

Company No.

731996

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MAA TAKAFUL BERHAD

(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2015

Company No.

731996

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MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2015

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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 2015.

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 | <u>(6,612)</u> |

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.

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 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 other than debts, 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.

MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

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.

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 under the Islamic Financial Services Act 2013, Bank Negara Malaysia ("BNM") Guidelines in particular prescribed 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 | 10/10 |
| Tan Sri Ahmad bin Mohd Don | Independent Director | 10/10 |
| Tan Sri Datuk Seri Razman Md Hashim bin Che Din Md Hashim | Independent Director | 9/10 |
| Ashraf Adnan Nureddin Bseisu | Non-Independent Non-Executive Director | 7/10 |

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
 - 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.

MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

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 | 4/4 |
| 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 |

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 | 1/2 |
| Ashraf Adnan Nureddin Bseisu | Non-Independent Non-Executive Director | 2/2 |
| Assoc. Prof. Dr. Md Khalil bin Ruslan | Independent Director | 2/2 |
| 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.
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.

MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Remuneration Committee ("RC") (continued)

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

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 | 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 | 6/7 |
| Ashraf Adnan Nureddin Bseisu | Non-Independent Non-Executive Director | 4/7 |
| Datuk Muhamad Umar Swift | Non-Independent Non-Executive Director | 6/7 |

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 | 6/7 |
| Dr. Luqman bin Abdullah | Member | 6/7 |
| Prof. Dr. Joni Tamkin bin Borhan | Member | 7/7 |
| Dr. Yusri bin Mohamad | Member | 5/7 |
| Prof. Dr. Mohamad bin Abdul Hamid | Member | 5/7 |
| Dr. Zulkifli bin Hasan | Member | 7/7 |

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:

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.
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) | 8/9 |
| Tan Sri Datuk Seri Razman Md Hashim bin Che Din Md Hashim | 8/9 |
| Assoc. Prof. Dr. Md Khalil bin Ruslan | 9/9 |
| Datuk Muhamad Umar Swift | 8/9 |
| Ashraf Adnan Nureddin Bseisu | 7/9 |
| Onn Kien Hoe | 8/9 |

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.

Tan Sri Ahmad bin Mohd Don retires in accordance with Article 81 of the Company's Articles of Association and being eligible, offers himself for re-election.

Onn Kien Hoe 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.

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:

| | <u>Number of ordinary shares of RM1 each</u> | | |
|-------------------------------------|--|-----------------|-------------------|
| | <u>At</u> | | <u>At</u> |
| | <u>1.1.2015</u> | <u>Acquired</u> | <u>31.12.2015</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 |

Company No.

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MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

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 30 March 2016.



TAN SRI AHMAD BIN MOHD DON
DIRECTOR



DATUK MUHAMAD UMAR SWIFT
DIRECTOR

Kuala Lumpur
30 March 2016

Company No.

731996

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MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

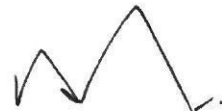
**STATEMENT BY DIRECTORS PURSUANT TO
SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, Tan Sri Ahmad bin Mohd Don and Datuk Muhamad Umar Swift, 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 16 to 108 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 2015 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 30 March 2016.



TAN SRI AHMAD BIN MOHD DON
DIRECTOR



DATUK MUHAMAD UMAR SWIFT
DIRECTOR

Kuala Lumpur
30 March 2016

**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 16 to 108 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 abovesigned Salim Majid Zain at Kuala Lumpur in Wilayah Persekutuan on 30 March 2016.

Before me,

COMMISSIONER FOR OATHS
30 March 2016



No. 558-1-25, Kompleks Mutiara,
3 1/2 Miles, Jalan Ipoh
51200 Kuala Lumpur



Shariah Committee's Report

In the name of Allah, the Beneficent, the Merciful

In carrying out the roles and the responsibilities of the MAA Takaful's Shariah Committee (SC) as prescribed in the Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia and in compliance with our letter of appointment, we hereby submit our report for the financial year ended 31 December 2015.

The Management of the Company is accountable to ensure that its conduct of businesses, dealing and activities are in accordance with the Shariah rules, principles and resolution made by relevant Shariah authorities. Therefore, it is our responsibility to institute an independent opinion based on our review on the conduct and businesses entered by the Company to produce this report.

We had six (6) session of scheduled meetings and one (1) special meeting during the financial year in which we reviewed among other things products, transactions, services, processes and documents of the MAA Takaful (the Company).

In carrying out our roles and responsibilities, we had obtained all the information and explanations which deemed necessary in order to provide us with fair evidences to give reasonable assurance that the Company has complied with the relevant Shariah rules and principles.

As part of the Shariah governance programme at the management level, the Head of Shariah who functionally reports to us oversees the conduct and effectiveness of the internal Shariah compliance functions i.e. Shariah Research & Advisory, Shariah Review for both Family division as well as General division, Shariah Training and Shariah Risk Management which is further substantiated by Shariah Audit that resides in the Internal Audit Department. The roles of these functions, generally, are facilitating new research & product development activities, refining existing products & procedures, providing Shariah training, managing Shariah non-compliance risks, conducting Shariah audit & review on departments and branches, coordinating with Shariah Committee and providing Shariah advisory services to external parties.

The following are the major developments that took place during the financial year which come under our purview:

Shariah Training & Awareness

During the year, twenty one (21) Shariah trainings and briefing sessions were held covering 291 participants among the Company's employees and agents nationwide. The Company also conducted a Shariah Governance Framework Training which tailored for the consume of key functions staffs that specifically designed to facilitate the understanding of Shariah non-compliance risks associated with the Company's business and the issues relating to such risks, as well as the potential implications to the Company.

Shariah Risk Management

We observed that the Company has been continuously and diligently implementing measures in managing its Shariah non-compliance risk. In the financial year, the Company has completed the establishment of the Shariah risk profiles library through the implementation of risk and control self assessment ("RCSA") tool encompassing all functional areas in all lines of business.

The implementation of RCSA aimed to assess the significance of identified Shariah non-compliance risks, compliance to existing controls and effectiveness of the controls including to drive for additional controls so as to provide reasonable assurance that no Shariah non-compliance incident should occur in meeting the business objectives in the respective functional areas.

Shariah Review

The Shariah Review function which divided into 2 segments for Family and General divisions play a vital role in achieving the objective of ensuring Shariah compliance of the Company by regularly conducting review on the reviewable areas as instructed by us. The exercise as such is to validates the compliance of business activities with Shariah rules and principles in relation to such activities.

Shariah Committee's Report (continued)

Shariah Review plan for the financial year were reviewed and approved by us for their implementation. The reports were deliberated in our meetings to confirm that the Company has complied with the rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, Shariah Advisory Council of Securities Commission (for investment related matters) as well as our decisions. The reports were presented to us covering the following entities/areas:

SHARIAH REVIEW

- 1) General Retakaful
- 2) General Claim Non-Motor
- 3) General Broking
- 4) Family Retakaful
- 5) Family Claim
- 6) Actuarial

Shariah Non-Compliant Events

Throughout 2015, there were three (3) Shariah non-compliance events in Company's Investment Fund due to particular stocks have been delisted from the updated List of Shariah-Compliant Securities issued by the Securities Commission.

We also confirmed that all of the events together with the rectification plans were presented to the Board of Directors and reported to Bank Negara Malaysia in accordance to the Shariah non-compliance reporting requirement prescribed by the Islamic Financial Services Act 2013 and Shariah Governance Framework for Islamic Financial Institutions.

Business Zakat

In the financial year, the zakat treatment was computed from the Company's profit before tax as guided by the Zakat Policy that was approved by us.

Shariah Governance

We had also approved in our meetings, initiatives in strengthening the Shariah governance of the Company which includes the review of the Shariah Risk Management Framework and Shariah Review Manual that aim, among others, to set out the Shariah Risk Management and Shariah review end-to-date processes.

We had also reviewed the financial statement of the Company and confirmed that the financial statement is in compliance with the Shariah rules and principles.

Based on the above, in our opinion:

1. The contracts, transactions and dealings entered into by the Company during the financial year ended 31 December 2015 that were reviewed are in compliance with the Shariah rules and principles;
2. The allocation of profit and charging of losses relating to investment account conformed to the basis that has been approved by us in accordance with Shariah principles;
3. The computation, payment and distribution of business zakat are in compliance with the Shariah rules and principles;
4. All earnings that have been realised from sources or by means prohibited by the Shariah rules and principles have been considered for disposal to charitable causes.

On that note, we, Assoc. Prof. Dr. Md Khalil Ruslan and Prof. Dr. Joni Tamkin Borhan, being two of the members of Shariah Committee of MAA Takaful Berhad, do hereby confirm that, in our level best, the operations of the Company for the year ended 31 December 2015 have been conducted in conformity with the Shariah rules and principles.

Allah knows best.

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Shariah Committee's Report (continued)

On behalf of the Committee:

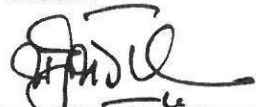
Chairman of the Shariah Committee

:


ASSOC. PROF. DR. MD KHALIL
RUSLAN

Shariah Committee

:


PROF. DR. JONI TAMKIN
BORHAN

Kuala Lumpur
30 March 2016

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 on pages 16 to 108 which comprise the statement of financial position as at 31 December 2015 of the Company, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 29.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to 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 is 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 2015 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.

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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
30 March 2016

Company No.

731996

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MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

| | | 2015 | | | | 2014 | | | |
|-----------------------------------|------|---------------------|----------------------------|---------------------------|-----------|---------------------|----------------------------|---------------------------|-----------|
| | Note | Takaful Operator | General Takaful Fund | Family Takaful Fund | Company | Takaful Operator | General Takaful Fund | Family Takaful Fund | Company |
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| ASSETS | | | | | | | | | |
| Property and equipment | 4 | 10,838 | - | - | 10,838 | 12,457 | - | - | 12,457 |
| Intangible assets | 5 | 3,382 | - | - | 3,382 | 3,298 | - | - | 3,298 |
| Investments: | | | | | | | | | |
| Held-to-maturity | 6(a) | - | 15,245 | 25,387 | 40,632 | - | 15,366 | 25,636 | 41,002 |
| Loans and receivables | 6(b) | 98,196 | 58,159 | 41,233 | 197,112 | 37,107 | 47,882 | 72,561 | 155,789 |
| Available-for-sale | 6(c) | 10,456 | 62,662 | 41,620 | 114,738 | 58,754 | 49,122 | 37,221 | 145,097 |
| Fair value through profit or loss | 6(d) | 3,583 | - | 351,586 | 352,914 | 11,333 | - | 315,452 | 319,059 |
| Takaful receivables | 7 | - | 76,775 | 4,266 | 81,041 | - | 97,819 | 2,674 | 100,493 |
| Qardhul Hassan receivable | | 16,043 | - | - | - | 11,899 | - | - | - |
| Retakaful assets | 8 | - | 258,009 | 12,399 | 270,408 | - | 280,382 | 14,535 | 294,917 |
| Other receivables | 9 | 24,638 | 2,975 | 15,724 | 12,015 | 22,401 | 4,014 | 7,000 | 8,322 |
| Current tax assets | | - | - | 9 | 9 | 68 | 249 | 19 | 336 |
| Deferred tax assets | 13 | - | 2,334 | - | 2,334 | - | 3,213 | 573 | 3,923 |
| Cash and bank balances | | 2,421 | 6,954 | 8,128 | 17,503 | 3,728 | 1,708 | 8,385 | 13,821 |
| TOTAL ASSETS | | 169,557 | 483,113 | 500,352 | 1,102,926 | 161,045 | 499,755 | 484,056 | 1,098,514 |

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MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015 (CONTINUED)**

| | | 2015 | | | | 2014 | | | |
|--|------|-------------------------------|--------------------------------------|-------------------------------------|-------------------|-------------------------------|--------------------------------------|-------------------------------------|-------------------|
| | 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 | - | 380,799 | 468,705 | 846,792 | - | 366,291 | 455,467 | 812,271 |
| Takaful payables | 11 | - | 83,345 | 4,976 | 88,321 | - | 119,126 | 6,308 | 125,434 |
| Qardhul Hassan payable | | - | - | 16,043 | - | - | 551 | 11,348 | - |
| Other payables | 12 | 34,936 | 18,969 | 26,032 | 48,615 | 27,133 | 14,338 | 22,281 | 38,659 |
| Expense liabilities | | 3,493 | - | - | 3,493 | 4,378 | - | - | 4,378 |
| Current tax liabilities | | 4,104 | - | 216 | 4,320 | - | - | - | - |
| Deferred tax liabilities | 13 | 4,762 | - | 423 | 1,197 | 3,702 | - | - | 926 |
| TOTAL LIABILITIES | | 47,295 | 483,113 | 516,395 | 992,738 | 35,213 | 500,306 | 495,404 | 981,668 |
| SHAREHOLDERS' EQUITY | | | | | | | | | |
| Share capital | 14 | 100,000 | - | - | 100,000 | 100,000 | - | - | 100,000 |
| Retained earnings/ (accumulated loss) | | 22,495 | | (16,043) | 10,421 | 26,019 | (551) | (11,348) | 17,033 |
| Available-for-sale reserves | | (233) | - | - | (233) | (187) | - | - | (187) |
| | | 122,262 | | (16,043) | 110,188 | 125,832 | (551) | (11,348) | 116,846 |
| TOTAL LIABILITIES, PARTICIPANTS' FUNDS AND SHAREHOLDERS' EQUITY | | 169,557 | 483,113 | 500,352 | 1,102,926 | 161,045 | 499,755 | 484,056 | 1,098,514 |

