

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### QUARTER ENDED 30 SEPTEMBER 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 September 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 September 2015.

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### QUARTER ENDED 30 SEPTEMBER 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.

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>9 months ended 30 September 2015</b>			
Revenue from external participants	1,266,188	119,043	1,385,231
Profit before zakat and taxation	156,937	(491)	156,446
<b>As at 30 September 2015</b>			
Segment assets by location of assets	6,860,710	467,292	7,328,002
<b>9 months ended 30 September 2014</b>			
Revenue from external participants	1,136,482	114,671	1,251,153
Profit before zakat and taxation	138,520	3,944	142,464
<b>As at 30 September 2014</b>			
Segment assets by location of assets	6,767,116	422,507	7,189,622

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 SEPTEMBER 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 3<sup>rd</sup> quarter ended 30 September 2015, the Group generated Operating Revenue of RM389.2 million compared to RM394.3 million in the corresponding quarter of the preceding year. The decrease is mainly attributable to lower sales generated by Family Takaful business, partially offset by higher sales generated by General Takaful. The 9 months Operating Revenue increased by 10.7% to RM1,385.2 million from RM1,251.2 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 RM252.3 million against RM225.2 million in the same period last year. For the 9 months period, Family Takaful generated gross earned contributions of RM776.6 million as compared to RM711.2 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 RM112.6 million as compared to RM115.8 million in the corresponding quarter of preceding year. For the 9 months period, General Takaful recorded gross earned contributions of RM361.4 million as compared to RM338.0 million in the corresponding period last year. The growth was mainly from Fire and Motor class of business.

# **SYARIKAT TAKAFUL MALAYSIA BERHAD**

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

### **QUARTER ENDED 30 SEPTEMBER 2015**

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

The surplus transfer in the quarter under review from Family Takaful was RM17.3 million as compared to RM17.5 million in the same period last year. For the 9 months period, the surplus transfer from Family Takaful decreased by RM9.8 million to RM57.1 million as compared to RM66.9 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 RM11.8 million as compared to RM10.5 million in the same period last year. For the 9 months period, General Takaful recorded RM27.9 million as compared to RM38.7 million last year. The General Takaful reported lower surplus transfer mainly due to lower realized gains on disposal of investments.

For the quarter under review, the Group recorded profit before zakat and taxation of RM44.4 million, increased by 5.2% as compared to RM42.2 million in the same period last year, mainly attributable to higher wakalah fee income. For the 9 months period, the Group recorded profit before zakat and taxation of RM156.4 million, increased by 9.8% as compared to RM142.5 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.

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### QUARTER ENDED 30 SEPTEMBER 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 9 months ended	
	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000
Current tax expense:				
- Current financial period	9,882	14,694	29,840	40,646
- Over provision in prior year	(5,547)	(5,547)	(2,703)	(5,547)
Deferred tax benefits:				
- Current financial period	(62)	(1,988)	6,322	(6,071)
Total tax expense	<u>7,117</u>	<u>7,159</u>	<u>33,459</u>	<u>29,028</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 30 September 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 SEPTEMBER 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 9 months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Owners of the Company (RM'000)	34,421	33,257	119,594	110,773
Weighted average number of ordinary shares in issue ('000)	818,178	814,435	816,092	814,203
<b>Basic EPS</b> (sen)	4.21	5.11	14.65	13.61

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

The calculation of diluted earnings per ordinary share at 30 September 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 9 months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Owners of the Company (RM'000)	34,421	33,257	119,594	110,773
Weighted average number of ordinary shares in issue ('000)	818,178	814,436	816,092	814,203
Effects of dilution ('000)	4,166	3,903	4,166	3,903
Diluted weighted average number of ordinary shares in issue ('000)	82,344	818,338	822,344	818,106
<b>Diluted EPS</b> (sen)	4.19	4.06	14.58	13.54

