

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 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 as at and for the quarter ended 31 December 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 31 December 2015.

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### QUARTER ENDED 31 DECEMBER 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

On 19 August 2015, the Company allotted and issued 804,000 new ordinary shares of RM0.20 each pursuant to the Long-Term Incentive Plan ("LTIP").

Other than the above, 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.

The Directors on 8 January 2016 declared an interim single tier dividend of 7.35 sen per ordinary share of RM0.20 each in respect of the financial year ended 31 December 2015 which will be paid on 17 February 2016.

#### 8 Segmental Reporting

##### Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
<b>12 months ended 31 December 2015</b>			
Revenue from external participants	<u>1,626,656</u>	<u>161,918</u>	<u>1,788,574</u>
Profit before zakat and taxation	<u>201,022</u>	<u>3,188</u>	<u>204,210</u>
<b>As at 31 December 2015</b>			
Segment assets by location of assets	<u>7,011,178</u>	<u>515,943</u>	<u>7,527,121</u>
<b>12 months ended 31 December 2014</b>			
Revenue from external participants	<u>1,499,636</u>	<u>153,003</u>	<u>1,652,639</u>
Profit before zakat and taxation	<u>186,657</u>	<u>40</u>	<u>186,697</u>
<b>As at 31 December 2014</b>			
Segment assets by location of assets	<u>6,720,181</u>	<u>444,607</u>	<u>7,164,788</u>

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### QUARTER ENDED 31 DECEMBER 2015

#### **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 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 4<sup>th</sup> quarter ended 31 December 2015, the Group generated Operating Revenue of RM403.3 million compared to RM401.5 million in the corresponding quarter of the preceding year. The increase is mainly attributable to higher sales generated by Family Takaful business. The 12 months Operating Revenue increased by 8.2% to RM1,788.6 million from RM1,652.6 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 RM271.7 million against RM246.9 million in the same period last year. For the 12 months period, Family Takaful generated gross earned contributions of RM1,048.2 million as compared to RM958.1 million in the corresponding period last year. The increase is mainly attributable to higher sales from Family Takaful Group Medical products.

For the quarter under review, General Takaful generated gross earned contributions of RM109.1 million as compared to RM119.5 million in the corresponding quarter of preceding year. The decrease was mainly due to the lower sales from Motor class of business. For the 12 months period, General Takaful recorded gross earned contributions of RM470.5 million as compared to RM457.4 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 31 DECEMBER 2015

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

For the quarter under review, the surplus transfer from Family Takaful was RM21.4 million as compared to RM4.4 million in the same period last year. For the 12 months period, the surplus transfer from Family Takaful increased by RM7.2 million to RM78.4 million as compared to RM71.2 million in the same period last year. The higher surplus transfer from Family Takaful is mainly due to write back of claims provision.

For the quarter under review, the surplus transfer from General Takaful was RM9.0 million as compared to RM20.3 million in the same period last year. For the 12 months period, General Takaful recorded RM36.9 million as compared to RM59.0 million last year. The General Takaful reported lower surplus transfer mainly due to higher wakalah fee expense.

For the quarter under review, the Group recorded profit before zakat and taxation of RM47.8 million, increased by 7.7% as compared to RM44.2 million in the same period last year, mainly attributable to higher wakalah fee income. For the 12 months period, the Group recorded profit before zakat and taxation of RM204.2 million, increased by 9.3% as compared to RM186.7 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 2016, 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.

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2015

### 18 Taxation

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

	3 months ended		Cumulative 12 months ended	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Current tax expense:				
- Current financial period	6,237	1,658	36,077	42,304
- Over provision in prior year	-	5,088	(2,703)	(459)
Deferred tax benefits:				
- Current financial period	776	11,799	7,098	5,728
Total tax expense	<u>7,013</u>	<u>18,545</u>	<u>40,472</u>	<u>47,573</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

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 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 31 DECEMBER 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 12 months ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Owners of the Company (RM'000)	36,383	29,748	155,977	140,521
Weighted average number of ordinary shares in issue ('000)	815,836	815,033	815,314	814,412
<b>Basic EPS</b> (sen)	4.46	3.65	19.13	17.25