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MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

| | | 2015 | | | | 2014 | | | |
|--|------|-------------------------------|--------------------------------------|-------------------------------------|-------------------|-------------------------------|--------------------------------------|-------------------------------------|-------------------|
| | 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 | - | 277,616 | 250,736 | 528,352 | - | 286,810 | 367,560 | 654,370 |
| Contribution ceded to retakaful operators | 16 | - | (179,942) | (14,053) | (193,995) | - | (219,082) | (5,754) | (224,836) |
| Net earned contributions | 16 | - | 97,674 | 236,683 | 334,357 | - | 67,728 | 361,806 | 429,534 |
| Wakalah fee income | | 166,693 | - | - | - | 169,288 | - | - | - |
| Surplus sharing from Family Takaful Fund | | 11,250 | - | - | - | 11,000 | - | - | - |
| Surplus sharing from General Takaful Fund | | 1,518 | - | - | - | - | - | - | - |
| Investment income | 17 | 3,866 | 5,522 | 11,283 | 20,671 | 3,862 | 3,840 | 14,423 | 22,125 |
| Realised gains/(losses) | 18 | (723) | (188) | 5,331 | 4,420 | 1,052 | (64) | 21,378 | 22,366 |
| Fair value gains/(losses) | 19 | 1,476 | - | 12,101 | 13,577 | (1,647) | - | (28,363) | (30,010) |
| Fee and commission income | | - | 41,876 | - | 41,876 | - | 43,924 | - | 43,924 |
| Other operating income – net | | 1,593 | - | - | 1,401 | 132 | - | - | 132 |
| Other income | | 185,673 | 47,210 | 28,715 | 81,945 | 183,687 | 47,700 | 7,438 | 58,537 |
| Total revenue | | 185,673 | 144,884 | 265,398 | 416,302 | 183,687 | 115,428 | 369,244 | 488,071 |
| Gross benefits and claims paid | 20 | - | (122,839) | (161,027) | (283,866) | - | (86,131) | (192,031) | (278,162) |
| Claims ceded to retakaful operators | 20 | - | 84,155 | 11,307 | 95,462 | - | 64,922 | 5,391 | 70,313 |
| Gross change to contract liabilities | 20 | - | (10,111) | (15,269) | (25,380) | - | (87,138) | (84,026) | (171,164) |
| Change in contract liabilities ceded to retakaful operators | 20 | - | (20,399) | (925) | (21,324) | - | 73,216 | (955) | 72,261 |
| Net claims | | - | (69,194) | (165,914) | (235,108) | - | (35,131) | (271,621) | (306,752) |

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MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

| Note | 2015 | | | | 2014 | | | |
|---|---------------------|----------------------------|---------------------------|------------------|---------------------|----------------------------|---------------------------|------------------|
| | Takaful Operator | General Takaful Fund | Family Takaful Fund | Company | Takaful Operator | General Takaful Fund | Family Takaful Fund | Company |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Surplus sharing with Takaful Operator | - | (1,518) | (11,250) | - | - | - | (11,000) | - |
| Wakalah fee expenses | - | (75,356) | (91,337) | - | - | (72,300) | (96,988) | - |
| Fee and commission expenses | (97,315) | - | - | (97,315) | (102,615) | - | - | (102,615) |
| Management expenses | (80,952) | - | - | (80,952) | (70,356) | - | - | (70,356) |
| Allowance for impairment loss | - | 4,643 | 1,500 | 6,143 | - | (10,508) | (805) | (11,313) |
| Other operating expenses | - | (1,938) | (1,058) | (2,804) | - | - | - | - |
| Expense liabilities | (377) | - | - | (377) | (2,525) | - | - | (2,525) |
| Other expenses | (178,644) | (74,169) | (102,145) | (175,305) | (175,496) | (82,808) | (108,793) | (186,809) |
| Zakat | (72) | - | - | (72) | - | - | - | - |
| Profit/(loss) before taxation | 6,957 | 1,521 | (2,661) | 5,817 | 8,191 | (2,511) | (11,170) | (5,490) |
| Tax (expense)/income attributable to participants | - | (970) | (2,034) | (3,004) | - | 1,960 | (178) | 1,782 |
| Profit/(loss) before taxation attributable to Takaful Operator | 6,957 | 551 | (4,695) | 2,813 | 8,191 | (551) | (11,348) | (3,708) |
| Taxation | (10,481) | (970) | (2,034) | (12,429) | (4,138) | 1,960 | (178) | 557 |
| Tax expense attributable to participants | - | 970 | 2,034 | 3,004 | - | (1,960) | 178 | (1,782) |
| Tax expense attributable to Takaful Operator | (10,481) | - | - | (9,425) | (4,138) | - | - | (1,225) |
| Net (loss)/profit for the financial year | (3,524) | 551 | (4,695) | (6,612) | 4,053 | (551) | (11,348) | (4,933) |

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MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

| | <u>Note</u> | 2015 | | | | 2014 | | | |
|---|-------------|---------------------|----------------------------|---------------------------|---------|---------------------|----------------------------|---------------------------|---------|
| | | Takaful Operator | General Takaful Fund | Family Takaful Fund | Company | Takaful Operator | General Takaful Fund | Family Takaful Fund | Company |
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Net (loss)/ profit for the financial year | | (3,524) | 551 | (4,695) | (6,612) | 4,053 | (551) | (11,348) | (4,933) |
| Other comprehensive (loss)/income: | | | | | | | | | |
| <u>Items that may be subsequently reclassified to profit or loss:</u> | | | | | | | | | |
| Fair value changes on available-for-sale investment that may be reclassified to profit or loss: | | | | | | | | | |
| - Gross fair value changes | 6(i) | 264 | (167) | 258 | 355 | 4 | (180) | 82 | (94) |
| -Transferred to Income Statement upon disposal of available-for-sale investments | 18 | (325) | 188 | 92 | (45) | (657) | 64 | (238) | (831) |
| -Deferred taxation | 13 | 15 | (5) | (28) | (18) | 163 | 29 | 27 | 219 |
| -Net fair value changes | | (46) | 16 | 322 | 292 | (490) | (87) | (129) | (706) |
| Changes in Takaful contract liabilities arising from unrealised net fair value changes | 10 | - | (16) | (322) | (338) | - | 87 | 129 | 216 |
| Other comprehensive loss for the financial year, net of tax | | (46) | - | - | (46) | (490) | - | - | (490) |
| Total comprehensive (loss)/ income for the financial year | | (3,570) | 551 | (4,695) | (6,658) | 3,563 | (551) | (11,348) | (5,423) |

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MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

| | Share capital | Non- distributable Available-for- sale reserves | Distributable Retained earnings | Total |
|--|------------------|--|---------------------------------------|----------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2015 | 100,000 | (187) | 17,033 | 116,846 |
| Net loss for the financial year | - | - | (6,612) | (6,612) |
| Other comprehensive loss for the financial year | - | (46) | - | (46) |
| At 31 December 2015 | 100,000 | (233) | 10,421 | 110,188 |
| 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 |

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

Company No.

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MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

| | <u>Note</u> | <u>2015</u> RM'000 | <u>2014</u> RM'000 |
|---|-------------|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash used in operating activities | 23 | (10,413) | (8,216) |
| Distribution income received | | 3,509 | 5,517 |
| Profit income received | | 18,891 | 17,001 |
| Income tax paid | | (5,923) | (8,141) |
| Net cash flows generated from operating activities | | 6,065 | 6,161 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from disposal of property and equipment | | - | 26 |
| Purchase of property and equipment | | (935) | (1,373) |
| Purchases of intangible assets | | (1,448) | (1,675) |
| Net cash flows used in investing activities | | (2,383) | (3,022) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 3,682 | 3,139 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR | | 13,821 | 10,682 |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR | | 17,503 | 13,821 |
| Cash and cash equivalents consist of: | | | |
| Cash and bank balances | | 17,503 | 13,821 |

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

MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

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 30 March 2016.

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.

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.

MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Financial assets and financial liabilities are offset and the net amount is reported 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 realise the assets and settle the liability simultaneously. Income and expense will not be offset in the statement of comprehensive income unless required or permitted by an accounting standard or interpretation as specifically disclosed 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.

(i) Standards, amendments to published standards and interpretations that are effective.

The Company has applied the following amendments for the first time for the financial year beginning on 1 January 2015:

- Annual Improvement to MFRSs 2010-2012 Cycle
- Annual Improvements to MFRSs 2011-2013 Cycle
- Amendments to MFRS 119 Defined Benefits Plans : Employee Contributions

The adoption of the Annual Improvement to MFRSs 2010 – 2012 Cycle has required additional disclosures about the aggregation of segments. Other than that, the adoption or these amendments did not have any impact on the current or any prior year and are not likely to affect future periods.

(ii) Standards and amendments that have been issued but not yet effective

A number of new standards and amendments to standard/ and interpretations are effective for financial year beginning after 1 January 2015. None of these is expected to have significant effect on the financial statements of the Company, except for the following set out below:

- Amendments to MFRS 116 ‘Property, plant and equipment’ and MFRS 138 ‘Intangible assets’ (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation of an item of property, plant and equipment is not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Standards and amendments that have been issued but not yet effective (continued)

A number of new standards and amendments to standard/ and interpretations are effective for financial year beginning after 1 January 2015. None of these is expected to have significant effect on the financial statements of the Company, except for the following set out below: (continued)

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018 GN 2.1a) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

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.

(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.

MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2015 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property and equipment

Property 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 profit or loss 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 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 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 profit and loss.

(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 maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- (i) it is technically feasible to complete the software product so that it will be available for use;
- (ii) management intends to complete the software product and use or sell it;
- (iii) there is an ability to use or sell the software product;
- (iv) it can be demonstrated how the software product will generate probable future economic benefits;
- (v) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- (vi) the expenditure attributable to the software product during its development can be reliably measured.

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.

MAA TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (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 profit or loss. 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 impairment loss. A gain or loss is recognised in profit or loss 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 profit or loss 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 2015 (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 profit or loss, 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 profit or loss.

(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.

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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Fair value of financial instruments (continued)

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.

(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 profit or loss.

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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets (continued)

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

(i) Financial assets carried at amortised cost (continued)

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 profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(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 profit or loss, is transferred from equity through the statement of comprehensive income or from Takaful contract liabilities to profit or loss. Reversals in respect of equity instruments classified as AFS are not recognised in profit or loss. Reversals of impairment losses on debt instruments classified as AFS are reversed through profit or loss 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 profit or loss.

(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 profit or loss 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 profit or loss 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 profit or loss. 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 2015 (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 profit or loss 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 profit or loss.

Gains or losses on buying retakaful are recognised in profit or loss 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.

(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 inception 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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) General Takaful underwriting results (continued)

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.

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 profit or loss 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 profit or loss 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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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 profit or loss 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 2015 (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. 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Takaful contract liabilities (continued)

General Takaful contract liabilities (continued)

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 profit or loss 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 profit or loss.

(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.

(r) Management expenses, commission expenses and Wakalah fee

The acquisition costs, commissions and management expenses are borne by the Takaful Operator. In accordance with principles of Wakalah approved by the Company's Shariah Committee and agreed between the participants and the Takaful Operator, an agreed percentage of the gross contribution will be charged as upfront wakalah fees by the Takaful Operator to the General Takaful and Family Takaful funds to cover the acquisition costs, commissions and management expenses, and recognised as income upon issuance of certificates. Non-upfront wakalah fees are charged by Takaful Operator to Family Takaful fund based on agreed amount or a certain percentage of an amount to cover other costs incurred by the Takaful operator.

(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 profit or loss.

(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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income taxes

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

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

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(v) Dividends

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

(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 or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

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

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.

The Company engages an independent external actuary to compute the reserve required for incurred but not reported claims. The general approach taken in the actuarial estimation of outstanding claims is to analyse past experience of the Company 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 methodologies and assumptions, the actuary will determine future payment and reserving patterns of the outstanding claims in estimating the expected Ultimate Claim Loss.

As the Company has been in operation for eight and half years, we have placed full credibility on the Company's own claim experience in estimating the claim liability on the Contract 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. 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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(i) Valuation of General Takaful claims liabilities (continued)

The Company holds the IBNR reserve at 75 percentile confidence level. This means the reserve is expected to 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.

(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 higher than the total UCR less related deferred acquisition costs, then the total deficiency will be recognised in profit or loss by setting up a provision for liability adequacy.

(iii) Actuarial liabilities for Family Takaful fund

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

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

This is the risk fund for investment-linked certificates, including the attached 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 higher of Unearned Tabarru' Reserve ("UTR") or 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. For medical riders, the reserves are calculated as the higher of the unexpired risk reserve or the UTR.

In addition, IBNR claim is also reserved for Medical riders. From the experience study, 1 month average net claims is assumed in calculating IBNR for medical riders.

The Company also set aside 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 remaining term of the certificate, discounted using risk free spot rates of returns.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

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

- Ordinary Family Participant Risk Investment Account ("PRIA Ordinary Family") (continued)

This fund consists of six products, CancerCare, SmartMedic, Medica2015, Patina2016, 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' Reserve ("UTR") 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 of returns.

SmartMedic is an individual Hospitalisation and Surgical product with guaranteed renewability up to age 79. It also provides funeral expense benefit, which is payable upon death due to all causes. The reserve is calculated as the higher of Unearned Tabarru' Reserve ("UTR") or URR. The UTR is calculated by taking half of the monthly drip at the valuation date. The Contribution reserve is calculated as 100% of Unearned Tabarru' Reserve ("UTR") using 1/24th method. URR is a percentage of unearned medical tabarru' where the percentage is determined by analysing the product's loss ratio by certificate year. An additional provision of 1 month of average claims is set aside for IBNR claims.

Medica2015 is another individual Hospitalisation and Surgical product that comes with guaranteed renewability up to age 79. 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 reserve is set aside in similar manner to SmartMedic reserving.

