

UNAUDITED INTERIM FINANCIAL STATEMENTS

For The Six Months Period Ended 30 June 2017

UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

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ZURICH TAKAFUL MALAYSIA BERHAD (731996-H)
(Incorporated in Malaysia)

**UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

		As at 30.06.2017				As at 31.12.2016			
	<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>Takaful Operator</u> RM'000	<u>General Takaful Fund</u> RM'000	<u>Family Takaful Fund</u> RM'000	<u>Company</u> RM'000
ASSETS									
Property and equipment		7,808	-	-	7,808	8,796	-	-	8,796
Intangible assets		4,959	-	-	4,959	3,260	-	-	3,260
Investments:									
Loans and receivables	12(a)	5,355	24,368	-	29,723	161,856	119,357	27,948	309,161
Available-for-sale	12(b)	-	58,048	67,927	125,975	-	57,859	67,674	125,533
Fair value through profit or loss	12(c)	2,980	-	398,158	398,158	2,800	-	347,214	347,214
Takaful receivables		-	35,736	3,195	38,931	-	29,275	3,178	32,453
Qardhul Hassan receivable		9,959	-	-	-	8,734	-	-	-
Retakaful assets	13	-	249,321	15,464	264,785	-	267,684	14,949	282,633
Other receivables		14,782	490	7,259	9,202	26,046	1,032	12,898	7,720
Current tax assets		1,834	-	59	1,893	3,018	-	-	3,018
Deferred tax assets		-	2,022	-	2,022	-	2,178	687	3,026
Cash and bank balances		266,678	110,232	56,781	433,691	2,706	1,455	51,518	55,679
TOTAL ASSETS		314,355	480,217	548,843	1,317,147	217,216	478,840	526,066	1,178,493

The Unaudited Interim Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying notes attached to the unaudited interim financial statements.

ZURICH TAKAFUL MALAYSIA BERHAD (731996-H)
(Incorporated in Malaysia)

**UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017 (CONTINUED)**

		As at 30.06.2017				As at 31.12.2016			
	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	14	-	411,595	525,052	933,667	-	415,899	493,391	906,490
Takaful payables		-	51,694	3,586	55,280	-	36,528	2,614	39,142
Subordinated Obligation		73,000	-	-	73,000	-	-	-	-
Qardhul Hassan payable		-	-	9,959	-	-	-	8,734	-
Other payables		52,252	12,888	17,490	69,301	44,371	23,465	28,533	64,113
Expense liabilities		6,258	-	-	6,258	7,575	-	-	7,575
Current tax liabilities		883	4,040	1,820	6,743	-	2,948	1,528	4,476
Deferred tax liabilities		2,228	-	895	733	1,935	-	-	-
TOTAL LIABILITIES		134,621	480,217	558,802	1,144,982	53,881	478,840	534,800	1,021,796
SHAREHOLDERS' EQUITY									
Share capital		190,000	-	-	190,000	160,000	-	-	160,000
Retained earnings/ (accumulated loss)		(10,266)	-	(9,959)	(17,835)	3,335	-	(8,734)	(3,303)
Available-for-sale reserves		-	-	-	-	-	-	-	-
		179,734	-	(9,959)	172,165	163,335	-	(8,734)	156,697
TOTAL LIABILITIES, PARTICIPANTS' FUNDS AND SHAREHOLDERS' EQUITY		314,355	480,217	548,843	1,317,147	217,216	478,840	526,066	1,178,493

The Unaudited Interim Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying notes attached to the unaudited interim financial statements.

ZURICH TAKAFUL MALAYSIA BERHAD (731996-H)
(Incorporated in Malaysia)