# SYARIKAT TAKAFUL MALAYSIA BERHAD

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

### 23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	30 September 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	29,292	(4,056)	25,236	33,310	(3,352)	29,958
Provision for IBNR	158,841	(35,953)	122,888	169,748	(49,805)	119,943
Provision for outstanding claims	188,133	(40,009)	148,124	203,058	(53,157)	149,901
Actuarial liabilities	4,242,727	(232,875)	4,009,852	4,022,859	(206,644)	3,816,215
Unallocated surplus	765,859	-	765,859	732,842	-	732,842
AFS reserves	(147,546)	-	(147,546)	(61,878)	-	(61,878)
Translation reserves	(1,428)	-	(1,428)	765	-	765
Net asset value attributable to unitholders	189,384	-	189,384	179,900	-	179,900
Participants' fund	5,048,996	(232,875)	4,816,121	4,874,488	(206,644)	4,667,844
	5,237,129	(272,884)	4,964,245	5,077,546	(259,801)	4,817,745

# SYARIKAT TAKAFUL MALAYSIA BERHAD

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

### 23 Takaful Contract Liabilities (continued)

	30 September 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	399,003	(295,739)	103,264	375,636	(259,623)	116,013
Provision for IBNR	198,615	(79,589)	119,026	229,797	(93,087)	136,710
Provision for outstanding claims	597,618	(375,328)	222,290	605,433	(352,710)	252,723
Provision for unearned contributions	284,885	(43,270)	241,615	290,899	(69,949)	220,950
	882,503	(418,598)	463,905	896,332	(422,659)	473,673
Unallocated surplus	216,509	-	216,509	213,256	-	213,256
AFS reserves	(15,716)	-	(15,716)	(6,357)	-	(6,357)
Translation reserves	1,022	-	1,022	234	-	234
Participants' fund	201,815	-	201,815	207,133	-	207,133
	1,084,318	(418,598)	665,720	1,103,465	(422,659)	680,806



# SYARIKAT TAKAFUL MALAYSIA BERHAD

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

### 23 Takaful Contract Liabilities (continued)

	30 September 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	428,295	(299,795)	128,500	408,946	(262,975)	145,971
Provision for IBNR	357,456	(115,542)	241,914	399,545	(142,892)	256,653
Provision for outstanding claims	785,751	(415,337)	370,414	808,491	(405,867)	402,624
Provision for unearned contributions	284,885	(43,270)	241,615	290,899	(69,949)	220,950
	<u>1,070,636</u>	<u>(458,607)</u>	<u>612,029</u>	<u>1,099,390</u>	<u>(475,816)</u>	<u>623,574</u>
Actuarial liabilities	4,242,727	(232,875)	4,009,852	4,022,859	(206,644)	3,816,215
Unallocated surplus	982,368	-	982,368	946,098	-	946,098
AFS reserves	(163,262)	-	(163,262)	(68,235)	-	(68,235)
Translation reserves	(406)	-	(406)	999	-	999
Net asset value attributable to unitholders	152,804	-	152,804	142,100	-	142,100
Participants' fund	<u>5,214,231</u>	<u>(232,875)</u>	<u>4,981,356</u>	<u>5,043,821</u>	<u>(206,644)</u>	<u>4,837,177</u>
	<u>6,284,867</u>	<u>(691,482)</u>	<u>5,593,385</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 30 SEPTEMBER 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 30 SEPTEMBER 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	776,583	(47,376)	729,207	207,335	-	207,335	983,918	(47,376)	936,542
Investment income	159,611	-	159,611	21,503	-	21,503	181,114	-	181,114
Realised gains and (losses)	11,661	-	11,661	210	-	210	11,871	-	11,871
Fair value gains and (losses)	(21,341)	-	(21,341)	-	-	-	(21,341)	-	(21,341)
Other operating income	2,251	-	2,251	7,797	-	7,797	10,048	-	10,048
Net benefits and claims	(511,918)	37,786	(474,132)	(62,812)	-	(62,812)	(574,730)	37,786	(536,944)
Fees deducted (net)	(169,495)	-	(169,495)	(118,448)	-	(118,448)	(287,943)	-	(287,943)
Other operating expenses	(12,703)	-	(12,703)	(4,059)	-	(4,059)	(16,762)	-	(16,762)
Profit paid to participants	(1,128)	-	(1,128)	(19,809)	-	(19,809)	(20,937)	-	(20,937)
Reversal of excess payment transferred to participants	(813)	-	(813)	-	-	-	(813)	-	(813)
Increase in actuarial liabilities	81,003	(25,644)	55,359	-	-	-	81,003	(25,644)	55,359
Profit attributable to the Takaful Operator	(69,408)	9,591	(59,817)	(27,994)	-	(27,994)	(96,182)	9,591	(86,591)
Change in AFS reserve	(85,668)	-	(85,668)	(9,360)	-	(9,360)	(95,028)	-	(95,028)
Withholding tax	(9,166)	-	(9,166)	(470)	-	(470)	(9,636)	-	(9,636)
Effect of movement in exchange rates	25,039	(588)	24,451	789	-	789	25,828	(588)	25,240
<b>At 30 September 2015</b>	<b>5,048,996</b>	<b>(232,875)</b>	<b>4,816,121</b>	<b>201,815</b>	<b>-</b>	<b>201,815</b>	<b>5,214,231</b>	<b>(232,875)</b>	<b>4,981,356</b>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

