

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS **QUARTER ENDED 31 DECEMBER 2017**

1 Basis of Preparation

The unaudited interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), IAS 34 Interim Financial Reporting issued by International Accounting Standards Board, paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”), and Guidelines / Circulars issued by Bank Negara Malaysia (“BNM”) and Shariah rulings and precepts.

The unaudited financial statements have been prepared using historical cost basis except for certain financial assets and financial liabilities that are stated at fair value.

The unaudited interim financial statements of the Group comprise the Company and its subsidiaries as at and for the quarter ended 31 December 2017. It also includes Takaful funds established in accordance with Islamic Financial Services Act, 2013 in Malaysia, which are managed and controlled by the Group and by the Company as operator of the fund.

The statements of financial position and the statements of profit or loss and other comprehensive income of the Takaful Operator, Family Takaful Fund and General Takaful Fund are supplementary financial information presented in accordance with the requirements of BNM and Islamic Financial Services Act, 2013 in Malaysia to segregate assets, liabilities, income and expenses of Takaful funds from its own. The statements of financial position and profit or loss and other comprehensive income of the Takaful Operator include only assets, liabilities, income and expenses of the Takaful Operator, excluding the Takaful funds managed by it. The statements of financial position and profit or loss and other comprehensive income of the Family and General Takaful Fund include only the assets, liabilities, income and expenses of the family solidarity fund and General Takaful Fund that is set up, managed and controlled by the Takaful Operator.

In preparing the Group-level consolidated financial statements, the balances and transactions of the Takaful Operator are amalgamated and combined with those of the takaful funds. Interfund assets and liabilities, income and expenses relating to transactions between the funds are eliminated in full during amalgamation. The accounting policies adopted for the Takaful Operator and takaful funds are uniform for like transactions and events in similar circumstances.

The takaful fund are consolidated and amalgamated from the date of control and continue to be consolidated until the date such control ceases which occur when the Group’s and the Company’s license to manage takaful business is withdrawn or surrendered.

The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 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 Group since the year ended 31 December 2016.

2 Auditors’ Report

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

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3 Seasonality of Operations

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

4 Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows in the current quarter ended 31 December 2017.

5 Estimates

There was no material changes in the basis used for accounting estimates for the current quarter under review.

6 Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter under review.

7 Dividends

The Directors on 20 December 2016 declared an interim single tier dividend of 12.00 sen per ordinary share in respect of the financial year ended 31 December 2016 and the dividend was paid on 20 January 2017.

The Directors on 18 December 2017 declared an interim single tier dividend of 15.00 sen per ordinary share in respect of the financial year ended 31 December 2017 which was paid on 19 January 2018.

8 Segmental Reporting

Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
12 months ended 31 December 2017			
Revenue from external participants	1,991,293	147,867	2,139,160
Profit/(loss) before zakat and taxation	254,607	(954)	253,653
As at 31 December 2017			
Segment assets by location of assets	7,681,525	513,075	8,194,600
Segment liabilities by location of liabilities	6,915,412	445,734	7,361,146

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8 Segmental Reporting (continued)

Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
12 months ended 31 December 2016			
Revenue from external participants	1,839,267	173,986	2,013,253
Profit before zakat and taxation	219,860	1,118	220,978
As at 31 December 2016			
Segment assets by location of assets	7,168,719	588,961	7,757,680
Segment liabilities by location of liabilities	6,499,820	514,717	7,014,537

9 Investment Properties

A valuation has been carried out on all investment properties during the current financial quarter under review and the carrying values of the investment properties reflect the new valuation.

10 Material Events Subsequent to the End of the Period

There is no material event subsequent to the end of the period under review that has not been reported in the interim financial statements for the current financial quarter.

11 Financial Risk Management

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

12 Effect of Changes in Composition of the Company / Group

As announced to Bursa Securities on 13 September 2017, the Company had on 12 September 2017 incorporated a wholly-owned subsidiary under the Companies Act 2016 by the name of Syarikat Takaful Malaysia Am Berhad ("STMAB") in connection with the conversion of composite licence to single licences for the Company's family takaful business and general takaful business pursuant to the requirements of Sections 16(1) and 286 of the Islamic Financial Services Act, 2013.