**UNAUDITED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017**

	6 months ended 30.06.2017				6 months ended 30.06.2016			
	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
Operating revenue	2,779	136,528	133,031	272,338	1,814	148,280	129,094	279,188
Gross earned contributions	-	133,169	124,600	257,769	-	145,031	124,399	269,430
Contribution ceded to retakaful	-	(75,638)	(9,535)	(85,173)	-	(92,828)	(7,337)	(100,165)
Net earned contributions	-	57,531	115,065	172,596	-	52,203	117,062	169,265
Investment income	2,779	3,359	8,431	14,569	1,814	3,249	4,695	9,758
Realised gains and losses	-	-	3,403	3,403	(269)	43	1,737	1,511
Fair value gains and losses	180	-	14,736	14,916	70	-	(16,807)	(16,737)
Fee and commission income	-	18,613	-	18,613	-	19,730	-	19,730
Surplus sharing from General and Family Takaful funds (*)	7,823	-	-	-	7,757	-	-	-
Wakalah fee income	76,698	-	-	-	84,250	-	-	-
Other operating income	8,362	-	1,697	1,854	76	6,666	639	7,381
Other income	95,842	21,972	28,267	53,355	93,698	29,688	(9,736)	21,643
Gross benefits and claims paid	-	(71,371)	(69,269)	(140,640)	-	(67,644)	(74,113)	(141,757)
Claims ceded to retakaful	-	45,772	8,813	54,585	-	40,995	5,865	46,860
Gross change to contract liabilities	-	5,851	(29,140)	(23,289)	-	(21,028)	9,816	(11,212)
Change in contract liabilities ceded to retakaful	-	(17,359)	(176)	(17,535)	-	10,937	2,171	13,108
Net claims	-	(37,107)	(89,772)	(126,879)	-	(36,740)	(56,261)	(93,001)

The Unaudited Interim Income Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying notes attached to the unaudited interim financial statements.

ZURICH TAKAFUL MALAYSIA BERHAD (731996-H)
(Incorporated in Malaysia)

**UNAUDITED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (CONTINUED)**

	6 months ended 30.06.2017				6 months ended 30.06.2016			
	<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>Takaful Operator</u> RM'000	<u>General Takaful Fund</u> RM'000	<u>Family Takaful Fund</u> RM'000	<u>Company</u> RM'000
Fee and commission expenses	(50,834)	-	-	(50,834)	(46,143)	-	-	(46,143)
Management expenses	(55,497)	-	-	(55,497)	(44,619)	-	-	(44,619)
Allowance for impairment loss	-	421	-	421	-	800	-	800
Surplus sharing with Takaful Operator(*)	-	(896)	(6,927)	-	-	(2,017)	(5,740)	-
Wakalah fee expenses	-	(40,317)	(36,381)	-	-	(42,717)	(41,533)	-
Other operating expenses	(27)	(165)	(9,421)	(1,408)	(1,633)	936	-	(697)
Expense liabilities	1,316	-	-	1,316	(330)	-	-	(330)
Other expenses	(105,042)	(40,957)	(52,729)	(106,002)	(92,725)	(42,998)	(47,273)	(90,989)
Profit /(loss) before taxation	(9,200)	1,439	831	(6,930)	973	2,153	3,792	6,918
Tax (expense)/income attributable to participants	-	(1,439)	(2,056)	(3,495)	-	(2,153)	773	(1,380)
Profit /(loss) before taxation attributable to Takaful Operator(*)	(9,200)	-	(1,225)	(10,425)	974	-	4,565	5,538
Taxation	(4,400)	-	-	(4,107)	(2,609)	-	-	(3,728)
Net profit/(loss) for the financial period	(13,600)	-	(1,225)	(14,532)	(1,636)	-	4,565	1,810

(*) Subject to Board of Directors approval at financial year end

The Unaudited Interim Income Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying notes attached to the unaudited interim financial statements.

ZURICH TAKAFUL MALAYSIA BERHAD (731996-H)
(Incorporated in Malaysia)

**UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017**

	6 months ended 30.06.2017				6 months ended 30.06.2016			
	<u>Takaful Operator</u>	<u>General Takaful Fund</u>	<u>Family Takaful Fund</u>	<u>Company</u>	<u>Takaful Operator</u>	<u>General Takaful Fund</u>	<u>Family Takaful Fund</u>	<u>Company</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) for the financial period	(13,600)	-	(1,225)	(14,532)	(1,636)	-	4,565	1,810
Other comprehensive income/(loss):								
Net fair value changes during the financial period	-	258	386	644	307	443	1,333	2,083
Tax effects thereon	-	(54)	(31)	(85)	(74)	(106)	(107)	(287)
	-	204	355	559	233	337	1,226	1,796
Change in Takaful contract liabilities arising from unrealized net fair value changes	-	(204)	(355)	(559)	-	(337)	(1,226)	(1,563)
	-	-	-	-	233	-	-	233
Total comprehensive income/(loss) for the financial period	<u>(13,600)</u>	<u>-</u>	<u>(1,225)</u>	<u>(14,532)</u>	<u>(1,403)</u>	<u>-</u>	<u>4,565</u>	<u>2,043</u>

The Unaudited Interim Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying notes attached to the unaudited interim financial statements.

