

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 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 December 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 December 2014.

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

QUARTER ENDED 31 DECEMBER 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

On 19 August 2014, the Company allotted and issued 189,500 new ordinary shares of RM1.00 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 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.

The Directors on 1 October 2014 declared an interim dividend of 40% single tier in respect of the financial year ending 31 December 2014 which was paid on 4 November 2014.

8 Segmental Reporting

Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
12 months ended 31 December 2014			
Revenue from external participants	1,499,636	153,003	1,652,639
Profit before zakat and taxation	186,657	40	186,697
As at 31 December 2014			
Segment assets by location of assets	6,720,181	444,607	7,164,788
12 months ended 31 December 2013			
Revenue from external participants	1,537,994	175,012	1,713,006
Profit before zakat and taxation	175,338	3,966	179,304
As at 31 December 2013			
Segment assets by location of assets	6,529,042	395,501	6,924,543

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

QUARTER ENDED 31 DECEMBER 2014

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 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

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

14 Review of Performance

For the 4th quarter ended 31 December 2014, the Group generated Operating Revenue of RM401.5 million compared to RM378.5 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 12 months Operating Revenue decreased by 3.5% to RM1,652.6 million from RM1,713.0 million in the same period of the preceding year, mainly attributable to lower sales generated by Family Takaful business.

For the quarter under review, General Takaful generated gross earned contributions of RM119.5 million as compared to RM101.9 million in the corresponding quarter of preceding year. For the 12 months period, General Takaful recorded gross earned contributions of RM457.4 million as compared to RM425.0 million in the corresponding period last year. The growth was mainly from Fire and Motor class of business.

For the quarter under review, Family Takaful recorded gross earned contributions of RM246.9 million against RM246.1 million for the same period last year. For the 12 months period, Family Takaful generated gross earned contributions of RM958.1 million as compared to RM1,099.0 million in the corresponding period last year, mainly attributable to lower sales from Family Takaful Group credit products.

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

QUARTER ENDED 31 DECEMBER 2014

14 Review of Performance (continued)

The surplus transfer in the quarter under review from Family Takaful was RM4.4 million as compared to RM29.7 million in the same period last year. For the 12 months period, the surplus transfer from Family Takaful decreased by RM43.6 million to RM71.2 million as compared to the same period last year. The lower surplus transfer from Family Takaful is mainly due to the shift to wakalah model products.

For the quarter under review, the surplus transfer from General Takaful was RM20.3 million as compared to RM17.0 million in the same period last year. For the 12 months period, General Takaful recorded RM59.0 million as compared to RM49.3 million last year. The General Takaful reported higher surplus transfer mainly due to lower claims incurred.

For the quarter under review, the Group recorded profit before zakat and taxation of RM44.2 million, decreased by 17.7% as compared to RM53.7 million in the same period last year. For the 12 months period, the Group recorded profit before zakat and taxation of RM186.7 million, increased by 4.1% as compared to RM179.3 million in the same period last year. The higher profit is attributable to lower management expenses.

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

There was 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 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 DECEMBER 2014

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 12 months ended	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Current tax expense:				
- Current financial period	1,658	13,833	42,304	58,512
- Under / (Over) provision in prior year	5,088	-	(459)	(6,321)
Deferred tax benefits:				
- Current financial period	11,799	(1,989)	5,728	(8,784)
Total tax expense	<u>18,545</u>	<u>11,844</u>	<u>47,573</u>	<u>43,407</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.

18.2 The Group subsidiary in Indonesia, PT Asuransi Takaful Keluarga, was served with additional tax assessment for year of assessment 2007 amounting to approximately RM5.1 million (Rp18.4 billion) on 30 December 2013. The additional assessment raised by the Indonesian tax authority is mainly due to the disallowance of unit linked contribution reserves arising from the increase in value of unit linked investments as tax deduction. Management had submitted an objection on 4 February 2014. Subsequently, the Indonesia tax authority rejected the subsidiary's objection to the additional tax assessment on 29 January 2015. Therefore the full tax impact has been provided for in the financial statements.

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 2014.