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12 Effect of Changes in Composition of the Company / Group (continued)

As announced to Bursa Securities on 3 November 2017, a Conditional Shares Sale and Purchase Agreement (“CSPA”) between PT Syarikat Takaful Indonesia (“STI”), PT Asuransi Takaful Keluarga (“ATK”) and Koperasi Karyawan Takaful (“Kopkar”) (“Sellers”), and Koperasi Simpan Pinjam Jasa (“KOSPIN”), M Andy Arslan Djunaid SE and Bahroji (“Purchasers”) was entered into on 27 October 2017, for the disposal of the entire equity interest in PT Asuransi Takaful Umum (“ATU”) held by STI, ATK and Kopkar.

As announced to Bursa Securities on 10 January 2018, the disposal of ATU has been completed on 28 December 2017 and effectively, ATU ceased to be a subsidiary of Takaful Malaysia.

Other than the above, there is no change in the composition of the Group for the current financial quarter under review.

13 Contingent Liabilities

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

14 Review of Performance

	3 months ended			Cumulative 12 months ended		
	31.12.2017 RM'000	31.12.2016 RM'000	Changes %	31.12.2017 RM'000	31.12.2016 RM'000	Changes %
Operating revenue	517,738	490,819	5%	2,139,160	2,013,253	6%
Gross earned contributions	457,751	447,440	2%	1,818,938	1,728,481	5%
Profit before zakat and tax	56,018	40,855	37%	253,653	220,978	15%
Profit after zakat and tax	55,676	38,822	43%	205,073	174,464	18%
Profit attributable to owners of the Company	56,304	39,264	43%	206,699	176,282	17%

14.1 Financial results of the current year-to-date (YTD) against preceding YTD

Operating revenue

The Group recorded operating revenue of RM2,139.1 million for the financial period ended 31 December 2017, an increase of 6% or RM125.9 million as compared to the preceding financial period ended 31 December 2016. The increase was mainly attributable to higher sales generated by both Family Takaful and General Takaful business.

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14 Review of Performance (continued)

14.1 Financial results of the current year-to-date (YTD) against preceding YTD (continued)

Profit before zakat and tax

For the 12 month period, the Group recorded profit before zakat and taxation of RM253.7 million, increased by 15% as compared to RM221.0 million in the same period last year. The improvement in profit was mainly attributable to higher net Wakalah fee income arising from our robust business growth in the General Takaful business.

Family Takaful

Family Takaful business generated gross earned contributions of RM1,264.5 million in the financial period ended 31 December 2017, increased by 3% as compared to RM1,229.4 million in the corresponding period last year. The increase was mainly attributable to higher sales from Family Takaful mortgage related products.

The 12 months net benefits and claims for Family Takaful business decreased by 12% to RM672.5 million from RM762.5 million in the same period of the preceding year mainly due to decrease in medical claims.

The YTD investment income also grew by 7% to RM242.0 million from RM225.3 million in the same period of the preceding year. The increase was mainly due to higher profit from Islamic debts securities, partially offset by the lower dividend income from equity securities.

General Takaful

General Takaful business generated gross earned contributions of RM554.2 million in the financial period ended 31 December 2017, increased by 11% as compared to RM498.6 million in the corresponding period last year. The growth was mainly from fire and motor classes.

The 12 months net benefits and claims for General Takaful business increased by 33% to RM146.0 million from RM109.8 million in the same period of the preceding year mainly due to increase in claims relating to fire and motor classes.

The YTD investment income of RM29.3 million is almost at par with the investment income in the same period of the preceding year of RM29.6 million.

14.2 Financial results of the current quarter against preceding year corresponding quarter

Operating revenue

For the fourth quarter ended 31 December 2017, the Group generated Operating Revenue of RM517.7 million as compared to RM490.8 million in the corresponding quarter of the preceding year. The increase was mainly attributable to higher sales generated by General Takaful business.

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14 Review of Performance (continued)

14.2 Financial results of the current quarter against preceding year corresponding quarter (continued)

Profit before zakat and tax

For the quarter under review, the Group recorded profit before zakat and taxation of RM56.0 million, increased by 37% as compared to RM40.9 million in the same period last year. The increase in profit was mainly attributable to increase in net wakalah fee income and lower management expenses.