ZURICH TAKAFUL MALAYSIA BERHAD (731996-H)
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017**

	<u>Share capital</u> RM'000	<u>Non- distributable Available-for- sale Reserves</u> RM'000	<u>Distributable Retained Earnings</u> RM'000	<u>Total</u> RM'000
At 1 January 2016	100,000	(233)	10,421	110,188
Issue of share capital during the financial year	60,000	-	-	60,000
Net loss for the financial year	-	-	(13,724)	(13,724)
Other comprehensive income for the financial year	-	233	-	233
At 31 December 2016	<u>160,000</u>	<u>-</u>	<u>(3,303)</u>	<u>156,697</u>
Issue of share capital during the financial year	30,000	-	-	30,000
Net loss for the financial year	-	-	(14,532)	(14,532)
At 30 June 2017	<u>190,000</u>	<u>-</u>	<u>(17,835)</u>	<u>172,165</u>

The Unaudited Interim Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying notes attached to the unaudited interim financial statements.

ZURICH TAKAFUL MALAYSIA BERHAD (731996-H)
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**UNAUDITED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017**

	<u>Note</u>	Current Period Ended <u>30.06.2017</u> RM'000	Financial Period Ended <u>30.06.2016</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated in operating activities	17	19,488	32,209
Distribution income received		4,926	913
Profit income received		10,085	6,393
Income tax paid		(3,448)	(10,502)
Net cash flows from operating activities		<u>31,051</u>	<u>29,013</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Withdrawal / (placement) of LAR		279,320	(66,510)
Purchases of FVTPL Investments		(109,821)	(80,101)
Proceeds from sale of FVTPL Investments		76,694	85,990
Purchases of AFS Investments		-	(521)
Proceeds from sale and maturity of AFS Investments		-	29,448
Purchases of property and equipment		-	(122)
Purchases of intangibles assets		(2,232)	(377)
Net cash flows from investing activities		<u>243,961</u>	<u>(32,193)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceed from issuance of shares		30,000	-
Issuance of Subordinated Obligation		73,000	-
Net cash flow from financing activities		<u>103,000</u>	<u>-</u>
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		378,012	(3,180)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		<u>55,679</u>	<u>17,503</u>
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD		<u>433,691</u>	<u>14,323</u>
Cash and cash equivalents consist of:			
Cash and bank balances		<u>433,691</u>	<u>14,323</u>

The Unaudited Interim Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying notes attached to the unaudited interim financial statements.

**UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017**

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting by the Malaysian Accounting Standards (MASB), Takaful Act 1984, Guidelines/Circulars issued by Bank Negara Malaysia (BNM) as well as Shariah rulings and precepts.

The unaudited financial statements have been prepared under the historical cost convention, as modified by the valuation of available-for-sale financial assets and financial assets at fair value through profit or loss.

In accordance with the Islamic Financial Services Act 2013, the Company is required to segregate the assets and liabilities of the Takaful funds from its own, a concept known as segregation of funds. These Takaful funds are however not considered as separate legal entities and are managed and operated by the Takaful Operator, i.e. the Company.

Following the compliance to MFRS, the Company prepares a Company-level set of financial statements. In preparing the Company-level financial statements, 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 income statement, the statement of 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 segregate assets, liabilities, income and expenses of the Takaful funds from the Takaful Operator. The accounting policies adopted for the Takaful Operator and Takaful funds are uniform for like transactions and events in similar circumstances.

The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Company for the financial year ended 31 December 2016. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the year ended 31 December 2016.

2 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited financial statements of the preceding year ended 31 December 2016 did not contain any qualification.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)**

3 SEASONALITY OF OPERATIONS

The Company's operations are not materially affected by seasonal or cyclical factors for the current period under review.

4 UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows in the current period ended 30 June 2017.

5 CHANGE IN ACCOUNTING ESTIMATES

There were no material changes in the basis used for accounting estimates for the current period under review.

6 DIVIDEND PAYMENT

No dividends were paid during the period and the Directors do not recommend any dividend to be paid for the current period under review.