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

#### 24 Takaful Operator Income

The takaful operator income consists of the following:

	Takaful Operator			
	3 months ended		9 months ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
	RM'000	RM'000	RM'000	RM'000
Surplus transfer from:				
Family Takaful Fund	17,302	17,518	57,063	66,852
General Takaful Fund	11,844	10,515	27,907	38,688
Wakalah fee income	95,991	82,284	318,566	273,042
Total Takaful Operator income	<u>125,137</u>	<u>110,317</u>	<u>403,536</u>	<u>378,582</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	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014	30.9.2015	30.9.2014	30.9.2015	30.9.2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Rental income	156	187	2,289	1,831	162	145	1,106	753
Dividend income	1,302	1,655	8,461	10,191	1,001	1,272	10,764	13,118
Profit income	5,920	5,957	46,654	41,087	6,436	6,121	59,010	53,165
Accretion / (Amortisation)	(263)	(306)	(1,237)	(962)	(382)	(374)	(1,882)	(1,642)
Investment expenses	(16)	(26)	(440)	(319)	(54)	(55)	(212)	(400)
	<u>7,099</u>	<u>7,467</u>	<u>55,727</u>	<u>51,828</u>	<u>7,163</u>	<u>7,109</u>	<u>68,786</u>	<u>64,994</u>

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

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

**25 Investment Income (continued)**

The investment income consists of the following (continued):

	<b>Takaful Operator</b>		<b>Family Takaful Fund</b>		<b>General Takaful Fund</b>		<b>Group</b>	
	<b>9 months ended</b>		<b>9 months ended</b>		<b>9 months ended</b>		<b>9 months ended</b>	
	<b>30.9.2015</b>	<b>30.9.2014</b>	<b>30.9.2015</b>	<b>30.9.2014</b>	<b>30.9.2015</b>	<b>30.9.2014</b>	<b>30.9.2015</b>	<b>30.9.2014</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	497	473	7,140	5,340	552	477	3,703	2,073
Dividend income	3,784	3,885	21,766	21,664	3,033	3,538	28,583	29,087
Profit income	17,621	17,267	135,494	117,312	19,123	18,367	172,238	152,946
Accretion / (Amortisation)	(816)	(888)	(3,325)	(2,691)	(1,131)	(1,089)	(5,272)	(4,668)
Investment expenses	(150)	(202)	(1,464)	(962)	(74)	(169)	(792)	(1,333)
	<u>20,936</u>	<u>20,535</u>	<u>159,611</u>	<u>140,663</u>	<u>21,503</u>	<u>21,124</u>	<u>198,460</u>	<u>178,105</u>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 SEPTEMBER 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	
	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000
Service charged and management fee	2,605	1,892	-	-	-	-	504	401
Gain on foreign exchange	601	-	2	-	25	4	628	-
Writeback of allowance for impaired debts	-	-	-	116	1,666	177	1,052	293
Writeback of allowance for impaired financing	141	278	-	-	-	-	141	278
Writeback of allowance for Impaired wakalah fee receivables	302	-	-	-	-	-	302	-
Writeback of Qard	2,733	-	-	-	-	-	-	-
Gain on disposal of assets	10	25	-	-	-	-	10	25
Other income	155	621	166	146	7,319	-	8,181	767
	<u>6,547</u>	<u>2,816</u>	<u>168</u>	<u>262</u>	<u>9,010</u>	<u>181</u>	<u>10,818</u>	<u>1,764</u>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

