

Company No.

731996

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MAA TAKAFUL BERHAD

(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2014

Company No.

731996

H

MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2014

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Company No.

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MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors are pleased to submit their report to the members together with the audited financial statements of the Company for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is engaged principally in the underwriting of Family Takaful including Investment-linked business and all classes of General Takaful business. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	RM'000
Loss for the financial year	4,933

DIVIDENDS

No dividends have been paid, declared or proposed by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividend in respect of the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

PROVISION FOR OUTSTANDING CLAIMS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for incurred claims, including Incurred But Not Reported ("IBNR") claims.

MAA TAKAFUL BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amounts written-off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Company have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of Takaful underwritten in the ordinary course of business of the Company.

MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company, which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company during the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

ISSUE OF SHARES

There were no changes in the issued and paid-up share capital of the Company during the financial year.

CORPORATE GOVERNANCE

The Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under BNM/RH/GL/004-1: Guidelines on Directorship for Takaful Operators and BNM/RH/GL/003-2: Prudential Framework of Corporate Governance for Insurers issued by Bank Negara Malaysia ("BNM"), and the principles of Shariah.

The Board Committees of the Company comprise a selection of Independent Non-Executive Directors and Non-Independent Non-Executive Directors from the holding company and its fellow subsidiaries.

MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC")

The composition of the Audit Committee is as follows:

		<u>No. of Attendance</u>
Onn Kien Hoe (Chairman)	Independent Director	7/7
Tan Sri Ahmad bin Mohd Don	Independent Director	7/7
Tan Sri Datuk Seri Razman Md Hashim bin Che Din Md Hashim	Independent Director	5/7
Ashraf Adnan Nureddin Bseisu	Non-Independent Non-Executive Director	6/7

The duties and responsibilities of the AC are as follows:

1. To review:
 - i. with the external auditors on their audit plan, scope and nature of audit for the Company;
 - ii. with the external auditors, on their evaluation of the system of internal controls of the Company and its audit findings;
 - iii. with management and the external auditors, changes in accounting standards or rules promulgated by the Malaysian Accounting Standards Board, Accounting and Auditing Organisation For Islamic Financial Institutions, Islamic Financial Services Board, Bank Negara Malaysia or the Securities Commission that may effect the Company's financial statements;
 - iv. any problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to highlight;
 - v. the quality of external auditors and make recommendations concerning their appointment, termination and remuneration and to consider the nomination of external auditors;
 - vi. the liaison between the external auditors, the management and the Board of Directors and also the assistance given by management and employees to the external auditors;
 - vii. the adequacy of the scope, functions and resources of the Internal Audit Department and that it has the necessary authority to carry out its work;
 - viii. the internal audit programme, processes, results of the audit and whether or not appropriate action has been taken as per the recommendations of the Internal Audit Department; and

MAA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC") (continued)

The duties and responsibilities of the AC are as follows: (continued)

- 1 To review: (continued)
 - ix. quarterly results and year end financial statements prior to the Board of Directors' approval pertaining to:
 - major accounting policy changes
 - significant and unusual events
 - compliance with accounting standards and other legal requirements and to monitor any related party transactions and conflict of interest situation that may arise within the Company and to report, if any, transactions between the Company and any related party outside the Company which are not based on arms-length terms and which are disadvantageous to the Company.
2. To recommend the appointment of the external auditors, and to discuss their audit fees and any questions of resignation or dismissal.
3. To oversee the independence and performance of the Company's independent auditors.
4. To perform any other functions as may be mutually agreed by the Committee and the Board of Directors.

Nomination Committee ("NC")

The composition of the NC is as follows:

		<u>No. of Attendance</u>
Tan Sri Datuk Seri Razman Md Hashim bin Che Din Md Hashim (Chairman)	Independent Director	2/4
Datuk Muhamad Umar Swift	Non-Independent Non-Executive Director	3/4
Ashraf Adnan Nureddin Bseisu	Non-Independent Non-Executive Director	3/4
Assoc. Prof. Dr. Md Khalil bin Ruslan	Independent Director	4/4
Onn Kien Hoe	Independent Director	4/4

MAA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Nomination Committee ("NC") (continued)

The duties and responsibilities of the Committee are as follows:

1. Establishing the scope of work of the Board and the Chief Executive Officer to perform their responsibilities effectively.
2. Recommending and assessing the nominees for directorship, the Directors to fill Board Committees, as well as nominees for the Chief Executive Officer position. This includes assessing Directors and the Chief Executive Officer proposed for appointment, before an application for approval is submitted to BNM.
3. Overseeing the overall composition of the Board in terms of the appropriate size and skills, the balance between executive Directors, non-executive and independent Directors, and mix of skills and other core competencies required, through annual reviews.
4. Establishing a mechanism for formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Chief Executive Officer.
5. Recommending to the Board on removal of a Director/Chief Executive Officer if he is ineffective, errant or negligent in discharging his responsibilities.
6. Ensuring that all Directors undergo appropriate induction programmes and receive continuous training.
7. Overseeing the appointment, management succession planning and performance evaluation of key senior officers, and recommending to the Board the removal of key senior officers if they are ineffective, errant and negligent in discharging their responsibilities.
8. Undertaking such other matters as the Board of Directors thinks fit.

MAA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Remuneration Committee ("RC")

The composition of the RC is as follows:

		<u>No. of Attendance</u>
Tan Sri Datuk Seri Razman Md Hashim bin Che Din Md Hashim (Chairman)	Independent Director	2/2
Datuk Muhamad Umar Swift	Non-Independent Non-Executive Director	2/2
Ashraf Adnan Nureddin Bseisu	Non-Independent Non-Executive Director	2/2
Assoc. Prof. Dr. Md Khalil bin Ruslan	Independent Director	1/2
Onn Kien Hoe	Independent Director	2/2

The duties and responsibilities of the Committee are as follows:

1. Recommending a framework of remuneration for Directors, Chief Executive Officer and key senior officers. The remuneration policy shall:
 - i. be documented and approved by the full Board and any changes thereto should be subject to the endorsement of the full Board;
 - ii. reflect the experience and level of responsibility borne by individual Directors, the Chief Executive Officer and key senior officers;
 - iii. be sufficient to attract and retain Directors, Chief Executive Officer and key senior officers of calibre needed to manage the Company successfully; and
 - iv. be balanced against the need to ensure that the funds of the Takaful operator are not used to subsidise excessive remuneration packages.

MAA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Remuneration Committee ("RC") (continued)

The duties and responsibilities of the Committee are as follows: (continued)

2. Recommending specific remuneration packages for Directors, Chief Executive Officer and key senior officers. The remuneration packages shall:
 - i. be based on an objective consideration and approved by the full Board;
 - ii. take due consideration of the assessments of the Nominating Committee of the effectiveness and contribution of the Director, Chief Executive Officer or key senior officer concerned;
 - iii. not be decided by the exercise of sole discretion of any one individual or restricted group of individuals; and
 - iv. be competitive and is consistent with Takaful's culture, objective and strategy.
3. Undertaking such other matters as the Board of Directors thinks fit.

Risk Management Committee ("RMC")

The composition of the RMC is as follows:

		<u>No. of Attendance</u>
Onn Kien Hoe (Chairman)	Independent Director	6/6
Tan Sri Ahmad bin Mohd Don	Independent Director	6/6
Tan Sri Datuk Seri Razman Md Hashim bin Che Din Md Hashim	Independent Director	4/6
Ashraf Adnan Nureddin Bseisu	Non-Independent Non-Executive Director	5/6
Datuk Muhamad Umar Swift	Non-Independent Non-Executive Director	6/6

MAA TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Risk Management Committee ("RMC") (continued)

The duties and responsibilities of the Committee are as follows:

1. Review and recommend risk management strategies, policies and risk tolerance for the Board's approval.
2. Review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively.
3. Ensure adequate infrastructure, resources and systems are in place for an effective risk management i.e. ensuring that the staff responsible for implementing risk management system performs those duties independently of the Company's risk taking activities.
4. Review the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

Shariah Committee ("SC")

The composition of the SC is as follows:

		<u>No. of Attendance</u>
Assoc. Prof. Dr. Md Khalil bin Ruslan	Chairman	6/6
Dr. Luqman bin Abdullah	Member	5/6
Prof. Dr. Joni Tamkin bin Borhan	Member	5/6
Dr. Yusri bin Mohamad	Member	6/6
Prof. Dr. Mohamad bin Abdul Hamid	Member	6/6
Dr. Zulkifli bin Hasan (appointed on 1 October 2014)	Member	0/1

The duties and responsibilities of the SC are as follows:

1. **Responsibility and accountability**
The SC is expected to understand that in the course of discharging the duties and responsibilities as a SC member, they are responsible and accountable for all Shariah decisions, opinions and views provided by them. The SC is also expected to perform an oversight role on Shariah matters related to the Company's business operations and activities.

MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Shariah Committee ("SC") (continued)

The duties and responsibilities of the SC are as follows: (continued)

2. Advise the Board and the Company
The SC shall advise the board and provide input to the Company on any matters related to Shariah in order for the Company to comply with Shariah principles at all times.
3. Endorse Shariah policies and procedures
The SC is expected to endorse Shariah policies and procedures prepared by the Company and to ensure the contents do not contain any elements which are not in line with Shariah.
4. Endorse and validate relevant documentations
To ensure that the products of the Company comply with Shariah principles, the SC must approve:
 - i. The terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and
 - ii. The product manual, marketing advertisements, sales illustrations and brochures used to describe the product.
5. Assess work carried out by Shariah review and Shariah audit
To assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah principles forms part of their duties in providing their assessment of Shariah compliance and accurate information in the annual report.
6. Assist related parties on Shariah matters
The related parties of the Company such as its legal counsel, auditor or consultant may seek advice on Shariah matters from the SC and the SC is expected to provide the necessary assistance to the requesting party.
7. Advise on matters to be referred to the Shariah Advisory Council ("SAC")
The SC may advise the Company to consult the SAC of Bank Negara Malaysia on Shariah matters that could not be resolved.
8. Provide written Shariah opinions
The SC is required to record any opinion given. In particular, the SC shall prepare written Shariah opinions in the following circumstances:
 - i. Where the Company make reference to the SAC for advice, or
 - ii. Where the Company submit applications to BNM for new product approval.

MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

	<u>No. of Attendance</u>
Tan Sri Ahmad bin Mohd Don (Chairman)	7/7
Tan Sri Datuk Seri Razman Md Hashim bin Che Din Md Hashim	5/7
Assoc. Prof. Dr. Md Khalil bin Ruslan	7/7
Datuk Muhamad Umar Swift	7/7
Ashraf Adnan Nureddin Bseisu	6/7
Onn Kien Hoe	7/7

Tan Sri Datuk Seri Razman Md Hashim bin Che Din Md Hashim retires pursuant to Section 129 (6) of the Companies Act, 1965 and being eligible, offers himself for re-election.

Mr. Ashraf Adnan Nureddin Bseisu retires in accordance with Article 81 of the Company's Articles of Association and being eligible, offers himself for re-election.

Assoc. Prof. Dr. Md Khalil bin Ruslan retires in accordance with Article 81 of the Company's Articles of Association and being eligible, offers himself for re-election.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

During and at the end of the financial year, no Director has received or become entitled to receive any benefit (other than benefits disclosed as Directors' remuneration, fees paid to a company in which certain members have an interest and benefits provided to Directors as disclosed in the notes to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which the Director has a substantial financial interest.

MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholding, particulars of interests of Directors in office at the end of the financial year in shares in the ultimate holding company, MAA Group Berhad, are as follows:

	Number of ordinary shares of RM1 each			
	At <u>1.1.2014</u>	<u>Acquired</u>	<u>Disposed</u>	At <u>31.12.2014</u>
Tan Sri Ahmad bin Mohd Don - Direct	2,055,000	-	-	2,055,000
Tan Sri Datuk Seri Razman Md Hashim bin Che Din Md Hashim - Direct	150,000	-	-	150,000

By virtue of the abovenamed Directors' interest in the shares of the Company's ultimate holding company, they are also deemed to have substantial interest in the shares of the Company and other subsidiary companies of the ultimate holding company, to the extent the ultimate holding company has an interest.

None of the other Directors in office at the end of the financial year held any interest in shares in, or debentures of, the Company or its related corporations during the financial year.

ULTIMATE HOLDING COMPANY

The Directors regard MAA Group Berhad, a company incorporated in Malaysia, as the Company's ultimate holding company.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 31 March 2015.


TAN SRI AHMAD BIN MOHD DON
DIRECTOR


ONN KIEN HOE
DIRECTOR

Kuala Lumpur
31 March 2015

MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS PURSUANT TO
SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, Tan Sri Ahmad bin Mohd Don and Onn Kien Hoe, being two of the Directors of MAA Takaful Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 17 to 119 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2014 and the financial performance and the cash flows of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 31 March 2015.



TAN SRI AHMAD BIN MOHD DON
DIRECTOR



ONN KIEN HOE
DIRECTOR

Kuala Lumpur
31 March 2015

**STATUTORY DECLARATION PURSUANT TO
SECTION 169(16) OF THE COMPANIES ACT, 1965**

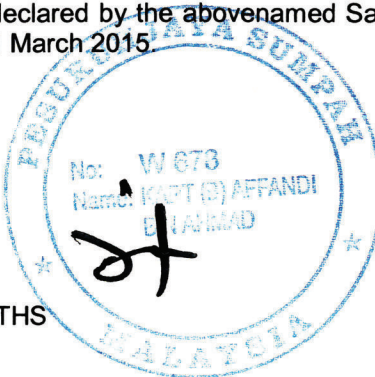
I, Salim Majid Zain, the officer primarily responsible for the financial management of MAA Takaful Berhad, do solemnly and sincerely declare that the financial statements set out on pages 17 to 119 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



SALIM MAJID ZAIN

Subscribed and solemnly declared by the abovenamed Salim Majid Zain at Kuala Lumpur in Wilayah Persekutuan on 31 March 2015

Before me,



COMMISSIONER FOR OATHS
31 March 2015

No. 88, Tingkat Bawah
Jalan Putra
50350 Kuala Lumpur



MAA Takaful

(731996-H)

Shariah Committee's Report



In the name of Allah, the Beneficent, the Merciful

In compliance with the letter of appointment, we are required to submit the following report:

We have reviewed the principles and the contracts relating to the transactions and applications introduced by MAA Takaful Berhad during the financial year ended 31 December 2014. We have also conducted our review to form an opinion as to whether MAA Takaful Berhad has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

The management of MAA Takaful Berhad is responsible for ensuring that it conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of MAA Takaful Berhad.

We have assessed the work carried out by Shariah review and Shariah audit which included examining, on a test basis, each type of transaction, the relevant documentation and procedures adopted by MAA Takaful Berhad.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that MAA Takaful Berhad has not violated the Shariah principles.

In our opinion:

1. The contracts, transactions and dealings entered into by MAA Takaful Berhad during the year ended 31 December 2014 that we have reviewed are in compliance with the Shariah principles;
2. The allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;
3. All earnings that have been realised from sources or by means prohibited by the Shariah principles have been considered for disposal to charitable causes; and
4. The *Zakat* treatment is in accordance with Shariah and the calculation is not applicable due to loss before tax position for financial year ended 31 December 2014.

We, the members of the Shariah Committee of MAA Takaful Berhad, do hereby confirm that the operations of MAA Takaful Berhad for the year ended 31 December 2014 have been conducted in conformity with the Shariah principles.

Chairman of the Shariah Committee:

ASSOC. PROF. DR. MD. KHALIL
RUSLAN RUSLAN

Shariah Committee

PROF. DR. JONI TAMKIN
BORHAN



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MAA TAKAFUL BERHAD
(Incorporated in Malaysia)
(Company No. 731996 H)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of MAA Takaful Berhad, which comprise the statement of financial position as at 31 December 2014 of the Company, and the statements of income, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements, as set out on pages 17 to 119.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MAA TAKAFUL BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 731996 H)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2014 and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A stylized signature in black ink, likely belonging to a representative of PriceWaterhouseCoopers.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

A stylized signature in black ink, likely belonging to Manjit Singh.