Patina2016 product is a standalone Personal Accident product with guaranteed renewability up to age 75. The reserve is being calculated as the higher of UTR or total present value of future deficits, determined at certificate level, where the UTR is reserve is calculated as 100% of Unearned Tabarru' Reserve ("UTR") using 1/24th method and the present value of future deficits determined using the risk free spot rates and claims assumptions at 75 percentile confidence level.

The reserves for Takafulife Series and Term 80 products are calculated as the higher of UTR or total present value of future deficits, determined at certificate level, where the UTR 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 (GTT), Group Comprehensive Takaful Scheme (GCTS), Group Mortgage Protection Plan and Group Decreasing Term.

The reserve for GTT and GCTS are calculated as 100% of UTR using the 1/24th method. The reserve for Group Mortgage Protection Plan and Group Decreasing Term are computed using GPV method, discounted at risk free spot rates of returns. Additional provisions of 4.5 months and 5.5 months of average claims are set aside for IBNR Death and Critical Illness claims respectively.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (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") or 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 revised, 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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

4 PROPERTY AND EQUIPMENT

Takaful Operator/Company

| | Computer equipment RM'000 | Furniture and fittings RM'000 | Motor vehicles RM'000 | Office equipment RM'000 | Renovation RM'000 | Total RM'000 |
|------------------------------------|---------------------------------|-------------------------------------|-----------------------------|-------------------------------|----------------------|-----------------|
| <u>Cost</u> | | | | | | |
| At 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 2014/1 January 2015 | 6,099 | 6,889 | 397 | 3,722 | 2,602 | 19,709 |
| Additions | 745 | 26 | - | 141 | 23 | 935 |
| Write off | (21) | (1) | - | (66) | - | (88) |
| At 31 December 2015 | 6,823 | 6,914 | 397 | 3,797 | 2,625 | 20,556 |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

4 PROPERTY AND EQUIPMENT (CONTINUED)

Takaful Operator/Company

| | Computer equipment RM'000 | Furniture and fittings RM'000 | Motor vehicles RM'000 | Office equipment RM'000 | Renovation RM'000 | Total RM'000 |
|--|---------------------------------|-------------------------------------|-----------------------------|-------------------------------|----------------------|-----------------|
| <u>Accumulated depreciation</u> | | | | | | |
| At 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 2014/1 January 2015 | 3,641 | 1,852 | 168 | 954 | 637 | 7,252 |
| Depreciation charge for the financial year | 1,120 | 717 | 40 | 365 | 246 | 2,488 |
| Write off for the financial year | (18) | - | - | (4) | - | (22) |
| At 31 December 2015 | 4,743 | 2,569 | 208 | 1,315 | 883 | 9,718 |
| <u>Net carrying amount</u> | | | | | | |
| At 31 December 2014 | 2,458 | 5,037 | 229 | 2,768 | 1,965 | 12,457 |
| At 31 December 2015 | 2,080 | 4,345 | 189 | 2,482 | 1,742 | 10,838 |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

5 INTANGIBLE ASSETS

Takaful Operator/ Company

| | 2015 | 2014 |
|-------------------------------------|--------|--------|
| | RM'000 | RM'000 |
| <u>Cost</u> | | |
| At 1 January | 11,317 | 9,642 |
| Additions | 1,448 | 1,675 |
| At 31 December | 12,765 | 11,317 |
| <u>Accumulated amortisation</u> | | |
| At 1 January | 8,019 | 6,891 |
| Amortisation for the financial year | 1,364 | 1,128 |
| At 31 December | 9,383 | 8,019 |
| <u>Net book value</u> | | |
| At 31 December | 3,382 | 3,298 |

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 2015 (CONTINUED)

6 INVESTMENTS

| | Takaful Operator RM'000 | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company RM'000 |
|---|-------------------------------|--------------------------------------|-------------------------------------|-------------------|
| <u>At 31 December 2015</u> | | | | |
| Malaysian Government Guaranteed financing | - | 15,245 | 25,387 | 40,632 |
| Islamic debt securities, unquoted | 10,456 | 62,662 | 95,620 | 168,738 |
| Shariah-approved quoted equities | 853 | - | 81,798 | 80,396 |
| Investment-linked units | 2,730 | - | 215,788 | 218,518 |
| Deposits with financial institutions | 98,196 | 58,159 | 41,233 | 197,112 |
| | <u>112,235</u> | <u>136,066</u> | <u>459,826</u> | <u>705,396</u> |

At 31 December 2014

| | | | | |
|---|----------------|----------------|----------------|----------------|
| 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> |

The Company's investments are summarised as follows:

At 31 December 2015

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Held-to-maturity ("HTM") | - | 15,245 | 25,387 | 40,632 |
| Loans and receivables ("LAR") | 98,196 | 58,159 | 41,233 | 197,112 |
| Available-for-sale ("AFS") | 10,456 | 62,662 | 41,620 | 114,738 |
| Fair value through profit or loss ("FVTPL") | 3,583 | - | 351,586 | 352,914 |
| | <u>112,235</u> | <u>136,066</u> | <u>459,826</u> | <u>705,396</u> |

At 31 December 2014

| | | | | |
|---|----------------|----------------|----------------|----------------|
| 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> |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

6 INVESTMENTS (CONTINUED)

| Takaful Operator | General Takaful Fund | Family Takaful Fund | Company |
|---------------------|----------------------------|---------------------------|---------|
| RM'000 | RM'000 | RM'000 | RM'000 |

The following investments mature after 12 months:

At 31 December 2015

| | | | | |
|-----|--------|--------|--------|---------|
| HTM | - | 15,245 | 25,387 | 40,632 |
| AFS | 10,456 | 62,662 | 41,620 | 114,738 |

At 31 December 2014

| | | | | |
|-----|--------|--------|--------|---------|
| HTM | - | 15,366 | 25,636 | 41,002 |
| AFS | 58,754 | 49,122 | 37,221 | 145,097 |

(a) HTM investments

At 31 December 2015

| | | | | |
|---|---|--------|--------|--------|
| Amortised cost: | | | | |
| Malaysian Government Guaranteed financing | - | 15,245 | 25,387 | 40,632 |

| | | | | |
|---|---|--------|--------|--------|
| Fair value: | | | | |
| Malaysian Government Guaranteed financing | - | 14,688 | 24,554 | 39,242 |

At 31 December 2014

| | | | | |
|---|---|--------|--------|--------|
| Amortised cost: | | | | |
| Malaysian Government Guaranteed financing | - | 15,366 | 25,636 | 41,002 |

| | | | | |
|---|---|--------|--------|--------|
| Fair value: | | | | |
| Malaysian Government Guaranteed financing | - | 14,811 | 24,802 | 39,613 |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

6 INVESTMENTS (CONTINUED)

| | Takaful Operator RM'000 | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company RM'000 |
|--|-------------------------------|--------------------------------------|-------------------------------------|-------------------|
|--|-------------------------------|--------------------------------------|-------------------------------------|-------------------|

(b) LAR investments

At 31 December 2015

Amortised cost:

Fixed and call deposits with:

Licensed financial institutions

| | | | |
|--------|--------|--------|---------|
| 98,196 | 58,159 | 41,233 | 197,112 |
|--------|--------|--------|---------|

At 31 December 2014

Amortised cost:

Fixed and call deposits with:

Licensed financial institutions

| | | | |
|--------|--------|--------|---------|
| 37,107 | 47,882 | 72,561 | 155,789 |
|--------|--------|--------|---------|

As at 31 December 2015, the cash and cash equivalents in the LAR of RM21,101,706 (2014: RM2,333,000) 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

At 31 December 2015

Fair value:

Islamic debt-securities, unquoted

| | | | |
|--------|--------|--------|---------|
| 10,456 | 62,662 | 41,620 | 114,738 |
|--------|--------|--------|---------|

At 31 December 2014

Fair value:

Islamic debt securities, unquoted

| | | | |
|--------|--------|--------|---------|
| 58,754 | 49,122 | 37,221 | 145,097 |
|--------|--------|--------|---------|

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

6 INVESTMENTS (CONTINUED)

(d) FVTPL investments

At 31 December 2015

Fair value at designation:

Shariah-approved quoted equities

Islamic debt-securities, unquoted

Investment-linked units

| Takaful Operator | General Takaful Fund | Family Takaful Fund | Company |
|---------------------|----------------------------|---------------------------|---------|
| RM'000 | RM'000 | RM'000 | RM'000 |
| 853 | - | 81,798 | 80,396 |
| - | - | 54,000 | 54,000 |
| 2,730 | - | 215,788 | 218,518 |
| 3,583 | - | 351,586 | 352,914 |

At 31 December 2014

Fair value at designation:

Shariah-approved quoted equities

Islamic debt-securities, unquoted

Investment-linked units

| | | | |
|--------|---|---------|---------|
| 1,846 | - | 227,413 | 221,582 |
| - | - | 88,039 | 87,990 |
| 9,487 | - | - | 9,487 |
| 11,333 | - | 315,452 | 319,059 |

Carrying value of investments

The movement of financial assets are summarised in the table below by measurement category:

(i) Takaful Operator

| | LAR | AFS | FVTPL | Total |
|---|--------|----------|----------|----------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2014 | 15,905 | 62,137 | 17,769 | 95,811 |
| Purchases | 21,226 | 10,410 | 6,984 | 38,620 |
| Disposal including maturities and redemptions | - | (13,301) | (11,787) | (25,088) |
| Fair value loss recorded in: | | | | |
| profit or loss (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 2014/1 January 2015 | 37,107 | 58,754 | 11,333 | 107,194 |
| Purchases | 60,945 | - | 1,500 | 62,445 |
| Disposal including maturities and redemptions | - | (48,490) | (10,766) | (59,256) |
| Fair value gain recorded in: | | | | |
| profit or loss (Note 19) | - | - | 1,476 | 1,476 |
| Other comprehensive income | - | 264 | - | 264 |
| Movement in accrued profit | 144 | 126 | 40 | 310 |
| Amortisation adjustment (Note 17(a)) | - | (198) | - | (198) |
| At 31 December 2015 | 98,196 | 10,456 | 3,583 | 112,235 |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

6 INVESTMENTS (CONTINUED)

Carrying value of investments (continued)

(ii) General Takaful fund

| | HTM | LAR | AFS | Total |
|--|--------|--------|----------|----------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2014 | 15,365 | 20,276 | 45,778 | 81,419 |
| Purchases | - | 27,565 | 8,005 | 35,570 |
| Disposal 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) |
| Amortisation adjustment (Note 17(b)) | - | - | (223) | (223) |
| At 31 December 2014/1 January 2015 | 15,366 | 47,882 | 49,122 | 112,370 |
| Purchases | - | 10,252 | 25,026 | 35,278 |
| Disposal including maturities and redemptions | - | - | (11,062) | (11,062) |
| Fair value loss recorded in: | | | | |
| Takaful contract liabilities (Note 10(b)(iii)) | - | - | (167) | (167) |
| Movement in accrued profit | (121) | 25 | (71) | (167) |
| Amortisation adjustment (Note 17(b)) | - | - | (186) | (186) |
| At 31 December 2015 | 15,245 | 58,159 | 62,662 | 136,066 |

(iii) Family Takaful fund

| | HTM | LAR | AFS | FVTPL | Total |
|---|--------|----------|----------|-----------|-----------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2014 | 25,516 | 35,552 | 41,634 | 264,559 | 367,261 |
| Purchases | - | 37,007 | 10,114 | 342,437 | 389,558 |
| Disposal including maturities and redemptions | - | - | (14,396) | (263,929) | (278,325) |
| Fair value loss recorded in: | | | | | |
| profit and loss (Note 19) | - | - | - | (28,363) | (28,363) |
| Takaful contract liabilities (Note 10(a)) | - | - | 82 | - | 82 |
| Movement in accrued profit (Amortisation)/accretion | 121 | 2 | (68) | 681 | 736 |
| Adjustment (Note 17(c)) | (1) | - | (145) | 67 | (79) |
| At 31 December 2014/1 January 2015 | 25,636 | 72,561 | 37,221 | 315,452 | 450,870 |
| Purchases | - | - | 10,978 | 408,269 | 419,247 |
| Disposal including maturities and redemptions | - | (31,316) | (6,362) | (383,484) | (421,162) |
| Fair value gain/(loss) recorded in: | | | | | |
| profit or loss (Note 19) | - | - | - | 12,101 | 12,101 |
| Takaful contract liabilities (Note 10(a)) | - | - | 258 | - | 258 |
| Movement in accrued profit (Amortisation)/accretion | (248) | (12) | (351) | (795) | (1,406) |
| Adjustment (Note 17(c)) | (1) | - | (124) | 43 | (82) |
| At 31 December 2015 | 25,387 | 41,233 | 41,620 | 351,586 | 459,826 |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

6 INVESTMENTS (CONTINUED)

Carrying value of investments (continued)