7 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD

There were no material events subsequent to the end of the current period under review that has not been reported in these interim financial statements for the current financial period.

8 FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statement as at and for the year ended 31 December 2016.

9 CONTINGENT LIABILITIES

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

10 MATERIAL LITIGATION

There was no material litigation pending as at the date of this announcement.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)**

12 INVESTMENTS

	<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>As at 30 June 2017</u>				
Malaysian Government Guaranteed Financing	-	-	-	-
Islamic debt securities, unquoted	-	58,048	138,370	196,418
Shariah-approved quoted equities	-	-	95,352	95,352
Other investments	2,980	-	232,363	232,363
Deposits with financial institutions	5,355	24,368	-	29,723
	<u>8,335</u>	<u>82,416</u>	<u>466,085</u>	<u>553,856</u>
<u>As at 31 December 2016</u>				
Malaysian Government Guaranteed Financing	-	14,945	24,791	39,736
Islamic debt securities, unquoted	-	42,914	95,770	138,684
Shariah-approved quoted equities	-	-	79,968	79,968
Investment-linked units	2,800	-	-	-
Unit trusts	-	-	214,359	214,359
Deposits with financial institutions	161,856	119,357	27,948	309,161
	<u>164,656</u>	<u>177,216</u>	<u>442,836</u>	<u>781,908</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)**

12 INVESTMENTS (CONTINUED)

	Takaful <u>Operator</u> RM'000	General <u>takaful fund</u> RM'000	Family <u>takaful fund</u> RM'000	<u>Company</u> RM'000
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The Company's investments are
summarised by categories as follows:

As at 30 June 2017

Loans and receivables ("LAR")	5,355	24,368	-	29,723
Available-for-sale ("AFS")	-	58,048	67,927	125,975
Fair value through profit or loss ("FVTPL")	2,980	-	398,158	398,158
	<u>8,335</u>	<u>82,416</u>	<u>466,085</u>	<u>553,856</u>

As at 31 December 2016

Loans and receivables ("LAR")	161,856	119,357	27,948	309,161
Available-for-sale ("AFS")	-	57,859	67,674	125,533
Fair value through profit or loss ("FVTPL")	2,800	-	347,214	347,214
	<u>164,656</u>	<u>177,216</u>	<u>442,836</u>	<u>781,908</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)**

12 INVESTMENTS (CONTINUED)

	<u>Takaful Operator</u> RM'000	<u>General takaful fund</u> RM'000	<u>Family takaful fund</u> RM'000	<u>Company</u> RM'000
The following investments mature after 12 months:				
<u>As at 30 June 2017</u>				
AFS	-	55,018	67,927	122,945
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>As at 31 December 2016</u>				
AFS	-	57,859	67,674	125,533
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)**

12 INVESTMENTS (CONTINUED)

	<u>Takaful Operator</u> RM'000	<u>General takaful fund</u> RM'000	<u>Family takaful fund</u> RM'000	<u>Company</u> RM'000
(a) LAR				
<u>As at 30 June 2017</u>				
<u>Amortised cost</u>				
Fixed and call deposits with:				
Licensed financial institutions	5,355	24,368	-	29,723
	<u>5,355</u>	<u>24,368</u>	<u>-</u>	<u>29,723</u>
<u>As at 31 December 2016</u>				
<u>Amortised cost</u>				
Fixed and call deposits with:				
Licensed financial institutions	161,856	119,357	27,948	309,161
	<u>161,856</u>	<u>119,357</u>	<u>27,948</u>	<u>309,161</u>
As at 30 June 2017, the cash and cash equivalents in the LAR of RM24,368,034 (31 December 2016 : RM16,068,000) have a maturity period of three to twelve months.				
(b) AFS investments				
<u>As at 30 June 2017</u>				
<u>Fair value</u>				
Malaysian Government				
Guaranteed Financing	-	15,259	15,730	30,989
Islamic debt securities, unquoted	-	42,789	52,197	94,986
	<u>-</u>	<u>42,789</u>	<u>52,197</u>	<u>94,986</u>
	-	58,048	67,927	125,975
	<u>-</u>	<u>58,048</u>	<u>67,927</u>	<u>125,975</u>
<u>As at 31 December 2016</u>				
<u>Fair value</u>				
Malaysian Government				
Guaranteed Financing	-	14,945	24,791	39,736
Islamic debt securities, unquoted	-	42,914	42,883	85,797
	<u>-</u>	<u>42,914</u>	<u>42,883</u>	<u>85,797</u>
	-	57,859	67,674	125,533
	<u>-</u>	<u>57,859</u>	<u>67,674</u>	<u>125,533</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)**