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 2014

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	
		31.12.2014	31.12.2013	31.12.2014	31.12.2013
Owners of the Company (RM'000)		<u>29,748</u>	<u>41,484</u>	<u>140,521</u>	<u>138,999</u>
Weighted average number of ordinary shares in issue	('000)	<u>163,006</u>	<u>162,817</u>	<u>162,882</u>	<u>162,817</u>
Basic EPS	(sen)	<u>18.24</u>	<u>25.48</u>	<u>86.27</u>	<u>85.37</u>

Diluted earnings per share (“Diluted EPS”)

The calculation of diluted earnings per ordinary share at 31 December 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		Cumulative 12 months ended	
		31.12.2014	31.12.2013	31.12.2014	31.12.2013
Owners of the Company (RM'000)		<u>29,748</u>	<u>41,484</u>	<u>140,521</u>	<u>138,999</u>
Weighted average number of ordinary shares in issue	('000)	<u>163,006</u>	<u>162,817</u>	<u>162,882</u>	<u>162,817</u>
Effects of dilution	('000)	<u>767</u>	<u>1,047</u>	<u>767</u>	<u>1,047</u>
Diluted weighted average number of ordinary shares in issue	('000)	<u>163,773</u>	<u>163,864</u>	<u>163,649</u>	<u>163,864</u>
Diluted EPS	(sen)	<u>18.16</u>	<u>25.32</u>	<u>85.86</u>	<u>84.83</u>

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2014

23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	31 December 2014			31 December 2013		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Family Takaful Fund						
Provision for claims reported by participants	33,310	(3,352)	29,958	40,150	(2,278)	37,872
Provision for IBNR	169,748	(49,805)	119,943	155,657	(32,845)	122,812
Provision for outstanding claims	203,058	(53,157)	149,901	195,807	(35,123)	160,684
Actuarial liabilities	4,022,859	(206,644)	3,816,215	3,708,819	(148,340)	3,560,479
Unallocated surplus	732,842	-	732,842	699,984	-	699,984
AFS reserves	(61,878)	-	(61,878)	(2,177)	-	(2,177)
Translation reserves	765	-	765	1,238	-	1,238
Net asset value attributable to unitholders	179,900	-	179,900	147,059	-	147,059
Participants' fund	4,874,488	(206,644)	4,667,844	4,554,923	(148,340)	4,406,583
	5,077,546	(259,801)	4,817,745	4,750,730	(183,463)	4,567,267

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 DECEMBER 2014

23 Takaful Contract Liabilities (continued)

	31 December 2014			31 December 2013		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
General Takaful Fund						
Provision for claims reported by participants	375,636	(259,623)	116,013	433,215	(291,300)	141,915
Provision for IBNR	229,797	(93,087)	136,710	232,252	(80,970)	151,282
Provision for outstanding claims	605,433	(352,710)	252,723	665,467	(372,270)	293,197
Provision for unearned contributions	290,899	(69,949)	220,950	296,425	(80,200)	216,225
	896,332	(422,659)	473,673	961,892	(452,470)	509,422
Unallocated surplus	213,256	-	213,256	215,677	-	215,677
AFS reserves	(6,357)	-	(6,357)	3,556	-	3,556
Translation reserves	234	-	234	(109)	-	(109)
Participants' fund	207,133	-	207,133	219,124	-	219,124
	1,103,465	(422,659)	680,806	1,181,016	(452,470)	728,546

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2014

23 Takaful Contract Liabilities (continued)

	31 December 2014			31 December 2013		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Group						
Provision for claims reported by participants	408,946	(262,975)	145,971	473,365	(293,578)	179,787
Provision for IBNR	399,545	(142,892)	256,653	387,909	(113,815)	274,094
Provision for outstanding claims	808,491	(405,867)	402,624	861,274	(407,393)	453,881
Provision for unearned contributions	290,899	(69,949)	220,950	296,425	(80,200)	216,225
	<u>1,099,390</u>	<u>(475,816)</u>	<u>623,574</u>	<u>1,157,699</u>	<u>(487,593)</u>	<u>670,106</u>
Actuarial liabilities	4,022,859	(206,644)	3,816,215	3,708,819	(148,340)	3,560,479
Unallocated surplus	946,098	-	946,098	915,661	-	915,661
AFS reserves	(68,235)	-	(68,235)	1,379	-	1,379
Translation reserves	999	-	999	1,129	-	1,129
Net asset value attributable to unitholders	142,100	-	142,100	108,964	-	108,964
Participants' fund	<u>5,043,821</u>	<u>(206,644)</u>	<u>4,837,177</u>	<u>4,735,952</u>	<u>(148,340)</u>	<u>4,587,612</u>
	<u>6,143,211</u>	<u>(682,460)</u>	<u>5,460,751</u>	<u>5,893,651</u>	<u>(635,933)</u>	<u>5,257,718</u>