(iv) Company

| | HTM | LAR | AFS | FVTPL | Total |
|--|--------|----------|----------|-----------|-----------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2014 | 40,881 | 70,023 | 149,549 | 273,608 | 534,061 |
| Purchases | - | 85,747 | 28,529 | 350,413 | 464,689 |
| Disposal including maturities and redemptions | - | - | (31,592) | (275,714) | (307,306) |
| Fair value gain/(loss) recorded in: | | | | | |
| profit or loss (Note 19) | - | - | - | (30,010) | (30,010) |
| Takaful contract liabilities | - | - | (98) | - | (98) |
| Other comprehensive income | - | - | 4 | - | 4 |
| Movement in accrued profit (Amortisation)/ accretion adjustment (Note 17(d)) | 122 | 19 | (605) | 695 | 231 |
| At 31 December 2014/1 January 2015 | (1) | - | (690) | 67 | (624) |
| | 41,002 | 155,789 | 145,097 | 319,059 | 660,947 |
| Purchases | - | 71,197 | 36,004 | 409,769 | 516,970 |
| Disposal including maturities and redemptions | - | (30,031) | (65,914) | (388,779) | (484,724) |
| Fair value gain/(loss) recorded in: | | | | | |
| profit or loss (Note 19) | - | - | - | 13,577 | 13,577 |
| Takaful contract liabilities | - | - | 91 | - | 91 |
| Other comprehensive income | - | - | 264 | - | 264 |
| Movement in accrued profit (Amortisation)/accretion adjustment (Note 17(d)) | (369) | 157 | (296) | (755) | (1,263) |
| At 31 December 2015 | (1) | - | (508) | 43 | (466) |
| | 40,632 | 197,112 | 114,738 | 352,914 | 705,396 |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

6 INVESTMENTS (CONTINUED)

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:

| | Level 1 RM'000 | Level 2 RM'000 | Total RM'000 |
|-----------------------------------|-------------------|-------------------|-----------------|
| (i) <u>Takaful Operator</u> | | | |
| <u>At 31 December 2015</u> | | | |
| (a) FVTPL investments | | | |
| Shariah-approved quoted equities | 853 | - | 853 |
| Investment-linked units | 2,730 | - | 2,730 |
| | <u>3,583</u> | <u>-</u> | <u>3,583</u> |
| (b) AFS Investments | | | |
| Islamic debt securities, unquoted | - | 10,456 | 10,456 |
| | <u>-</u> | <u>10,456</u> | <u>10,456</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> |
| (c) AFS Investments | | | |
| Islamic debt securities, unquoted | - | 58,754 | 58,754 |
| | <u>-</u> | <u>58,754</u> | <u>58,754</u> |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

6 INVESTMENTS (CONTINUED)

Fair value of investments (continued)

Recurring fair value measurements (continued):

| | Level 1 | Level 2 | Total |
|---|---------|---------|--------|
| | RM'000 | RM'000 | RM'000 |
| (ii) <u>General Takaful fund</u> | | | |
| <u>At 31 December 2015</u> | | | |
| (a) HTM investments | | | |
| Malaysian Government Guaranteed financing | - | 14,688 | 14,688 |
| (b) AFS Investments | | | |
| Islamic debt securities, unquoted | - | 62,662 | 62,662 |
| <u>At 31 December 2014</u> | | | |
| (a) HTM investments | | | |
| Malaysian Government Guaranteed financing | - | 14,811 | 14,811 |
| (b) AFS Investments | | | |
| Islamic debt securities, unquoted | - | 49,122 | 49,122 |

MAA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

6 INVESTMENTS (CONTINUED)

Fair value of investments (continued)

Recurring fair value measurements (continued):

| | Level 1 | Level 2 | Total |
|---|----------------|---------------|----------------|
| | RM'000 | RM'000 | RM'000 |
| (iii) <u>Family Takaful fund</u> | | | |
| <u>At 31 December 2015</u> | | | |
| (a) HTM investments | | | |
| Malaysian Government Guaranteed financing | - | 24,554 | 24,554 |
| (b) FVTPL investments | | | |
| Islamic debt securities, unquoted | - | 54,000 | 54,000 |
| Shariah-approved quoted equities | 81,798 | - | 81,798 |
| Investment-linked units | 215,788 | - | 215,788 |
| | <u>297,586</u> | <u>54,000</u> | <u>351,586</u> |
| (c) AFS Investments | | | |
| Islamic debt securities, unquoted | - | 41,620 | 41,620 |
| <u>At 31 December 2014</u> | | | |
| (a) HTM investments | | | |
| Malaysian Government Guaranteed financing | - | 24,802 | 24,802 |
| (b) FVTPL investments | | | |
| Islamic debt securities, unquoted | - | 88,039 | 88,039 |
| Shariah-approved quoted equities | 227,413 | - | 227,413 |
| | <u>227,413</u> | <u>88,039</u> | <u>315,452</u> |
| (c) AFS Investments | | | |
| Islamic debt securities, unquoted | - | 37,221 | 37,221 |

MAA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

6 INVESTMENTS (CONTINUED)

Fair value of investments (continued)

Recurring fair value measurements (continued):

| | Level 1 | Level 2 | Total |
|---|----------------|---------------|----------------|
| | RM'000 | RM'000 | RM'000 |
| (iv) <u>Company</u> | | | |
| <u>At 31 December 2015</u> | | | |
| (a) HTM investments | | | |
| Malaysian Government Guaranteed financing | - | 39,242 | 39,242 |
| (b) FVTPL investments | | | |
| Islamic debt securities, unquoted | - | 54,000 | 54,000 |
| Shariah-approved quoted equities | 80,396 | - | 80,396 |
| Investment-linked units | 218,518 | - | 218,518 |
| | <u>298,914</u> | <u>54,000</u> | <u>352,914</u> |
| (c) AFS Investments | | | |
| Islamic debt securities, unquoted | - | 114,738 | 114,738 |
| <u>At 31 December 2014</u> | | | |
| (a) HTM investments | | | |
| Malaysian Government Guaranteed financing | - | 39,613 | 39,613 |
| (b) FVTPL investments | | | |
| Islamic debt securities, unquoted | - | 87,990 | 87,990 |
| Shariah-approved quoted equities | 221,582 | - | 221,582 |
| Investment-linked units | 9,487 | - | 9,487 |
| | <u>231,069</u> | <u>87,990</u> | <u>319,059</u> |
| (c) AFS Investments | | | |
| Islamic debt securities, unquoted | - | 145,097 | 145,097 |

MAA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

7 TAKAFUL RECEIVABLES

| | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company RM'000 |
|---|--------------------------------------|-------------------------------------|-------------------|
| <u>At 31 December 2015</u> | | | |
| Due contributions including agents/brokers and co-insurers | 69,572 | 2,544 | 72,116 |
| Due from retakaful and cedents | 15,896 | 1,722 | 17,618 |
| | 85,468 | 4,266 | 89,734 |
| Allowance for impairment loss | (8,693) | - | (8,693) |
| | 76,775 | 4,266 | 81,041 |
| Receivable within 12 months | 76,775 | 4,266 | 81,041 |
| <u>Offsetting financial assets and financial liabilities</u> | | | |
| Gross amounts of recognised financial assets | 93,240 | 7,636 | 100,876 |
| Less: | | | |
| Gross amounts of recognised financial liabilities set off in the statement of financial position | (7,772) | (3,370) | (11,142) |
| Net amounts of financial assets presented in the statement of financial position | 85,468 | 4,266 | 89,734 |
| <u>At 31 December 2014</u> | | | |
| Due contributions including agents/brokers and co-insurers | 81,520 | 1,699 | 83,219 |
| Due from retakaful and cedents | 29,656 | 3,613 | 33,269 |
| | 111,176 | 5,312 | 116,488 |
| Allowance for impairment loss | (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 |

MAA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (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 2015 (2014: nil).

A reconciliation of the allowance for impairment loss for takaful receivables is as follows:

| | General Takaful Fund | Family Takaful Fund | Company |
|--|----------------------------|---------------------------|---------|
| | RM'000 | RM'000 | RM'000 |
| At 1 January 2014 | 2,287 | 1,833 | 4,120 |
| Allowance during the financial year | 11,070 | 805 | 11,875 |
| As at 31 December 2014/ 1 January 2015 | 13,357 | 2,638 | 15,995 |
| Reversal of impairment during the financial year | - | (1,138) | (1,138) |
| Write back during the financial year | (4,664) | (1,500) | (6,164) |
| At 31 December 2015 | 8,693 | - | 8,693 |

8 RETAKAFUL ASSETS

| | 2015 RM'000 | 2014 RM'000 |
|--|----------------|----------------|
| (a) General Takaful Fund | | |
| Retakaful of Takaful contracts (Note 10) | 258,009 | 280,382 |
| (b) Family Takaful Fund | | |
| Retakaful of Takaful contracts (Note 10) | 12,399 | 14,535 |
| (c) Company | | |
| Retakaful of Takaful contracts (Note 10) | 270,408 | 294,917 |

MAA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (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 2015</u> | | | | | |
| Staff financing | | 185 | - | - | 185 |
| Knock-for-knock ("KFK") claims recoverable | | - | 161 | - | 161 |
| KFK claims recoverable at gross | | - | 199 | - | 199 |
| Less: Allowance for impairment loss | | - | (38) | - | (38) |
| Other receivables, deposits and prepayments | | 7,644 | 2,940 | 1,085 | 11,669 |
| | | 7,829 | 3,101 | 1,085 | 12,015 |
| <u>Inter-fund balances</u> | | | | | |
| Amount due from General Takaful fund | 12 | 1,651 | - | - | - |
| Certificate fees receivable from Family Takaful fund | 12 | 1,200 | - | - | - |
| Tharawat fees receivable from Family Takaful fund | 12 | 1,190 | - | - | - |
| Amount due (to)/ from Takaful Operator | 12 | - | - | 13,634 | - |
| Amount due (to)/from Family Takaful Fund | 12 | - | (126) | 1,005 | - |
| Surplus receivable from General Takaful fund | 12 | 1,518 | - | - | - |
| Surplus receivable from Family Takaful fund | 12 | 11,250 | - | - | - |
| | | 16,809 | (126) | 14,639 | - |
| Total other receivables | | 24,638 | 2,975 | 15,724 | 12,015 |
| Receivable within 12 months | | 24,638 | 2,975 | 15,724 | 12,015 |

MAA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

9 OTHER RECEIVABLES (CONTINUED)

| | Note | Takaful Operator RM'000 | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company 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 |
| Inter-fund balances | | | | | |
| 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 |

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

| | Takaful Operator RM'000 | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company RM'000 |
|--------------------------------------|-------------------------------|--------------------------------------|-------------------------------------|-------------------|
| <u>2015</u> | | | | |
| At 1 January | - | 17 | - | 17 |
| Allowance during the financial year | - | 21 | - | 21 |
| At 31 December | - | 38 | - | 38 |
| <u>2014</u> | | | | |
| At 1 January | - | 579 | - | 579 |
| Write back during the financial year | - | (562) | - | (562) |
| At 31 December | - | 17 | - | 17 |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

10 TAKAFUL CONTRACT LIABILITIES

| | 2015 | | | 2014 | | |
|------------------------------|----------------|------------------|----------------|----------------|------------------|----------------|
| | Gross | Retakaful | Net | Gross | Retakaful | Net |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Family Takaful (Note 10(a)) | 468,705 | (12,399) | 456,306 | 455,467 | (14,535) | 440,932 |
| General Takaful (Note 10(b)) | 380,799 | (258,009) | 122,790 | 366,291 | (280,382) | 85,909 |
| Company | <u>846,792</u> | <u>(270,408)</u> | <u>576,385</u> | <u>812,271</u> | <u>(294,917)</u> | <u>517,354</u> |

(a) Family Takaful

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

| | 2015 | | | 2014 | | |
|---|----------------|-----------------|----------------|----------------|-----------------|----------------|
| | Gross | Retakaful | Net | Gross | Retakaful | Net |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Certificateholders' liabilities | 86,907 | (10,778) | 76,129 | 77,406 | (11,703) | 65,703 |
| Net asset value attributable to unitholders | <u>368,808</u> | - | <u>368,808</u> | <u>359,158</u> | - | <u>359,158</u> |
| Actuarial liabilities | 455,715 | (10,778) | 444,937 | 436,564 | (11,703) | 424,861 |
| Unallocated surplus attributable to unitholders | 449 | - | 449 | 4,330 | - | 4,330 |
| Accumulated deficits of non-investment-linked funds | (16,043) | - | (16,043) | (11,348) | - | (11,348) |
| Qardhul Hassan | 16,043 | - | 16,043 | 11,348 | - | 11,348 |
| Claims liabilities | 12,284 | (1,621) | 10,663 | 14,638 | (2,832) | 11,806 |
| Available-for-sale fair value adjustment | | | | | | |
| - gross | 279 | - | 279 | (71) | - | (71) |
| - deferred tax | (22) | - | (22) | 6 | - | 6 |
| | <u>257</u> | - | <u>257</u> | <u>(65)</u> | - | <u>(65)</u> |
| | <u>468,705</u> | <u>(12,399)</u> | <u>456,306</u> | <u>455,467</u> | <u>(14,535)</u> | <u>440,932</u> |

| | Gross | Re-Takaful | Net |
|--|----------------|-----------------|----------------|
| | RM'000 | RM'000 | RM'000 |
| At 1 January 2014 | 362,592 | (15,490) | 347,102 |
| Contributions 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 | (11,000) | - | (11,000) |
| Qardhul Hassan | 11,348 | - | 11,348 |
| Movement in AFS investments fair value adjustment | | | |
| - gross fair value changes | 82 | - | 82 |
| - transferred to Income Statement upon disposal of AFS investments (Note 18(c)) | (238) | - | (238) |
| - deferred tax | 27 | - | 27 |
| | <u>(129)</u> | - | <u>(129)</u> |
| At 31 December 2014 | <u>455,467</u> | <u>(14,535)</u> | <u>440,932</u> |