MANJIT SINGH
(No. 2954/03/17 (J))
Chartered Accountant

Kuala Lumpur
31 March 2015

MAA TAKAFUL BERHAD

(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

		2014				2013			
	Note	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
ASSETS									
Property, plant and equipment	4	12,457	-	-	12,457	13,693	-	-	13,693
Intangible assets	5	3,298	-	-	3,298	2,751	-	-	2,751
Investments:									
Held-to-maturity	6(a)	-	15,366	25,636	41,002	-	15,365	25,516	40,881
Loans and receivables	6(b)	37,107	47,882	72,561	155,789	15,905	20,276	35,552	70,023
Available-for-sale	6(c)	58,754	49,122	37,221	145,097	62,137	45,778	41,634	149,549
Fair value through profit or loss	6(d)	11,333	-	315,452	319,059	17,769	-	264,559	273,608
Takaful receivables	7	-	97,819	2,674	100,493	-	37,940	6,276	44,216
Qardhul Hassan receivable		11,899	-	-	-	-	-	-	-
Retakaful assets	8	-	280,382	14,535	294,917	-	200,362	15,490	215,852
Other receivables	9	22,401	4,014	7,000	8,322	28,395	790	1,769	4,963
Tax recoverable		68	249	19	336	-	-	-	-
Deferred tax assets	13	-	3,213	573	3,923	-	47	-	47
Cash and bank balances		3,728	1,708	8,385	13,821	4,358	400	5,924	10,682
TOTAL ASSETS		161,045	499,755	484,056	1,098,514	145,008	320,958	396,720	826,265

MAA TAKAFUL BERHAD

(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014 (CONTINUED)

		2014				2013			
	Note	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
LIABILITIES									
Takaful contract liabilities	10	-	366,291	455,467	812,271	-	254,065	362,592	606,261
Takaful payables	11	-	119,126	6,308	125,434	-	50,848	2,445	53,293
Qardhul Hassan payable		-	551	11,348	-	-	-	-	-
Other payables	12	27,133	14,338	22,281	38,659	18,428	15,872	28,879	37,188
Expense liabilities		4,378	-	-	4,378	1,853	-	-	1,853
Current tax liabilities		-	-	-	-	305	173	1,081	1,559
Deferred tax liabilities	13	3,702	-	-	926	2,153	-	1,723	3,842
TOTAL LIABILITIES		35,213	500,306	495,404	981,668	22,739	320,958	396,720	703,996
SHAREHOLDERS' EQUITY									
Share capital	14	100,000	-	-	100,000	100,000	-	-	100,000
Retained earnings/ (accumulated losses)		26,019	(551)	(11,348)	17,033	21,966	-	-	21,966
Available-for-sale reserves		(187)	-	-	(187)	303	-	-	303
		125,832	(551)	(11,348)	116,846	122,269	-	-	122,269
TOTAL LIABILITIES, PARTICIPANTS' FUNDS AND SHAREHOLDERS' EQUITY		161,045	499,755	484,056	1,098,514	145,008	320,958	396,720	826,265

MAA TAKAFUL BERHAD

(Incorporated in Malaysia)

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

		2014				2013			
	Note	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
Gross earned contributions	16	-	286,810	367,560	654,370	-	215,757	268,162	473,919
Contribution ceded to retakaful operators	16	-	(219,082)	(5,754)	(224,836)	-	(171,125)	(9,455)	(180,580)
Net earned contributions	16	-	67,728	361,806	429,534	-	44,632	258,707	293,339
Wakalah fee income		154,106	-	-	-	141,546	-	-	-
Surplus sharing from Family Takaful fund		11,000	-	-	-	7,250	-	-	-
Investment income	17	3,862	3,840	14,423	22,125	3,884	3,046	12,252	19,182
Realised gains/(losses)	18	1,052	(64)	21,378	22,366	3,530	874	15,765	20,169
Fair value (losses)/gains	19	(1,647)	-	(28,363)	(30,010)	(90)	-	9,807	9,287
Fee and commission income		-	43,924	-	43,924	-	46,516	-	46,516
Other operating income		15,314	-	-	132	12,816	-	-	115
Other income		183,687	47,700	7,438	58,537	168,936	50,436	37,824	95,269
Total revenue		183,687	115,428	369,244	488,071	168,936	95,068	296,531	388,608
Gross benefits and claims paid	20	-	(86,131)	(192,031)	(278,162)	-	(67,140)	(151,393)	(218,533)
Claims ceded to retakaful operators	20	-	64,922	5,391	70,313	-	48,210	10,286	58,496
Gross change to contract liabilities	20	-	(87,138)	(84,026)	(171,164)	-	(51,501)	(52,739)	(93,844)
Change in contract liabilities ceded to retakaful operators	20	-	73,216	(955)	72,261	-	43,357	446	43,803
Net claims		-	(35,131)	(271,621)	(306,752)	-	(27,074)	(193,400)	(210,078)

MAA TAKAFUL BERHAD

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INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

		2014				2013			
	Note	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
Surplus sharing									
with Takaful Operator		-	-	(11,000)	-	-	-	(7,250)	-
Wakalah fee expenses		-	(72,300)	(81,806)	-	-	(63,070)	(78,476)	-
Fee and commission expenses		(102,615)	-	-	(102,615)	(97,168)	-	-	(97,168)
Management expenses	21	(70,356)	-	-	(70,356)	(59,257)	-	-	(59,257)
Allowance for impairment		-	(10,508)	(805)	(11,313)	-	(2,047)	(1,833)	(3,880)
Other operating expenses		-	-	(15,182)	-	-	-	(12,701)	-
Expense liabilities		(2,525)	-	-	(2,525)	(794)	-	-	(794)
Other expenses		(175,496)	(82,808)	(108,793)	(186,809)	(157,219)	(65,117)	(100,260)	(161,099)
Zakat		-	-	-	-	(295)	-	-	(295)
Profit/(loss) before taxation		8,191	(2,511)	(11,170)	(5,490)	11,422	2,877	2,871	17,136
Tax income/(expense) attributable to participants	22	-	1,960	(178)	1,782	-	(1,252)	(2,871)	(4,089)
Profit/(loss) before taxation attributable to Takaful Operator		8,191	(551)	(11,348)	(3,708)	11,422	1,625	-	13,047
Taxation		(4,138)	1,960	(178)	557	(3,044)	(1,252)	(2,871)	(7,133)
Tax (income)/expense attributable to participants		-	(1,960)	178	(1,782)	-	1,252	2,871	4,089
Tax expense attributable to Takaful Operator	22	(4,138)	-	-	(1,225)	(3,044)	-	-	(3,044)
Net profit/(loss) for the financial year		4,053	(551)	(11,348)	(4,933)	8,378	1,625	-	10,003

MAA TAKAFUL BERHAD

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014				2013			
		Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
Net profit/(loss) for the financial year		4,053	(551)	(11,348)	(4,933)	8,378	1,625	-	10,003
Other comprehensive loss:									
<u>Items that may be subsequently</u>									
<u>reclassified to profit or loss:</u>									
Fair value changes on									
available-for-sale									
financial assets that may be									
reclassified to profit or loss:									
- Gross fair value changes	6(e)	4	(180)	82	(94)	(2,310)	(1,218)	(1,472)	(5,000)
- Transfer to Income Statement									
upon disposal of available-									
for-sale financial assets	18	(657)	64	(238)	(831)	(2,826)	(874)	(972)	(4,672)
- Deferred taxation	13	163	29	27	219	1,285	523	181	1,989
- Net fair value changes		(490)	(87)	(129)	(706)	(3,851)	(1,569)	(2,263)	(7,683)
Change in Takaful contract									
liabilities arising from									
unrealised net fair value									
changes	10	-	87	129	216	-	1,569	2,263	3,832
Other comprehensive loss									
for the financial year, net of tax		(490)	-	-	(490)	(3,851)	-	-	(3,851)
Total comprehensive income/									
(loss) for the financial year		3,563	(551)	(11,348)	(5,423)	4,527	1,625	-	6,152

MAA TAKAFUL BERHAD
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**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	Share capital RM'000	Non- Distributable Available-for- sale reserves RM'000	Distributable Retained earnings RM'000	Total RM'000
At 1 January 2014	100,000	303	21,966	122,269
Net loss for the financial year	-	-	(4,933)	(4,933)
Other comprehensive loss for the financial year	-	(490)	-	(490)
At 31 December 2014	100,000	(187)	17,033	116,846
At 1 January 2013	100,000	4,154	11,963	116,117
Net profit for the financial year	-	-	10,003	10,003
Other comprehensive loss for the financial year	-	(3,851)	-	(3,851)
At 31 December 2013	100,000	303	21,966	122,269

The accompanying notes are an integral part of these financial statements.

MAA TAKAFUL BERHAD
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**CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	<u>Note</u>	<u>2014</u> RM'000	<u>2013</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (utilised in)/generated from operating activities	23	(8,216)	2,479
Dividend income received		5,517	5,756
Profit income received		17,001	12,788
Income tax paid		(8,141)	(10,817)
Net cash flows from operating activities		<u>6,161</u>	<u>10,206</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		26	-
Purchase of property, plant and equipment		(1,373)	(2,383)
Purchase of intangible assets		(1,675)	(820)
Net cash flows used in investing activities		<u>(3,022)</u>	<u>(3,203)</u>
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		3,139	7,003
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		10,682	3,679
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR		<u>13,821</u>	<u>10,682</u>
Cash and cash equivalents consist of:			
Cash and bank balances		13,821	10,682
		<u>13,821</u>	<u>10,682</u>

The accompanying notes are an integral part of these financial statements.

MAA TAKAFUL BERHAD

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

1 PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is engaged principally in the underwriting of Family Takaful including Investment-linked business and all classes of General Takaful business. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Company are located at:

Registered office

Suite 12.03, 12th Floor
No. 566, Jalan Ipoh
51200 Kuala Lumpur

Principal place of business

8th Floor, No. 566 Jalan Ipoh
51200 Kuala Lumpur

The holding company and the company regarded by the Directors as the ultimate holding company is MAA Group Berhad, a company incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 31 March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

(a) Basis of preparation

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and comply with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

In preparing the Company-level financial statements as a whole, the assets, liabilities, income and expenses of the Takaful funds are combined with those of the Takaful Operator whereby the related inter-fund balances, including Qardhul Hassan, and transactions are eliminated in full.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

The inclusion of separate financial information of the Takaful funds and the Takaful Operator together with the Company-level financial statements in the statement of financial position, the statements of income and comprehensive income as well as certain relevant notes to the financial statements represents additional supplementary information presented in accordance with the requirements of BNM pursuant to the Islamic Financial Services Act, 2013 in Malaysia to separate assets, liabilities, income and expenses of the Takaful funds from its own. The accounting policies adopted for the Takaful Operator and Takaful funds are uniform for like transactions and events in similar circumstances.

The preparation of financial statements in conformity with the MFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the financial year. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

Furthermore, assets and financial liabilities are offset and the net amount approved in the statement of financial position only where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to release the assets and settle the liability simultaneously. Income and expense will not be offset in the income statement unless required to or permitted by an accounting standard or interpretation as specifically described in the accounting policies of the Company.

The preparation of financial statements in conformity of MFRS requires the use of terminology under relevant standards. The use of key terms such as "insurance", "reinsurance" in the financial statements refers to Shariah compliant Takaful or Islamic insurance transactions, assets or liabilities.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standards, amendments to published standards and interpretations to existing standards that are applicable and effective to the Company

The new accounting standards, amendments to published standards and interpretations that are applicable and effective for the Company's current financial year beginning on 1 January 2014 are as follows:

- Amendment to MFRS 132 'Offsetting Financial Assets and Financial Liabilities'.
- Amendment to MFRS 136 'Recoverable Amount Disclosures for Non-Financial Assets'.
- Amendments to MFRS 139 'Novation of Derivatives and Continuation of Hedge Accounting'.
- Amendments to MFRS 10, MFRS 12 and MFRS 127 'Investment Entities'.
- IC Interpretation 21, 'Levies'.

Other than enhanced disclosures to the financial statements, there was no significant impact from the application of the above accounting standards, amendments to published standards and interpretations to existing standards.

(i) Effective from financial year beginning on or after 1 January 2015

- Annual Improvement to MFRSs 2010-2012 Cycle (Amendments to MFRS 2 Share-based Payment, MFRS 3 Business Combinations, MFRS 8 Operating Segments, MFRS 13 Fair Value Measurement, MFRS 116 Property, Plant and Equipment, MFRS 124 Related Party Disclosures and MFRS 138 Intangible Assets)
- Annual Improvements to MFRSs 2011-2013 Cycle (Amendments to MFRS 1 First Time Adoption of Financial Reporting Standards, MFRS 3 Business Combinations, MFRS 13 Fair Value Measurement and MFRS 140 Investment Property)
- Amendments to MFRS 119 Defined Benefits Plans : Employee Contributions

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Effective from financial year beginning on or after 1 January 2016

- MFRS 14 Regulatory Deferral Accounts
- Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations.
- Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141 Agriculture : Bearer Plants
- Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investment in associates and joint ventures – Sale or contribution of assets between an investor and its associates/ joint ventures
- Amendments to MFRS 127 Separate Financial Statements – Equity accounting in separate financial statements
- Annual Improvements to MFRSs 2012-2014 Cycle (Amendments to MFRS 5 Non-current Assets Held for sale and Discontinued Operations, MFRS 7 Financial Instruments : Disclosures, MFRS 119 Employee Benefits and MFRS 134 Interim Financial Reporting)

(iii) Effective for financial year beginning on or after 1 January 2017

- MFRS 15 Revenue

(iv) Effective for financial year beginning on or after 1 January 2018

- MFRS 9 Financial Instruments

None of the standards listed above were expected to have a significant effect on the financial statements of the Company upon initial application, except for MFRS 9. The Company has yet to assess the full impact of MFRS 9 onto the Company's accounting policies. The Company will also consider the impact of the remaining phases of MFRS 9 when completed by the MASB.

All other new amendments to the published standards and interpretations to existing standards issued by the MASB effective for financial periods subsequent to 1 January 2014 are not relevant to the Company.

(b) Functional and presentation currency

The financial statement is presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial statement presented in RM has been rounded to the nearest thousand, unless otherwise stated.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONTINUED)**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(c) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Subsequent cost is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

The residual values and useful life of assets are reviewed and adjusted if appropriate at each date of the statement of financial position. Depreciation of property, plant and equipment is provided so as to allocate the cost of each asset on a straight line basis over the estimated useful life of the assets. The annual depreciation rates are as follows:

Computer equipment	20%
Furniture and fittings	10%
Motor vehicles	10%
Office equipment	10%
Renovation	10%

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. (See accounting policy Note 2(h) to the financial statements on impairment of non-financial assets.)

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged to the income statement.

(d) Intangible asset**Computer software**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable software systems controlled by the Company, which do not form an integral part of the hardware, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Computer software development costs recognised as assets are amortised using straight line method over their estimated useful lives, not exceeding a period of 5 years.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(e) Investments and other financial assets**

The Company classifies its investments and other financial assets into the following categories: financial assets measured at fair value through profit or loss, held-to-maturity, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investment at initial recognition.

(i) Financial assets measured at fair value through profit or loss ("FVTPL")

The Company classifies assets acquired for the purpose of selling in the short-term as held-for-trading or it is part of a portfolio of identified investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Investments held by investment-linked funds are designated as FVTPL at inception as they are managed and evaluated on a fair value basis, in accordance with the respective investment strategy and mandate.

Financial assets classified as FVTPL are initially recorded at fair value. Subsequent to initial recognition, these financial assets are remeasured at fair value and any gain or loss arising from the change in fair values is recognised in the income statement. Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost.

(ii) Held-to-maturity ("HTM")

Held-to-maturity investments are debt instruments with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity.

Financial assets classified as held-to-maturity are initially recognised at fair value. After initial recognition, these financial assets are subsequently measured at amortised cost using the effective interest method, less impaired loss. A gain or loss is recognised in the income statement when the asset is derecognised or impaired.

(iii) Loans and receivables ("LAR")

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at fair value. All transaction costs directly attributable to the acquisition are also included in the cost of the financial asset. After initial measurement, loans and receivables are measured at amortised cost, using the effective yield method, less provision for impairment loss.

Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investments and other financial assets (continued)

(iv) Available-for-sale ("AFS") financial assets

AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other assets categories. These assets are initially recognised at fair value. After initial measurement AFS financial assets are remeasured at fair value.

Fair value gains and losses of monetary and non-monetary financial assets are reported in the statement of comprehensive income and reported as a separate component of equity until the asset is derecognised or asset is determined to be impaired, except for the General Takaful and Family Takaful funds, where such fair value gains or losses are reported as a separate component of Takaful contract liabilities. Fair value gains and losses of monetary instruments denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost of the instrument and the changes in the carrying amount of the instrument. The translation differences on monetary instruments are recognised in income statement, translation differences on non-monetary instruments are reported in the statement of comprehensive income and shown as a separate component of equity except for the General Takaful and Family Takaful funds, where such fair value gains or losses are reported as a separate component of Takaful contract liabilities until the asset is derecognised.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity are transferred through the statement of comprehensive income or from Takaful contract liabilities to the income statement.

(f) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted or published bid prices on the date of the statement of financial position.

For investments in unit and real estate investment trusts, fair value is determined by reference to published bid values.

For financial instruments where there is not an active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Fair value of financial instruments (continued)

The fair value of floating rate, over-night and time deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placement and accrued profit. The fair value of fixed yield-bearing deposits is measured using estimated discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the date of the statement of financial position.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

The carrying amounts of financial assets and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values. Fair value measurements are classified using a fair value hierarchy based on the observability of the inputs used in the fair value measurement. The levels of the fair value hierarchy are defined as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 inputs are market based inputs that are directly or indirectly observable, but not considered level 1 quoted prices. Level 2 inputs consist of (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets; (iii) inputs other than quoted prices that are observable and (iv) inputs derived from, or corroborated by, observable market data.

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services but where prices have not been determined in an active market, instruments with fair values based on broker quotes and discounted cash flow and investment in structured products with fair values obtained via investment bankers and/or fund managers are considered as Level 2 valuation basis.

Level 3 inputs are unobservable inputs which reflect the Company's own assumptions about market pricing using the best internal and external information available. Fair values are determined in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. There are no level 3 valued financial investments held by the Company during the current financial year.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets

The Company assesses at each date of the statement of financial position whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective profit rate/yield. The carrying amount of the asset is reduced through the use of an allowance account and the impairment loss is recorded in the income statement.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each date of the statement of financial position.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets (continued)

(ii) AFS financial assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity through the statement of comprehensive income or from Takaful contract liabilities to the income statement. Reversals in respect of equity instruments classified as AFS are not recognised in the income statement. Reversals of impairment losses on debt instruments classified as AFS are reversed through the income statement if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the income statement.

(h) Impairment of non-financial assets

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net realisable value and the value in use, which is measured by reference to discounted cash flows. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit.

An impairment loss is charged to the income statement immediately.

A subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

(i) Takaful receivables

Takaful receivables are recognised when due. They are measured at initial recognition at the fair value. Subsequent to initial recognition, Takaful receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that the Takaful receivables are impaired, the Company reduces the carrying amount of the Takaful receivables accordingly and recognises that impairment loss in the income statement. The Company gathers the objective evidence that Takaful receivables are impaired using the procedures adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2(g) to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits

Short term employee benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits, which are short-term employee benefits, are accrued in the financial year in which the associated services are rendered by employees of the Company.

Post employment benefits

The Company has post-employment benefit schemes for eligible employees, which are defined contribution plans.

The Company's contributions to defined contribution plans, including the Employees' Provident Fund, are charged to the income statement in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

(k) Product classification

The Company issues contracts that transfer Takaful risk or financial risk or both.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Takaful risk is the risk other than financial risk.

Takaful contracts are those contracts that transfer significant Takaful risk. A Takaful contract is a contract under which the Company (the insurer) has accepted significant Takaful risk from another party (the participants) by agreeing to compensate the participants if a specified uncertain future event (the insured event) adversely affects the participants. As a general guideline, the Company determines whether it has significant Takaful risk by comparing benefits paid with benefits payable if the Takaful event did not occur. Investment contracts are those contracts that do not transfer significant Takaful risk.

Once a contract has been classified as a Takaful contract, it remains a Takaful contract for the remainder of its life-time, even if the Takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as Takaful contracts after inception if Takaful risk becomes significant.

When Takaful contracts contain both a financial risk component and a significant Takaful risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any contributions relating to the Takaful risk component are accounted for on the same bases as Takaful contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Product classification (continued)

The Company defines Takaful risk to be significant when the ratio of the Takaful risk over the deposit component is not less than 110% of the deposit component at any point of the Takaful contract in force. Based on this definition, all Takaful contracts issued by the Company met the definition of Takaful contracts as at the date of this statement of financial position.

(l) Retakaful

The Company cedes Takaful risk in the normal course of business for most of its businesses. Retakaful assets represent balances due from retakaful companies. Amounts recoverable from retakaful operators are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related retakaful contracts.

Ceded retakaful arrangements do not relieve the Company from its obligations to participants. Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

Retakaful assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the retakaful asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the retakaful operators. The impairment loss is recorded in the income statement.