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

The calculation of diluted earnings per ordinary share at 31 December 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 12 months ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Owners of the Company (RM'000)	36,383	29,748	155,977	140,521
Weighted average number of ordinary shares in issue ('000)	815,836	815,033	815,314	814,412
Effects of dilution ('000)	4,657	4,693	4,657	4,693
Diluted weighted average number of ordinary shares in issue ('000)	820,493	819,726	819,971	819,105
<b>Diluted EPS</b> (sen)	4.43	3.63	19.02	17.16

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2015

#### 23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	31 December 2015			31 December 2014		
	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	25,268	(4,104)	21,164	33,310	(3,352)	29,958
Provision for IBNR	157,702	(33,224)	124,478	169,748	(49,805)	119,943
Provision for outstanding claims	182,970	(37,328)	145,642	203,058	(53,157)	149,901
Actuarial liabilities	4,222,570	(242,477)	3,980,093	4,022,859	(206,644)	3,816,215
Unallocated surplus	791,232	-	791,232	732,842	-	732,842
AFS reserves	(62,755)	-	(62,755)	(61,878)	-	(61,878)
Translation reserves	(1,553)	-	(1,553)	765	-	765
Net asset value attributable to unitholders	208,145	-	208,145	179,900	-	179,900
Participants' fund	5,157,639	(242,477)	4,915,162	4,874,488	(206,644)	4,667,844
	5,340,609	(279,805)	5,060,804	5,077,546	(259,801)	4,817,745

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 31 DECEMBER 2015**

**23 Takaful Contract Liabilities (continued)**

	31 December 2015			31 December 2014		
	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	368,437	(273,667)	94,770	375,636	(259,623)	116,013
Provision for IBNR	189,662	(93,210)	96,452	229,797	(93,087)	136,710
Provision for outstanding claims	558,099	(366,877)	191,222	605,433	(352,710)	252,723
Provision for unearned contributions	297,773	(55,893)	241,880	290,899	(69,949)	220,950
	855,872	(422,770)	433,102	896,332	(422,659)	473,673
Unallocated surplus	233,368	-	233,368	213,256	-	213,256
AFS reserves	(8,923)	-	(8,923)	(6,357)	-	(6,357)
Translation reserves	1,391	-	1,391	234	-	234
Participants' fund	225,836	-	225,836	207,133	-	207,133
	1,081,708	(422,770)	658,938	1,103,465	(422,659)	680,806



# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2015

### 23 Takaful Contract Liabilities (continued)

	31 December 2015			31 December 2014		
	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	393,705	(277,771)	115,934	408,946	(262,975)	145,971
Provision for IBNR	347,364	(126,434)	220,930	399,545	(142,892)	256,653
Provision for outstanding claims	741,069	(404,205)	336,864	808,491	(405,867)	402,624
Provision for unearned contributions	297,773	(55,893)	241,880	290,899	(69,949)	220,950
	<u>1,038,842</u>	<u>(460,098)</u>	<u>578,744</u>	<u>1,099,390</u>	<u>(475,816)</u>	<u>623,574</u>
Actuarial liabilities	4,222,570	(242,477)	3,980,093	4,022,859	(206,644)	3,816,215
Unallocated surplus	1,024,600	-	1,024,600	946,098	-	946,098
AFS reserves	(71,678)	-	(71,678)	(68,235)	-	(68,235)
Translation reserves	(162)	-	(162)	999	-	999
Net asset value attributable to unitholders	170,115	-	170,115	142,100	-	142,100
Participants' fund	<u>5,345,445</u>	<u>(242,477)</u>	<u>5,102,968</u>	<u>5,043,821</u>	<u>(206,644)</u>	<u>4,837,177</u>
	<u>6,384,287</u>	<u>(702,575)</u>	<u>5,681,712</u>	<u>6,143,211</u>	<u>(682,460)</u>	<u>5,460,751</u>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2015