MAA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

10 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful (continued)

| | Gross RM'000 | Retakaful RM'000 | Net RM'000 |
|---|-----------------|---------------------|---------------|
| At 1 January 2015 | 455,467 | (14,535) | 440,932 |
| Contributions received (Note 16(b)) | 250,736 | (14,053) | 236,683 |
| Liabilities paid for death, maturities, surrender, benefit and claims (Note 20(b)(i),(ii)) | (161,027) | 11,307 | (149,720) |
| Movement in claims liabilities | 2,353 | (1,211) | 1,142 |
| Experience variance on inforce Takaful certificates | 6,920 | (2,576) | 4,344 |
| Reserve on new policies | (9,737) | 1,650 | (8,087) |
| Miscellaneous | 5,360 | 7,019 | 12,377 |
| Fees deducted | (75,132) | - | (75,132) |
| Surplus distributed to Takaful Operator | (11,250) | - | (11,250) |
| Qardhul Hassan | 4,695 | - | 4,695 |
| Movement in AFS investments fair value adjustment | | | |
| - gross fair value changes | 258 | - | 258 |
| - transferred to profit or loss upon disposal of AFS investments (Note 18(c)) | 92 | - | 92 |
| - deferred tax | (28) | - | (28) |
| | 322 | - | 322 |
| At 31 December 2015 | 468,705 | (12,399) | 456,306 |

(b) General Takaful

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

| | 2015 | | | 2014 | | |
|--|-----------------|---------------------|---------------|-----------------|---------------------|---------------|
| | Gross RM'000 | Retakaful RM'000 | Net RM'000 | Gross RM'000 | Retakaful RM'000 | Net RM'000 |
| Provision for claims | 152,585 | (108,506) | 44,079 | 151,965 | (125,385) | 26,580 |
| Provision for IBNR | 80,041 | (54,805) | 25,236 | 71,456 | (55,278) | 16,178 |
| Provision for adverse deviation | 23,008 | (17,003) | 6,005 | 23,818 | (20,050) | 3,768 |
| Claim liabilities (i) | 255,634 | (180,314) | 75,320 | 247,239 | (200,713) | 46,526 |
| Unearned contribution reserves (ii) | 123,661 | (77,695) | 45,966 | 119,279 | (79,669) | 39,610 |
| Available-for-sale reserves (iii) | (211) | - | (211) | (227) | - | (227) |
| Unallocated surplus (iv) | 1,715 | - | 1,715 | - | - | - |
| | 380,799 | (258,009) | 122,790 | 366,291 | (280,382) | 85,909 |

MAA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

10 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful (continued)

| | 2015 | | | 2014 | | |
|---|-----------|--------------|----------|-----------|-----------|----------|
| | Gross | Retakaful | Net | Gross | Retakaful | Net |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| (i) Claims liabilities | | | | | | |
| At 1 January | 247,239 | (200,713) | 46,526 | 160,036 | (127,497) | 32,539 |
| Claims incurred in the current accident year | 159,475 | (94,831) | 64,644 | 180,401 | (142,510) | 37,891 |
| Other movements in claims incurred in prior accident years | (27,431) | 28,028 | 597 | (14,624) | 11,052 | (3,572) |
| Claims paid during the financial year (Note 20(a)(i),(ii)) | (122,839) | 84,155 | (38,684) | (86,131) | 64,922 | (21,209) |
| Movements in provision for adverse deviation | (810) | 3,047 | 2,237 | 7,557 | (6,680) | 877 |
| At 31 December | 255,634 | (180,314) | 75,320 | 247,239 | (200,713) | 46,526 |
| (ii) Unearned contribution reserves | | | | | | |
| At 1 January | 119,279 | (79,669) | 39,610 | 94,104 | (72,865) | 21,239 |
| Contributions written in the financial year (Note 16(a)) | 281,998 | (177,968) | 104,030 | 311,985 | (225,886) | 86,099 |
| Contributions earned during the financial year | (277,616) | 179,942 | (97,674) | (286,810) | 219,082 | (67,728) |
| At 31 December | 123,661 | (77,695) | 45,966 | 119,279 | (79,669) | 39,610 |
| (iii) Available-for-sale reserves | | | | | | |
| | Gross | Deferred Tax | Net | | | |
| | RM'000 | RM'000 | RM'000 | | | |
| 2015 | | | | | | |
| At 1 January | (303) | 76 | (227) | | | |
| Fair value movements arising from AFS investments | (167) | 43 | (124) | | | |
| Derecognition upon disposal of AFS investments (Note 18(b)) | 188 | (48) | 140 | | | |
| | 21 | (5) | 16 | | | |
| At 31 December | (282) | 71 | (211) | | | |
| 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) | | | |

MAA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

10 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful (continued)

(iv) Unallocated surplus

2015

At 1 January
Surplus generated during the year
At 31 December

| Gross | Retakaful | Net |
|--------|-----------|--------|
| RM'000 | RM'000 | RM'000 |
| - | - | - |
| 1,715 | - | 1,715 |
| 1,715 | - | 1,715 |

2014

At 1 January
Surplus distributed during the year
At 31 December

| | | |
|------|---|------|
| 65 | - | 65 |
| (65) | - | (65) |
| - | - | - |

11 TAKAFUL PAYABLES

At 31 December 2015

Due to agents and intermediaries
Due to retakaful operators and cedents

Deposits received from retakaful operators

| General Takaful Fund | Family Takaful Fund | Company |
|----------------------------|---------------------------|---------|
| RM'000 | RM'000 | RM'000 |
| 31,466 | - | 31,466 |
| 51,795 | 4,976 | 56,771 |
| 83,261 | 4,976 | 88,237 |
| 84 | - | 84 |
| 83,345 | 4,976 | 88,321 |
| 83,345 | 4,976 | 88,321 |

Payable within 12 months

Offsetting financial assets and financial liabilities
Gross amounts of recognised financial liabilities
Less:

Gross amounts of recognised financial assets
set off in the statement of financial position

Net amounts of financial liabilities
presented in the statement of financial position

| | | |
|---------|---------|----------|
| 91,117 | 8,346 | 99,463 |
| (7,772) | (3,370) | (11,142) |
| 83,345 | 4,976 | 88,321 |

Company No.

| | |
|--------|---|
| 731996 | H |
|--------|---|

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

11 TAKAFUL PAYABLES (CONTINUED)

| | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company RM'000 |
|--|--------------------------------------|-------------------------------------|-------------------|
| <u>At 31 December 2014</u> | | | |
| Due to agents and intermediaries | 40,884 | - | 40,884 |
| Due to retakaful operators and cedents | 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 |
| Offsetting financial assets and financial liabilities | | | |
| 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 |

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 2015 (2014: nil).

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

Company No.

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MAA TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

12 OTHER PAYABLES

| | Note | Takaful Operator RM'000 | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company RM'000 |
|---|------|-------------------------------|--------------------------------------|-------------------------------------|-------------------|
| <u>At 31 December 2015</u> | | | | | |
| Amount due to a related company | 24 | 17 | - | - | 17 |
| Commission payable | | 8,697 | - | - | 8,697 |
| Deposits contribution | | - | - | 7,410 | 7,410 |
| Accruals for staff costs | | 894 | - | - | 894 |
| Cash collateral | | - | 6,530 | - | 6,530 |
| Other payables and accruals | | 11,709 | 9,270 | 4,088 | 25,067 |
| | | 21,317 | 15,800 | 11,498 | 48,615 |
| Inter-fund balances: | | | | | |
| Amount due to Takaful Operator | 9 | - | 1,651 | 15 | - |
| Certificates fees payable to Takaful Operator | 9 | - | - | 1,200 | - |
| Tharawat fees payable to Takaful Operator | 9 | - | - | 1,190 | - |
| Surplus payable to Takaful Operator | 9 | - | 1,518 | 11,250 | - |
| Amount due to Family Takaful Fund | 9 | 13,619 | - | 1,005 | - |
| Amount due from General Takaful Fund | 9 | - | - | (126) | - |
| | | 13,619 | 3,169 | 14,534 | - |
| Total other payables | | 34,936 | 18,969 | 26,032 | 48,615 |
| Payable within 12 months | | 34,936 | 18,969 | 26,032 | 48,615 |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

12 OTHER PAYABLES (CONTINUED)

| | Note | Takaful Operator RM'000 | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company 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 |
| | | 21,428 | 8,249 | 8,982 | 38,659 |
| Inter-fund balances: | | | | | |
| Amount due to Takaful Operator | 9 | - | 6,089 | - | - |
| Certificates 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 | - | - | - |
| | | 5,705 | 6,089 | 13,299 | - |
| Total other payables | | 27,133 | 14,338 | 22,281 | 38,659 |
| Payable within 12 months | | 27,133 | 14,338 | 22,281 | 38,659 |

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 2015 (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 2015</u> | | | | | |
| Deferred tax liabilities/(asset) | 4,762 | (2,334) | 22 | 401 | (1,137) |
| Current | - | - | - | 401 | 401 |
| Non-current | 4,762 | (2,334) | 22 | - | (1,538) |
| | 4,762 | (2,334) | 22 | 401 | (1,137) |
| <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) |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

13 DEFERRED TAXATION (CONTINUED)

| | Takaful Operator | General Takaful Fund | Family Takaful Fund | Investment- linked Fund | Company |
|--|---------------------|----------------------------|---------------------------|-------------------------------|---------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2014 | 2,153 | (47) | 21 | 1,702 | 3,795 |
| Charged/(credited) to profit or loss: | | | | | |
| FVTPL investments | (3) | - | - | (2,269) | (2,272) |
| Property and equipment | 34 | - | - | - | 34 |
| Allowance for impairment loss | - | (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 2014/1 January 2015 | 3,702 | (3,213) | (6) | (567) | (2,997) |
| Charged/(credited) to profit or loss: | | | | | |
| FVTPL investments | 3 | - | - | 968 | 990 |
| Property and equipment | (260) | - | - | - | (260) |
| Allowance for impairment loss | - | 874 | - | - | 874 |
| Expense liabilities | 257 | - | - | - | 257 |
| Qardhul Hassan | 1,075 | - | - | - | - |
| | 1,075 | 874 | - | 968 | 1,861 |
| Credited to other comprehensive Income: | | | | | |
| AFS investments | (15) | - | - | - | (15) |
| Credited to Takaful contract liabilities: | | | | | |
| AFS investments (Note 10(a), (b)(iii)) | - | 5 | 28 | - | 14 |
| At 31 December 2015 | 4,762 | (2,334) | 22 | 401 | (1,137) |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

13 DEFERRED TAXATION (CONTINUED)

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

| | Takaful Operator | General Takaful Fund | Family Takaful Fund | Investment- linked Fund | Company |
|--|---------------------|----------------------------|---------------------------|-------------------------------|---------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 2015 | | | | | |
| <u>Subject to income tax:</u> | | | | | |
| <u>Deferred tax assets: (before offsetting)</u> | | | | | |
| - Allowance for impairment loss | - | 2,263 | - | - | 2,263 |
| - FVPTL investments | - | - | - | - | - |
| - AFS investments | 79 | 71 | - | - | 150 |
| - Expense liabilities | 838 | - | - | - | 838 |
| - Unutilised tax losses | - | - | - | - | - |
| | 917 | 2,334 | - | - | 3,251 |
| Offsetting | (917) | - | - | - | (917) |
| Deferred tax assets (after offsetting) | - | 2,334 | - | - | 2,334 |
| <u>Deferred tax liabilities: (before offsetting)</u> | | | | | |
| - Property and equipment | 1,828 | - | - | - | 1,828 |
| - Qardhul Hassan | 3,851 | - | - | - | (137) |
| - FVPTL investments | - | - | - | 401 | 401 |
| - AFS investments | - | - | 22 | - | 22 |
| | 5,679 | - | 22 | 401 | 2,114 |
| Offsetting | (917) | - | - | - | (917) |
| Deferred tax liabilities (after offsetting) | 4,762 | - | 22 | 401 | 1,197 |
| 2014 | | | | | |
| <u>Subject to income tax:</u> | | | | | |
| <u>Deferred tax assets: (before offsetting)</u> | | | | | |
| - Allowance for impairment loss | - | 3,137 | - | - | 3,137 |
| - FVPTL 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: (before offsetting)</u> | | | | | |
| - Property 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 |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

14 SHARE CAPITAL

| | 2015 | 2014 |
|---|---------|---------|
| | RM'000 | RM'000 |
| <u>Authorised ordinary shares of RM1 each:</u> | | |
| At beginning and end of financial year | 150,000 | 150,000 |
| <u>Issued and fully paid ordinary shares of RM1 each:</u> | | |
| At beginning and end of financial year | 100,000 | 100,000 |

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 investments of the Takaful Operator.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

16 NET EARNED CONTRIBUTION

(a) General Takaful Fund

| | 2015 | 2014 |
|--|------------------|------------------|
| | RM'000 | RM'000 |
| (i) Gross earned contributions | | |
| Takaful contract (Note 10(b)(ii)) | 281,998 | 311,985 |
| Change in unearned contribution reserves | (4,382) | (25,175) |
| | <u>277,616</u> | <u>286,810</u> |
| (ii) Contribution ceded to retakaful operators | | |
| Takaful contract (Note 10(b)(ii)) | (177,968) | (225,886) |
| Change in unearned contribution reserves | (1,974) | 6,804 |
| | <u>(179,942)</u> | <u>(219,082)</u> |
| Net earned contributions | <u>97,674</u> | <u>67,728</u> |

(b) Family Takaful Fund

| | | |
|--|----------------|----------------|
| (i) Gross earned contributions | | |
| Takaful contract (Note 10(a)) | 250,736 | 367,560 |
| (ii) Contribution ceded to retakaful operators | | |
| Takaful contract (Note 10(a)) | (14,053) | (5,754) |
| Net earned contributions | <u>236,683</u> | <u>361,806</u> |

(c) Company

| | | |
|--|------------------|------------------|
| (i) Gross earned contributions | | |
| Takaful contract | 532,734 | 679,545 |
| Change in unearned contribution reserves | (4,382) | (25,175) |
| | <u>528,352</u> | <u>654,370</u> |
| (ii) Contribution ceded to retakaful operators | | |
| Takaful contract | (192,021) | (231,640) |
| Change in unearned contribution reserves | (1,974) | 6,804 |
| | <u>(193,995)</u> | <u>(224,836)</u> |
| Net earned contributions | <u>334,357</u> | <u>429,534</u> |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