Family Takaful

For the quarter under review, Family Takaful business recorded gross earned contributions of RM316.5 million as compared to RM327.8 million in the same period last year. The decrease was mainly attributable to lower sales from our subsidiary, ATK and cessation of retail business.

For the quarter under review, Family Takaful business recorded net benefits and claims of RM153.0 million, a decrease of 11% as compared to the corresponding quarter of preceding year. The decrease was mainly due to lower surrender cases.

Investment income for the Family Takaful business for the current year quarter of RM63.3 million is higher by 9% as compared to RM58.2 million in the corresponding quarter last year mainly due to higher profit from Islamic debts securities.

General Takaful

For the quarter under review, General Takaful business generated gross earned contributions of RM141.1 million, increased by 18%, as compared to RM119.4 million in the corresponding quarter of preceding year. The growth was mainly from fire and motor classes.

General Takaful business recorded net benefits and claims of RM22.5 million for the quarter under review, an increase of 55% as compared to the corresponding quarter of preceding year. The increase was mainly due to increase in claims relating to fire and motor classes.

Investment income for the General Takaful business of RM7.3 million is almost at par with the investment income recorded in the corresponding quarter of preceding year of RM7.7 million.

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14 Review of Performance (continued)

14.3 Indonesian Operations

The operating revenue of Indonesian operations decreased by 15% to RM147.9 million from RM174.0 million in the corresponding quarter of preceding year whilst, the gross earned contribution decreased by 16% to RM132.4 million compared to RM158.5 million in corresponding quarter of preceding year. The Indonesian operations recorded loss before zakat and tax of RM1.0 million as at 31 December 2017 as compared to profit before zakat and tax of RM1.1 million in corresponding quarter of preceding year. The lower result was mainly attributable to PT Asuransi Takaful Umum (ATU), a subsidiary, which has been disposed on 28 December 2017. Prior to the disposal, ATU was placed under the Member's Voluntary Liquidation and operated under the existing block of business only.

The Indonesian operations continued to be impeded by the window concept of promoting Islamic products practiced by the conventional domestic players. The takaful industry in Indonesia is anticipated to continue experiencing challenges due to the financial market volatility in addition to the economic conditions.

14.4 Review of Statements of Financial Position

As at 31 December 2017, total assets grew by 6% to RM8,194.6 million as compared to RM7,757.7 million as at 31 December 2016, mainly attributable to the increase in other investments, retakaful assets and current tax assets.

Compared to 31 December 2016, other investments increased from RM4,487.0 million to RM4,861.7 million as at 31 December 2017, mainly attributable to the increase in Islamic debts securities. The exposure to Islamic debts securities increased by 13% to RM3,823.0 million. The increase was mainly attributable to new purchases as well as gains in market value.

Retakaful assets represent balances receivable and recoverable from retakaful operators. The balance increased from RM468.5 million to RM505.6 million mainly due to increase in receivables from retakaful operators arising from the mortgage business.

Current tax assets increased by RM26.0 million as compared to RM6.0 million as at 31 December 2016 mainly due to additional tax imposed by Inland Revenue Board (IRB) for the years of assessment 2012 to 2014 amounted to RM16.7 million and tax refund from IRB of RM9.3 million.

Total liabilities increased by RM346.6 million to RM7,361.1 million as compared to RM7,014.5 million as at 31 December 2016, mainly attributable to higher takaful contract liabilities. The increase in takaful contract liabilities from RM6,436.3 million as at 31 December 2016 to RM6,709.5 million as at 31 December 2017 was in line with the Company's business growth.

Shareholders' equity increased by RM90.3 million to RM833.5 million as at 31 December 2017. This is mainly attributed to the increase in distributable retained earnings of RM83.0 million.

14.5 Review of Statements of Cash flows

For the 12 month period ended 31 December 2017, the Group generated positive cash flow from operating activities, which indicates that the Group's cash flow position is healthy.

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15 Financial review for current quarter compared with immediate preceding quarter

	Current Quarter 31.12.2017 RM'000	Immediate Preceding Quarter 30.9.2017 RM'000	Changes %
Operating revenue	517,738	476,242	9%
Gross earned contributions	457,751	443,284	3%
Profit before tax	56,018	66,017	-15%
Profit after tax	55,676	48,206	15%
Profit attributable to owners of the Company	56,304	48,571	16%

Operating revenue

For the quarter under review, the Group generated Operating Revenue of RM517.7 million as compared to RM476.2 million in the immediate preceding quarter. The increase is mainly attributable to higher sales generated from General Takaful business.