Gains or losses on buying retakaful are recognised in the income statement immediately at the date of purchase and are not amortised.

The Company also assumes retakaful risk in the normal course of business for Family Takaful and General Takaful contracts when applicable. Contribution and claims on assumed retakaful are recognised as revenue or expenses in the same manner as they would be if the retakaful were considered direct business, taking into account the product classification of the retakaful business. Retakaful liabilities represent balances due to retakaful companies. Amounts payable are estimated in a manner consistent with the related retakaful contract. Retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Retakaful contracts that do not transfer significant Takaful risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicitly identified contribution or fees to be retained by the retakaful operator. Investment income on these contracts is accounted for using the effective yield method when accrued.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) General Takaful underwriting results

The General Takaful fund is maintained in accordance with the requirements of the Islamic Financial Services Act, 2013 and consists of unearned contribution reserves and accumulated surplus attributable to participants which represents the participants' share in the net surplus of the General Takaful fund distributable in accordance with the terms and conditions prescribed by the Shariah Committee of the Company. The General Takaful underwriting results are determined for each class of General Takaful business after taking into account retakaful, wakalah fee, unearned contributions and claims incurred.

Any deficit in the General takaful fund will be made good via a benevolent loan or Qardhul Hassan from the Takaful Operator.

Contribution income

Contribution income is recognised in a financial year in respect of risks assumed during that particular year. Contributions from direct business are recognised during the financial year upon the issuance of Takaful certificates. Contributions in respect of risks incepted for which Takaful certificates have not been raised as of the date of the statement of financial position are accrued at that date.

Outward retakaful contributions are recognised in the same accounting period as the original certificate to which the retakaful relates.

Unearned contribution reserves

Unearned contribution reserves ("UCR") represent the portion of the net contributions of Takaful certificates written that relate to the unexpired periods of the certificates at the end of the financial year.

In determining the UCR at the date of the statement of financial position, the method that most accurately reflects the actual unearned contribution is used, as follows:

- 1/365th method for all classes of General Takaful business within Malaysia; and
- Time apportionment method for non-annual certificates and first year annual certificates coverage period of more than one year

with a further reduction for Wakalah fee expenses to reflect the Wakalah business principle.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(m) General Takaful underwriting results (continued)**Provision for outstanding claims

A liability for outstanding claims is recognised in respect of both direct Takaful and inward retakaful. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the date of the statement of financial position.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported ("IBNR") at the date of the statement of financial position, based on an actuarial valuation by an independent qualified actuary.

Commission and agency expenses

Commission and agency expenses which are costs directly incurred in securing contributions on Takaful certificates, net of commission income derived from retakaful in the course of ceding of contributions, are charged to the income statement of the General Takaful business as part of Wakalah fees payable to the Takaful Operator (see Note 2(r) to the financial statements) in the financial year in which they are incurred.

Deficits/accumulated deficits

Deficits reported by the General Takaful fund during the financial year are reported as a loss in the income statement of the General Takaful fund to the extent that there are no unallocated surplus balances residing within the General Takaful contract liabilities. Accordingly, accumulated deficits and available-for-sale reserve attributable to Takaful Operator are treated as an equity in the financial statements of the Company.

(n) Family Takaful underwriting results

The Family Takaful fund is maintained in accordance with the requirements of the Islamic Financial Services Act, 2013 and includes the amount attributable to participants. The amount attributable to participants represents the accumulated surplus attributable to the participants as determined by an annual actuarial valuation of the Family Takaful fund and is attributable in accordance with the terms and conditions prescribed by the Shariah Committee of the Company.

Any actuarial deficit in the Family Takaful fund will be made good via a benevolent loan or Qardhul Hassan from the Takaful Operator.

Contribution income

Contribution income represents contribution recognised in the Family Takaful and Investment-linked funds.

Contribution income from the Family Takaful fund is recognised as soon as the amount can be reliably measured. First contribution is recognised from inception date and subsequent contribution is recognised when it is due. At the end of the financial year, all contributions are accounted for to the extent that they can be reliably measured.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Family Takaful underwriting results (continued)

Contribution income (continued)

Outward retakaful contributions are recognised in the same accounting periods as the original certificates to which the retakaful relates.

Contribution income of the Investment-linked fund includes net creation of units, which represent contributions paid by participants as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on receipt basis.

Provision for outstanding claims

Claims and settlement costs that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer is notified.

Recoveries on retakaful claims are accounted for in the same financial year as the original claims are recognised.

Claims and provisions for claims arising on Family Takaful certificates including settlement costs, less retakaful recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under a Family Takaful certificate are recognised as follows:

- (i) maturity or other certificate benefit payments due on specified dates are treated as claims payable on the due dates;
- (ii) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

Deficits/accumulated deficits

Deficits reported by the Family Takaful fund during the financial year are reported as a loss in the income statement of the Family Takaful fund to the extent that there are no unallocated surplus balances residing within the Family Takaful contract liabilities. Accordingly, accumulated deficits and available-for-sale reserve attributable to Takaful Operator are treated as an equity in the statement of financial position of the Company.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Takaful contract liabilities

Family Takaful contract liabilities

Family Takaful contract liabilities are recognised when contracts are entered into and contributions are charged.

A liability adequacy test is performed at 75 percentile confidence level, in line with BNM's valuation guidelines on Family Takaful business and the requirements of MFRS 4 Insurance Contract. Hence, claim rates, surrender assumptions and other valuation parameters are determined at a 75 percentile confidence level.

For Investment-linked products, the non-unit liabilities were valued on a cash flow basis by projecting tabarru' (risk charges) stream on a certificate basis, taking into account expected death and surrenders as decrements. The tabarru' streams were then compared against the corresponding projected mortality and other risk benefits. Future deficits were reserved on a present value basis, using the risk free spot rates of return. The higher of the UCR and total present value of deficits was taken as the actuarial liability. The value of Participant Investment Account ("PIA") is taken as the unit reserves.

In the case of yearly renewable term products with no savings elements, the liability for such Family Takaful certificate comprises the provision for unearned contributions and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the operator. Where the portfolio demonstrates deteriorating experience, a deficiency reserve is set up as an additional reserve.

For long-term term products with implicit guarantees, the liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of present value of future benefits less the present value of future contributions, discounted at the appropriate risk discount rate.

Expense reserve in the Shareholder's fund is determined by taking the present value of future deficits, discounted at appropriate spot rates. Future deficits are defined as the excess of future expense stream over future income cash flows, in aggregate basis.

The liability is derecognised when the contract expires, is discharged or is cancelled.

General Takaful contract liabilities

General Takaful contract liabilities are recognised when contracts are entered into and contributions are charged.

These liabilities comprise outstanding claims provisions and reserves for unearned contributions.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Takaful contract liabilities (continued)

General Takaful contract liabilities (continued)

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the date of the statement of financial position, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the date of the statement of financial position. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

Unearned contributions reserves represents contributions received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as contribution income.

At each reporting date, the Company reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking into account of the investment return expected to arise on assets relating to the relevant general technical provisions. If these estimates show that the carrying amount of the unearned contributions is inadequate, the deficiency is recognised in the income statement by setting up a provision for liability adequacy.

(p) Takaful Operator's expense liabilities

The expense liabilities of the Takaful Operator consist of expense liabilities of the General and Family Takaful funds which are based on estimations performed by a qualified actuary. The expense liabilities are released over the term of the Takaful certificate and recognised in the income statement.

(q) Measurement and impairment of Qardhul Hassan

Any deficit in the Takaful risk fund will be made good via a benevolent loan, or Qardhul Hassan, granted by the Takaful Operator to the Takaful funds. Qardhul Hassan shall be repaid from future surplus of the Takaful funds.

Qardhul Hassan is accounted for as receivable and payable in the financial statements of the Takaful Operator and Takaful funds respectively, and is stated at cost. At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. As write down is made if the carrying amount exceeds the recoverable amount, as set out in Note 2(g) to the financial statements on impairment of assets.

Qardhul Hassan payable in the respective Takaful funds is stated at cost.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Management expenses, commission expenses and Wakalah fee

Acquisition costs, commissions and management expenses are borne by the Family Takaful and General Takaful funds respectively at an agreed percentage of the gross contribution, in accordance with the principles of Wakalah as approved by the Company's Shariah Committee and agreed between the participants and the Company, and are allocated to the Takaful Operator and recognised as income upon issuance of certificates.

(s) Other revenue recognition

Profit including the amount of amortisation of premium and accretion of discount is recognised on a time proportion basis that takes into account the effective yield of the asset.

Dividend income is recognised when the right to receive payment is established.

Gains or losses arising on disposal of investments are credited or charged to the income statement.

(t) Zakat

Zakat represents tithes payable by the Company to comply with Shariah principles and as approved by the Shariah Committee of the Company. Zakat provision is calculated on 2.5% of the profit before zakat and taxation of the Company for the financial year.

(u) Income taxes

Current tax expense is determined according to the tax laws of the jurisdiction in which the Company operates and includes all taxes based upon the taxable profits.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purpose and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is determined using the tax rate (and the tax law) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred tax asset is relieved or the deferred tax liability is settled.

(v) Dividends

Dividends are recognised as liabilities when the obligation to pay is established.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Contingent liabilities and contingent assets

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

(x) Provisions

Provisions are recognised when the Company has a present legal constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

(y) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances excluding fixed and call deposits.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(i) Valuation of General Takaful claims liabilities ("IBNR") reserves

The estimation of claims liabilities or equivalently, the ultimate claim liability arising from claims incurred under a Takaful contract, is the Company's most critical accounting estimate.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(i) Valuation of General Takaful claims liabilities ("IBNR") reserves (continued)

The Company engages an independent external actuary to perform the IBNR claims reserve estimation. The general approach taken in the actuarial estimation of outstanding claims is to analyse past experience with respect to the number of claims paid, number of claims open, the value of claims paid and value of claims outstanding. By using an appropriate set of assumptions, the actuary will select the future payment and reserving patterns of the outstanding claims in estimating the Ultimate Loss.

As the Company has been in operation for seven and half years, we have placed full credibility on the Company's own claims experience in estimating the claim liability on a Central Estimate basis.

The chain ladder method involves developing each accident year's claim amount to ultimate loss through the use of loss development factors selected from trends apparent in the historical data and market benchmarks.

When used alongside the Bornheutter Ferguson method, the loss development factors become a credibility weight between actual development and the expected loss taken from the previous valuation results or some other prior estimates.

The frequency / severity method is also utilised in calculating the ultimate loss in this analysis. The ultimate loss is calculated as the number of open claims multiplied by the selected open severity plus the paid amount to date, where both number of open claims and selected open severity are determined using the chain ladder method.

The IBNR amount is derived by subtracting the claims reported to date from the projected ultimate loss.

The Company holds the reserve at 75 percentile confidence level. This means the reserve will be sufficient in most but not all potential scenarios. To select the 75% risk margin the actuary runs a Stochastic chain ladder analysis. Ultimately the actuary is guided by the market average to select a risk margin that is appropriate given the Company's size and lines of business written.

The actual value of the future claim liability is dependent upon many factors such as changes in procedures for claims settlement, and social and economic inflation. This means there is an inherent uncertainty in the estimate of the ultimate claim liability. As such, any changes in the future claim environment may result in changes to the estimated claim liability.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(ii) Valuation of General Takaful contribution liabilities

The Company reviews its unexpired risks and runs a liability adequacy test to determine whether there is any excess of expected claims at 75 percentile confidence level and deferred acquisition costs over the unearned contribution at a fund level. If the estimated total unexpired risk reserve ("URR") is larger than the total UCR less related deferred acquisition costs, then the total deficiency will be recognised in the income statement by setting up a provision for liability adequacy.

(iii) Actuarial liabilities for Family Takaful fund

The Company engages an independent external appointed actuary to perform the actuarial liabilities computation for Family Takaful plans. All the products are valued in such a manner that the overall liabilities secure at 75 percentile confidence level, as prescribed by BNM's valuation guidelines on Family Takaful business. The liabilities are set up based on the product type as follows:

- Investment-Linked Participant Risk Investment Account ("PRIA Investment-Linked")

This is the risk fund for investment-linked certificates including unit deducting riders. The Tabarru' rates are dripped from the Participant Investment Account ("PIA") into the risk fund on a monthly basis. The liabilities in this fund are calculated as the larger of Unearned Tabarru' Reserve ("UTR") and total present value of future deficits. The UTR is calculated by taking half of the monthly drip at the valuation date. The present value of future deficits using the risk free spot rates and claims assumptions are determined at 75 percentile confidence level.

In addition, IBNR claim is also reserved for Critical Illness and Medical riders. From the experience study, 2.5 months and 1 month average claims are assumed in calculating IBNR Critical Illness and Medical riders, respectively.

The Company also includes a provision for certificates the contributions of which have been waived. This is taken as the present value of future gross contributions to be waived throughout the term, discounted using risk free spot rates of returns.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(iii) Actuarial liabilities for Family Takaful fund (continued)

- Ordinary Life Participant Risk Investment Account ("PRIA Ordinary Life")

This fund consists of five products, CancerCare, SmartMedic, Medica2015, Term 80 and Takafulife Series.

CancerCare is a guaranteed renewable medical Takaful product with additional death benefit. The contribution reserve is calculated as 100% of unearned tabarru' using 1/24th method. For the death benefit, the reserve is calculated by taking the higher of UTR or Gross Premium Valuation ("GPV"), where GPV is using M9903 mortality table discounted at risk-free spot rates. In addition, 2.5 months of average claims are set aside for IBNR.

SmartMedic is an individual Hospital and Surgical product with guaranteed renewability up to age 80. It also provides an additional benefit, funeral expense, which is payable upon death due to all causes. The contribution reserve is calculated as a percentage of unearned medical tabarru'. The percentage is determined by analysing the product's loss ratio by certificate year. Reserve for funeral expense benefit is calculated as 100% of unearned funeral expense tabarru' using 1/24th method. An additional provision of 1 month of average claims is set aside for IBNR claims.

Medica2015 is another individual Hospital and Surgical product that comes with guaranteed renewability up to age 80. The product comes with additional benefits such as funeral expenses which is payable upon death due to all causes, no claim discount ("NCD") and second medical opinion. The tabarru' reserve set aside is for the unexpired risk with an additional IBNR claim.

The reserves for Takafulife Series and Term 80 products are calculated as the higher of UCR and total present value of future deficits, determined at certificate level, where the UCR is equal to half month tabarru' and the present value of future deficits determined using the risk free spot rates and claims assumptions at 75 percentile confidence level.

- Group Fund Risk Investment Account ("GFRIA")

Currently there are 4 Group products namely Group Term Takaful, Comprehensive Group Takaful Scheme, Group Mortgage Protection Plan, and Group Decreasing Term.

The net liability is calculated as the higher of UTR or URR, where UTR is calculated using the 1/24th method while URR is a percentage Loss Ratio of UTR. The reserve for Group Mortgage Protection Plan is based on GPV method, valued at the risk free spot rates of returns.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)**3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)****(a) Critical accounting estimates and assumptions (continued)****(iv) Valuation of Takaful Operator's fund expenses liabilities**

- Expense liabilities from Family Takaful products

The expense liability is calculated by discounting future deficits. Deficit is defined as the outgo minus income of the Takaful Operator's fund. Income comprises future wakalah fees, certificate fees, fund management fees and risk fund surplus after Qardhul Hassan repayments. The outgo comprises future renewal expenses, commissions and agency related expenses.

- Expense liabilities from General Takaful products

The expense liability is determined by selecting the higher of the unearned wakalah fee ("UWF") and the unearned expense reserve ("UER") with provision for adverse deviation at 75 percentile confidence level. The UER contains three components, namely claims handling expenses for the outstanding claims and IBNR, claims handling expenses for the unexpired risks and policy servicing costs on unearned contribution.

At subsequent reporting dates, these reserve estimates will be reassessed for adequacy and reasonableness and changes will be made accordingly.

(b) Critical judgment in applying the entity's accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where the choice of a specific policy could materially affect the reported results and financial position of the Company.