17 INVESTMENT INCOME

| | 2015 RM'000 | 2014 RM'000 |
|----------------------------------|----------------|----------------|
| (a) Takaful Operator | | |
| FVTPL investments: | | |
| - Dividend income | 99 | 105 |
| AFS investments: | | |
| - Hibah/profit income | 2,272 | 3,673 |
| - Amortisation of premiums - net | (198) | (322) |
| LAR: | | |
| - Hibah/profit income | 1,693 | 406 |
| | <u>3,866</u> | <u>3,862</u> |
| (b) General Takaful Fund | | |
| HTM investments: | | |
| - Hibah/profit income | 662 | 604 |
| AFS investments: | | |
| - Hibah/profit income | 3,087 | 2,390 |
| - Amortisation of premiums – net | (186) | (223) |
| LAR: | | |
| - Hibah/profit income | 1,959 | 1,069 |
| | <u>5,522</u> | <u>3,840</u> |
| (c) Family Takaful Fund | | |
| FVTPL investments: | | |
| - Hibah/profit income | 3,475 | 3,455 |
| - Dividend income | 2,839 | 5,782 |
| - Accretion of discounts – net | 43 | 67 |
| HTM investments: | | |
| - Hibah/profit income | 1,161 | 1,161 |
| - Amortisation of premiums - net | (1) | (1) |
| AFS investments: | | |
| - Hibah/profit income | 2,085 | 2,149 |
| - Amortisation of premiums – net | (124) | (145) |
| LAR: | | |
| - Hibah/profit income | 1,805 | 1,955 |
| | <u>11,283</u> | <u>14,423</u> |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

17 INVESTMENT INCOME (CONTINUED)

| | 2015 | 2014 |
|----------------------------------|---------------|---------------|
| (d) Company | RM'000 | RM'000 |
| FVTPL investments: | | |
| - Hibah/profit income | 3,475 | 3,455 |
| - Dividend income | 2,938 | 5,887 |
| - Accretion of discounts - net | 43 | 67 |
| HTM investments: | | |
| - Hibah/profit income | 1,823 | 1,765 |
| - Accretion of discounts - net | (1) | (1) |
| AFS investments: | | |
| - Hibah/profit income | 7,444 | 8,212 |
| - Amortisation of premiums - net | (508) | (690) |
| LAR: | | |
| - Hibah/profit income | 5,457 | 3,430 |
| | <u>20,671</u> | <u>22,125</u> |

18 REALISED GAINS/(LOSSES)

| | | |
|--|--------------|---------------|
| (a) Takaful Operator | | |
| AFS investments: | | |
| Islamic debt securities | 325 | 657 |
| FVTPL investments: | | |
| Equity securities | (1,048) | 482 |
| Loss on disposal of property and equipment | - | (87) |
| | <u>(723)</u> | <u>1,052</u> |
| (b) General Takaful Fund | | |
| AFS investments: | | |
| Islamic debt securities | <u>(188)</u> | <u>(64)</u> |
| (c) Family Takaful Fund | | |
| AFS investments: | | |
| Islamic debt securities | (92) | 238 |
| FVPTL investments: | | |
| Equity securities | 5,423 | 21,140 |
| | <u>5,331</u> | <u>21,378</u> |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

18 REALISED GAINS/(LOSSES) (CONTINUED)

| | 2015 | 2014 |
|--|--------------|---------------|
| | RM'000 | RM'000 |
| (d) Company | | |
| AFS investments: | | |
| Islamic debt securities | 45 | 831 |
| FVTPL investments: | | |
| Equity securities | 4,375 | 21,622 |
| Loss on disposal of property and equipment | - | (87) |
| | <u>4,420</u> | <u>22,366</u> |

19 FAIR VALUE GAINS/(LOSSES)

| | | |
|---------------------|---------------|-----------------|
| FVTPL investments: | | |
| Takaful Operator | 1,476 | (1,647) |
| Family Takaful Fund | 12,101 | (28,363) |
| Company | <u>13,577</u> | <u>(30,010)</u> |

20 NET CLAIMS

| | 2015 | 2014 |
|---|------------------|------------------|
| | RM'000 | RM'000 |
| (a) General Takaful fund | | |
| (i) Gross benefits and claims paid | (122,839) | (86,131) |
| (ii) Claims ceded to retakaful operators | 84,155 | 64,922 |
| (iii) Gross change in contract liabilities | (10,111) | (87,138) |
| (iv) Change in contract liabilities ceded to retakaful operators | (20,399) | 73,216 |
| Net claims | <u>(69,194)</u> | <u>(35,131)</u> |
| (b) Family Takaful fund | | |
| (i) Gross benefits and claims paid | (161,027) | (192,031) |
| (ii) Claims ceded to retakaful operators | 11,307 | 5,391 |
| (iii) Gross change in contract liabilities | (15,269) | (84,026) |
| (iv) Change in contract liabilities ceded to retakaful operators | (925) | (955) |
| Net claims | <u>(165,914)</u> | <u>(271,621)</u> |
| (c) Company | | |
| (i) Gross benefits and claims paid | (283,866) | (278,162) |
| (v) Claims ceded to retakaful operators | 95,462 | 70,313 |
| (vi) Gross change in contract liabilities | (25,380) | (171,164) |
| (vii) Change in contract liabilities ceded to retakaful operators | (21,324) | 72,261 |
| Net claims | <u>(235,108)</u> | <u>(306,752)</u> |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

21 MANAGEMENT EXPENSES

| <u>Takaful Operator</u> | 2015 | 2014 |
|---|---------------|---------------|
| | RM'000 | RM'000 |
| Staff salaries and bonus | 31,297 | 28,315 |
| Defined contribution plan | 4,547 | 4,364 |
| Other staff costs | 1,731 | 1,873 |
| | <u>37,575</u> | <u>34,552</u> |
| Auditors' remuneration | | |
| - Statutory audit | 340 | 340 |
| - Audit related services | 602 | 133 |
| Non-executive Director's remuneration: | | |
| - fees | 345 | 345 |
| - other emoluments | 283 | 227 |
| Shariah committee remuneration: | | |
| - fees | 144 | 126 |
| - other emoluments | 36 | 28 |
| Depreciation charge on property and equipment | 2,488 | 2,496 |
| Amortisation of intangible assets | 1,364 | 1,128 |
| Office rental | 3,052 | 2,062 |
| Printing and stationery | 1,810 | 1,738 |
| Advertising and promotions | 5,934 | 5,114 |
| Postage and telephone | 891 | 856 |
| Professional fees | 2,513 | 2,117 |
| Agency training | 2,983 | 3,583 |
| Data processing | 3,107 | 2,344 |
| Repairs and maintenance | 1,771 | 1,583 |
| Motor vehicle expenses | 992 | 907 |
| Electricity charges | 824 | 770 |
| Bank and credit card charges | 2,879 | 2,472 |
| Other expenses | 11,019 | 7,435 |
| | <u>80,952</u> | <u>70,356</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 RM 980,310 (2014: RM1,025,000).

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 2015 (CONTINUED)

22 TAXATION

| | Takaful Operator RM'000 | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Company RM'000 |
|--|-------------------------------|--------------------------------------|-------------------------------------|-------------------|
| <u>2015</u> | | | | |
| Income tax: | | | | |
| Current financial year | 2,694 | 96 | 1,310 | 4,100 |
| Under/(over) provision in prior financial year | 6,712 | - | (244) | 6,468 |
| | 9,406 | 96 | 1,066 | 10,568 |
| Deferred tax (Note 13) | 1,075 | 874 | 968 | 1,861 |
| Tax expenses | 10,481 | 970 | 2,034 | 12,429 |
| <u>2014</u> | | | | |
| Income tax: | | | | |
| Current financial year | 1,462 | 1,599 | 2,430 | 5,491 |
| Under/(over) provision in prior financial year | 964 | (422) | 17 | 559 |
| | 2,426 | 1,177 | 2,447 | 6,050 |
| Deferred tax (Note 13) | 1,712 | (3,137) | (2,269) | (6,607) |
| Tax expenses/(income) | 4,138 | (1,960) | 178 | (557) |

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

| | 2015 RM'000 | 2014 RM'000 |
|--|----------------|----------------|
| Profit/(loss) before taxation attributable to Takaful Operator | 2,813 | (3,708) |
| Taxation at Malaysia statutory tax rate of 25% (2014: 25%) | 703 | (927) |
| Expenses not deductible for tax purposes | 3,069 | 1,651 |
| Tax expense/(income) attributable to participants | 3,004 | (1,782) |
| Previously unrecognised deductible temporary differences | (857) | (463) |
| Under provision in prior financial year | 6,712 | 964 |
| Re-measurement of deferred tax due to changes in tax rate | (202) | - |
| Total tax expenses/(income) | 12,429 | (557) |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

23 CASH FLOWS

| | 2015 | 2014 |
|---|-----------|-----------|
| | RM'000 | RM'000 |
| Net loss for the financial year | (6,612) | (4,933) |
| Adjustment for: | | |
| Investment income | (20,671) | (22,125) |
| Realised gains from disposal of FVTPL and AFS investments | (4,420) | (22,453) |
| Fair value (gains)/losses | (13,577) | 30,010 |
| Purchases of FVTPL investments | (409,769) | (350,413) |
| Proceeds from sale of FVTPL investments | 388,779 | 297,336 |
| Purchases of AFS investments | (36,004) | (28,529) |
| Proceeds from sale and maturity of AFS investments | 65,914 | 32,423 |
| Non-cash items: | | |
| Depreciation of property and equipment | 2,488 | 2,496 |
| Write off of property and equipment | 66 | - |
| Loss on disposal of property and equipment | - | 87 |
| Amortisation of intangible assets | 1,364 | 1,128 |
| (Write-back)/allowance for impairment loss | (6,143) | 11,313 |
| Tax expense attributable to Takaful Operator | 9,425 | 1,225 |
| Tax expense/(income) expense attributable to participants | 3,004 | (1,782) |
| Changes in working capital: | | |
| Increase in LAR | (39,881) | (85,747) |
| Decrease/(increase) in retakaful assets | 24,510 | (79,065) |
| Decrease/(increase) in Takaful receivables | 29,755 | (68,152) |
| Decrease/(increase); in other receivables | 2,508 | (2,797) |
| Increase in takaful contract liabilities | 22,411 | 206,119 |
| Decrease/(increase) in Takaful payables | (36,722) | 72,141 |
| Increase in other payables | 14,047 | 977 |
| (Decrease)/increase in expense liabilities | (885) | 2,525 |
| Cash used in operating activities | (10,413) | (8,216) |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

24 SIGNIFICANT RELATED PARTY DISCLOSURE

The Directors regards MAA Group Berhad 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 MAA Group Berhad |

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:

| | 2015 RM'000 | 2014 RM'000 |
|---|----------------|----------------|
| Transactions with MAA Group Berhad | | |
| Management service fees | (92) | (102) |
| Infrastructure costs recovery | 383 | 273 |
| Transactions with MAA Corporation Sdn Bhd | | |
| Office rental expenses | (93) | (253) |
| Property renovation service | - | (10) |
| Property maintenance service | (103) | (91) |
| Internal security service | (111) | (72) |
| Transactions with MAA Cards Sdn Bhd | | |
| Debit card facilities | - | (13) |
| Other transactions with related parties: | | |
| Trace Management Services Sdn Bhd | | |
| - Company secretarial and professional fees | (114) | (108) |
| - Office rental income | 116 | - |
| - Office cleaning services | 3 | - |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (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:

| | 2015 RM'000 | 2014 RM'000 |
|------------------------------------|----------------|----------------|
| MAA Group Berhad | | |
| Other receivables | 20 | 11 |
| MAA Corporation Sdn Bhd | | |
| Other payables | (9) | (30) |
| Trace Management Services Sdn Bhd | | |
| Other receivables/(other payables) | 6 | (12) |

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:

| | 2015 RM'000 | 2014 RM'000 |
|---------------------------|----------------|----------------|
| Salaries and bonus | 827 | 860 |
| Defined contribution plan | 132 | 134 |
| Benefit-in-kind | 21 | 31 |

There were no outstanding balances due from key management personnel.