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

#### 26 Other Operating Income (continued)

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

	Takaful Operator 9 months ended		Family Takaful Fund 9 months ended		General Takaful Fund 9 months ended		Group 9 months ended	
	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000
Service charged and management fee	7,606	5,132	-	-	-	-	1,440	1,197
Gain on foreign exchange	601	-	54	-	22	6	677	6
Writeback of allowance for impaired debts	-	-	-	1,752	-	2,345	-	4,097
Writeback of allowance for impaired financing	453	231	-	-	-	-	453	231
Writeback of allowance for Impaired wakalah fee receivables	522	-	-	-	-	-	522	-
Writeback of Qard	2,733	-	-	-	-	-	-	-
Gain on disposal of assets	86	53	-	-	-	-	86	53
Other income	1,005	2,605	2,251	822	7,798	-	11,054	3,427
	<u>13,006</u>	<u>8,021</u>	<u>2,305</u>	<u>2,574</u>	<u>7,820</u>	<u>2,351</u>	<u>14,232</u>	<u>9,011</u>

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 SEPTEMBER 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	
	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000
Depreciation	(2,736)	(1,767)	-	-	-	-	(3,893)	(2,840)
Impairment losses	(431)	(247)	(3,321)	(1,147)	(523)	(202)	(4,275)	(1,596)
Loss from foreign exchange	-	(1,026)	-	-	-	-	-	(1,022)
Commission expenses / Administration fees	(29,893)	(28,328)	-	-	-	17	(29,893)	(28,262)
Agency related expenses	(2,124)	(1,462)	-	-	-	-	(2,124)	(1,462)
Allowance for impaired debts	-	-	(614)	-	-	-	-	-
Debts written off	-	-	(9)	-	-	-	(9)	-
Other expenses	(753)	(1,506)	(747)	(1,253)	(482)	(867)	(1,571)	(2,533)
	<u>(35,937)</u>	<u>(34,336)</u>	<u>(4,691)</u>	<u>(2,400)</u>	<u>(1,005)</u>	<u>(1,052)</u>	<u>(41,765)</u>	<u>(37,715)</u>



# SYARIKAT TAKAFUL MALAYSIA BERHAD

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

### 27 Other Operating Expenses (continued)

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

	Takaful Operator 9 months ended		Family Takaful Fund 9 months ended		General Takaful Fund 9 months ended		Group 9 months ended	
	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000
Depreciation	(7,733)	(5,424)	-	-	-	-	(11,171)	(8,657)
Impairment losses	(906)	(1,597)	(7,270)	(10,120)	(1,133)	(2,072)	(9,309)	(13,789)
Loss from foreign exchange	-	(1,026)	-	-	-	-	-	(1,026)
Commission expenses / Administration fees	(103,010)	(89,212)	-	-	-	(28)	(103,010)	(89,106)
Agency related expenses	(5,593)	(3,449)	-	-	-	-	(5,593)	(3,449)
Allowance for impaired debts	-	-	(730)	-	(2,247)	-	(2,977)	-
Allowance for impaired financing	(235)	-	-	-	-	-	(235)	-
Debts written off	-	-	(523)	-	-	-	(523)	-
Other expenses	(1,596)	(1,835)	(4,234)	(3,830)	(702)	(1,661)	(5,431)	(5,229)
	<u>(119,073)</u>	<u>(102,543)</u>	<u>(12,757)</u>	<u>(13,950)</u>	<u>(4,082)</u>	<u>(3,761)</u>	<u>(138,249)</u>	<u>(121,256)</u>