Significant judgment is required in determining the income and deferred taxes applicable to the Company's business as a Takaful Operator. There are transactions and calculations for which the ultimate tax determination is subject to agreement with the tax authorities. The Company recognises tax liabilities on anticipated issues based on the best estimate of the amount of taxes expected to be paid. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Company No.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

4 PROPERTY, PLANT AND EQUIPMENT

<u>Takaful Operator/Company</u>	<u>Computer equipment</u> RM'000	<u>Furniture and fittings</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Office equipment</u> RM'000	<u>Renovation</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>						
At 1 January 2013	4,660	6,111	397	2,993	1,979	16,140
Additions	941	595	-	523	324	2,383
Disposals	(4)	-	-	(24)	-	(28)
At 31 December 2013/1 January 2014	5,597	6,706	397	3,492	2,303	18,495
Additions	510	302	-	262	299	1,373
Disposals	(8)	(119)	-	(32)	-	(159)
At 31 December 2014	6,099	6,889	397	3,722	2,602	19,709

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Takaful Operator/Company</u>	<u>Computer equipment</u> RM'000	<u>Furniture and fittings</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Office equipment</u> RM'000	<u>Renovation</u> RM'000	<u>Total</u> RM'000
<u>Accumulated depreciation</u>						
At 1 January 2013	1,438	509	88	256	145	2,436
Depreciation charge for the financial year	1,085	687	40	356	223	2,391
Disposals for the financial year	(2)	-	-	(23)	-	(25)
At 31 December 2013/1 January 2014	2,521	1,196	128	589	368	4,802
Depreciation charge for the financial year	1,125	691	40	371	269	2,496
Disposals for the financial year	(5)	(35)	-	(6)	-	(46)
At 31 December 2014	3,641	1,852	168	954	637	7,252
<u>Net carrying amount</u>						
At 31 December 2013	3,076	5,510	269	2,903	1,935	13,693
At 31 December 2014	2,458	5,037	229	2,768	1,965	12,457

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

5 INTANGIBLE ASSETS

	<u>2014</u> RM'000	<u>2013</u> RM'000
<u>Takaful Operator/Company</u>		
Cost:		
At 1 January	9,642	8,822
Additions	1,675	820
At 31 December	<u>11,317</u>	<u>9,642</u>
Accumulated amortisation:		
At 1 January	6,891	5,755
Amortisation for the financial year	1,128	1,136
At 31 December	<u>8,019</u>	<u>6,891</u>
Net book value:		
At 31 December	<u><u>3,298</u></u>	<u><u>2,751</u></u>

The intangible assets consist mainly of development costs and costs that are directly associated with identifiable software systems controlled by the Company that do not form an integral part of the hardware, and that will generate economic benefits exceeding costs beyond one year.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

6 INVESTMENTS

	Takaful <u>Operator</u> RM'000	General Takaful <u>Fund</u> RM'000	Family Takaful <u>Fund</u> RM'000	<u>Company</u> RM'000
<u>At 31 December 2014</u>				
Malaysian Government Guaranteed financing	-	15,366	25,636	41,002
Islamic debt securities, unquoted	58,754	49,122	125,260	233,087
Shariah-approved quoted equities	1,846	-	227,413	221,582
Investment-linked units	9,487	-	-	9,487
Deposits with financial institutions	37,107	47,882	72,561	155,789
	<u>107,194</u>	<u>112,370</u>	<u>450,870</u>	<u>660,947</u>

At 31 December 2013

Malaysian Government Guaranteed financing	-	19,241	29,393	48,634
Islamic debt securities, unquoted	62,137	41,902	89,015	190,054
Shariah-approved quoted equities	5,828	-	208,951	209,059
Other investments	1,511	-	4,350	5,861
Investment-linked units	10,430	-	-	10,430
Deposits with financial institutions	15,905	20,276	35,552	70,023
	<u>95,811</u>	<u>81,419</u>	<u>367,261</u>	<u>534,061</u>

The Company's investments are summarised as follows:-

	Takaful <u>Operator</u> RM'000	General Takaful <u>Fund</u> RM'000	Family Takaful <u>Fund</u> RM'000	<u>Company</u> RM'000
<u>At 31 December 2014</u>				
Held-to-maturity ("HTM")	-	15,366	25,636	41,002
Loans and receivables ("LAR")	37,107	47,882	72,561	155,789
Available-for-sale ("AFS")	58,754	49,122	37,221	145,097
Fair value through profit or loss ("FVTPL")	11,333	-	315,452	319,059
	<u>107,194</u>	<u>112,370</u>	<u>450,870</u>	<u>660,947</u>

At 31 December 2013

Held-to-maturity ("HTM")	-	15,365	25,516	40,881
Loans and receivables ("LAR")	15,905	20,276	35,552	70,023
Available-for-sale ("AFS")	62,137	45,778	41,634	149,549
Fair value through profit or loss ("FVTPL")	17,769	-	264,559	273,608
	<u>95,811</u>	<u>81,419</u>	<u>367,261</u>	<u>534,061</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

6 INVESTMENTS (CONTINUED)

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
The following investments mature after 12 months:				
<u>At 31 December 2014</u>				
HTM	-	15,366	25,636	41,002
AFS	58,754	49,122	37,221	145,097
<u>At 31 December 2013</u>				
HTM	-	15,365	25,516	40,881
AFS	62,137	45,778	41,634	149,549
(a) HTM investments				
<u>At 31 December 2014</u>				
Amortised cost:				
Malaysian Government Guaranteed financing	-	15,366	25,636	41,002
Fair value:				
Malaysian Government Guaranteed financing	-	14,811	24,802	39,613
<u>At 31 December 2013</u>				
Amortised cost:				
Malaysian Government Guaranteed financing	-	15,365	25,516	40,881
Fair value:				
Malaysian Government Guaranteed financing	-	14,688	24,289	38,977

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

6 INVESTMENTS (CONTINUED)

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
(b) LAR				
<u>At 31 December 2014</u>				
Amortised cost:				
Fixed and call deposits with:				
Licensed financial institutions	37,107	47,882	72,561	155,789
<u>At 31 December 2013</u>				
Amortised cost:				
Fixed and call deposits with:				
Licensed financial institutions	15,905	20,276	35,552	70,023

As at 31 December 2014, the cash and cash equivalents in the LAR of RM2,333,000 (2013: RM999,000) have a maturity period of three to twelve months.

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
(c) AFS investments				
<u>At 31 December 2014</u>				
Fair value:				
Islamic debt securities, unquoted	58,754	49,122	37,221	145,097
	58,754	49,122	37,221	145,097
<u>At 31 December 2013</u>				
Fair value:				
Malaysian Government				
Guaranteed financing	-	3,876	3,877	7,753
Islamic debt securities, unquoted	62,137	41,902	37,757	141,796
	62,137	45,778	41,634	149,549

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

6 INVESTMENTS (CONTINUED)

	<u>Takaful Operator</u> RM'000	<u>General Takaful Fund</u> RM'000	<u>Family Takaful Fund</u> RM'000	<u>Company</u> RM'000
(d) FVTPL investments				
<u>At 31 December 2014</u>				
Fair value at designation:				
Shariah-approved quoted equities	1,846	-	227,413	221,582
Islamic debt securities, unquoted	-	-	88,039	87,990
Investment-linked units	9,487	-	-	9,487
	<u>11,333</u>	<u>-</u>	<u>315,452</u>	<u>319,059</u>
<u>At 31 December 2013</u>				
Fair value at designation:				
Shariah-approved quoted equities	5,828	-	208,951	209,059
Islamic debt securities, unquoted	-	-	51,258	48,258
Other investments	1,511	-	4,350	5,861
Investment-linked units	10,430	-	-	10,430
	<u>17,769</u>	<u>-</u>	<u>264,559</u>	<u>273,608</u>

(e) Carrying value of investments

(i) Takaful Operator

	<u>LAR</u> RM'000	<u>AES</u> RM'000	<u>FVTPL</u> RM'000	<u>Total</u> RM'000
At 1 January 2013	11,631	69,988	4,230	85,849
Purchases	4,226	31,616	15,843	51,685
Disposals including maturities and redemptions	-	(37,354)	(2,214)	(39,568)
Fair value loss recorded in:				
Income statement (Note 19)	-	-	(90)	(90)
Other comprehensive income	-	(2,310)	-	(2,310)
Movement in accrued profit	48	328	-	376
Amortisation adjustment (Note 17(a))	-	(131)	-	(131)
At 31 December 2013	15,905	62,137	17,769	95,811
Purchases	21,226	10,410	6,984	38,620
Disposals including maturities and redemptions	-	(13,301)	(11,787)	(25,088)
Fair value loss recorded in:				
Income statement (Note 19)	-	-	(1,647)	(1,647)
Other comprehensive income	-	4	-	4
Movement in accrued profit	(24)	(174)	14	(184)
Amortisation adjustment (Note 17(a))	-	(322)	-	(322)
At 31 December 2014	<u>37,107</u>	<u>58,754</u>	<u>11,333</u>	<u>107,194</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

6 INVESTMENTS (CONTINUED)

(e) Carrying value of investments (continued)

(ii) General Takaful fund

	<u>HTM</u> RM'000	<u>LAR</u> RM'000	<u>AFS</u> RM'000	<u>Total</u> RM'000
At 1 January 2013	15,366	10,050	46,596	72,012
Purchases	-	10,225	21,350	31,575
Disposals including maturities and redemptions	-	-	(21,166)	(21,166)
Fair value loss recorded in:				
Takaful contract liabilities (Note 10(b)(iii))	-	-	(1,218)	(1,218)
Movement in accrued profit	(1)	1	195	195
Accretion adjustment (Note 17(b))	-	-	21	21
At 31 December 2013	15,365	20,276	45,778	81,419
Purchases	-	27,565	8,005	35,570
Disposals including maturities and redemptions	-	-	(3,895)	(3,895)
Fair value loss recorded in:				
Takaful contract liabilities (Note 10(b)(iii))	-	-	(180)	(180)
Movement in accrued profit	1	41	(363)	(321)
Accretion adjustment (Note 17(b))	-	-	(223)	(223)
At 31 December 2014	15,366	47,882	49,122	112,370

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

6 INVESTMENTS (CONTINUED)

(e) Carrying value of investments (continued)

(iii) Family Takaful fund

	<u>HTM</u>	<u>LAR</u>	<u>AFS</u>	<u>FVTPL</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2013	20,468	49,096	38,119	217,850	325,533
Purchases	5,000	-	16,897	181,989	203,886
Disposals including maturities and redemptions	-	(13,532)	(11,877)	(145,259)	(170,668)
Fair value (loss)/gains recorded in:					
Income statement (Note 19)	-	-	-	9,807	9,807
Takaful contract liabilities (Note 10(a))	-	-	(1,472)	-	(1,472)
Movement in accrued profit (Amortisation)/accretion adjustment (Note 17(c))	49	(12)	(83)	234	188
	(1)	-	50	(62)	(13)
At 31 December 2013	25,516	35,552	41,634	264,559	367,261
Purchases	-	37,007	10,114	342,437	389,558
Disposals including maturities and redemptions	-	-	(14,396)	(263,929)	(278,325)
Fair value (loss)/gains recorded in:					
Income statement (Note 19)	-	-	-	(28,363)	(28,363)
Takaful contract liabilities (Note 10(a))	-	-	82	-	82
Movement in accrued profit (Amortisation)/accretion adjustment (Note 17(c))	121	2	(68)	681	736
	(1)	-	(145)	67	(79)
At 31 December 2014	25,636	72,561	37,221	315,452	450,870

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

6 INVESTMENTS (CONTINUED)

(e) Carrying value of investments (continued)

(iv) Company

	<u>HTM</u>	<u>LAR</u>	<u>AFS</u>	<u>FVTPL</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2013	35,834	70,777	154,703	222,080	483,394
Purchases	5,000	14,451	69,863	197,832	287,146
Disposals including maturities and redemptions	-	(15,242)	(70,397)	(155,763)	(241,402)
Fair value (loss)/gains recorded in:					
Income statement (Note 19)	-	-	-	9,287	9,287
Takaful contract liabilities	-	-	(2,690)	-	(2,690)
Other comprehensive income	-	-	(2,310)	-	(2,310)
Movement in accrued profit	48	37	440	234	759
Amortisation adjustment (Note 17(d))	(1)	-	(60)	(62)	(123)
At 31 December 2013	40,881	70,023	149,549	273,608	534,061
Purchases	-	85,747	28,529	350,413	464,689
Disposals including maturities and redemptions	-	-	(31,592)	(275,714)	(307,306)
Fair value (loss)/gains recorded in:					
Income statement (Note 19)	-	-	-	(30,010)	(30,010)
Takaful contract liabilities	-	-	(98)	-	(98)
Other comprehensive income	-	-	4	-	4
Movement in accrued profit	122	19	(605)	695	231
Amortisation adjustment (Note 17(d))	(1)	-	(690)	67	(624)
At 31 December 2014	41,002	155,789	145,097	319,059	660,947

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

6 INVESTMENTS (CONTINUED)

(f) Fair value of investments

Recurring fair value measurements:

The following tables show the analysis of the different hierarchy of fair values for financial instruments recorded at fair value and financial instruments not measured at fair value but fair values are disclosed:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	RM'000	RM'000	RM'000
(i) <u>Takaful Operator</u>			
<u>At 31 December 2014</u>			
a) FVTPL investments			
Shariah-approved quoted equities	1,846	-	1,846
Investment-linked units	9,487	-	9,487
	<u>11,333</u>	<u>-</u>	<u>11,333</u>
b) AFS investments			
Islamic debt securities, unquoted	-	58,754	58,754
	<u>-</u>	<u>58,754</u>	<u>58,754</u>
<u>At 31 December 2013</u>			
a) FVTPL investments			
Shariah-approved quoted equities	5,828	-	5,828
Other investments	1,511	-	1,511
Investment-linked units	10,430	-	10,430
	<u>17,769</u>	<u>-</u>	<u>17,769</u>
b) AFS investments			
Islamic debt securities, unquoted	-	62,137	62,137
	<u>-</u>	<u>62,137</u>	<u>62,137</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

6 INVESTMENTS (CONTINUED)

(f) Fair value of investments (continued)

Recurring fair value measurements (continued):

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
(ii) <u>General Takaful fund</u>			
<u>At 31 December 2014</u>			
a) HTM investments			
Malaysian Government Guaranteed financing	-	14,811	14,811
	-	14,811	14,811
b) AFS investments			
Islamic debt securities, unquoted	-	49,122	49,122
	-	49,122	49,122
<u>At 31 December 2013</u>			
a) HTM investments			
Malaysian Government Guaranteed financing	-	14,688	14,688
	-	14,688	14,688
b) AFS investments			
Malaysian Government Guaranteed financing	-	3,876	3,876
Islamic debt securities, unquoted	-	41,902	41,902
	-	45,778	45,778

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

6 INVESTMENTS (CONTINUED)

(f) Fair value of investments (continued)

Recurring fair value measurements (continued):

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
(iii) <u>Family Takaful fund</u>			
<u>At 31 December 2014</u>			
a) HTM investments			
Malaysian Government Guaranteed financing	-	24,802	24,802
	-	24,802	24,802
b) FVTPL investments			
Islamic debt securities, unquoted	-	88,039	88,039
Shariah-approved quoted equities	227,413	-	227,413
	227,413	88,039	315,452
c) AFS investments			
Islamic debt securities, unquoted	-	37,221	37,221
	-	37,221	37,221
<u>At 31 December 2013</u>			
a) HTM investments			
Malaysian Government Guaranteed financing	-	24,289	24,289
	-	24,289	24,289
b) FVTPL investments			
Islamic debt securities, unquoted	-	51,258	51,258
Shariah-approved quoted equities	208,951	-	208,951
Other investments	4,350	-	4,350
	213,301	51,258	264,559
c) AFS investments			
Malaysian Government Guaranteed financing	-	3,877	3,877
Islamic debt securities, unquoted	-	37,757	37,757
	-	41,634	41,634

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

6 INVESTMENTS (CONTINUED)

(f) Fair value of investments (continued)

Recurring fair value measurements (continued):

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
(iv) <u>Company</u>			
<u>At 31 December 2014</u>			
a) HTM investments			
Malaysian Government Guaranteed financing	-	39,613	39,613
	-	39,613	39,613
b) FVTPL investments			
Islamic debt securities, unquoted	-	87,990	87,990
Shariah-approved quoted equities	221,582	-	221,582
Other investments	-	-	-
Investment-linked units	9,487	-	9,487
	231,069	87,990	319,059
c) AFS investments			
Islamic debt securities, unquoted	-	145,097	145,097
	-	145,097	145,097
<u>At 31 December 2013</u>			
a) HTM investments			
Malaysian Government Guaranteed financing	-	38,977	38,977
	-	38,977	38,977
b) FVTPL investments			
Islamic debt securities, unquoted	-	48,258	48,258
Shariah-approved quoted equities	209,059	-	209,059
Other investments	5,861	-	5,861
Investment-linked units	10,430	-	10,430
	225,350	48,258	273,608
c) AFS investments			
Malaysian Government Guaranteed financing	-	7,753	7,753
Islamic debt securities, unquoted	-	141,796	141,796
	-	149,549	149,549

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

7 TAKAFUL RECEIVABLES

	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>At 31 December 2014</u>			
Due contributions including agents/brokers and co-insurers	81,520	1,699	83,219
Due from retakaful and cedants	29,656	3,613	33,269
	111,176	5,312	116,488
Allowance for impairment	(13,357)	(2,638)	(15,995)
	97,819	2,674	100,493
Receivable within 12 months	97,819	2,674	100,493
<u>Offsetting financial assets and financial liabilities</u>			
Gross amounts of recognised financial assets	117,584	11,657	129,241
Less:			
Gross amounts of recognised financial liabilities set off in the statement of financial position	(6,408)	(6,345)	(12,753)
Net amounts of financial assets presented in the statement of financial position	111,176	5,312	116,488
<u>At 31 December 2013</u>			
Due contributions including agents/brokers and co-insurers	30,517	1,243	31,760
Due from retakaful and cedants	9,710	6,866	16,576
	40,227	8,109	48,336
Allowance for impairment	(2,287)	(1,833)	(4,120)
	37,940	6,276	44,216
Receivable within 12 months	37,940	6,276	44,216
<u>Offsetting financial assets and financial liabilities</u>			
Gross amounts of recognised financial assets	45,855	12,530	58,385
Less:			
Gross amounts of recognised financial liabilities set off in the statement of financial position	(5,628)	(4,421)	(10,049)
Net amounts of financial assets presented in the statement of financial position	40,227	8,109	48,336

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

7 TAKAFUL RECEIVABLES (CONTINUED)

There are no financial assets subjected to an enforceable master netting arrangement or similar agreement and financial instruments received as collateral, nor any cash collateral pledged or received as at 31 December 2014 (2013: nil).

Movement in allowance for impairment

	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
At 1 January 2013	819	-	819
Allowance during the financial year	1,468	1,833	3,301
At 31 December 2013	2,287	1,833	4,120
Allowance during the financial year	11,070	805	11,875
At 31 December 2014	13,357	2,638	15,995

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

8 RETAKAFUL ASSETS

	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
(a) <u>General Takaful fund</u>		
Retakaful of Takaful contracts (Note 10)	280,382	200,362
	<u>280,382</u>	<u>200,362</u>
(b) <u>Family Takaful fund</u>		
Retakaful of Takaful contracts (Note 10)	14,535	15,490
	<u>14,535</u>	<u>15,490</u>
(c) <u>Company</u>		
Retakaful of Takaful contracts (Note 10)	294,917	215,852
	<u>294,917</u>	<u>215,852</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

9 OTHER RECEIVABLES

	<u>Note</u>	<u>Takaful Operator</u> RM'000	<u>General Takaful Fund</u> RM'000	<u>Family Takaful Fund</u> RM'000	<u>Company</u> RM'000
<u>At 31 December 2014</u>					
Staff financing		190	-	-	190
Knock-for-knock ("KFK") claims recoverable		-	191	-	191
KFK claims recoverable at gross		-	208	-	208
Less: Allowance for impairment		-	(17)	-	(17)
Other receivables, deposits and prepayments		2,823	3,823	1,295	7,941
		3,013	4,014	1,295	8,322
<u>Inter-fund balances</u>					
Amount due from General Takaful fund	12	6,089	-	-	-
Certificate fees receivable from Family Takaful fund	12	1,091	-	-	-
Tharawat fees receivable from Family Takaful fund	12	1,208	-	-	-
Amount due from Takaful Operator	12	-	-	5,705	-
Surplus receivable from Family Takaful fund	12	11,000	-	-	-
		19,388	-	5,705	-
Total other receivables		22,401	4,014	7,000	8,322
Receivable within 12 months		22,401	4,014	7,000	8,322

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

9 OTHER RECEIVABLES (CONTINUED)

	<u>Note</u>	<u>Takaful Operator</u> RM'000	<u>General Takaful Fund</u> RM'000	<u>Family Takaful Fund</u> RM'000	<u>Company</u> RM'000
<u>At 31 December 2013</u>					
Staff financing		117	-	-	117
Knock-for-knock ("KFK") claims recoverable		-	407	-	407
KFK claims recoverable at gross		-	986	-	986
Less: Allowance for impairment		-	(579)	-	(579)
Other receivables, deposits and prepayments		2,670	-	1,769	4,439
		<u>2,787</u>	<u>407</u>	<u>1,769</u>	<u>4,963</u>
<u>Inter-fund balances</u>					
Amount due from General Takaful fund	12	6,067	-	-	-
Certificate fees receivable from Family Takaful fund	12	866	-	-	-
Tharawat fees receivable from Family Takaful fund	12	1,929	-	-	-
Amount due from Family Takaful fund	12	9,496	383	-	-
Surplus receivable from Family Takaful fund	12	7,250	-	-	-
		<u>25,608</u>	<u>383</u>	<u>-</u>	<u>-</u>
Total other receivables		<u>28,395</u>	<u>790</u>	<u>1,769</u>	<u>4,963</u>
Receivable within 12 months		<u>28,395</u>	<u>790</u>	<u>1,769</u>	<u>4,963</u>

The carrying amounts approximate their fair values as at the date of statement of financial position due to the relatively short-term maturity of these balances.