25 CAPITAL AND OTHER COMMITMENTS

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

| | 2015 RM'000 | 2014 RM'000 |
|--------------------------------|----------------|----------------|
| Authorised and contracted for: | | |
| - Office rental | 4,582 | 7,017 |
| - Office renovation | 114 | 298 |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (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 2015

| | Takaful Operator | General Takaful Fund | Family Takaful Fund | Investment- linked Fund | Company |
|---|---------------------|----------------------------|---------------------------|-------------------------------|------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Assets: | | | | | |
| Property and equipment | 10,838 | - | - | - | 10,838 |
| Intangible assets | 3,382 | - | - | - | 3,382 |
| Investments | 112,235 | 136,066 | 92,565 | 367,261 | 705,396 |
| Takaful receivables | - | 76,775 | 4,266 | - | 81,041 |
| Qardhul Hassan receivable | 16,043 | - | - | - | - |
| Retakaful assets | - | 258,009 | 12,399 | - | 270,408 |
| Other receivables | 7,829 | 3,101 | 98 | 987 | 12,015 |
| Current tax assets | - | - | - | 9 | 9 |
| Deferred tax assets | - | 2,334 | - | - | 2,334 |
| Cash and bank balances | 2,421 | 6,954 | 6,669 | 1,459 | 17,503 |
| Total assets | 152,748 | 483,239 | 115,997 | 369,716 | 1,102,926 |
| Equity, participants' fund and liabilities: | | | | | |
| Total equity | 122,262 | - | (16,043) | - | 110,188 |
| Takaful contract liabilities | - | 380,799 | 99,897 | 368,808 | 846,792 |
| Takaful payables | - | 83,345 | 4,976 | - | 88,321 |
| Qardhul Hassan payables | - | - | 16,043 | - | - |
| Other payables | 21,317 | 15,800 | 11,191 | 307 | 48,615 |
| Expense liabilities | 3,493 | - | - | - | 3,493 |
| Current tax liabilities | 4,104 | - | 216 | - | 4,320 |
| Deferred tax liabilities | 4,762 | - | 22 | 401 | 1,197 |
| Total liabilities | 33,676 | 479,944 | 132,345 | 369,516 | 992,738 |
| Total equity, participants' fund and liabilities | 155,938 | 479,944 | 116,302 | 369,516 | 1,102,926 |
| Inter-fund balances | (3,190) | 3,295 | (305) | 200 | - |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

26 TAKAFUL FUNDS (CONTINUED)

STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 31 DECEMBER 2014

| | Takaful Operator | General Takaful Fund | Family Takaful Fund | Investment- linked Fund | Company |
|---|---------------------|----------------------------|---------------------------|-------------------------------|------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Assets: | | | | | |
| Property 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 |
| Current tax assets | 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 |
| 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 |
| Qardhul Hassan payables | - | 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) | - |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

26 TAKAFUL FUNDS (CONTINUED)

INCOME STATEMENT BY FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

| | 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 |
|--|-------------------------------|--------------------------------------|-------------------------------------|---|-----------------------|-------------------|
| Gross earned contributions | - | 277,616 | 250,736 | - | - | 528,352 |
| Contributions ceded to retakaful operators | - | (179,942) | (14,053) | - | - | (193,995) |
| Net earned contributions | - | 97,674 | 236,683 | - | - | 334,357 |
| Wakalah fee income | 166,693 | - | - | - | (166,693) | - |
| Surplus sharing from Family Takaful fund | 11,250 | - | - | - | (11,250) | - |
| Surplus sharing from General Takaful fund | 1,518 | - | - | - | (1,518) | - |
| Investment income | 3,866 | 5,522 | 3,932 | 7,351 | - | 20,671 |
| Realised gains/(losses) | (723) | (188) | (92) | 5,423 | - | 4,420 |
| Fair value gains | 1,476 | - | - | 12,101 | - | 13,577 |
| Fee and commission income | - | 41,876 | - | - | - | 41,876 |
| Other operating income-net | 1,593 | - | - | - | (192) | 1,401 |
| Other income | 185,673 | 47,210 | 3,840 | 24,875 | (179,653) | 81,945 |
| Total revenue | 185,673 | 144,884 | 240,523 | 24,875 | (179,653) | 416,302 |
| Gross benefits and claims paid | - | (122,839) | (161,027) | - | - | (283,866) |
| Claims ceded to retakaful Operators | - | 84,155 | 11,307 | - | - | 95,462 |
| Gross change to contract Liabilities | - | (10,111) | 2,775 | (18,044) | - | (25,380) |
| Change in contract liabilities ceded to retakaful operators | - | (20,399) | (925) | - | - | (21,324) |
| Net claims | - | (69,194) | (147,870) | (18,044) | - | (235,108) |
| Surplus sharing with Takaful Operator | - | (1,518) | (11,250) | - | 12,768 | - |
| Wakalah fee expenses | - | (75,356) | (86,214) | (5,123) | 166,693 | - |
| Fee and commission expenses | (97,315) | - | - | - | - | (97,315) |
| Management expenses | (80,952) | - | - | - | - | (80,952) |
| Allowance for impairment | - | 4,643 | 1,500 | - | - | 6,143 |
| Other operating expenses | - | (1,938) | (1,058) | - | 192 | (2,804) |
| Expense liabilities | (377) | - | - | - | - | (377) |
| Other expenses | (178,644) | (74,169) | (97,022) | (5,123) | 179,653 | (175,305) |
| Zakat | (72) | - | - | - | - | (72) |
| Profit/(loss) before taxation | 6,957 | 1,521 | (4,369) | 1,708 | - | 5,817 |
| Tax expense attributable to participants | - | (970) | (326) | (1,708) | - | (3,004) |
| Profit/(loss) before taxation attributable to Takaful Operator | 6,957 | 551 | (4,695) | - | - | 2,813 |
| Taxation | (10,481) | (970) | (326) | (1,708) | 1,056 | (12,429) |
| Tax expense attributable to participants | - | 970 | 326 | 1,708 | - | 3,004 |
| Tax expense attributable to Takaful Operators | (10,481) | - | - | - | 1,056 | (9,425) |
| Net (loss)/profit for the financial year | (3,524) | 551 | (4,695) | - | 1,056 | (6,612) |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (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 |
|--|-------------------------------|--------------------------------------|-------------------------------------|---|-----------------------|-------------------|
| Gross earned contributions | - | 286,810 | 367,560 | - | - | 654,370 |
| Contributions ceded to retakaful operators | - | (219,082) | (5,754) | - | - | (224,836) |
| Net earned contributions | - | 67,728 | 361,806 | - | - | 429,534 |
| Wakalah fee income | 169,288 | - | - | - | (169,288) | - |
| 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 | (1,647) | - | - | (28,363) | - | (30,010) |
| Fee and commission income | - | 43,924 | - | - | - | 43,924 |
| Other operating income-net | 132 | - | - | - | - | 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) | (92,448) | (4,540) | 169,288 | - |
| Fee and commission expenses | (102,615) | - | - | - | - | (102,615) |
| Management expenses | (70,356) | - | - | - | - | (70,356) |
| Allowance for impairment loss | - | (10,508) | (805) | - | - | (11,313) |
| Other operating expenses | - | - | - | - | - | - |
| Expense liabilities | (2,525) | - | - | - | - | (2,525) |
| Other expenses | (175,496) | (82,808) | (104,253) | (4,540) | 180,288 | (186,809) |
| 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 2015 (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 Risk Committee, Investment Committee, IT Steering Committee, Asset-Liability Management Committee, Executive Committee and Management Committee. These committees are chaired by the Chief Executive Officer with the exception of Risk Committee which is chaired by the Head of Actuarial & Risk Management, 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 2015. The regulated capital of the Company as at 31 December 2015 comprises Available Capital of RM106,881,000.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

27 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(c) Capital Management (continued)

| | 2015 RM'000 | 2014 RM'000 |
|---------------------------------------|----------------|----------------|
| <u>Tier 1 Capital</u> | | |
| Paid-up Capital | 100,000 | 100,000 |
| Reserves, including retained earnings | 9,398 | 20,211 |
| | <u>109,398</u> | <u>120,211</u> |
| <u>Tier 2 Capital</u> | | |
| Available-for-sale reserves | (183) | (480) |
| Less: | | |
| Deferred tax assets | (2,334) | (3,218) |
| Total Capital Available | <u>106,881</u> | <u>116,513</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 2015 (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.

| | Gross RM'000 | Retakaful RM'000 | Net RM'000 |
|---|-----------------|---------------------|----------------|
| <u>31 December 2015</u> | | | |
| Family Takaful contract liabilities | | | |
| Endowment | 403,807 | (1,858) | 401,949 |
| Term | 64,642 | (10,541) | 54,101 |
| Total Family Takaful contract liabilities | <u>468,449</u> | <u>(12,399)</u> | <u>456,050</u> |

31 December 2014

| | | | |
|---|----------------|-----------------|----------------|
| 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> |

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 at 75% confidence level 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 2015 (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 | 55 |
| Ordinary Family | 40 |
| Group Family | 11 |

e) Lapse and surrender rates

2% per annum is assumed for single contribution certificate.

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

| Plan | Certificate Year (%) | | | | | | |
|----------------------|----------------------|----|----|-----|-----|-----|-----|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7+ |
| Takafulink | 20 | 15 | 13 | 10 | 10 | 10 | 8 |
| Takafulink Education | 17 | 14 | 10 | 9 | 9 | 8 | 8 |
| Takafulife Series | 25 | 20 | 10 | 10 | 10 | 8 | 8 |
| CancerCare | 20 | 45 | 25 | 5 | 5 | 5 | 5 |
| SmartMedic 200 | 20 | 45 | 15 | 25 | 25 | 25 | 25 |
| Term80 | 15 | 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+ |
| Investment Linked | 3 | 13 | 12 | 10 | 7 | 5 |
| Ordinary Life Series | 5 | 8 | 7 | 5 | 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 2015 (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 2015</u> | | | | |
| Mortality/ morbidity | 10% | 5,175 | 2,267 | (2,267) |
| Lapse and surrender rates | 10% | (74) | 127 | (127) |
| Discount rate | 1% | (3,247) | (2,511) | 2,511 |
| <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 |

* 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.

(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:

| | 2015 | | | 2014 | | |
|---------------|---------|------------|--------|---------|------------|--------|
| | Gross | Re-Takaful | Net | Gross | Re-Takaful | Net |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Fire | 36,088 | (32,102) | 3,986 | 65,538 | (62,583) | 2,955 |
| Motor | 127,351 | (77,766) | 49,585 | 102,668 | (75,146) | 27,522 |
| MAT | 10,790 | (10,125) | 665 | 13,494 | (12,864) | 630 |
| Miscellaneous | 81,405 | (60,321) | 21,084 | 65,539 | (50,120) | 15,419 |
| | 255,634 | (180,314) | 75,320 | 247,239 | (200,713) | 46,526 |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

28 TAKAFUL RISK (CONTINUED)

(b) General Takaful (continued)

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.

(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.

Company No.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

28 TAKAFUL RISK (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Gross General Takaful contract liabilities for 2015:

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
|--|--------|--------|--------|--------|--------|---------|---------|---------|--------|
| <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 | 6,816 | 24,168 | 54,138 | 57,359 | 75,801 | 122,510 | 173,322 | 153,400 | |
| One year later | 4,592 | 20,220 | 58,202 | 55,296 | 73,172 | 113,516 | 150,108 | | |
| Two years later | 3,714 | 16,567 | 52,314 | 52,335 | 71,157 | 108,045 | | | |
| Three years later | 3,214 | 13,865 | 49,989 | 49,023 | 72,160 | | | | |
| Four years later | 3,249 | 13,352 | 49,702 | 49,894 | | | | | |
| Five years later | 3,203 | 13,360 | 49,515 | | | | | | |
| Six years later | 3,179 | 12,977 | | | | | | | |
| Seven years later | 3,129 | | | | | | | | |
| Current estimate of cumulative claims incurred | 3,129 | 12,977 | 49,515 | 49,894 | 72,160 | 108,045 | 150,108 | 153,400 | |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

28 TAKAFUL RISK (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Gross General Takaful contract liabilities for 2015 (continued):

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
|--|--------|--------|--------|--------|--------|--------|--------|---------|----------------|
| | RM'000 | 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 | 1,100 | 4,021 | 10,114 | 12,429 | 18,204 | 33,270 | 40,160 | 43,447 | |
| One year later | 2,807 | 9,177 | 29,052 | 34,709 | 45,537 | 67,240 | 93,627 | | |
| Two years later | 3,035 | 10,278 | 35,595 | 39,689 | 51,451 | 85,084 | | | |
| Three years later | 3,076 | 12,049 | 37,091 | 43,152 | 56,490 | | | | |
| Four years later | 3,089 | 12,107 | 39,485 | 44,206 | | | | | |
| Five years later | 3,092 | 12,339 | 39,916 | | | | | | |
| Six years later | 3,092 | 12,377 | | | | | | | |
| Seven years later | 3,091 | | | | | | | | |
| Cumulative payments to-date | 3,091 | 12,377 | 39,916 | 44,206 | 56,490 | 85,084 | 93,627 | 43,447 | |
| Gross General Takaful contract liabilities | 38 | 600 | 9,599 | 5,688 | 15,670 | 22,961 | 56,481 | 109,953 | 220,990 |
| Provision for adverse deviation | | | | | | | | | 23,008 |
| Pipeline business | | | | | | | | | 11,636 |
| Gross General Takaful contract liabilities | | | | | | | | | <u>255,634</u> |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

28 TAKAFUL RISK (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Net General Takaful contract liabilities for 2015:

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | RM'000 | 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 | 1,640 | 5,655 | 25,190 | 17,488 | 17,662 | 28,156 | 35,176 | 60,770 | |
| One year later | 1,642 | 6,165 | 24,835 | 15,150 | 17,635 | 25,865 | 35,319 | | |
| Two years later | 1,370 | 5,340 | 23,500 | 14,818 | 16,905 | 26,826 | | | |
| Three years later | 1,198 | 5,204 | 22,573 | 14,495 | 16,821 | | | | |
| Four years later | 1,230 | 5,040 | 22,407 | 14,467 | | | | | |
| Five years later | 1,213 | 4,989 | 22,233 | | | | | | |
| Six years later | 1,202 | 4,775 | | | | | | | |
| Seven years later | 1,195 | | | | | | | | |
| Current estimate of cumulative Claims incurred | 1,195 | 4,775 | 22,233 | 14,467 | 16,821 | 26,826 | 35,319 | 60,770 | |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

28 TAKAFUL RISK (CONTINUED)

(c) General Takaful (continued)

Claims development table (continued)

Net General Takaful contract liabilities for 2015 (continued):