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 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
At 1 January 2013	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)
At 31 December 2013	4,554,923	(148,340)	4,406,583	219,124	-	219,124	4,735,952	(148,340)	4,587,612

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 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
At 1 January 2014	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
At 31 December 2014	4,874,488	(206,644)	4,667,844	207,133	-	207,133	5,043,821	(206,644)	4,837,177

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2014

24 Takaful Operator Income

The takaful operator income consists of the following:

	Takaful Operator			
	3 months ended		12 months ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Surplus transfer from:				
Family Takaful Fund	4,367	29,665	71,219	114,848
General Takaful Fund	20,334	17,017	59,022	49,271
Wakalah fee income	88,800	82,550	361,842	392,799
Total Takaful Operator income	<u>113,501</u>	<u>129,232</u>	<u>492,083</u>	<u>556,918</u>

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	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Rental income	197	189	2,829	2,013	255	205	1,814	1,014
Dividend income	1,791	2,438	8,691	10,663	1,647	1,877	12,129	14,978
Profit income	4,442	5,334	42,085	38,019	6,511	6,392	53,038	49,745
Accretion / (Amortisation)	(303)	(307)	(794)	(1,165)	(353)	(425)	(1,450)	(1,897)
Investment expenses	(179)	(50)	(1,524)	(737)	(20)	(35)	(611)	(1,694)
	<u>5,948</u>	<u>7,604</u>	<u>51,287</u>	<u>48,793</u>	<u>8,040</u>	<u>8,014</u>	<u>64,920</u>	<u>62,146</u>

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 DECEMBER 2014

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	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Rental income	670	642	8,169	7,320	732	783	3,887	3,087
Dividend income	5,676	6,975	30,355	31,667	5,185	5,831	41,216	44,473
Profit income	21,709	18,301	159,397	150,661	24,878	26,536	205,984	195,498
Accretion / (Amortisation)	(1,191)	(1,104)	(3,485)	(5,770)	(1,442)	(2,064)	(6,118)	(8,938)
Investment expenses	(381)	(285)	(2,486)	(2,855)	(189)	(209)	(1,944)	(1,415)
	<u>26,483</u>	<u>24,529</u>	<u>191,950</u>	<u>181,023</u>	<u>29,164</u>	<u>30,877</u>	<u>243,025</u>	<u>232,705</u>

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 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	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Service charged and management fee	5,083	1,913	-	-	-	-	1,042	1,636
Gain from foreign exchange	110	-	-	-	-	-	-	-
Writeback of allowance for impaired debts	-	-	-	1,511	168	1,117	148	2,628
Gain on disposal of assets	10	(7)	-	-	-	-	66	(7)
Other income	-	560	723	-	750	166	-	725
	<u>5,203</u>	<u>2,466</u>	<u>723</u>	<u>1,511</u>	<u>918</u>	<u>1,283</u>	<u>1,256</u>	<u>4,982</u>

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2014

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	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Service charged and management fee	10,215	11,090	-	-	-	-	2,239	1,691
Writeback of allowance for impaired debts	-	-	1,732	1,120	2,513	1,241	4,245	2,361
Writeback of allowance for impaired financing	224	8	-	-	-	-	224	8
Gain on disposal of assets	63	391	-	-	-	-	119	391
Other income	459	853	1,545	13	750	557	2,754	1,423
	<u>10,961</u>	<u>12,342</u>	<u>3,277</u>	<u>1,133</u>	<u>3,263</u>	<u>1,798</u>	<u>9,581</u>	<u>5,874</u>