(a) Movement in allowance for impairment

	<u>Takaful Operator</u> RM'000	<u>General Takaful Fund</u> RM'000	<u>Family Takaful Fund</u> RM'000	<u>Company</u> RM'000
<u>2014</u>				
At 1 January	-	579	-	579
Recovery during the financial year	-	(562)	-	(562)
At 31 December	-	<u>17</u>	-	<u>17</u>
<u>2013</u>				
At 1 January	-	-	-	-
Allowance during the financial year	-	579	-	579
At 31 December	-	<u>579</u>	-	<u>579</u>

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10 TAKAFUL CONTRACT LIABILITIES

	2014			2013		
	<u>Gross</u>	<u>Re-Takaful</u>	<u>Net</u>	<u>Gross</u>	<u>Re-Takaful</u>	<u>Net</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family Takaful (Note 10(a))	455,467	(14,535)	440,932	362,592	(15,490)	347,102
General Takaful (Note 10(b))	366,291	(280,382)	85,909	254,065	(200,362)	53,703
Company	812,271	(294,917)	517,354	606,261	(215,852)	390,409

(a) Family Takaful

The Family Takaful contract liabilities and movements are further analysed as follows:-

	2014			2013		
	<u>Gross</u>	<u>Re-Takaful</u>	<u>Net</u>	<u>Gross</u>	<u>Re-Takaful</u>	<u>Net</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Certificateholders' liabilities	77,406	(11,703)	65,703	64,571	(13,648)	50,923
Net asset value attributable to unitholders	359,158	-	359,158	288,463	-	288,463
Actuarial liabilities	436,564	(11,703)	424,861	353,034	(13,648)	339,386
Unallocated surplus attributable to unitholders	4,330	-	4,330	4,823	-	4,823
Accumulated deficits of non-investment-linked funds	(11,348)	-	(11,348)	-	-	-
Qardhul Hassan	11,348	-	11,348	-	-	-
Claims liabilities	14,638	(2,832)	11,806	4,671	(1,842)	2,829
Available-for-sale fair value adjustment	-	-	-	-	-	-
- gross	(71)	-	(71)	85	-	85
- deferred tax	6	-	6	(21)	-	(21)
	(65)	-	(65)	64	-	64
	455,467	(14,535)	440,932	362,592	(15,490)	347,102
				<u>Gross</u>	<u>Re-Takaful</u>	<u>Net</u>
				RM'000	RM'000	RM'000
At 1 January 2013				309,971	(13,792)	296,179
Contribution received (Note 16(b))				268,162	(9,455)	258,707
Liabilities paid for death, maturities, surrender, benefit and claims (Note 20(b)(i),(ii))				(151,393)	10,286	(141,107)
Movement in claims liabilities				(2,145)	1,252	(893)
Experience variance on inforce Takaful certificates				11,811	(8,854)	2,957
Reserve on new policies				9,175	(2,108)	7,067
Miscellaneous				5,000	7,181	12,181
Fees deducted				(78,476)	-	(78,476)
Surplus distributed to Takaful Operator				(7,250)	-	(7,250)
Movement in available-for-sale fair value adjustment						
- gross fair value changes				(1,472)	-	(1,472)
- transfer to Income Statement upon disposal of available-for-sale financial assets (Note 18(c))				(972)	-	(972)
- deferred tax				181	-	181
				(2,263)	-	(2,263)
At 31 December 2013				362,592	(15,490)	347,102

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10 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful (continued)

	<u>Gross</u> RM'000	<u>Re-Takaful</u> RM'000	<u>Net</u> RM'000
At 1 January 2014	362,592	(15,490)	347,102
Contribution received (Note 16(b))	367,560	(5,754)	361,806
Liabilities paid for death, maturities, surrender, benefit and claims (Note 20(b)(i),(ii))	(192,031)	5,391	(186,640)
Movement in claims liabilities	(9,967)	990	(8,977)
Experience variance on inforce Takaful certificates	(506)	(52)	(558)
Reserve on new policies	2,302	(585)	1,717
Miscellaneous	7,104	965	8,069
Fees deducted	(81,806)	-	(81,806)
Surplus distributed to Takaful Operator Qardhul Hassan	(11,000)	-	(11,000)
	11,348	-	11,348
Movement in available-for-sale fair value adjustment			
- gross fair value changes	82	-	82
- transfer to Income Statement upon disposal of available-for-sale financial assets (Note 18(c))	(238)	-	(238)
- deferred tax	27	-	27
	(129)	-	(129)
At 31 December 2014	<u>455,467</u>	<u>(14,535)</u>	<u>440,932</u>

(b) General Takaful

The General Takaful contract liabilities and movements are further analysed as follows:

	2014			2013		
	<u>Gross</u> RM'000	<u>Re-Takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re-Takaful</u> RM'000	<u>Net</u> RM'000
Provision for claims	151,965	(125,385)	26,580	100,097	(80,349)	19,748
Provision for IBNR	71,456	(55,278)	16,178	43,678	(33,778)	9,900
Provision for adverse deviation	23,818	(20,050)	3,768	16,261	(13,370)	2,891
Claim liabilities (i)	247,239	(200,713)	46,526	160,036	(127,497)	32,539
Unearned contribution reserves (ii)	119,279	(79,669)	39,610	94,104	(72,865)	21,239
Available-for-sale reserves (iii)	(227)	-	(227)	(140)	-	(140)
Unallocated surplus (iv)	-	-	-	65	-	65
	<u>366,291</u>	<u>(280,382)</u>	<u>85,909</u>	<u>254,065</u>	<u>(200,362)</u>	<u>53,703</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

10 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful (continued)

	2014			2013		
	Gross RM'000	Re- Takaful RM'000	Net RM'000	Gross RM'000	Re- Takaful RM'000	Net RM'000
(i) Claims liabilities						
At 1 January	160,036	(127,497)	32,539	108,600	(84,140)	24,460
Claims incurred in the current accident year	180,401	(142,510)	37,891	122,510	(94,354)	28,156
Other movements in claims incurred in prior accident years	(14,624)	11,052	(3,572)	(8,474)	6,649	(1,825)
Claims paid during the financial year (Note 20(a)(i),(ii))	(86,131)	64,922	(21,209)	(67,140)	48,210	(18,930)
Movements in provision for adverse deviation	7,557	(6,680)	877	4,540	(3,862)	678
At 31 December	247,239	(200,713)	46,526	160,036	(127,497)	32,539
(ii) Unearned contribution reserves						
At 1 January	94,104	(72,865)	21,239	62,575	(48,000)	14,575
Contribution written in the financial year (Note 16(a))	311,985	(225,886)	86,099	247,286	(195,990)	51,296
Contribution earned during the financial year	(286,810)	219,082	(67,728)	(215,757)	171,125	(44,632)
At 31 December	119,279	(79,669)	39,610	94,104	(72,865)	21,239
(iii) Available-for-sale reserves				Gross RM'000	Deferred tax RM'000	Net RM'000
2014						
At 1 January				(187)	47	(140)
Fair value movements arising from AFS investments				(180)	45	(135)
Derecognition upon disposal of AFS investments (Note 18(b))				64	(16)	48
				(116)	29	(87)
At 31 December				(303)	76	(227)
2013						
At 1 January				1,905	(476)	1,429
Fair value movements arising from AFS investments				(1,218)	305	(913)
Derecognition upon disposal of AFS investments (Note 18(b))				(874)	218	(656)
				(2,092)	523	(1,569)
At 31 December				(187)	47	(140)

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

10 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful (continued)

(iv) Unallocated surplus	<u>Gross</u> RM'000	<u>Re-Takaful</u> RM'000	<u>Net</u> RM'000
<u>2014</u>			
At 1 January	65	-	65
Surplus utilised	(65)	-	(65)
At 31 December	-	-	-
<u>2013</u>			
At 1 January	-	-	-
Surplus for the year	65	-	65
At 31 December	65	-	65

11 TAKAFUL PAYABLES

	<u>General</u> <u>Takaful</u> <u>Fund</u> RM'000	<u>Family</u> <u>Takaful</u> <u>Fund</u> RM'000	<u>Company</u> RM'000
<u>At 31 December 2014</u>			
Due to agents and intermediaries	40,884	-	40,884
Due to retakaful operators and cedants	77,769	6,308	84,077
	118,653	6,308	124,961
Deposits received from retakaful operators	473	-	473
	119,126	6,308	125,434
Payable within 12 months	119,126	6,308	125,434
<u>Offsetting financial assets and financial liabilities</u>			
Gross amounts of recognised financial liabilities	125,534	12,653	138,187
Less:			
Gross amounts of recognised financial assets set off in the statement of financial position	(6,408)	(6,345)	(12,753)
Net amounts of financial liabilities presented in the statement of financial position	119,126	6,308	125,434

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

11 TAKAFUL PAYABLES (CONTINUED)

	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>At 31 December 2013</u>			
Due to agents and intermediaries	12,031	-	12,031
Due to retakaful operators and cedants	37,770	2,445	40,215
	49,801	2,445	52,246
Deposits received from retakaful operators	1,047	-	1,047
	50,848	2,445	53,293
Payable within 12 months	50,848	2,445	53,293
<u>Offsetting financial assets and financial liabilities</u>			
Gross amounts of recognised financial liabilities	56,476	6,866	63,342
Less:			
Gross amounts of recognised financial assets set off in the statement of financial position	(5,628)	(4,421)	(10,049)
Net amounts of financial liabilities presented in the statement of financial position	50,848	2,445	53,293

There are no financial liabilities subjected to an enforceable master netting arrangement or similar agreement and financial instruments received as collateral, nor any cash collateral pledged or received as at 31 December 2014 (2013: nil).

The carrying amounts approximate the fair values as at the date of statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

12 OTHER PAYABLES

	<u>Note</u>	<u>Takaful Operator</u> RM'000	<u>General Takaful Fund</u> RM'000	<u>Family Takaful Fund</u> RM'000	<u>Company</u> RM'000
<u>At 31 December 2014</u>					
Amount due to a related company	24	30	-	-	30
Commission payable		8,669	-	-	8,669
Deposits contribution		-	-	6,337	6,337
Accruals for staff costs		2,319	-	-	2,319
Cash collateral		-	5,646	-	5,646
Other payables and accruals		10,410	2,603	2,645	15,658
		<u>21,428</u>	<u>8,249</u>	<u>8,982</u>	<u>38,659</u>
<u>Inter-fund balances</u>					
Amount due to Takaful Operator	9	-	6,089	-	-
Certificate fees payable to Takaful Operator	9	-	-	1,091	-
Tharawat fees payable to Takaful Operator	9	-	-	1,208	-
Surplus payable to Takaful Operator	9	-	-	11,000	-
Amount due to Family Takaful fund	9	5,705	-	-	-
		<u>5,705</u>	<u>6,089</u>	<u>13,299</u>	<u>-</u>
Total other payables		<u>27,133</u>	<u>14,338</u>	<u>22,281</u>	<u>38,659</u>
Payable within 12 months		<u>27,133</u>	<u>14,338</u>	<u>22,281</u>	<u>38,659</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

12 OTHER PAYABLES (CONTINUED)

	<u>Note</u>	<u>Takaful Operator</u> RM'000	<u>General Takaful Fund</u> RM'000	<u>Family Takaful Fund</u> RM'000	<u>Company</u> RM'000
<u>At 31 December 2013</u>					
Amount due to a related company	24	781	-	-	781
Commission payable		8,127	-	-	8,127
Deposits contribution		-	-	4,879	4,879
Provision for zakat		294	-	-	294
Accruals for staff costs		303	-	-	303
Cash collateral		-	5,613	-	5,613
Other payables and accruals		8,923	4,192	4,076	17,191
		<u>18,428</u>	<u>9,805</u>	<u>8,955</u>	<u>37,188</u>
<u>Inter-fund balances</u>					
Amount due to Takaful Operator	9	-	6,067	9,496	-
Certificate fees payable to Takaful Operator	9	-	-	866	-
Tharawat fees payable to Takaful Operator	9	-	-	1,929	-
Surplus payable to Takaful Operator	9	-	-	7,250	-
Amount due to General Takaful fund	9	-	-	383	-
		<u>-</u>	<u>6,067</u>	<u>19,924</u>	<u>-</u>
Total other payables		<u>18,428</u>	<u>15,872</u>	<u>28,879</u>	<u>37,188</u>
Payable within 12 months		<u>18,428</u>	<u>15,872</u>	<u>28,879</u>	<u>37,188</u>

The carrying amounts approximate their fair values as at the date of statement of financial position due to the relatively short-term maturity of these balances.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

13 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Investment- linked Fund RM'000	Company RM'000
<u>At 31 December 2014</u>					
Deferred tax liabilities/(asset)	3,702	(3,213)	(6)	(567)	(2,997)
Current	-	-	-	(567)	(567)
Non-current	3,702	(3,213)	(6)	-	(2,430)
	3,702	(3,213)	(6)	(567)	(2,997)
<u>At 31 December 2013</u>					
Deferred tax liabilities/(asset)	2,153	(47)	21	1,702	3,795
Current	-	-	-	1,702	1,702
Non-current	2,153	(47)	21	-	2,093
	2,153	(47)	21	1,702	3,795

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

13 DEFERRED TAXATION (CONTINUED)

	<u>Takaful Operator</u> RM'000	<u>General Takaful Fund</u> RM'000	<u>Family Takaful Fund</u> RM'000	<u>Investment- linked Fund</u> RM'000	<u>Company</u> RM'000
At 1 January 2013	3,496	476	202	1,224	5,398
Charged/(credited) to income statement:					
FVTPL investments	-	-	-	478	444
Property, plant and equipment	(58)	-	-	-	(58)
	(58)	-	-	478	386
Credited to other comprehensive income:					
AFS investments	(1,285)	-	-	-	(1,285)
Credited to Takaful contract liabilities:					
AFS investments (Note 10 (a), (b)(iii))	-	(523)	(181)	-	(704)
At 31 December 2013	2,153	(47)	21	1,702	3,795
Charged/(credited) to income statement:					
FVTPL investments	(3)	-	-	(2,269)	(2,272)
Property, plant and equipment	34	-	-	-	34
Allowance for impairment	-	(3,137)	-	-	(3,137)
Expense liabilities	(1,095)	-	-	-	(1,095)
Qardhul Hassan	2,776	-	-	-	-
Unutilised tax losses	-	-	-	-	(137)
	1,712	(3,137)	-	(2,269)	(6,607)
Credited to other comprehensive income:					
AFS investments	(163)	-	-	-	(163)
Credited to Takaful contract liabilities:					
AFS investments (Note 10 (a), (b)(iii))	-	(29)	(27)	-	(56)
At 31 December 2014	3,702	(3,213)	(6)	(567)	(2,997)

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

13 DEFERRED TAXATION (CONTINUED)

The composition of deferred tax (assets)/ liabilities before and after appropriate offsetting, is as follows:

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Investment- linked Fund RM'000	Company RM'000
2014					
<u>Subject to income tax:</u>					
<u>Deferred tax assets:</u> (before offsetting)					
- Allowance for impairment	-	3,137	-	-	3,137
- FVTPL investments	3	-	-	567	570
- AFS investments	64	76	6	-	146
- Expense liabilities	1,095	-	-	-	1,095
- Unutilised tax losses	-	-	-	-	137
	1,162	3,213	6	567	5,085
Offsetting	(1,162)	-	-	-	(1,162)
Deferred tax assets after offsetting	-	3,213	6	567	3,923
<u>Deferred tax liabilities:</u> (before offsetting)					
- Property, plant and equipment	2,088	-	-	-	2,088
- Qardhul Hassan	2,776	-	-	-	-
	4,864	-	-	-	2,088
Offsetting	(1,162)	-	-	-	(1,162)
Deferred tax liabilities after offsetting	3,702	-	-	-	926
2013					
<u>Subject to income tax:</u>					
<u>Deferred tax assets:</u> (before offsetting)					
- AFS investments	-	47	-	-	47
- FVTPL investments	-	-	-	19	19
	-	47	-	19	66
Offsetting	-	-	-	(19)	(19)
Deferred tax assets after offsetting	-	47	-	-	47
<u>Deferred tax liabilities:</u> (before offsetting)					
- FVTPL investments	-	-	-	1,721	1,721
- Property, plant and equipment	2,054	-	-	-	2,054
- AFS investments	99	-	21	-	120
	2,153	-	21	1,721	3,895
Offsetting	-	-	-	(19)	(19)
Deferred tax liabilities after offsetting	2,153	-	21	1,702	3,842

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14 SHARE CAPITAL

	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
<u>Authorised ordinary shares of RM1 each:</u>		
At beginning and end of financial year	<u>150,000</u>	<u>150,000</u>
<u>Issued and fully paid ordinary shares of RM1 each:</u>		
At beginning and end of financial year	<u>100,000</u>	<u>100,000</u>

15 RESERVES

(a) Retained earnings

The retained earnings represent the amount available for dividend distribution to the equity shareholders of the Company.

Pursuant to the single tier system, any dividends by the Company from distributable retained earnings will be exempted from tax in the hand of shareholders. The Company shall not be required to deduct tax on dividend paid, credited or distributed to shareholders.