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | RM'000 | 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 | 339 | 1,548 | 5,284 | 4,927 | 5,573 | 9,537 | 10,443 | 19,313 | |
| One year later | 1,032 | 3,831 | 14,461 | 11,259 | 12,654 | 18,208 | 23,279 | | |
| Two years later | 1,169 | 4,285 | 18,328 | 12,480 | 14,142 | 22,095 | | | |
| Three years later | 1,182 | 4,511 | 19,342 | 12,846 | 14,936 | | | | |
| Four years later | 1,186 | 4,587 | 19,571 | 13,116 | | | | | |
| Five years later | 1,187 | 4,599 | 19,637 | | | | | | |
| Six years later | 1,187 | 4,600 | | | | | | | |
| Seven years later | 1,187 | | | | | | | | |
| Cumulative payments to-date | 1,187 | 4,600 | 19,637 | 13,116 | 14,936 | 22,095 | 23,279 | 19,313 | |
| Net General Takaful Contract Liabilities | 8 | 175 | 2,596 | 1,351 | 1,885 | 4,731 | 12,040 | 41,457 | 64,243 |
| Provision for adverse deviation | | | | | | | | | 6,005 |
| Pipeline business | | | | | | | | | 5,072 |
| Net General Takaful Contract Liabilities | | | | | | | | | 75,320 |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

28 TAKAFUL RISK (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Gross General Takaful contract liabilities for 2014:

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | Total |
|--|--------|--------|--------|--------|--------|--------|---------|---------|--------|
| | RM'000 | 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 | 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 2015 (CONTINUED)

28 TAKAFUL RISK (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Gross General Takaful contract liabilities for 2014 (continued):

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | Total |
|--|--------|--------|--------|--------|--------|--------|--------|---------|---------|
| | RM'000 | 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 | - | 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 General Takaful contract liabilities | - | 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 Takaful contact liabilities | | | | | | | | | 247,239 |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

28 TAKAFUL RISK (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Net General Takaful contract liabilities for 2014:

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | Total |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | RM'000 | 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 | 17,662 | 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 claims incurred | 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 2015 (CONTINUED)

28 TAKAFUL RISK (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Net General Takaful contract liabilities for 2014 (continued):

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | Total |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | RM'000 | 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 | - | 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 | 23 | 1,187 | 4,599 | 19,571 | 12,846 | 14,142 | 18,208 | 10,443 | |
| Net General Takaful contract liabilities | - | 15 | 390 | 2,836 | 1,649 | 2,763 | 7,657 | 24,733 | 40,043 |
| Provision for adverse deviation | | | | | | | | | 3,768 |
| Pipeline business | | | | | | | | | 2,715 |
| Net General Takaful contract liabilities | | | | | | | | | 46,526 |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (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.

| | Change in assumptions | Impact on General Takaful claims liabilities | | | |
|---------------------------------|-----------------------|--|--------|-------------------|-------------------|
| | | Gross | Net | Profit before tax | Profit after tax* |
| | % | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>2015</u> | | | | | |
| Average open claims | +10 | 25,563 | 7,532 | (7,532) | (5,649) |
| Loss ratio | +10 | 30,527 | 10,690 | (10,690) | (8,017) |
| Provision for adverse Deviation | +10 | 2,414 | 650 | (650) | (487) |
| <u>2014</u> | | | | | |
| 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 | +10 | 246 | 40 | (40) | (31) |

* 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 2015 (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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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

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.

| | Takaful Operator RM'000 | General Takaful Fund RM'000 | Family Takaful Fund RM'000 | Investment -linked fund RM'000 | Total RM'000 |
|-----------------------------------|-------------------------------|--------------------------------------|-------------------------------------|---|------------------|
| <u>2015</u> | | | | | |
| HTM investments: | | | | | |
| Malaysian Government | | | | | |
| Guaranteed financing | - | 15,245 | 25,387 | - | 40,632 |
| AFS investments: | | | | | |
| Islamic debt securities, unquoted | 10,456 | 62,662 | 41,620 | - | 114,738 |
| FVTPL investments: | | | | | |
| Shariah-approved quoted equities* | 853 | - | - | 81,798 | 80,396 |
| Islamic debt securities, unquoted | - | - | - | 54,000 | 54,000 |
| Investment-linked units* | 2,730 | - | - | 215,788 | 218,518 |
| LAR: | | | | | |
| Fixed and call deposits with: | | | | | |
| Licensed financial institutions | 98,196 | 58,159 | 25,558 | 15,675 | 197,112 |
| Retakaful assets | - | 180,314 | 12,399 | - | 192,713 |
| Takaful receivables | - | 76,775 | 4,266 | - | 81,041 |
| Other receivables | 7,829 | 3,101 | 98 | 987 | 12,015 |
| Current tax assets | - | - | - | 9 | 9 |
| Cash and bank balances | 2,421 | 6,954 | 6,669 | 1,459 | 17,503 |
| | <u>122,485</u> | <u>403,210</u> | <u>115,997</u> | <u>369,716</u> | <u>1,008,677</u> |

* Not subject to credit risk

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

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 |
| 2014 | | | | | |
| 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 |
| Current tax assets | 68 | 249 | 86 | (67) | 336 |
| Cash and bank balances | 3,728 | 1,708 | 7,495 | 890 | 13,821 |
| | 114,003 | 416,873 | 118,704 | 359,074 | 999,167 |

* Not subject to credit risk

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (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.

| | Neither past due nor impaired | | | | | Not subject to credit risk | Investment -linked fund | Past due but not impaired | Past due and impaired | Total |
|-----------------------------------|-------------------------------|---------|--------|--------|-----------|----------------------------------|-------------------------------|---------------------------------|-----------------------------|-----------|
| | AAA | AA | A | BBB | Not rated | | | | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>2015</u> | | | | | | | | | | |
| HTM investments: | | | | | | | | | | |
| Malaysian Government | | | | | | | | | | |
| Guaranteed financing | - | - | - | - | 40,632 | - | - | - | - | 40,632 |
| AFS investments: | | | | | | | | | | |
| Islamic debt securities, unquoted | 34,889 | 74,852 | - | - | 4,997 | - | - | - | - | 114,738 |
| FVTPL investments: | | | | | | | | | | |
| Shariah-approved quoted equities | - | - | - | - | - | 853 | 81,798 | - | - | 80,396 |
| Islamic debt securities, unquoted | - | - | - | - | - | - | 54,000 | - | - | 54,000 |
| Investment-linked units | - | - | - | - | - | 218,518 | - | - | - | 218,518 |
| LAR: | | | | | | | | | | |
| Fixed and call deposits with: | | | | | | | | | | |
| Licensed financial institutions | 110,747 | 60,080 | 11,085 | - | - | - | 15,675 | - | - | 197,112 |
| Retakaful assets | - | 54,755 | 76,832 | 18,576 | 42,550 | - | - | - | - | 192,713 |
| Takaful receivables | 488 | 3,281 | 5,524 | 291 | 45,849 | - | - | 25,608 | 8,693 | 89,734 |
| Other receivables | - | - | - | - | 11,028 | - | 987 | - | 38 | 12,053 |
| Current tax assets | - | - | - | - | - | - | 9 | - | - | 9 |
| Cash and bank balances | 15,792 | (2,243) | 2,475 | - | 20 | - | 1,459 | - | - | 17,503 |
| Allowance for impairment losses | - | - | - | - | - | - | - | - | (8,731) | (8,731) |
| | 161,916 | 190,725 | 95,916 | 18,867 | 144,076 | 219,371 | 153,928 | 25,608 | - | 1,008,677 |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

29 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

| | Neither past due nor impaired | | | | | Not subject to credit risk | Investment -linked fund | Past due but not impaired | Past due and impaired | Total |
|--|-------------------------------|--------------|-------------|---------------|---------------------|----------------------------------|-------------------------------|---------------------------------|-----------------------------|----------|
| | AAA RM'000 | AA RM'000 | A RM'000 | BBB RM'000 | Not rated RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>2014</u> | | | | | | | | | | |
| HTM investments: | | | | | | | | | | |
| Malaysian Government Guaranteed financing | - | - | - | - | 41,002 | - | - | - | - | 41,002 |
| AFS investments: | | | | | | | | | | |
| Islamic debt securities | 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 |
| Current tax assets | - | - | - | - | 403 | - | (67) | - | - | 336 |
| Cash and bank balances | 10,641 | 2,271 | - | - | 19 | - | 890 | - | - | 13,821 |
| Allowance for impairment losses | - | - | - | - | - | - | - | - | (16,012) | (16,012) |
| | 168,905 | 140,530 | 132,853 | 19,765 | 137,975 | 11,333 | 357,264 | 38,219 | - | 999,527 |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

29 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Aged analysis of financial assets past due but not impaired

| <u>Company</u> | <u>> 60 days RM'000</u> | <u>> 120 days RM'000</u> | <u>Total RM'000</u> |
|---------------------|------------------------------------|-------------------------------------|-------------------------|
| <u>2015</u> | | | |
| Takaful receivables | 23,559 | 2,049 | 25,608 |
| <u>2014</u> | | | |
| Takaful receivables | 17,986 | 20,233 | 38,219 |

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 |
|---|-------------------|-----------------|----------------|----------------|-----------------|------------------|---------------------|-------------------------------|------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>2015</u> | | | | | | | | | |
| HTM investments: | | | | | | | | | |
| Malaysian Government Guaranteed financing | 40,632 | - | - | - | 45,918 | 19,295 | - | - | 65,213 |
| AFS investments: | | | | | | | | | |
| Islamic debt securities, unquoted | 114,738 | - | 14,691 | 23,305 | 80,537 | 47,566 | - | - | 166,097 |
| FVTPL investments: | | | | | | | | | |
| Shariah-approved quoted equities | 80,396 | - | - | - | - | - | 853 | 81,798 | 80,396 |
| Islamic debt securities, unquoted | 54,000 | - | - | - | - | - | - | 54,000 | 54,000 |
| Investment-linked units | 218,518 | - | - | - | - | - | 218,518 | - | 218,518 |
| LAR: | | | | | | | | | |
| Fixed and call deposits with: | | | | | | | | | |
| Licensed financial institutions | 197,112 | 181,913 | - | - | - | - | - | 15,675 | 197,588 |
| Retakaful assets | 192,713 | 127,523 | 49,428 | 6,443 | 2,798 | 6,521 | - | - | 192,713 |
| Takaful receivables | 81,041 | 81,041 | - | - | - | - | - | - | 81,041 |
| Other receivables | 12,015 | 11,028 | - | - | - | - | - | 987 | 12,015 |
| Current tax assets | 9 | - | - | - | - | - | - | 9 | 9 |
| Cash and bank balances | 17,503 | 16,044 | - | - | - | - | - | 1,459 | 17,503 |
| | <u>1,008,677</u> | <u>417,549</u> | <u>64,119</u> | <u>29,746</u> | <u>129,253</u> | <u>73,382</u> | <u>219,371</u> | <u>153,928</u> | <u>1,087,348</u> |
| Takaful contract liabilities | 723,342 | 590,351 | 69,790 | 7,826 | 5,874 | 33,458 | 16,043 | - | 723,342 |
| Takaful payables | 88,321 | 88,321 | - | - | - | - | - | - | 88,321 |
| Expense liabilities | 3,493 | 3,493 | - | - | - | - | - | - | 3,493 |
| Other payables | 48,615 | 48,308 | - | - | - | - | - | 307 | 48,615 |
| | <u>863,771</u> | <u>730,473</u> | <u>69,790</u> | <u>7,826</u> | <u>5,874</u> | <u>33,458</u> | <u>16,043</u> | <u>307</u> | <u>863,771</u> |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (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 |
|--|-------------------|-----------------|----------------|----------------|-----------------|------------------|---------------------|-------------------------------|-----------|
| | 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 |
| Current tax assets | 336 | 403 | - | - | - | - | - | (67) | 336 |
| Cash and bank balances | 13,821 | 12,931 | - | - | - | - | - | 890 | 13,821 |
| | 999,167 | 393,392 | 48,438 | 19,538 | 182,919 | 106,375 | 11,333 | 360,625 | 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 |
| Expense liabilities | 4,378 | 4,378 | - | - | - | - | - | - | 4,378 |
| Other payables | 38,659 | 37,447 | - | - | - | - | - | 1,212 | 38,659 |
| | 861,755 | 753,997 | 61,216 | 5,420 | 3,386 | 36,524 | - | 1,212 | 861,755 |

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (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 2015 (CONTINUED)

29 FINANCIAL RISK (CONTINUED)

Market risks (continued)

Profit rate risk (continued)

| | | Impact on profit before tax [^] | | Impact on equity [*] | | Impact on Takaful contract liabilities [*] | |
|---------------------|-------------------------|---|--------|-------------------------------|---------|--|---------|
| | | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | Changes in variables | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Takaful</u> | | | | | | | |
| <u>Operator</u> | | | | | | | |
| RM | +100 basis points | 980 | 371 | 90 | (4,601) | - | - |
| RM | -100 basis points | (980) | (371) | (186) | 5,240 | - | - |
| <u>General</u> | | | | | | | |
| <u>Takaful Fund</u> | | | | | | | |
| RM | +100 basis points | 582 | 478 | - | - | (1,622) | (1,597) |
| RM | -100 basis points | (582) | (478) | - | - | 1,737 | 1,742 |
| <u>Family</u> | | | | | | | |
| <u>Takaful Fund</u> | | | | | | | |
| RM | +100 basis points | 256 | 310 | - | - | (2,255) | (2,734) |
| RM | -100 basis points | (256) | (310) | - | - | 2,583 | 3,165 |

[^] 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 2015 (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 profit or loss) 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>Takaful Operator</u> | <u>Changes in</u> <u>variables</u> | <u>Impact on profit before tax</u> | | <u>Impact on equity*</u> | |
|--|---------------------------------------|------------------------------------|--------|--------------------------|--------|
| | | 2015 | 2014 | 2015 | 2014 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Bursa Malaysia | 15% | 120 | 277 | 90 | 207 |
| Bursa Malaysia | -15% | (120) | (277) | (90) | (207) |

* 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.