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 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	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Depreciation	(1,827)	(2,470)	-	-	-	-	(2,920)	(3,479)
Impairment losses	(361)	(210)	(901)	(162)	-	(88)	(1,489)	(466)
Loss from foreign exchange	-	(54)	-	-	(134)	-	(24)	(156)
Commission expenses / Administration fees	(29,335)	(26,738)	-	7	(21)	(102)	(29,490)	(26,704)
Agency related expenses	(1,752)	(2,364)	-	-	-	-	(1,752)	(2,364)
Allowance for impaired debts	-	-	(27)	-	(213)	(133)	(220)	-
Allowance for impaired financing	(7)	(204)	-	-	-	-	(7)	(204)
Allowance for impaired wakalah fee receivables	(74)	-	-	-	-	-	(74)	-
Debts written-off	(1,454)	-	-	(251)	(1,913)	(1,168)	(3,367)	(1,419)
Other expenses	(3,437)	(226)	(709)	(3,163)	(3,071)	(306)	(6,500)	(3,624)
	<u>(38,247)</u>	<u>(32,266)</u>	<u>(1,637)</u>	<u>(3,569)</u>	<u>(5,352)</u>	<u>(1,797)</u>	<u>(45,843)</u>	<u>(38,416)</u>

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2014

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	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Depreciation	(7,251)	(9,499)	-	-	-	-	(11,577)	(13,574)
Impairment losses	(1,958)	(394)	(11,021)	(1,418)	(2,072)	(435)	(15,278)	(2,253)
Loss from foreign exchange	(916)	(54)	-	(2)	(128)	(81)	(1,044)	(137)
Commission expenses /								
Administration fees	(118,547)	(130,270)	-	(112)	(49)	(201)	(118,596)	(130,324)
Agency related expenses	(5,201)	(5,836)	-	-	-	-	(5,201)	(5,836)
Allowance for impaired debts	-	-	(7)	-	(213)	-	(220)	-
Allowance for impaired wakalah fee receivables	(74)	-	-	-	-	-	(74)	-
Debts written-off	(1,454)	-	-	(251)	(1,913)	(1,168)	(3,367)	(1,419)
Other expenses	(3,126)	(11,656)	(4,539)	(7,125)	(4,732)	(1,301)	(11,056)	(8,584)
	<u>(138,527)</u>	<u>(157,709)</u>	<u>(15,567)</u>	<u>(8,908)</u>	<u>(9,107)</u>	<u>(3,186)</u>	<u>(166,413)</u>	<u>(162,127)</u>

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2014

28 Fair Value Information

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

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		
Takaful Operator										
Financial assets										
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
Family Takaful										
Financial assets										
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 2014

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		
General Takaful										
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
Group										
Financial assets										
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 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		
Takaful Operator										
Financial assets										
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
Family Takaful										
Financial assets										
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 DECEMBER 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		
31 December 2013										
General Takaful										
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
	155,788	375,414	38,147	569,349	3,169	32,778	-	35,947	605,296	605,251
Group										
Financial assets										
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
	1,237,599	2,752,620	298,897	4,289,116	10,451	392,470	-	402,921	4,692,037	4,693,724

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

QUARTER ENDED 31 DECEMBER 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 DECEMBER 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:

	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Group RM'000
Available-for-sale financial assets				
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	(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	38,259	84,900	26,154	149,313

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 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 2014

30 Regulatory capital requirements (continued)

The capital structure of the Company as at 31 December 2014, as prescribed under the RBCT Framework is provided below:

	As at 31.12.2014 RM'000
Tier 1 capital	1,035,554
Tier 2 capital	3,294
Deductions	(93,704)
Total capital available	945,144

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 2014, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of the Bursa Malaysia Main Market Listing Requirements, are as follows:

	As at 31.12.2014 RM'000	As at 31.12.2013 RM'000
Total retained profits of the Group		
Realised	336,892	319,388
Unrealised	41,231	47,869
	<hr/> 384,123	<hr/> 367,257
Total share of retained profits of associates:		
Realised	-	-
Unrealised	-	-
	<hr/> 384,123	<hr/> 367,257
Add: Consolidation adjustments	31,655	32,234
Total retained profits as per statements of financial position	<hr/> 409,778 <hr/>	<hr/> 399,491 <hr/>

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, 10 February 2015