# SYARIKAT TAKAFUL MALAYSIA BERHAD

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

### 28 Fair Value Information

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

30 September 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	54,581	-	-	54,581	-	-	-	-	54,581	54,581
Unit trusts	25,445	18,260	-	43,705	-	-	-	-	43,705	43,705
Institutional Trust Account	-	-	21,167	21,167	-	-	-	-	21,167	21,167
Islamic debt securities	3,604	266,214	-	269,818	2,257	-	-	2,257	272,075	271,938
Investment in linked funds	36,580	-	-	36,580	-	-	-	-	36,580	36,580
	120,210	284,474	21,167	425,851	2,257	-	-	2,257	428,108	427,971
<b>Family Takaful</b>										
<b>Financial assets</b>										
Equity securities	504,683	-	-	504,683	-	-	-	-	504,683	504,683
Unit trusts	155,210	56,822	-	212,032	-	-	-	-	212,032	212,032
Institutional Trust Account	-	-	102,590	102,590	-	-	-	-	102,590	102,590
Islamic debt securities	83,118	1,922,091	-	2,005,209	43,912	366,764	-	410,676	2,415,885	2,421,327
Malaysian Government Islamic papers	-	174,294	-	174,294	-	112,650	-	112,650	286,944	286,892
	743,011	2,153,207	102,590	2,998,808	43,912	479,414	-	523,326	3,522,134	3,527,524

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

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

**28 Fair Value Information (continued)**

30 September 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	52,533	-	-	52,533	-	-	-	-	52,533	52,533
Unit trusts	19,422	2,240	-	21,662	-	-	-	-	21,662	21,662
Institutional Trust Account	-	-	27,091	27,091	-	-	-	-	27,091	27,091
Islamic debt securities	-	305,202	-	305,202	4,761	5,000	-	9,761	314,963	315,049
Malaysian Government Islamic papers	-	-	-	-	-	32,677	-	32,677	32,677	32,588
	71,955	307,442	27,091	406,488	4,761	37,677	-	42,438	448,926	448,923
<b>Group</b>										
<b>Financial assets</b>										
Equity securities	611,797	-	-	611,797	-	-	-	-	611,797	611,797
Unit trusts	200,077	77,322	-	277,399	-	-	-	-	277,399	277,399
Institutional Trust Account	-	-	150,848	150,848	-	-	-	-	150,848	150,848
Islamic debt securities	86,722	2,493,507	-	2,580,229	50,930	371,764	-	422,694	3,002,923	3,008,314
Malaysian Government Islamic papers	-	174,294	-	174,294	-	145,327	-	145,327	319,621	319,480
	898,596	2,745,123	150,848	3,794,567	50,930	517,091	-	568,021	4,362,588	4,367,838

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

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

**28 Fair Value Information (continued)**

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>31 December 2014</b>										
<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
	<b>75,159</b>	<b>351,936</b>	<b>26,154</b>	<b>453,249</b>	<b>3,555</b>	<b>37,663</b>	<b>-</b>	<b>41,218</b>	<b>494,467</b>	<b>494,528</b>
<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
	<b>848,111</b>	<b>2,794,380</b>	<b>149,313</b>	<b>3,791,804</b>	<b>21,089</b>	<b>466,896</b>	<b>-</b>	<b>487,985</b>	<b>4,279,789</b>	<b>4,278,311</b>

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### QUARTER ENDED 30 SEPTEMBER 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 SEPTEMBER 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	64,031	20,811	69,531
Disposal	(18,555)	-	-	-
Maturities	(3,244)	(49,278)	(20,811)	(73,333)
Gains and losses recognised in profit or loss				
Investment income - realised	1,463	2,937	937	5,337
At 30 September 2015	21,167	102,590	27,091	150,848

### 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 SEPTEMBER 2015

#### 30 Regulatory capital requirements (continued)

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

	<b>As at 30.9.2015 RM'000</b>	<b>As at 31.12.2014 RM'000</b>
Tier 1 capital	1,174,451	1,035,554
Tier 2 capital	(49,089)	3,294
Deductions	(154,419)	(93,704)
<b>Total capital available</b>	<b>970,943</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 30 September 2015, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of the Listing Requirements, are as follows:

	<b>As at 30.9.2015 RM'000</b>	<b>As at 31.12.2014 RM'000</b>
<b>Total retained profits of the Group</b>		
Realised	415,416	336,892
Unrealised	34,908	41,231
	<b>450,324</b>	<b>378,123</b>
<b>Total share of retained profits of associates:</b>		
Realised	-	-
Unrealised	-	-
	<b>450,324</b>	<b>378,123</b>
Add: Consolidation adjustments	21,996	31,655
<b>Total retained profits as per statements of financial position</b>	<b>472,320</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, 6 November 2015