirement prescribed in the Risk Based Capital for Takaful (RBCT) Framework issued by Bank Negara Malaysia where Takaful operators are required to satisfy a minimum supervisory capital adequacy ratio of 130%. As at period end, the Company has a capital adequacy ratio in excess of the minimum requirement.

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2015

### 30 Regulatory capital requirements (continued)

The capital structure of the Company as at 30 June 2015, as prescribed under the RBCT Framework is provided below:

	<b>As at 30.6.2015 RM'000</b>	<b>As at 31.12.2014 RM'000</b>
Tier 1 capital	1,152,349	1,035,554
Tier 2 capital	(2,210)	3,294
Deductions	(102,761)	(93,704)
<b>Total capital available</b>	<u>1,047,378</u>	<u>945,144</u>

### 31 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 30 June 2015, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of the Listing Requirements, are as follows:

	<b>As at 30.6.2015 RM'000</b>	<b>As at 31.12.2014 RM'000</b>
<b>Total retained profits of the Group</b>		
Realised	371,334	336,892
Unrealised	34,846	41,231
	<u>406,180</u>	<u>378,123</u>
<b>Total share of retained profits of associates:</b>		
Realised	-	-
Unrealised	-	-
	<u>406,180</u>	<u>378,123</u>
Add: Consolidation adjustments	31,718	31,655
<b>Total retained profits as per statements of financial position</b>	<u>437,898</u>	<u>409,778</u>

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to the 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, 12 August 2015