12 INVESTMENTS (CONTINUED)

	Takaful Operator RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
(c) FVTPL investments				
<u>As at 30 June 2017</u>				
<u>Fair value at designation</u>				
Shariah-approved quoted equities	-	-	95,284	95,284
Islamic debt securities, unquoted	-	-	70,512	70,512
Other investments	2,980	-	232,362	232,362
	<u>2,980</u>	<u>-</u>	<u>398,158</u>	<u>398,158</u>
<u>As at 31 December 2016</u>				
<u>Fair value at designation</u>				
Shariah-approved quoted equities	-	-	79,968	79,968
Islamic debt securities, unquoted	-	-	52,887	52,887
Other investments	2,800	-	214,359	214,359
	<u>2,800</u>	<u>-</u>	<u>347,214</u>	<u>347,214</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)**

12 INVESTMENTS (CONTINUED)

(d) Carrying values of investments

(i) Takaful Operator

	<u>LAR</u> RM'000	<u>AFS</u> RM'000	<u>FVTPL</u> RM'000	<u>Total</u> RM'000
At 1 January 2016	98,196	10,456	3,583	112,235
Purchases	63,535	-	-	63,535
Disposals including (maturities and redemptions)	-	(10,060)	(800)	(10,860)
Fair value loss recorded in:				
Income statement	-	-	70	70
Other comprehensive income	-	96	-	96
Movement in accrued profit	125	(490)	(53)	(418)
Amortisation adjustment	-	(2)	-	(2)
At 31 December 2016/ 1 January 2017	161,856	-	2,800	164,656
Purchases	-	-	-	-
Disposals including (maturities and redemptions)	(156,338)	-	-	(156,338)
Fair value gains recorded in:				
Income statement	-	-	180	180
Other comprehensive income	-	-	-	-
Movement in accrued profit	(163)	-	-	(163)
Amortisation adjustment	-	-	-	-
At 30 June 2017	5,355	-	2,980	8,335

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)**

12 INVESTMENTS (CONTINUED)

(d) Carrying values of investments (continued)

(ii) General Takaful Fund

	<u>HTM</u> RM'000	<u>LAR</u> RM'000	<u>AFS</u> RM'000	<u>Total</u> RM'000
At 1 January 2016	15,245	58,159	62,662	136,066
Purchases	-	61,030	-	61,030
Disposals including (maturities and redemptions)	-	-	(19,967)	(19,967)
Reclassification	(15,245)	-	15,245	-
Fair value gains recorded in:				
Takaful contract liabilities	-	-	97	97
Movement in accrued profit	-	168	(67)	101
Amortisation adjustment	-	-	(111)	(111)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016/ 1 January 2017	-	119,357	57,859	177,216
Purchases	-	-	-	-
Disposals including (maturities and redemptions)	-	(95,038)	-	(95,038)
Fair value gains recorded in:				
Takaful contract liabilities	-	-	258	258
Movement in accrued profit	-	49	(9)	40
Amortisation adjustment	-	-	(60)	(60)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2017	-	24,368	58,048	82,416
	<hr/>	<hr/>	<hr/>	<hr/>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)**

12 INVESTMENTS (CONTINUED)

(d) Carrying values of investments (continued)