#### 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>

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2015

### 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	1,048,244	(61,312)	986,932	269,196	-	269,196	1,317,440	(61,312)	1,256,128
Investment income	215,276	-	215,276	29,031	-	29,031	244,307	-	244,307
Realised gains and (losses)	17,819	-	17,819	555	-	555	18,374	-	18,374
Fair value gains and (losses)	(2,334)	-	(2,334)	330	-	330	(2,004)	-	(2,004)
Other operating income	2,859	-	2,859	8,243	-	8,243	11,102	-	11,102
Net benefits and claims	(678,244)	52,183	(626,061)	(63,937)	-	(63,937)	(742,181)	52,183	(689,998)
Fees deducted (net)	(225,047)	-	(225,047)	(154,104)	-	(154,104)	(379,151)	-	(379,151)
Other operating expenses	(52,265)	-	(52,265)	(6,027)	-	(6,027)	(58,292)	-	(58,292)
Profit paid to participants	(1,678)	-	(1,678)	(22,244)	-	(22,244)	(23,922)	-	(23,922)
Reversal of excess payment transferred to participants	(846)	-	(846)	-	-	-	(845)	-	(845)
Increase in actuarial liabilities	31,079	(34,959)	(3,880)	-	-	-	31,079	(34,959)	(3,880)
Profit attributable to the Takaful Operator	(97,506)	9,129	(88,377)	(40,464)	-	(40,464)	(138,200)	9,129	(129,071)
Change in AFS reserve	(877)	-	(877)	(2,567)	-	(2,567)	(3,444)	-	(3,444)
Withholding tax	(9,166)	-	(9,166)	(470)	-	(470)	(9,636)	-	(9,636)
Effect of movement in exchange rates	35,837	(874)	34,963	1,160	-	1,160	36,997	(874)	36,123
<b>At 31 December 2015</b>	<b>5,157,639</b>	<b>(242,477)</b>	<b>4,915,162</b>	<b>255,836</b>	<b>-</b>	<b>255,836</b>	<b>5,345,445</b>	<b>(242,477)</b>	<b>5,102,968</b>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2015

#### 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>31.12.2015</b>	<b>31.12.2014</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Surplus transfer from:				
Family Takaful Fund	21,368	4,367	78,431	71,219
General Takaful Fund	9,041	20,334	36,948	59,022
Wakalah fee income	100,852	88,800	419,418	361,842
Total Takaful Operator income	<u>131,261</u>	<u>113,501</u>	<u>534,797</u>	<u>492,083</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>31.12.2015</b>	<b>31.12.2014</b>	<b>31.12.2015</b>	<b>31.12.2014</b>	<b>31.12.2015</b>	<b>31.12.2014</b>	<b>31.12.2015</b>	<b>31.12.2014</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	187	197	2,459	2,829	221	255	1,325	1,814
Dividend income	1,253	1,791	7,060	8,691	1,181	1,647	9,494	12,129
Profit income	5,956	4,442	47,910	42,085	6,520	6,511	60,386	53,038
Accretion / (Amortisation)	(243)	(303)	(1,026)	(794)	(361)	(353)	(1,630)	(1,450)
Investment expenses	(23)	(179)	(738)	(1,524)	(33)	(20)	(482)	(611)
	<u>7,130</u>	<u>5,948</u>	<u>55,665</u>	<u>51,287</u>	<u>7,528</u>	<u>8,040</u>	<u>69,093</u>	<u>64,920</u>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2015

#### 25 Investment Income (continued)

The investment 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	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Rental income	684	670	9,599	8,169	773	732	5,028	3,887
Dividend income	5,037	5,676	28,826	30,355	4,214	5,185	38,077	41,216
Profit income	23,577	21,709	183,404	159,397	25,643	24,878	232,624	205,984
Accretion / (Amortisation)	(1,059)	(1,191)	(4,351)	(3,485)	(1,492)	(1,442)	(6,902)	(6,118)
Investment expenses	(173)	(381)	(2,202)	(2,486)	(107)	(189)	(1,274)	(1,944)
	<u>28,066</u>	<u>26,483</u>	<u>215,276</u>	<u>191,950</u>	<u>29,031</u>	<u>29,164</u>	<u>267,553</u>	<u>243,025</u>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2015