The Company may distribute single tier exempt dividend to its shareholders out of its retained earnings. Pursuant to Section 60(1) of the Islamic Financial Services Act, 2013 ("IFSA"), the Company is required to obtain Bank Negara Malaysia's ("BNM") written approval prior to declaring or paying any dividend with effect from financial year beginning 1 January 2014. Pursuant to the Risk Based Capital Framework for Takaful Operators, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

(b) Available-for-sale

The fair value reserves in the Company-level financial statements represent the fair value gains or losses from available-for-sale financial investments of the Takaful Operator.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

16 NET EARNED CONTRIBUTION

(a) General Takaful fund

	2014	2013
	RM'000	RM'000
(i) Gross earned contributions		
Takaful contract (Note 10(b)(ii))	311,985	247,286
Change in unearned contribution reserves	(25,175)	(31,529)
	<u>286,810</u>	<u>215,757</u>
(ii) Contribution ceded to retakaful operators		
Takaful contract (Note 10(b)(ii))	(225,886)	(195,990)
Change in unearned contribution reserves	6,804	24,865
	<u>(219,082)</u>	<u>(171,125)</u>
Net earned contribution	<u>67,728</u>	<u>44,632</u>

(b) Family Takaful fund

(i) Gross earned contributions		
Takaful contract (Note 10(a))	367,560	268,162
(ii) Contribution ceded to retakaful operators		
Takaful contract (Note 10(a))	(5,754)	(9,455)
Net earned contribution	<u>361,806</u>	<u>258,707</u>

(c) Company

(i) Gross earned contributions		
Takaful contract	679,545	505,448
Change in unearned contribution reserves	(25,175)	(31,529)
	<u>654,370</u>	<u>473,919</u>
(ii) Contribution ceded to retakaful operators		
Takaful contract	(231,640)	(205,445)
Change in unearned contribution reserves	6,804	24,865
	<u>(224,836)</u>	<u>(180,580)</u>
Net earned contribution	<u>429,534</u>	<u>293,339</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

17 INVESTMENT INCOME

(a) Takaful Operator

	2014	2013
	RM'000	RM'000
FVTPL investments:		
- Dividend income	105	129
AFS investments:		
- Hibah/profit income	3,673	3,532
- Amortisation of premiums - net	(322)	(131)
LAR:		
- Hibah/profit income	406	354
	<u>3,862</u>	<u>3,884</u>

(b) General Takaful fund

HTM investments:		
- Hibah/profit income	604	662
AFS investments:		
- Hibah/profit income	2,390	1,827
- (Amortisation of premiums)/ accretion of discounts - net	(223)	21
LAR:		
- Hibah/profit income	1,069	536
	<u>3,840</u>	<u>3,046</u>

(c) Family Takaful fund

FVTPL investments:		
- Hibah/profit income	3,455	2,084
- Dividend income	5,782	5,677
- Accretion of discounts/ (amortisation of premiums) - net	67	(62)
HTM investments:		
- Hibah/profit income	1,161	982
- Amortisation of premiums - net	(1)	(1)
AFS investments:		
- Hibah/profit income	2,149	1,857
- (Amortisation of premiums)/ accretion of discounts - net	(145)	50
LAR:		
- Hibah/profit income	1,955	1,665
	<u>14,423</u>	<u>12,252</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

17 INVESTMENT INCOME (CONTINUED)

(d) Company

	2014 RM'000	2013 RM'000
FVTPL investments:		
- Hibah/profit income	3,455	2,084
- Dividend income	5,887	5,806
- Accretion of discounts/ (amortisation of premiums) - net	67	(62)
HTM investments:		
- Hibah/profit income	1,765	1,644
- Amortisation of premiums - net	(1)	(1)
AFS investments:		
- Hibah/profit income	8,212	7,216
- Amortisation of premiums - net	(690)	(60)
LAR:		
- Hibah/profit income	3,430	2,555
	<u>22,125</u>	<u>19,182</u>

18 REALISED GAINS/(LOSSES)

	2014 RM'000	2013 RM'000
(a) <u>Takaful Operator</u>		
AFS investments:		
Islamic debt securities	657	2,826
FVTPL investments:		
Equity securities	482	707
Loss on disposal of property, plant and equipment	(87)	(3)
	<u>1,052</u>	<u>3,530</u>
(b) <u>General Takaful fund</u>		
AFS investments:		
Islamic debt securities	(64)	874
(c) <u>Family Takaful fund</u>		
AFS investments:		
Islamic debt securities	238	972
FVTPL investments:		
Equity securities	21,140	14,793
	<u>21,378</u>	<u>15,765</u>

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18 REALISED GAINS/(LOSSES) (CONTINUED)

	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
(d) <u>Company</u>		
AFS investments:		
Islamic debt securities	831	4,672
FVTPL investments:		
Equity securities	21,622	15,500
Loss on disposal of property, plant and equipment	<u>(87)</u>	<u>(3)</u>
	<u>22,366</u>	<u>20,169</u>

19 FAIR VALUE (LOSSES)/GAINS

	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
FVTPL investments:		
Takaful Operator	(1,647)	(90)
Family Takaful fund	<u>(28,363)</u>	<u>9,807</u>
Company	<u>(30,010)</u>	<u>9,287</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

20 NET BENEFITS AND CLAIMS

	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
(a) <u>General Takaful fund</u>		
(i) Gross benefits and claims paid	(86,131)	(67,140)
(ii) Claims ceded to retakaful operators	64,922	48,210
(iii) Gross change in contract liabilities	(87,138)	(51,501)
(iv) Change in contract liabilities ceded to retakaful operators	<u>73,216</u>	<u>43,357</u>
Net claims	<u>(35,131)</u>	<u>(27,074)</u>
(b) <u>Family Takaful fund</u>		
(i) Gross benefits and claims paid	(192,031)	(151,393)
(ii) Claims ceded to retakaful operators	5,391	10,286
(iii) Gross change in contract liabilities	(84,026)	(52,739)
(iv) Change in contract liabilities ceded to retakaful operators	<u>(955)</u>	<u>446</u>
Net claims	<u>(271,621)</u>	<u>(193,400)</u>
(c) <u>Company</u>		
(i) Gross benefits and claims paid	(278,162)	(218,533)
(ii) Claims ceded to retakaful operators	70,313	58,496
(iii) Gross change in contract liabilities	(171,164)	(93,844)
(iv) Change in contract liabilities ceded to retakaful operators	<u>72,261</u>	<u>43,803</u>
Net claims	<u>(306,752)</u>	<u>(210,078)</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

21 MANAGEMENT EXPENSES

Takaful Operator

	2014	2013
	RM'000	RM'000
Staff salaries and bonus	28,315	22,694
Defined contribution plan	4,364	3,485
Other staff costs	1,873	1,114
	<u>34,552</u>	<u>27,293</u>
Auditors' remuneration		
- Statutory audit	340	221
- Audit related services	133	-
Non-executive Directors' remuneration:		
- fees	345	345
- other emoluments	227	217
Shariah committee remuneration:		
- fees	126	120
- other emoluments	28	28
Depreciation charge on property, plant and equipment	2,496	2,391
Amortisation of intangible assets	1,128	1,136
Office rental	2,062	2,288
Printing and stationery	1,738	1,861
Advertising and promotions	5,114	4,286
Postage and telephone	856	974
Professional fees	2,117	2,032
Agency training	3,583	3,125
Data processing	2,344	1,754
Repairs and maintenance	1,583	2,164
Motor vehicle expenses	907	834
Electricity charges	770	655
Bank and credit card charges	2,472	1,784
Other expenses	7,435	5,749
	<u>70,356</u>	<u>59,257</u>

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer ("CEO") of the Company during the financial year, as included in staff salaries and bonus, amounted to RM1,025,000 (2013: RM1,061,000).

Included in staff costs are the remuneration for key management personnel, which is disclosed in Note 24 to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

22 TAXATION

	<u>Takaful Operator</u> RM'000	<u>General Takaful Fund</u> RM'000	<u>Family Takaful Fund</u> RM'000	<u>Company</u> RM'000
2014				
Income tax:				
Current financial year	1,462	1,599	2,430	5,491
Under/(over) provision in prior financial year	964	(422)	17	559
	<u>2,426</u>	<u>1,177</u>	<u>2,447</u>	<u>6,050</u>
Deferred tax (Note 13)	1,712	(3,137)	(2,269)	(6,607)
Tax expenses/(income)	<u>4,138</u>	<u>(1,960)</u>	<u>178</u>	<u>(557)</u>

2013

Income tax:				
Current financial year	3,233	1,354	3,073	7,660
Overprovision in prior financial year	(131)	(102)	(680)	(913)
	<u>3,102</u>	<u>1,252</u>	<u>2,393</u>	<u>6,747</u>
Deferred tax (Note 13)	(58)	-	478	386
Tax expenses	<u>3,044</u>	<u>1,252</u>	<u>2,871</u>	<u>7,133</u>

The numerical reconciliation between statutory tax rate and the effective tax rate of the Company is as follows:

	<u>2014</u> RM'000	<u>2013</u> RM'000
(Loss)/profit before taxation attributable to Takaful Operator	(3,708)	13,047
Taxation at Malaysia statutory tax rate of 25% (2013: 25%)	(927)	3,262
Expenses not deductible for tax purposes	1,651	478
Income not subject to tax	-	(565)
Tax (income)/expense attributable to participants	(1,782)	4,089
Previously unrecognised deductible temporary differences	(463)	-
Under/(over) provision in prior financial year	964	(131)
Total tax (income)/ expenses	<u>(557)</u>	<u>7,133</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

23 CASH FLOWS

	2014	2013
	RM'000	RM'000
Net (loss)/profit for the financial year	(4,933)	10,003
Adjustment for:		
Investment income	(22,125)	(19,182)
Realised gains from disposal of FVTPL and AFS investments	(22,453)	(20,169)
Fair value losses/(gains)	30,010	(9,287)
Purchases of FVTPL investments	(350,413)	(197,832)
Proceeds from sale of FVTPL investments	297,336	162,973
Purchases of AFS investments	(28,529)	(69,863)
Proceeds from sale and maturity of AFS	32,423	70,397
Purchase of HTM investments	-	(5,000)
Non-cash items:		
Depreciation of property, plant and equipment	2,496	2,391
Loss on disposal of property, plant and equipment	87	3
Amortisation of intangible assets	1,128	1,136
Allowance for impairment	11,313	3,880
Tax expense attributable to Takaful Operator	1,225	3,044
Tax (income)/expense attributable to participants	(1,782)	4,089
Changes in working capital:		
Increase in LAR	(85,747)	(918)
Increase in retakaful assets	(79,065)	(69,920)
Increase in Takaful receivables	(68,152)	(17,767)
(Increase)/decrease in other receivables	(2,797)	1,984
Increase in Takaful contract liabilities	206,119	137,914
Increase in Takaful payables	72,141	13,620
Increase in other payables	977	189
Increase in expense liabilities	2,525	794
Cash (utilised in)/generated from operating activities	(8,216)	2,479

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

24 SIGNIFICANT RELATED PARTY DISCLOSURE

The Directors regards MAA Group Berhad ("MAAG") as the ultimate holding company of the Company.

The related parties of, and their relationship with the Company, are as follows:

<u>Name of Company</u>	<u>Country of incorporation</u>	<u>Relationship</u>
MAA Group Berhad	Malaysia	Ultimate holding company
MAA Corporation Sdn Bhd	Malaysia	Subsidiary of ultimate holding company
MAA Cards Sdn Bhd	Malaysia	Subsidiary of ultimate holding company
Trace Management Services Sdn Bhd	Malaysia	Company controlled by a person connected to a Director of MAAG

Significant related party transactions

The significant related party transactions during the financial year, which were carried out on agreed terms and conditions, are as follows:

	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
Transactions with MAA Group Berhad		
Management service fees	(102)	(69)
Infrastructure costs recovery	273	439
Transactions with MAA Corporation Sdn Bhd		
Office rental expenses	(253)	(312)
Property renovation service	(10)	(455)
Property maintenance service	(91)	(182)
Internal security service	(72)	(144)
Transactions with MAA Cards Sdn Bhd		
Debit card facilities	<u>(13)</u>	<u>-</u>
Other transactions with related parties:		
Trace Management Services Sdn Bhd		
- Company secretarial and professional fees	<u>(108)</u>	<u>(142)</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

24 SIGNIFICANT RELATED PARTY DISCLOSURE (CONTINUED)

Related party balances

Included in the statement of financial position of the Company are significant related party balances as shown below:

	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
MAA Group Berhad		
Other receivables	11	24
MAA Corporation Sdn Bhd		
Other payables	(30)	(781)
Trace Management Services Sdn Bhd		
Other payables	<u>(12)</u>	<u>(12)</u>

These related party balances are current, unsecured, non profit-bearing and payable within 12 months.

Key management personnel

Key management personnel received remuneration for services rendered during the financial year. The key management personnel of the Company comprised the Chief Executive Officer ("CEO"). The total compensation paid to the Company's key management personnel is as follows:

	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
Salaries and bonus	860	893
Defined contribution plan	134	137
Benefits-in-kind	<u>31</u>	<u>31</u>

There were no outstanding balances due from key management personnel.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

25 CAPITAL AND OTHER COMMITMENTS

Capital expenditure and other commitments not provided for in the financial statements are as follows:

	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
Authorised and contracted for:		
- Office rental	7,017	1,822
- Office renovation	298	637
	<u>7,315</u>	<u>2,459</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

26 TAKAFUL FUNDS

The Company's activities are organised by funds and segregated into the Family Takaful, General Takaful and Takaful Operator, in accordance with the Islamic Financial Services Act, 2013. The Company's statement of financial position and income statement have been further analysed by funds.

The Family Takaful business offers primary investment-linked products as well as group medical covers. The General Takaful business offers all General Takaful products, which include motor, fire, marine, aviation and transit ("MAT"), and miscellaneous products.

**STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 31 DECEMBER 2014**

	<u>Takaful Operator</u> RM'000	<u>General Takaful Fund</u> RM'000	<u>Family Takaful Fund</u> RM'000	<u>Investment- linked Fund</u> RM'000	<u>Company</u> RM'000
2014					
Assets:					
Property, plant and equipment	12,457	-	-	-	12,457
Intangible assets	3,298	-	-	-	3,298
Investments	107,194	112,370	93,914	356,956	660,947
Takaful receivables	-	97,819	2,674	-	100,493
Qardhul Hassan receivable	11,899	-	-	-	-
Retakaful assets	-	280,382	14,535	-	294,917
Other receivables	3,013	4,014	-	1,295	8,322
Tax recoverable	68	249	86	(67)	336
Deferred tax assets	-	3,213	6	567	3,923
Cash and bank balances	3,728	1,708	7,495	890	13,821
Total assets	141,657	499,755	118,710	359,641	1,098,514

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

26 TAKAFUL FUNDS (CONTINUED)

**STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 31 DECEMBER 2014 (CONTINUED)**

	<u>Takaful Operator</u> RM'000	<u>General Takaful Fund</u> RM'000	<u>Family Takaful Fund</u> RM'000	<u>Investment- linked Fund</u> RM'000	<u>Company</u> RM'000
Equity, participants' fund and liabilities:					
Total equity	125,832	(551)	(11,348)	-	116,846
Takaful contract liabilities	-	366,291	96,310	359,157	812,271
Takaful payables	-	119,126	6,308	-	125,434
Qard Payable	-	551	11,348	-	-
Other payables	21,428	8,249	7,770	1,212	38,659
Expense liabilities	4,378	-	-	-	4,378
Deferred tax liabilities	3,702	-	-	-	926
Total liabilities	29,508	494,217	121,736	360,369	981,668
Total equity, participants' fund and liabilities	155,340	493,666	110,388	360,369	1,098,514
Inter-fund balances	(13,683)	6,089	8,322	(728)	-

2013

Assets:

Property, plant and equipment	13,693	-	-	-	13,693
Intangible assets	2,751	-	-	-	2,751
Investments	95,811	81,419	75,334	291,927	534,061
Takaful receivables	-	37,940	6,276	-	44,216
Retakaful assets	-	200,362	15,490	-	215,852
Other receivables	2,787	407	397	1,372	4,963
Deferred tax assets	-	47	-	-	47
Cash and bank balances	4,358	400	2,876	3,048	10,682
Total assets	119,400	320,575	100,373	296,347	826,265

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

26 TAKAFUL FUNDS (CONTINUED)

**STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 31 DECEMBER 2013 (CONTINUED)**

	<u>Takaful Operator</u> RM'000	<u>General Takaful Fund</u> RM'000	<u>Family Takaful Fund</u> RM'000	<u>Investment- linked Fund</u> RM'000	<u>Company</u> RM'000
Equity, participants' fund and liabilities:					
Total equity	122,269	-	-	-	122,269
Takaful contract liabilities	-	254,065	74,129	288,463	606,261
Takaful payables	-	50,848	2,445	-	53,293
Other payables	18,428	9,805	5,324	3,631	37,188
Expense liabilities	1,853	-	-	-	1,853
Current tax liabilities	305	173	43	1,038	1,559
Deferred tax liabilities	2,153	-	21	1,702	3,842
Total liabilities	22,739	314,891	81,962	294,834	703,996
Total equity, participants' fund and liabilities	145,008	314,891	81,962	294,834	826,265
Inter-fund balances	(25,608)	5,684	18,411	1,513	-

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

26 TAKAFUL FUNDS (CONTINUED)

INCOME STATEMENT BY FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Investment- linked Fund RM'000	Elimination RM'000	Company RM'000
2014						
Gross earned contribution	-	286,810	367,560	-	-	654,370
Contribution ceded to retakaful operators	-	(219,082)	(5,754)	-	-	(224,836)
Net contribution	-	67,728	361,806	-	-	429,534
Wakalah fee income	154,106	-	-	-	(154,106)	-
Surplus sharing from Family Takaful fund	11,000	-	-	-	(11,000)	-
Investment income	3,862	3,840	3,702	10,721	-	22,125
Realised gains/ (losses)	1,052	(64)	238	21,140	-	22,366
Fair value (losses)/ gains	(1,647)	-	-	(28,363)	-	(30,010)
Fee and commission income	-	43,924	-	-	-	43,924
Other operating income	15,314	-	-	-	(15,182)	132
Other income	183,687	47,700	3,940	3,498	(180,288)	58,537
Total revenue	183,687	115,428	365,746	3,498	(180,288)	488,071
Gross benefits and claims paid	-	(86,131)	(192,031)	-	-	(278,162)
Claims ceded to retakaful operators	-	64,922	5,391	-	-	70,313
Gross change to contract liabilities	-	(87,138)	(85,005)	979	-	(171,164)
Change in contract liabilities ceded to retakaful operators	-	73,216	(955)	-	-	72,261
Net claims	-	(35,131)	(272,600)	979	-	(306,752)
Surplus sharing with Takaful Operator	-	-	(11,000)	-	11,000	-
Wakalah fee expenses	-	(72,300)	(81,806)	-	154,106	-
Fee and commission expenses	(102,615)	-	-	-	-	(102,615)
Management expenses	(70,356)	-	-	-	-	(70,356)
Allowance for impairment	-	(10,508)	(805)	-	-	(11,313)
Other operating expenses	-	-	(10,642)	(4,540)	15,182	-
Expense liabilities	(2,525)	-	-	-	-	(2,525)
Other expenses	(175,496)	(82,808)	(104,253)	(4,540)	180,288	(186,809)
Zakat	-	-	-	-	-	-
Profit/ (loss) before taxation	8,191	(2,511)	(11,107)	(63)	-	(5,490)
Tax income/ (expense) attributable to participants	-	1,960	(241)	63	-	1,782
Profit/ (loss) before taxation attributable to Takaful Operator	8,191	(551)	(11,348)	-	-	(3,708)
Taxation	(4,138)	1,960	(241)	63	2,913	557
Tax (income)/ expense attributable to participants	-	(1,960)	241	(63)	-	(1,782)
Tax expense attributable to Takaful Operators	(4,138)	-	-	-	2,913	(1,225)
Net profit/ (loss) for the financial year	4,053	(551)	(11,348)	-	2,913	(4,933)