Profit before zakat and tax

For the quarter under review, the Group recorded profit before zakat and taxation of RM56.0 million, lower by 15% as compared to the immediate preceding quarter of RM66.0 million. The decrease in profit was mainly attributable to increase in management expenses.

Family Takaful

For the quarter under review, Family Takaful business recorded gross earned contributions of RM316.5 million, increased by 4%, as compared to RM303.0 million in the immediate preceding quarter. The increase was mainly attributable to higher sales from mortgage and credit-related products.

For the quarter under review, Family Takaful business recorded net benefits and claims of RM153.0 million, an increase of 3% as compared to the immediate preceding quarter. The increase was mainly due to increase in medical claims.

Investment income for the Family Takaful business of RM63.3 million, increased by 6% as compared to RM59.5 million in the immediate preceding quarter. The increase was mainly attributable to higher profit from Islamic debts securities.

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15 Financial review for current quarter compared with immediate preceding quarter (continued)

General Takaful

For the quarter under review, General Takaful business generated gross earned contributions of RM141.1 million, almost at par as compared to RM140.3 million in the immediate preceding quarter.

For the quarter under review, General Takaful business recorded net benefits and claims of RM22.5 million, a decrease of 49% as compared to the immediate preceding quarter. The decrease was mainly due to release in reserves arising from improvement in claims experience.

Investment income for the General Takaful business of RM7.3 million for the quarter under review is almost at par with the investment income in the immediate preceding quarter of RM7.1 million.

16 Current Year Prospects

Takaful Malaysia in 2018 will remain focused on sustaining its position as the market leader in the Family Takaful business whilst expanding its market share in the General Takaful business to establish a strong foothold in the industry. The Company will continue to enhance its digital capability to increase its product and service accessibility to the consumers by intensifying its online marketing initiatives. The Company will also embark on multiple digital initiatives to further develop 'customer centric' value propositions to remain competitive in the industry. The Company will carry out its key initiatives, including an active management strategy as well as prudent investment and underwriting activities to deliver sustainable results for its shareholders and promote financial security to its customers. The Company will amplify its brand presence and the 15% Cash Back offered to its customers for selected products in the event of no claims during the coverage period. Takaful Malaysia will continue to emphasize the four core areas of customer reach, operational agility, cost competitiveness and stakeholder confidence to firmly establish the Company as the preferred choice for insurance amongst the consumers.

17 Variance of Actual Profit from Profit Forecast or Profit Guarantee

The Group did not issue any profit forecast nor profit guarantee during the current quarter under review.

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18 Taxation

The effective rate of taxation is lower than the statutory tax rate for the current financial period in accordance with the Income Tax Act 1967 due to the higher deductible expenses.

	3 months ended		Cumulative 12 months ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Current tax expense:				
- Current financial period	16,192	11,692	53,713	47,327
- Under provision in prior year	-	(8,961)	1,016	(6,461)
Deferred tax benefits:				
- Current financial period	(16,393)	(423)	(7,224)	5,302
Total tax expense	<u>(201)</u>	<u>2,308</u>	<u>47,505</u>	<u>46,168</u>

The Inland Revenue Board ("IRB") had, on 8 September 2017, issued to the Company notices of additional assessment (i.e. Form JA) for the years of assessment ("YA") 2012, 2013, and 2014. The additional tax payable by the Company under the above-mentioned notices is RM12,561,630.50. As a result of the above, IRB had also treated the tax returns made by the Company for the above years of assessment as incorrect, and imposed a penalty of RM6,200,802.97 to the Company.

The Company has paid the additional tax on 4 October 2017 and submitted an appeal (Form Q) to Special Commissioner of Income Tax against the notice of assessment on 5 October 2017.

The Company is of the view that there are strong justifications for its appeal against certain matters raised by IRB and have treated the related tax payment of RM16,741,000 as tax recoverable.