#### 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	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Service charged and management fee	1,013	5,083	-	-	-	-	(1,073)	1,042
Gain on foreign exchange	-	110	2	-	23	-	25	-
Writeback of allowance for impaired debts	-	-	-	-	1,340	168	-	148
Writeback of Qard	11,783	-	-	-	-	-	-	-
Gain on disposal of assets	25	10	-	-	-	-	25	66
Other income	720	-	552	723	400	750	1,672	-
	<u>13,541</u>	<u>5,203</u>	<u>554</u>	<u>723</u>	<u>1,763</u>	<u>918</u>	<u>649</u>	<u>1,256</u>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2015

#### 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	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Service charged and management fee	8,619	10,215	-	-	-	-	367	2,239
Gain on foreign exchange	601	-	56	-	45	-	702	-
Writeback of allowance for impaired debts	-	-	-	1,732	-	2,513	-	4,245
Writeback of allowance for impaired financing	133	224	-	-	-	-	133	224
Writeback of Qard	14,516	-	-	-	-	-	-	-
Gain on disposal of assets	111	63	-	-	-	-	111	119
Other income	1,725	459	2,803	1,545	8,198	750	12,726	2,754
	<u>25,705</u>	<u>10,961</u>	<u>2,859</u>	<u>3,277</u>	<u>8,243</u>	<u>3,263</u>	<u>14,039</u>	<u>9,581</u>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2015

#### 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	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Depreciation	(2,536)	(1,827)	-	-	-	-	(3,713)	(2,920)
Impairment losses	(3,152)	(361)	(36,358)	(901)	(1,002)	-	(40,512)	(1,489)
Loss from foreign exchange	-	-	-	-	-	(134)	-	(24)
Administration fees	(28,567)	(29,335)	-	-	-	(21)	(28,567)	(29,490)
Agency related expenses	(3,478)	(1,752)	-	-	-	-	(3,478)	(1,752)
Allowance for impaired debts	-	-	(1,346)	(27)	-	(213)	(6)	(220)
Allowance for impaired financing	(317)	(7)	-	-	-	-	(317)	(7)
Allowance for impaired wakalah fee receivables	(320)	(74)	-	-	-	-	(320)	(74)
Debts written off	-	(1,454)	(164)	-	(1,909)	(1,913)	(2,073)	(3,367)
Other expenses	(461)	(3,437)	(1,640)	(709)	(374)	(3,071)	(2,073)	(6,500)
	<u>(38,831)</u>	<u>(38,247)</u>	<u>(39,508)</u>	<u>(1,637)</u>	<u>(3,285)</u>	<u>(5,352)</u>	<u>(81,060)</u>	<u>(45,843)</u>



## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2015

#### 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	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Depreciation	(10,269)	(7,251)	-	-	-	-	(14,884)	(11,577)
Impairment losses	(4,058)	(1,958)	(43,628)	(11,021)	(2,135)	(2,072)	(49,821)	(15,278)
Loss from foreign exchange	-	(916)	-	-	-	(128)	-	(1,044)
Administration fees	(131,577)	(118,547)	-	-	-	(49)	(131,577)	(118,596)
Agency related expenses	(9,071)	(5,201)	-	-	-	-	(9,071)	(5,201)
Allowance for impaired debts	-	-	(2,076)	(7)	(907)	(213)	(2,983)	(220)
Allowance for impaired financing	(30)	-	-	-	-	-	(30)	-
Allowance for wakalah fee receivables	-	(74)	-	-	-	-	-	(74)
Debts written off	-	(1,454)	(687)	-	(1,909)	(1,913)	(2,596)	(3,367)
Other expenses	(2,057)	(3,126)	(5,874)	(4,539)	(1,076)	(4,732)	(7,505)	(11,056)
	<u>(157,062)</u>	<u>(138,527)</u>	<u>(52,265)</u>	<u>(15,567)</u>	<u>(6,027)</u>	<u>(9,107)</u>	<u>(218,467)</u>	<u>(166,413)</u>