(iii) Family Takaful Fund

	<u>HTM</u> RM'000	<u>LAR</u> RM'000	<u>AFS</u> RM'000	<u>FVTPL</u> RM'000	<u>Total</u> RM'000
At 1 January 2016	25,387	41,233	41,620	351,586	459,826
Purchases	-	-	-	163,996	163,996
Disposals including maturities and redemptions	-	(13,281)	-	(153,930)	(167,211)
Reclassification	(25,387)	-	25,387	-	-
Fair value gains recorded in:					
Income statement	-	-	-	(14,351)	(14,351)
Takaful contract liabilities	-	-	477	-	477
Movement in accrued profit (Amortisation)/ accretion	-	(4)	263	(48)	211
Adjustment	-	-	(73)	(39)	(112)
At 31 December 2016/ 1 January 2017	-	27,948	67,674	347,214	442,836
Purchases	-	-	-	109,821	109,821
Disposals including (maturities and redemptions)	-	(27,944)	-	(76,694)	(104,638)
Fair value gains recorded in:					
Income statement	-	-	-	18,139	18,139
Takaful contract liabilities	-	-	386	-	386
Movement in accrued profit (Amortisation)/ accretion	-	(4)	(4)	(232)	(240)
Adjustment	-	-	(129)	(90)	(219)
At 30 June 2017	-	-	67,927	398,158	466,085

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)**

12 INVESTMENTS (CONTINUED)

(d) Carrying values of investments (continued)

(iv) Company

	<u>HTM</u> RM'000	<u>LAR</u> RM'000	<u>AFS</u> RM'000	<u>FVTPL</u> RM'000	<u>Total</u> RM'000
At 1 January 2016	40,632	197,112	114,738	352,914	705,396
Purchases	-	124,565	-	163,996	288,561
Disposals including (maturities and redemptions)	-	(12,806)	(30,027)	(155,275)	(198,108)
Reclassification	(40,632)	-	40,632	-	-
Fair value (loss) recorded in:					
Income statement	-	-	-	(14,281)	(14,281)
Takaful contract liabilities	-	-	574	-	574
Other comprehensive income	-	-	96	-	96
Movement in accrued profit (Amortisation)/ accretion	-	290	(294)	(101)	(105)
Adjustment	-	-	(186)	(39)	(225)
At 31 December 2016	-	309,161	125,533	347,214	781,908
Purchases	-	-	-	109,821	109,821
Disposals including (maturities and redemptions)	-	(279,320)	-	(76,694)	(356,014)
Fair value gains recorded in:					
Income statement	-	-	-	18,139	18,139
Takaful contract liabilities	-	-	644	-	644
Other comprehensive income	-	-	644	-	644
Movement in accrued profit (Amortisation)/ accretion	-	(118)	(13)	(232)	(363)
adjustment	-	-	(189)	(90)	(279)
At 30 June 2017	-	29,723	125,975	398,158	553,856

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)**

12 INVESTMENTS (CONTINUED)

(f) Fair values of investments

The following tables show financial investments recorded at fair value analysed by the different basis of fair values as follows:

	HTM RM'000	AFS RM'000	FVTPL RM'000	Total RM'000
(i) <u>Takaful Operator</u>				
<u>30 June 2017</u>				
Quoted market price (level 1)	-	-	2,980	2,980
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>31 December 2016</u>				
Quoted market price (level 1)	-	-	2,800	2,800
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
(ii) <u>General Takaful Fund</u>				
<u>30 June 2017</u>				
Valuation techniques - market observable inputs (level 2)	-	58,048	-	58,048
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>31 December 2016</u>				
Valuation techniques - market observable inputs (level 2)	-	57,859	-	57,859
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)**

12 INVESTMENTS (CONTINUED)

(f) Fair values of investments (continued)

The following tables show financial investments recorded at fair value analysed by the different measurement categories as follows:

	<u>HTM</u>	<u>AFS</u>	<u>FVTPL</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
(iii) <u>Family Takaful Fund</u>				
<u>30 June 2017</u>				
Quoted market price (level 1)	-	-	327,646	327,646
Valuation techniques - market observable inputs (level 2)	-	67,927	70,512	138,439
	<u>-</u>	<u>67,927</u>	<u>398,158</u>	<u>466,085</u>
<u>31 December 2016</u>				
Quoted market price (level 1)	-	24,791	294,327	319,118
Valuation techniques - market observable inputs (level 2)	-	42,883	52,887	95,770
	<u>-</u>	<u>67,674</u>	<u>347,214</u>	<u>414,888</u>
(iv) <u>Company</u>				
<u>30 June 2017</u>				
Quoted market price (level 1)	-	-	327,646	327,646
Valuation techniques - market observable inputs (level 2)	-	125,975	70,512	196,487
	<u>-</u>	<u>125,975</u>	<u>398,158</u>	<u>524,133</u>
<u>31 December 2016</u>				
Quoted market price (level 1)	-	-	294,327	294,327
Valuation techniques - market observable inputs (level 2)	-	125,533	52,887	178,420
	<u>-</u>	<u>125,533</u>	<u>347,214</u>	<u>472,747</u>

Included in the quoted price category are financial instruments that are measured in whole or in part by reference to published quotes in an active market. 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. This is considered as level 1 valuation basis

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)**

12 INVESTMENTS (CONTINUED)

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 valuation basis refers to non-market observable inputs, i.e. where 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.