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

26 **TAKAFUL FUNDS (CONTINUED)**

INCOME STATEMENT BY FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Investment- linked Fund RM'000	Elimination RM'000	Company RM'000
2013						
Gross earned contribution	-	215,757	268,162	-	(10,000)	473,919
Contribution ceded to retakaful operators	-	(171,125)	(9,455)	-	-	(180,580)
Net contribution	-	44,632	258,707	-	(10,000)	293,339
Wakalah fee income	141,546	-	-	-	(141,546)	-
Surplus sharing from Family Takaful fund	7,250	-	-	-	(7,250)	-
Investment income	3,884	3,046	3,180	9,072	-	19,182
Realised gains/ (losses)	3,530	874	(2,863)	18,628	-	20,169
Fair value (losses)/ gains	(90)	-	3,896	5,911	(430)	9,287
Fee and commission income	-	46,516	-	-	-	46,516
Other operating income	12,816	-	-	-	(12,701)	115
Other income	168,936	50,436	4,213	33,611	(161,927)	95,269
Total revenue	168,936	95,068	262,920	33,611	(171,927)	388,608
Gross benefits and claims paid	-	(67,140)	(151,393)	-	-	(218,533)
Claims ceded to retakaful operators	-	48,210	10,286	-	-	58,496
Gross change to contract liabilities	-	(51,501)	(24,797)	(27,942)	10,396	(93,844)
Change in contract liabilities ceded to retakaful operators	-	43,357	446	-	-	43,803
Net claims	-	(27,074)	(165,458)	(27,942)	10,396	(210,078)
Surplus sharing with Takaful Operator	-	-	(7,250)	-	7,250	-
Wakalah fee expenses	-	(63,070)	(78,476)	-	141,546	-
Fee and commission expenses	(97,168)	-	-	-	-	(97,168)
Management expenses	(59,257)	-	-	-	-	(59,257)
Allowance for impairment	-	(2,047)	(1,833)	-	-	(3,880)
Other operating expenses	-	-	(9,255)	(3,446)	12,701	-
Expense liabilities	(794)	-	-	-	-	(794)
Other expenses	(157,219)	(65,117)	(96,814)	(3,446)	161,497	(161,099)
Zakat	(295)	-	-	-	-	(295)
Profit/ (loss) before taxation	11,422	2,877	648	2,223	(34)	17,136
Tax income/ (expense) attributable to participants	-	(1,252)	(648)	(2,223)	34	(4,089)
Profit/ (loss) before taxation attributable to Takaful Operator	11,422	1,625	-	-	-	13,047
Taxation	(3,044)	(1,252)	(648)	(2,223)	34	(7,133)
Tax (income)/ expense attributable to participants	-	1,252	648	2,223	(34)	4,089
Tax expense attributable to Takaful Operators	(3,044)	-	-	-	-	(3,044)
Net profit/ (loss) for the financial year	8,378	1,625	-	-	-	10,003

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

27 RISK MANAGEMENT FRAMEWORK

(a) Risk Governance

The risk governance structure within the Company aims to ensure effective management of the different type of risks while meeting the specific strategic objectives of the Company. The Company manages its obligations and pursues opportunities that involve an acceptable degree of risks, with the aim of achieving its business and operating objectives while fulfilling the expectations of all stakeholders. The Company's policy is to give consistent consideration to the balance of risks and commercial implications in order to support the achievement of stakeholder expectations.

The Company's risk governance and risk reporting requirements are incorporated in the Company's Risk Management Framework which acts as a foundation to a sound system of internal control, contributing to effective corporate governance and risk reporting requirements. The framework describes the risk management cycle of risk identification, analysis, and evaluation, treatment, monitoring and reporting. The key risks are reviewed on a regular basis and reported up the hierarchy as required.

The adoption of the framework is the responsibility of the Board with certain delegation of responsibilities to Risk Management Committee. The Company has established senior management committees which act as bilateral communication platform in discharging obligations. The committees include Investment Committee, IT Steering Committee, Asset-Liability Management Committee, Executive Committee and Management Committee. These committees are chaired by the Chief Executive Officer, and are responsible to oversee the development and assess the effectiveness of risk management policies, review risk exposure and portfolio composition and ensure that infrastructure, resources and systems are put in place for effective risk management activities.

(b) Regulatory Framework

The Company is required to comply with the Islamic Financial Services Act 2013, as applicable, including guidelines on investment limits. The responsibility for the formulation, establishment and approval of the Company's investment policy rests with the Board. The Board exercises oversight on investments to safeguard the interests of participants and shareholders while ensuring compliance with Shariah.

The Investment Committee plays the oversight role in the implementation of the investment policy as approved by the Board. The Committee also reviews the investment policy on a regular basis such that it remains consistent with the outlook of investment climate, product pricing and asset-liability management strategies. It is also responsible for overseeing assets allocation and ensuring that the policies and procedures that govern internal controls of investment processes are sufficient.

(c) Capital Management

The Company's capital management policy is to create shareholder value, maintain a strong capital position with sufficient buffer to meet certificate holders' obligations and regulatory requirements and make strategic investments for business growth.

The minimum Capital Adequacy Ratio ("CAR") under the RBC Framework regulated by BNM is 130% for each takaful operator. The Company complied with the minimum CAR as at 31 December 2014. The regulated capital of the Company as at 31 December 2014 comprises Available Capital of RM116,513,000.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

27 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(c) Capital Management (continued)

	2014
	RM'000
<u>Tier 1 Capital</u>	
Paid-up Capital	100,000
Reserves, including retained earnings	20,211
	<u>120,211</u>
<u>Tier 2 Capital</u>	
Available-for-sale reserves	(480)
Less:	
Deferred tax assets	(3,218)
Total Capital Available	<u><u>116,513</u></u>

28 TAKAFUL RISK

The Company accepts Takaful risk through its written Takaful contracts. The Company writes Family Takaful contracts (health, group family, mortgage and investment-linked) and General Takaful contracts (motor, fire, marine, aviation and transit ("MAT") and miscellaneous). Takaful risk is the inherent uncertainty regarding the fluctuations in the timing, frequency and severity of insured events, relative to our expectations at the time of underwriting. It can also refer to fluctuations in the timing and amount of claim settlements. The Takaful risk appetite is defined through the review of portfolio size, underwriting criteria, product limits, retakaful arrangements, underwriting authorities, claims signing authorities, delegation of authorities, pricing adequacy, aggregate risks and loss scenarios.

(a) Family Takaful

Underwriting is managed through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks. Medical selection is part of the Company's underwriting procedures, whereby contributions are charged to reflect the health condition and family medical history of the applicants. Pricing is based on assumptions, such as mortality and persistency, which consider past experience and current trends. Contracts including specific risks and guarantees are tested for profitability according to predefined procedures before approval. Products are reviewed by the Management Committee on periodic basis to confirm, or otherwise, that pricing assumptions remain appropriate. Analysis is performed on earnings and liability movements to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

28 TAKAFUL RISK

(a) Family Takaful (continued)

The table below shows the concentration of Family Takaful contract liabilities, excluding AFS reserves, by type of contract.

	<u>Gross</u> RM'000	<u>Retakaful</u> RM'000	<u>Net</u> RM'000
<u>31 December 2014</u>			
Family Takaful contract liabilities			
Endowment	390,077	(2,850)	387,227
Term	65,455	(11,685)	53,770
Total Family Takaful contract liabilities	<u>455,532</u>	<u>(14,535)</u>	<u>440,997</u>
<u>31 December 2013</u>			
Family Takaful contract liabilities			
Whole life	894	-	894
Endowment	329,742	(2,585)	327,157
Term	31,892	(12,905)	18,987
Total Family Takaful contract liabilities	<u>362,528</u>	<u>(15,490)</u>	<u>347,038</u>

Key assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:-

a) Mortality rates

Assumption is based on industry standard table – M9903.

b) Morbidity rates

Assumption is mainly based on reinsurer rates.

c) Investment return

Assumptions are 5.5% per annum for Participant Investment Account (“PIA”) on Investment-linked, 4.5% per annum for PIA on Non Investment-linked and 3.5% per annum for Participant Risk Investment Account (“PRIA”).

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

28 TAKAFUL RISK (CONTINUED)

(a) Family Takaful (continued)

Key assumptions (continued)

d) Expenses

Assumption varies by product type is as follows:-

<u>Product Type</u>	<u>RM per certificate</u>
Investment-linked	83
Ordinary Family	69
Group Family	28

e) Lapse and surrender rates

2% per annum is assumed for single contribution certificate.

For regular contribution policies, lapse rate varies by certificate year is as follows:

Plan	Certificate Year (%)						
	1	2	3	4	5	6	7+
Takafulink	20	15	10	10	10	8	6
Takafulink Education	15	10	10	8	8	4.5	4.5
Takafulife Series	25	20	10	3.5	3.5	3.5	3.5
CancerCare	30	45	20	3.5	3.5	3.5	3.5
SmartMedic	15	40	30	25	25	25	25
Term80	25	20	10	3.5	3.5	3.5	3.5

f) Contribution holiday for Investment-linked Products

Plan	Certificate Year (%)					
	1	2	3	4	5	6+
Takafulink	4	15	10	8	5	5

g) Discount rate

Discount rate used is the Government Investment Issue ("GII") spot rate as at the date of statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

28 TAKAFUL RISK (CONTINUED)

(a) Family Takaful (continued)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

Change in assumptions		Impact on Family Takaful contract liabilities		
		Gross	Net (Loss)/profit before taxation*	
%		RM'000	RM'000	RM'000
<u>31 December 2014</u>				
Mortality/morbidity	10%	3,342	728	(728)
Lapse and surrender rates	10%	(66)	167	(167)
Discount rate	1%	(3,406)	(2,465)	2,465
<u>31 December 2013</u>				
Mortality/morbidity	10%	2,598	809	(809)
Lapse and surrender rates	10%	16	193	(193)
Discount rate	1%	(2,775)	(1,950)	1,950

* The profits are before surplus sharing or Qardhul Hassan repayment.

There is minimal impact on the Family Takaful contract liabilities in relation to changes made to longevity and investment return assumptions.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

28 TAKAFUL RISK (CONTINUED)

(b) General Takaful

The Company's underwriting strategy is to build balanced portfolios based on a large number of similar risks. This reduces the variability of the portfolios outcome. The underwriting strategy is set out in an annual business plan that establishes the classes of business to be written, and the industry sectors in which the Company is prepared to underwrite. This strategy is cascaded by the business units to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by line size, class of business, geographically and industry in order to ensure appropriate risk selection within the portfolio. The underwriters have the right to refuse renewal or to change the terms and conditions of the contract at renewal. The Company's Management Committee meets periodically to review certain management information including contribution income and key ratios by class of business.

The concentration of the General Takaful contract liabilities in relation to claims liabilities by the type of Takaful contracts accepted is as summarised below:

	2014			2013		
	<u>Gross</u>	<u>Re-</u>	<u>Net</u>	<u>Gross</u>	<u>Re-</u>	<u>Net</u>
	RM'000	Takaful	RM'000	RM'000	Takaful	RM'000
Fire	65,538	(62,583)	2,955	25,861	(24,523)	1,338
Motor	102,668	(75,146)	27,522	63,232	(46,637)	16,595
MAT	13,494	(12,864)	630	12,191	(11,625)	566
Miscellaneous	65,539	(50,120)	15,419	58,752	(44,712)	14,040
At 31 December	<u>247,239</u>	<u>(200,713)</u>	<u>46,526</u>	<u>160,036</u>	<u>(127,497)</u>	<u>32,539</u>

Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of the development of claims paid and the development of the value of claims reported. The methods employed also require assumptions of a prior estimate (the seed for Bornhuetter-Ferguson based methods) for each accident year. For Frequency / Severity analysis, the assumption is that the number of Claims Reported is unlikely to have been affected by any changes in the claims handling process, and thus, the link ratio techniques are appropriate in determining the ultimate number of claims. Assumptions are then required relating to the average size of claims and how they change over time. Any changes in reporting, reserving or settlement process can affect the reliability of all of the assumptions.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, an isolated occurrence, changes in market factors such as the public's attitude to claiming, economic conditions, as well as internal factors, such as changes in the portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

28 TAKAFUL RISK (CONTINUED)

(b) General Takaful (continued)

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each date of the statement of financial position, together with cumulative payments to-date.

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

28 TAKAFUL RISK (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Gross General Takaful contract liabilities for 2014:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
<u>Accident year</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year	96	6,816	24,168	54,138	57,359	75,801	122,510	173,322	
One year later	78	4,592	20,220	58,202	55,296	73,172	113,516		
Two years later	50	3,714	16,567	52,314	52,335	71,157			
Three years later	42	3,214	13,865	49,989	49,023				
Four years later	39	3,249	13,352	49,702					
Five years later	39	3,203	13,360						
Six years later	39	3,179							
Seven years later	39								
Current estimate of cumulative claims incurred	39	3,179	13,360	49,702	49,023	71,157	113,516	173,322	

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

28 TAKAFUL RISK (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Gross General Takaful contract liabilities for 2014 (continued):

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
<u>Accident year</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year	-	1,100	4,021	10,114	12,429	18,204	33,270	40,158	
One year later	39	2,807	9,177	29,052	34,709	45,537	67,240		
Two years later	39	3,035	10,278	35,595	39,689	51,451			
Three years later	39	3,076	12,049	37,091	43,152				
Four years later	39	3,089	12,107	39,485					
Five years later	39	3,092	12,339						
Six years later	39	3,092							
Seven years later	39								
Cumulative payments to-date	39	3,092	12,339	39,485	43,152	51,451	67,240	40,158	
Gross claim liability	-	87	1,021	10,217	5,871	19,706	46,276	133,164	216,342
Provision for adverse deviation									23,818
Pipeline business									7,079
Gross general insurance contract									247,239

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

28 TAKAFUL RISK (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Net General Takaful contract liabilities for 2014:

<u>Accident year</u>	<u>2007</u> RM'000	<u>2008</u> RM'000	<u>2009</u> RM'000	<u>2010</u> RM'000	<u>2011</u> RM'000	<u>2012</u> RM'000	<u>2013</u> RM'000	<u>2014</u> RM'000	<u>Total</u> RM'000
At end of accident year	39	1,640	5,655	25,190	17,488	17,662	28,156	35,176	
One year later	48	1,642	6,165	24,835	15,510	17,635	25,865		
Two years later	32	1,370	5,340	23,500	14,818	16,905			
Three years later	26	1,198	5,204	22,573	14,495				
Four years later	24	1,230	5,040	22,407					
Five years later	24	1,213	4,989						
Six years later	23	1,202							
Seven years later	23								
Current estimate of cumulative claim	23	1,202	4,989	22,407	14,495	16,905	25,865	35,176	

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

28 TAKAFUL RISK (CONTINUED)

(c) General Takaful (continued)

Claims development table (continued)

Net General Takaful contract liabilities for 2014 (continued):

<u>Accident year</u>	<u>2007</u> RM'000	<u>2008</u> RM'000	<u>2009</u> RM'000	<u>2010</u> RM'000	<u>2011</u> RM'000	<u>2012</u> RM'000	<u>2013</u> RM'000	<u>2014</u> RM'000	<u>Total</u> RM'000
At end of accident year	-	339	1,548	5,284	4,927	5,573	9,537	10,443	
One year later	23	1,032	3,831	14,461	11,259	12,654	18,208		
Two years later	23	1,169	4,285	18,328	12,480	14,142			
Three years later	23	1,182	4,511	19,342	12,846				
Four years later	23	1,186	4,587	19,571					
Five years later	23	1,187	4,599						
Six years later	23	1,187							
Seven years later	23								
Cumulative payments to-date	<u>23</u>	<u>1,187</u>	<u>4,599</u>	<u>19,571</u>	<u>12,846</u>	<u>14,142</u>	<u>18,208</u>	<u>10,443</u>	
Net claim liability	-	15	390	2,836	1,649	2,763	7,657	24,733	40,043
Provision for adverse deviation									<u>3,768</u>
Pipeline business									<u>2,715</u>
Net general insurance contract									<u>46,526</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

28 TAKAFUL RISK (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Gross General Takaful contract liabilities for 2013:

<u>Accident year</u>	<u>2007</u> RM'000	<u>2008</u> RM'000	<u>2009</u> RM'000	<u>2010</u> RM'000	<u>2011</u> RM'000	<u>2012</u> RM'000	<u>2013</u> RM'000	<u>Total</u> RM'000
At end of accident year	96	6,816	24,168	54,138	57,359	75,801	122,510	
One year later	78	4,592	20,219	58,203	55,296	73,172		
Two years later	50	3,714	16,567	52,314	52,335			
Three years later	42	3,214	13,865	49,989				
Four years later	39	3,249	13,352					
Five years later	39	3,203						
Six years later	39							
Current estimate of cumulative claims incurred	39	3,203	13,352	49,989	52,335	73,172	122,510	

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

28 TAKAFUL RISK (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Gross General Takaful contract liabilities for 2013 (continued):

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year	-	1,100	4,021	10,114	12,429	18,204	33,270	
One year later	39	2,807	9,177	29,052	34,709	45,537		
Two years later	39	3,035	10,273	35,595	39,689			
Three years later	39	3,076	12,049	37,091				
Four years later	39	3,089	12,107					
Five years later	39	3,092						
Six years later	39							
Cumulative payments to-date	39	3,092	12,107	37,091	39,689	45,537	33,270	
Gross General Takaful contract liabilities	-	111	1,245	12,898	12,646	27,635	89,240	143,775
Provision for adverse deviation								16,261
Gross General Takaful contract liabilities								160,036

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

28 TAKAFUL RISK (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Net General Takaful contract liabilities for 2013:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>								
At end of accident year	39	1,640	5,655	25,190	17,488	17,660	28,156	
One year later	48	1,642	6,165	24,835	15,510	17,635		
Two years later	32	1,370	5,340	23,500	14,818			
Three years later	26	1,198	5,204	22,573				
Four years later	24	1,230	5,040					
Five years later	24	1,213						
Six years later	23							
Current estimate of cumulative claims incurred	23	1,213	5,040	22,573	14,818	17,635	28,156	

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

28 TAKAFUL RISK (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Net General Takaful contract liabilities for 2013 (continued):

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year	-	339	1,548	5,284	4,927	5,573	9,537	
One year later	23	1,032	3,831	14,461	11,260	12,654		
Two years later	23	1,169	4,285	18,328	12,480			
Three years later	23	1,182	4,511	19,342				
Four years later	23	1,186	4,587					
Five years later	23	1,187						
Six years later	23							
Cumulative payments to-date	<u>23</u>	<u>1,187</u>	<u>4,587</u>	<u>19,342</u>	<u>12,480</u>	<u>12,654</u>	<u>9,537</u>	
Net General Takaful contract liabilities	<u>-</u>	<u>26</u>	<u>453</u>	<u>3,231</u>	<u>2,338</u>	<u>4,981</u>	<u>18,619</u>	<u>29,648</u>
Provision for adverse deviation								<u>2,891</u>
Net General Takaful contract liabilities								<u><u>32,539</u></u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

28 TAKAFUL RISK (CONTINUED)

(b) General Takaful (continued)

Sensitivities

The General Takaful claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and profit after tax. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

		Impact on General Takaful claims liabilities			
	Change in assumptions	Gross	Net	Profit before tax	Profit after tax *
	%	RM'000	RM'000	RM'000	RM'000
2014					
Average open claims	+10	24,724	4,653	(4,653)	(3,490)
Loss ratio	+10	28,681	6,773	(6,773)	(5,080)
Provision for adverse deviation	+1	246	40	(40)	(31)
2013					
Average open claims	+10	16,004	3,254	(3,254)	(2,441)
Loss ratio	+10	22,577	4,510	(4,510)	(3,383)
Provision for adverse deviation	+1	163	29	(29)	(22)

* The profits are before surplus sharing or Qardhul Hassan repayment.