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2015

### 28 Fair Value Information

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

31 December 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	72,128	-	-	72,128	-	-	-	-	72,128	72,128
Unit trusts	26,416	18,359	-	44,775	-	-	-	-	44,775	44,775
Institutional Trust Account	-	-	21,411	21,411	-	-	-	-	21,411	21,411
Islamic debt securities	3,809	274,848	-	278,657	1,945	-	-	1,945	280,602	280,833
Investment in linked funds	38,030	-	-	38,030	-	-	-	-	38,030	38,030
	140,383	293,207	21,411	455,001	1,945	-	-	1,945	456,946	457,177
<b>Family Takaful</b>										
<b>Financial assets</b>										
Equity securities	613,698	-	-	613,698	-	-	-	-	613,698	613,698
Unit trusts	159,036	60,869	-	219,905	-	-	-	-	219,905	219,905
Institutional Trust Account	-	-	103,801	103,801	-	-	-	-	103,801	103,801
Islamic debt securities	91,029	2,044,811	-	2,135,840	54,633	370,402	-	425,035	2,560,875	2,562,032
Malaysian Government Islamic papers	-	164,728	-	164,728	-	113,701	-	113,701	278,429	277,309
	863,763	2,270,408	103,801	3,237,972	54,633	484,103	-	538,736	3,776,708	3,776,745

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 31 DECEMBER 2015**

**28 Fair Value Information (continued)**

31 December 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	62,179	-	-	62,179	-	-	-	-	62,179	62,179
Unit trusts	19,677	2,429	-	22,106	-	-	-	-	22,106	22,106
Institutional Trust Account	-	-	27,429	27,429	-	-	-	-	27,429	27,429
Islamic debt securities	-	317,032	-	317,032	5,192	5,000	-	10,192	327,224	327,319
Malaysian Government Islamic papers	-	-	-	-	-	32,948	-	32,948	32,948	32,576
	81,856	319,461	27,429	428,746	5,192	37,948	-	43,140	471,886	471,609
<b>Group</b>										
<b>Financial assets</b>										
Equity securities	748,005	-	-	748,005	-	-	-	-	748,005	748,005
Unit trusts	205,129	81,657	-	286,786	-	-	-	-	286,786	286,786
Institutional Trust Account	-	-	152,641	152,641	-	-	-	-	152,641	152,641
Islamic debt securities	94,838	2,636,691	-	2,731,529	61,770	375,402	-	437,172	3,168,701	3,170,184
Malaysian Government Islamic papers	-	164,728	-	164,728	-	146,649	-	146,649	311,377	309,885
	1,047,972	2,883,076	152,641	4,083,689	61,770	522,051	-	583,821	4,667,510	4,667,501

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

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

	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 2014	64,268	196,482	38,147	298,897
Maturities	(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
Purchases	3,244	63,813	20,811	69,313
Disposal	(18,555)	-	-	-
Maturities	(3,244)	(49,060)	(20,811)	(73,115)
Gains and losses recognised in profit or loss				
Investment income - realised	1,707	4,148	1,275	7,130
At 31 December 2015	21,411	103,801	27,429	152,641

#### 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 31 DECEMBER 2015

#### 30 Regulatory capital requirements (continued)

The capital structure of the Company as at 31 December 2015, as prescribed under the RBCT Framework is provided below:

	<b>As at 31.12.2015 RM'000</b>	<b>As at 31.12.2014 RM'000</b>
Tier 1 capital	1,157,447	1,035,554
Tier 2 capital	(30,374)	3,294
Deductions	(143,163)	(93,704)
<b>Total capital available</b>	<b>983,910</b>	<b>945,144</b>

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

	<b>As at 31.12.2015 RM'000</b>	<b>As at 31.12.2014 RM'000</b>
<b>Total retained profits of the Group</b>		
Realised	456,693	336,892
Unrealised	34,423	41,231
	<b>491,116</b>	<b>378,123</b>
<b>Total share of retained profits of associates:</b>		
Realised	-	-
Unrealised	-	-
	<b>491,116</b>	<b>378,123</b>
Add: Consolidation adjustments	15,450	31,655
<b>Total retained profits as per statements of financial position</b>	<b>506,566</b>	<b>409,778</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 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, 27 January 2016