19 Status of Corporate Proposal

The Company announced to Bursa Securities on 10 August 2017 the conversion of composite licence to single licences for the Company's family takaful business and general takaful business ("Proposed Reorganisation") pursuant to the requirements of Sections 16(1) and 286 of the Islamic Financial Services Act, 2013. The Proposed Reorganisation is expected to be completed by the second quarter of 2018.

Subsequently, the Company had on 12 September 2017 incorporated a wholly-owned subsidiary under the Companies Act 2016 by the name of Syarikat Takaful Malaysia Am Berhad ("STMAB") as stated in Note 12 above.

As stated in Note 12 above, the Company announced to Bursa Securities on 10 January 2018 that the disposal of ATU, which was first announced on 3 November 2017, has been completed on 28 December 2017 and effectively, ATU ceased to be a subsidiary of Takaful Malaysia.

Other than the above, there has been no new corporate proposal since the date of the last quarterly report.

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20 Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 31 December 2017.

21 Material Litigation

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

22 Earnings per Share

Basic earnings per share ("Basic EPS")

Basic EPS of the Group is calculated by dividing the net profit attributable to ordinary shareholders for the quarter / period by the weighted average number of ordinary shares in issue during the period.

	3 months ended		Cumulative 12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Owners of the Company (RM'000)	56,304	39,264	206,699	176,282
Weighted average number of ordinary shares in issue ('000)	823,146	820,943	822,579	819,298
Basic EPS (sen)	6.84	4.78	25.13	21.52

Diluted earnings per share ("Diluted EPS")

The calculation of diluted earnings per ordinary share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	3 months ended		Cumulative 12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Owners of the Company (RM'000)	56,304	39,264	206,699	176,282
Weighted average number of ordinary shares in issue ('000)	823,146	820,943	822,579	819,298
Effects of dilution ('000)	2,854	3,347	2,854	3,347
Diluted weighted average number of ordinary shares in issue ('000)	826,000	824,290	825,433	822,645
Diluted EPS (sen)	6.82	4.76	25.04	21.43

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23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	31 December 2017			31 December 2016		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Family Takaful Fund						
Provision for claims reported by participants	28,171	(4,664)	23,507	24,435	(2,292)	22,143
Provision for IBNR	119,775	(27,311)	92,464	150,654	(21,178)	129,476
Provision for outstanding claims	147,946	(31,975)	115,971	175,089	(23,470)	151,619
Actuarial liabilities	4,755,894	(179,484)	4,576,410	4,389,596	(144,096)	4,245,500
Unallocated surplus	813,001	-	813,001	752,643	-	752,643
AFS reserves	(25,006)	-	(25,006)	(48,673)	-	(48,673)
Translation reserves	(1,565)	-	(1,565)	(2,976)	-	(2,976)
Net asset value attributable to unitholders	121,072	-	121,072	246,220	-	246,220
Participants' fund	5,663,396	(179,484)	5,483,912	5,336,810	(144,096)	5,192,714
	5,811,342	(211,459)	5,599,883	5,511,899	(167,566)	5,344,333

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23 Takaful Contract Liabilities (continued)

	31 December 2017			31 December 2016		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
General Takaful Fund						
Provision for claims reported by participants	224,950	(139,243)	85,707	234,840	(148,013)	86,827
Provision for IBNR	172,238	(83,586)	88,652	172,255	(89,943)	82,312
Provision for outstanding claims	397,188	(222,829)	174,359	407,095	(237,956)	169,139
Provision for unearned contributions	341,975	(71,308)	270,667	316,569	(62,969)	253,600
	739,163	(294,137)	445,026	723,664	(300,925)	422,739
Unallocated surplus	200,165	-	200,165	241,573	-	241,573
AFS reserves	(2,462)	-	(2,462)	(6,011)	-	(6,011)
Translation reserves	-	-	-	2,177	-	2,177
Participants' fund	197,703	-	197,703	237,739	-	237,739
	936,866	(294,137)	642,729	961,403	(300,925)	660,478

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23 Takaful Contract Liabilities (continued)