13 RETAKAFUL ASSETS

	<u>30.06.2017</u> RM'000	<u>31.12.2016</u> RM'000
(a) <u>General takaful fund</u>		
Retakaful of takaful contracts	<u>249,321</u>	<u>267,684</u>
(b) <u>Family takaful fund</u>		
Retakaful of takaful contracts	<u>15,464</u>	<u>14,949</u>
(c) <u>Company</u>		
Retakaful of takaful contracts	<u>264,785</u>	<u>282,633</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)**

14 TAKAFUL CONTRACT LIABILITIES

	30.06.2017			31.12.2016		
	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
Family takaful	525,052	(15,464)	509,588	493,391	(14,949)	478,442
General takaful	411,595	(249,321)	162,274	415,899	(267,684)	148,215
	936,647	(264,785)	671,862	909,290	(282,633)	626,657
Less : Net asset value of Investment-linked units held by Takaful Operator	(2,980)	-	(2,980)	(2,800)	-	(2,800)
	933,667	(264,785)	668,882	909,490	(282,633)	626,857

(a) Family takaful

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

	30.06.2017			31.12.2016		
	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
Certificateholders' liabilities	90,125	(13,108)	77,017	85,287	(13,284)	72,003
Net asset value attributable to unitholders	406,538	-	406,538	386,543	-	386,543
	496,663	(13,108)	483,555	471,830	(13,284)	458,546
Unallocated surplus	12,451	-	12,451	8,144	-	8,144
Accumulated deficits of non-investment linked funds	(9,959)	-	(9,959)	(8,734)	-	(8,734)
Qardhul Hassan	9,959	-	9,959	8,734	-	8,734
Claims liabilities	14,887	(2,356)	12,531	12,721	(1,665)	11,056
Available-for-sale reserves	1,051	-	1,051	696	-	696
	525,052	(15,464)	509,588	493,391	(14,949)	478,442

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)**

14 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family takaful (continued)

	<u>Gross</u> RM'000	<u>Retakaful</u> RM'000	<u>Net</u> RM'000
At 1 January 2017	493,391	(14,949)	478,442
Contribution received	124,600	(9,535)	115,065
Liabilities paid for death, maturities, surrender, benefit and claims	(69,268)	8,813	(60,455)
Movement in claims liabilities	(2,166)	690	(1,476)
Experience variance on inforce Takaful certificates	4,012	(2,463)	1,549
Reserves on new policies	(7,457)	4,015	(3,442)
Miscellaneous	16,741	(2,035)	14,706
Fees deducted	(36,381)	-	(36,381)
Qardhul Hassan	1,225	-	1,225
Movement in AFS fair value adjustment	355	-	355
At 30 June 2017	<u>525,052</u>	<u>(15,464)</u>	<u>509,588</u>

	<u>Gross</u> RM'000	<u>Retakaful</u> RM'000	<u>Net</u> RM'000
At 1 January 2016	468,705	(12,399)	456,306
Contribution received	276,422	(15,551)	260,871
Liabilities paid for death, maturities, surrender, benefit and claims	(140,998)	14,345	(126,653)
Movement in claims liabilities	(436)	44	(392)
Experience variance on inforce Takaful certificates	4,013	798	4,811
Reserve on new policies	(7,457)	1,708	(5,749)
Miscellaneous	(13,263)	(3,894)	(17,157)
Fees deducted	(73,725)	-	(73,725)
Qardhul Hassan	(7,309)	-	(7,309)
Surplus distributed to Takaful Operator	(13,000)	-	(13,000)
Movements in AFS fair value adjustment	439	-	439
At 31 December 2016	<u>493,391</u>	<u>(14,949)</u>	<u>478,442</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)**