The method used for deriving sensitivity information and significant assumptions did not change from the previous period. There is no impact to the equity of the Company as the Company applies the Wakalah principle.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

29 FINANCIAL RISK

The Company's activities expose it to credit risk, liquidity risk and market risk. The Company's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Company's financial performance. The Board is responsible for setting the objectives and underlying principles of financial risk management for the Company and detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits in accordance with the objectives and underlying principles approved by the Board. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The major classes of financial assets of the Company are investment in cash, Islamic private debt securities, receivables, including amounts due from Takaful contracts and amounts due from retakaful in respect of payments already made to participants. For investments in Islamic private debt securities, a downgrade of credit rating or widening of credit spread may also incur financial loss. The retakaful share of unearned contribution reserves in relation to the General Takaful fund and Qardhul Hassan are not financial instruments, and hence these items are not exposed to credit risk.

For receivables, the Company adopts the policy of dealing only with customers of appropriate credit history. Debtor recoverability and risk concentration monitoring are part of credit risk management which is reviewed regularly. As the Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

Retakaful is used to manage takaful risk. This does not, however, discharge the Company's liability as primary Takaful operator. If a retakaful fails to pay a claim for any reason, the Company remains liable for the payment to the participants. The creditworthiness of retakaful is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Company issues Investment-linked investment contracts. In the Investment-linked funds, the holders of these contract bear the investment risks on the assets held in the Investment-linked funds as the contract benefits are directly linked to the value of the assets in the fund. Therefore, the Company has no material credit risk on Investment-linked financial assets.

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29 FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Exposure to credit risk

The table below show the maximum exposure to credit risk for the components on the statement of financial position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

<u>2014</u>	<u>Takaful Operator</u> RM'000	<u>General Takaful Fund</u> RM'000	<u>Family Takaful Fund</u> RM'000	<u>Investment- linked Fund</u> RM'000	<u>Total</u> RM'000
HTM investments:					
Malaysian Government					
Guaranteed financing	-	15,366	25,636	-	41,002
AFS investments:					
Islamic debt securities, unquoted	58,754	49,122	37,221	-	145,097
FVTPL investments:					
Shariah-approved quoted equities*	1,846	-	-	227,413	221,582
Islamic debt securities, unquoted	-	-	-	88,039	87,990
Investment-linked units*	9,487	-	-	-	9,487
LAR:					
Fixed and call deposits with:					
Licensed financial institutions	37,107	47,882	31,057	41,504	155,789
Retakaful assets	-	200,713	14,535	-	215,248
Takaful receivables	-	97,819	2,674	-	100,493
Other receivables	3,013	4,014	-	1,295	8,322
Tax recoverable	68	249	86	(67)	336
Cash and bank balances	3,728	1,708	7,495	890	13,821
	<u>114,003</u>	<u>416,873</u>	<u>118,704</u>	<u>359,074</u>	<u>999,167</u>

* Not subject to credit risk

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29 FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Exposure to credit risk (continued)

	Takaful Operator	General Takaful Fund	Family Takaful Fund	Investment- linked Fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2013					
HTM investments:					
Malaysian Government					
Guaranteed financing	-	15,365	25,516	-	40,881
AFS investments:					
Malaysian Government					
Guaranteed financing	-	3,876	3,877	-	7,753
Islamic debt securities, unquoted	62,137	41,902	37,757	-	141,796
FVTPL investments:					
Shariah-approved quoted equities*	5,828	-	-	208,951	209,059
Islamic debt securities, unquoted	-	-	-	51,258	48,258
Other investments*	1,511	-	-	4,350	5,861
Investment-linked units*	10,430	-	-	-	10,430
LAR:					
Fixed and call deposits with:					
Licensed financial institutions	15,905	20,276	8,184	27,368	70,023
Retakaful assets	-	127,497	15,490	-	142,987
Takaful receivables	-	37,940	6,276	-	44,216
Other receivables	2,787	407	397	1,372	4,963
Cash and bank balances	4,358	400	2,876	3,048	10,682
	<u>102,956</u>	<u>247,663</u>	<u>100,373</u>	<u>296,347</u>	<u>736,909</u>

* Not subject to credit risk

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

29 FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the RAM and/or MARC credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

	AAA	AA	Neither past due nor impaired	BBB	Not rated	Not subject to credit risk	Investment-linked Fund	Past due but not impaired	Past due and impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014										
HTM investments:										
Malaysian Government										
Guaranteed financing	-	-	-	-	41,002	-	-	-	-	41,002
AFS investments:										
Islamic debt securities, unquoted	49,927	90,059	-	-	5,111	-	-	-	-	145,097
FVTPL investments:										
Shariah-approved quoted equities	-	-	-	-	-	1,846	227,413	-	-	221,582
Islamic debt securities, unquoted	-	-	-	-	-	-	87,990	-	-	87,990
Investment-linked units	-	-	-	-	-	9,487	-	-	-	9,487
LAR:										
Fixed and call deposits with:										
Licensed financial institutions	108,309	6,600	-	-	1,137	-	39,743	-	-	155,789
Retakaful assets	-	41,600	123,469	19,455	30,724	-	-	-	-	215,248
Takaful receivables	28	-	9,384	310	52,552	-	-	38,219	15,995	116,488
Other receivables	-	-	-	-	7,027	-	1,295	-	17	8,339
Tax recoverable	-	-	-	-	336	-	-	-	-	336
Cash and bank balances	10,641	2,271	-	-	19	-	890	-	-	13,821
Allowance for impairment losses	-	-	-	-	-	-	-	-	(16,012)	(16,012)
	<u>168,905</u>	<u>140,530</u>	<u>132,853</u>	<u>19,765</u>	<u>137,908</u>	<u>11,333</u>	<u>357,331</u>	<u>38,219</u>	<u>-</u>	<u>999,167</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

29 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

	AAA	AA	A	Neither past due nor impaired BBB	Not rated	Not subject to credit risk	Investment- linked Fund	Past due but not impaired	Past due and impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013										
HTM investments:										
Malaysian Government										
Guaranteed financing	-	-	-	-	40,881	-	-	-	-	40,881
AFS investments:										
Malaysian Government										
Guaranteed financing	-	-	-	-	7,753	-	-	-	-	7,753
Islamic debt securities, unquoted	55,392	86,404	-	-	-	-	-	-	-	141,796
FVTPL investments:										
Shariah-approved quoted equities	-	-	-	-	-	5,828	203,231	-	-	209,059
Islamic debt securities, unquoted	-	-	-	-	-	-	48,258	-	-	48,258
Other investments	-	-	-	-	-	1,511	4,350	-	-	5,861
Investment-linked units	-	-	-	-	-	10,430	-	-	-	10,430
LAR:										
Fixed and call deposits with:										
Licensed financial institutions	28,749	14,516	-	-	1,100	-	25,658	-	-	70,023
Retakaful assets	-	7,685	84,622	37,005	13,675	-	-	-	-	142,987
Takaful receivables	-	-	-	431	7,148	-	-	36,637	4,120	48,336
Other receivables	-	-	-	-	3,591	-	1,372	-	-	4,963
Cash and bank balances	5,245	692	392	-	1,305	-	3,048	-	-	10,682
Allowance for impairment losses	-	-	-	-	-	-	-	-	(4,120)	(4,120)
	<u>89,386</u>	<u>109,297</u>	<u>85,014</u>	<u>37,436</u>	<u>75,453</u>	<u>17,769</u>	<u>285,917</u>	<u>36,637</u>	<u>-</u>	<u>736,909</u>

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29 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Aged analysis of financial assets past due but not impaired

<u>Company</u>	<u>> 60</u> <u>days</u> <u>RM'000</u>	<u>> 120</u> <u>days</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
<u>2014</u>			
Takaful receivables	17,986	20,233	38,219
<u>2013</u>			
Takaful receivables	11,430	25,207	36,637

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial and Takaful liabilities that are settled by delivering cash or another financial asset. The Company is exposed to calls on its available cash resources mainly from claims arising from takaful and investment contracts. Liquidity risk may arise from a number of potential areas, such as a duration mismatch between assets and liabilities and unexpectedly high levels of lapses/surrenders. The nature of the Company's exposures to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior period.

The Company's approach to managing liquidity is to ensure, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. This involves projecting cash flows on a regular basis to predict cash outflows from Takaful and investment contracts over the short, medium and long term; which include purchases of assets with similar durations to its Takaful contracts; assets purchased by the Company to satisfy specified marketability requirements; and the Company maintains cash and liquid assets to meet daily calls on its Takaful contracts and other obligations.

Maturity profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations. All liabilities are presented on a contractual cash flow basis except for Takaful contract liabilities, the maturity profiles are determined based on the estimated timing of net cash outflows from the recognised Takaful liabilities.

Available-for-sale fair value adjustment, unearned contribution reserve and retakaful's share of unearned contribution have been excluded from the analysis as they are not contractual obligations.

Investment-linked fund liabilities are repayable or transferable upon notice by certificate holders and are disclosed separately under the "Investment-linked fund" column. Repayments which are subject to notice are treated as if such notice was to be given immediately.

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29 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Exposure to liquidity risk

	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Investment- linked Fund	Total
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2014</u>									
HTM investments:									
Malaysian Government Guaranteed financing	41,002	-	-	-	47,280	19,756	-	-	67,036
AFS investments:									
Islamic debt securities, unquoted	145,097	-	-	15,327	134,339	77,580	-	-	227,246
FVTPL investments:									
Shariah-approved quoted equities	221,582	-	-	-	-	-	1,846	227,413	221,582
Islamic debt securities, unquoted	87,990	-	-	-	-	-	-	88,039	87,990
Investment-linked units	9,487	-	-	-	-	-	9,487	-	9,487
LAR:									
Fixed and call deposits with:									
Licensed financial institutions	155,789	120,278	-	-	-	-	-	43,055	163,333
Retakaful assets	215,248	152,260	48,438	4,211	1,300	9,039	-	-	215,248
Takaful receivables	100,493	100,493	-	-	-	-	-	-	100,493
Other receivables	8,322	7,027	-	-	-	-	-	1,295	8,322
Tax recoverable	336	336	-	-	-	-	-	-	336
Cash and bank balances	13,821	12,931	-	-	-	-	-	890	13,821
Total assets	999,167	393,325	48,438	19,538	182,919	106,375	11,333	360,692	1,114,894
Takaful contract liabilities	693,284	586,738	61,216	5,420	3,386	36,524	-	-	693,284
Takaful payables	125,434	125,434	-	-	-	-	-	-	125,434
Other payables	38,659	38,659	-	-	-	-	-	-	38,659
Total liabilities	857,377	750,831	61,216	5,420	3,386	36,524	-	-	857,377

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

29 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Investment- linked Fund	Total
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013									
HTM investments:									
Malaysian Government Guaranteed financing	40,881	-	-	-	39,586	29,273	-	-	68,859
AFS investments:									
Malaysian Government Guaranteed financing	7,753	-	-	-	10,000	-	-	-	10,000
Islamic debt securities, unquoted	141,796	-	-	9,888	126,984	89,289	-	-	226,161
FVTPL investments:									
Shariah-approved quoted equities	209,059	-	-	-	-	-	5,828	203,231	209,059
Islamic debt securities, unquoted	48,258	-	-	-	-	-	-	48,258	48,258
Other investments	5,861	-	-	-	-	-	1,511	4,350	5,861
Investment-linked units	10,430	-	-	-	-	-	10,430	-	10,430
LAR:									
Fixed and call deposits with:									
Licensed financial institutions	70,023	46,411	-	-	-	-	-	27,368	73,779
Retakaful assets	142,987	123,920	10,021	140	493	8,413	-	-	142,987
Takaful receivables	44,216	44,216	-	-	-	-	-	-	44,216
Other receivables	4,963	3,591	-	-	-	-	-	1,372	4,963
Cash and bank balances	10,682	7,634	-	-	-	-	-	3,048	10,682
Total assets	736,909	225,772	10,021	10,028	177,063	126,975	17,769	287,627	855,255
Takaful contract liabilities	512,233	449,349	12,402	215	1,540	48,727	-	-	512,233
Takaful payables	53,293	53,293	-	-	-	-	-	-	53,293
Other payables	37,188	33,557	-	-	-	-	-	3,631	37,188
Total liabilities	602,714	536,199	12,402	215	1,540	48,727	-	3,631	602,714

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

29 FINANCIAL RISK (CONTINUED)

Market risks

Market risk is the risk that changes in market prices, such as profit rates, foreign exchange rates and equity prices which will affect the value of the Company's assets, the amount of its liabilities and/or the Company's income. Market risk arises in the Company due to fluctuations in the value of liabilities and the value of investments held. The Company is exposed to market risk on all of its financial assets, including those held to back investment-linked contracts to the extent that the fees earned by the Company on these contracts are often dependent on the market value of the underlying portfolio.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Company's exposures to market risks and its objectives, policies and processes for managing credit risk have not changed significantly from the prior period.

The Investment Committee manages and monitors market risks. The Committee's reports are tabled to the Board. For each of the major components of market risk the Company has policies and procedures in place which detail how each risk should be managed and monitored.

Profit rate risk

Profit rate risk arises primarily from the Company's investments. Changes in investment values attributable to profit rate changes are mitigated by corresponding and partially offsetting changes in the economic value of takaful provisions, investment contract liabilities. The Company manages its profit rate risk by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from profit rate movements. The Company monitors its profit rate risk exposure through periodic reviews of the asset and liability position, as well as through stress testing by using duration and convexity measurements. The nature of the Company's exposures to profit rate risk and its objectives, policies and processes for managing profit rate risk have not changed significantly from the prior period.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact of profit before tax (due to changes in fair value of fixed and floating rate/yield financial instruments) and equity (that reflects adjustments to profit before tax and re-valuing fixed rate/yield AFS financial assets).

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

29 FINANCIAL RISK (CONTINUED)

Market risks (continued)

Profit rate risk (continued)

		<u>Impact on profit before tax[^]</u>		<u>Impact on equity[*]</u>		<u>Impact on Takaful contract liabilities[*]</u>	
		<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Changes in variables</u>		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Takaful Operator</u>							
RM	+ 100 basis points	371	159	(4,601)	(5,138)	-	-
RM	- 100 basis points	(371)	(159)	5,240	5,862	-	-
<u>General Takaful Fund</u>							
RM	+ 100 basis points	478	203	-	-	(1,597)	(1,907)
RM	- 100 basis points	(478)	(203)	-	-	1,742	2,076
<u>Family Takaful Fund</u>							
RM	+ 100 basis points	310	82	-	-	(2,734)	(3,127)
RM	- 100 basis points	(310)	(82)	-	-	3,165	3,546

[^] Impact on Islamic money market instruments only.

^{*} Impact on equity/Takaful contract liabilities reflects adjustments for tax, when applicable.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's primary transactions are carried out in Ringgit Malaysia ("RM"). Exposures to foreign currency risk are monitored on an on-going basis.

The Company has no significant exposure to currency risk.

Operational risks

This is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Our major risk exposures within operational risk are data security, business continuity and reputational damage affecting customer demand. Our operational risk appetite is minimal. In order to mitigate these risks, the Internal Auditor reviews the effectiveness of the internal controls and reports to the Audit Committee on a regular basis.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (CONTINUED)

29 FINANCIAL RISK (CONTINUED)

Market risks (continued)

Price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/profit yield risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The equity investment portfolio of the Company is exposed to movements in equity markets. The Company monitors its equity price risk through stress testing. In addition, the Company monitors and manages the equity exposure against policies set and agreed by the Investment Committee. These policies include monitoring the equity exposure against benchmark set and single security exposure of the portfolio against the limits set.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets and liabilities whose changes in fair values are recorded in the income statement) and equity (that reflects adjustments to profit before tax and changes in fair value of AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

<u>Market Indices</u>	<u>Changes in</u>	<u>Impact on profit before tax</u>		<u>Impact on equity*</u>	
		<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Takaful Operator</u>	<u>variables</u>	RM'000	RM'000	RM'000	RM'000
Bursa Malaysia	15%	277	648	207	486
Bursa Malaysia	-15%	(277)	(648)	(207)	(486)

* Impact on equity reflects adjustments for tax, when applicable.

The impact to the Company's equity arose from the Takaful Operator's fund's investments in Investment-linked funds which are classified as AFS financial assets. There is no impact to the Company's profit before taxation as the impact of changes in price risk to the equities securities of the Family Takaful fund and Investment-linked funds is retained in the Takaful contract liabilities.

The method used for deriving sensitivity information and significant variables did not change from previous year.