14 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General takaful

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

	30.06.2017			31.12.2016		
	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
Provision for claims	200,427	(130,899)	69,528	206,592	(142,974)	63,618
Provision for incurred but not reported claims ("IBNR")	57,389	(35,179)	22,210	57,464	(38,640)	18,824
Provision for adverse deviation	26,650	(17,754)	8,896	27,604	(19,578)	8,026
Claim liabilities (i)	284,466	(183,832)	100,634	291,660	(201,192)	90,468
Unearned contribution reserves (ii)	118,326	(65,489)	52,837	116,983	(66,492)	50,491
Available-for-sale reserves (iii)	31	-	31	(173)	-	(173)
Unallocated surplus	8,772	-	8,772	7,429	-	7,429
	411,595	(249,321)	162,274	415,899	(267,684)	148,215

(i) Claims liabilities

At 1 January	291,660	(201,192)	90,468	255,634	(180,314)	75,320
Claims incurred in the current accident year	47,180	(24,290)	22,890	179,896	(107,399)	72,497
Other movements in claims incurred in prior accident years	18,026	(9,407)	8,619	(21,777)	15,167	(6,610)
Claims paid during the financial year	(71,371)	45,772	(25,599)	(126,689)	73,929	(52,760)
Movements in provision for adverse deviation	(1,029)	5,285	4,256	4,596	(2,575)	2,021
At 30 June	284,466	(183,832)	100,634	291,660	(201,192)	90,468

(ii) Unearned contribution reserves

At 1 January	116,983	(66,492)	50,491	123,661	(77,695)	45,966
Contribution written in the financial year	134,512	(74,635)	59,877	266,476	(155,982)	110,494
Contribution earned during the financial year	(133,169)	75,638	(57,531)	(273,154)	167,185	(105,969)
At 30 June	118,326	(65,489)	52,837	116,983	(66,492)	50,491

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)**

14 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General takaful (continued)

(iii) Available-for-sale reserves

	<u>30.06.2017</u> RM'000	<u>31.12.2016</u> RM'000
At 1 January	(173)	(211)
Fair value movements arising from AFS investments	204	71
Derecognition upon disposal of AFS investment	-	(33)
	<u>31</u>	<u>(173)</u>

15 TOTAL CAPITAL AVAILABLE

The capital structure of the Company as at 30 June 2017, as prescribed under the RBC Framework, is shown below:

	<u>30.06.2017</u> RM'000	<u>31.12.2016</u> RM'000
<u>Tier 1 Capital</u>		
Paid-up share capital	190,000	160,000
Reserves, including retained earnings	<u>(20,322)</u>	<u>3,515</u>
	169,678	163,515
<u>Tier 2 Capital</u>		
Available-for-sale reserve	1,081	522
Subordinated Obligation	73,000	-
Less:		
Deferred tax assests	<u>(2,022)</u>	<u>(2,178)</u>
Total Capital Available	<u>241,737</u>	<u>161,859</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)**

16 CAPITAL AND OTHER COMMITMENTS

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

	<u>30.06.2017</u> RM'000	<u>31.12.2016</u> RM'000
Authorised and contracted for:		
- Office rental	1,400	2,207
- Office renovation	2,321	20

17 CASH FLOW

	<u>30.06.2017</u> RM'000	<u>30.06.2016</u> RM'000
Net loss for the financial year	(14,532)	1,810
Adjustment for:		
Investment income	(14,569)	(9,758)
Realised gains and losses	(3,403)	(1,511)
Fair value gains and losses	(14,916)	16,736
Non-cash items:		
Depreciation of property, plant and equipment	980	1,283
Write off of property, plant and equipment	5	16
Write off of intangible assets	-	383
Amortisation of intangible assets	529	630
Write-back for impairment loss	(421)	(800)
Tax expense attributable to Takaful Operator	4,107	3,728
Tax expense attributable to participants	3,495	1,380
Changes in working capital:		
Decrease / (Increase) in retakaful assets	17,848	(12,031)
(Increase) / Decrease in Takaful receivables	(6,057)	27,188
(Increase) / Decrease in other receivables	(614)	7,094
Increase in Takaful contract liabilities	26,798	17,257
Increase / (Decrease) in Takaful payables	24,019	(4,855)
(Decrease) / Increase in other payable	(2,464)	(16,671)
(Decrease) / Increase in expense liabilities	(1,317)	330
Cash generated from/(utilized in) operating activities	<u>19,488</u>	<u>32,209</u>