	31 December 2017			31 December 2016		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Group						
Provision for claims reported by participants	253,121	(143,907)	109,214	259,275	(150,305)	108,970
Provision for IBNR	292,013	(110,897)	181,116	322,909	(111,121)	211,788
Provision for outstanding claims	545,134	(254,804)	290,330	582,184	(261,426)	320,758
Provision for unearned contributions	341,975	(71,308)	270,667	316,569	(62,969)	253,600
	887,109	(326,112)	560,997	898,753	(324,395)	574,358
Actuarial liabilities	4,755,894	(179,484)	4,576,410	4,389,596	(144,096)	4,245,500
Unallocated surplus	1,013,166	-	1,013,166	994,216	-	994,216
AFS reserves	(27,468)	-	(27,468)	(54,684)	-	(54,684)
Translation reserves	(1,565)	-	(1,565)	(799)	-	(799)
Net asset value attributable to unitholders	82,376	-	82,376	209,204	-	209,204
Participants' fund	5,822,403	(179,484)	5,642,919	5,537,533	(144,096)	5,393,437
	6,709,512	(505,596)	6,203,916	6,436,286	(468,491)	5,967,795

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23 Takaful Contract Liabilities (continued)

Participants' fund liabilities and its movements are analysed as follows:

	Family Takaful Fund			General Takaful Fund			Group		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2016	5,157,639	(242,477)	4,915,162	225,836	-	225,836	5,345,445	(242,477)	5,102,968
Net earned contributions	1,229,446	(47,965)	1,181,481	304,424	-	304,424	1,533,870	(47,965)	1,485,905
Investment income	225,346	-	225,346	29,604	-	29,604	254,950	-	254,950
Realised gains and (losses)	(205)	-	(205)	(2,114)	-	(2,114)	(2,319)	-	(2,319)
Fair value gains and (losses)	15,435	-	15,435	143	-	143	15,578	-	15,578
Other operating income	1,047	-	1,047	821	-	821	1,868	-	1,868
Net benefits and claims	(825,156)	62,679	(762,477)	(109,826)	-	(109,826)	(934,982)	62,679	(872,303)
Fees deducted (net)	(327,059)	-	(327,059)	(175,273)	-	(175,273)	(502,332)	-	(502,332)
Other operating expenses	(14,565)	-	(14,565)	(4,671)	-	(4,671)	(19,236)	-	(19,236)
Profit paid to participants	(2,044)	-	(2,044)	(11,610)	-	(11,610)	(13,654)	-	(13,654)
Excess payment transferred to participants	4,472	-	4,472	-	-	-	4,472	-	4,472
Increase in actuarial liabilities	(113,233)	99,420	(13,813)	-	-	-	(113,233)	99,420	(13,813)
Profit attributable to the Takaful Operator	(51,807)	(14,715)	(66,522)	(22,571)	-	(22,571)	(73,364)	(14,715)	(88,079)
Change in AFS reserve	14,082	-	14,082	2,912	-	2,912	16,994	-	16,994
Withholding tax	(8,220)	-	(8,220)	(721)	-	(721)	(8,941)	-	(8,941)
Effect of movement in exchange rates	31,632	(1,038)	30,594	785	-	785	32,417	(1,038)	31,379
At 31 December 2016	5,336,810	(144,096)	5,192,714	237,739	-	237,739	5,537,533	(144,096)	5,393,437

23 Takaful Contract Liabilities (continued)

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2017

Participants' fund liabilities and its movements are analysed as follows (continued):

	Family Takaful Fund			General Takaful Fund			Group		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2017	5,336,810	(144,096)	5,192,714	237,739	-	237,739	5,537,533	(144,096)	5,393,437
Net earned contributions	1,264,496	(56,178)	1,208,318	312,846	-	312,846	1,577,342	(56,178)	1,521,164
Investment income	241,969	-	241,969	29,334	-	29,334	271,303	-	271,303
Realised gains and (losses)	19,165	-	19,165	2,247	-	2,247	21,412	-	21,412
Fair value gains and (losses)	(2,328)	-	(2,328)	630	-	630	(1,698)	-	(1,698)
Other operating income	2,345	-	2,345	165	-	165	2,510	-	2,510
Net benefits and claims	(736,539)	64,009	(672,530)	(145,965)	-	(145,965)	(882,504)	64,009	(818,495)
Fees deducted (net)	(360,637)	-	(360,637)	(188,598)	-	(188,598)	(549,235)	-	(549,235)
Other operating expenses	(10,667)	-	(10,667)	(5,043)	-	(5,043)	(15,710)	-	(15,710)
Tax expense	-	-	-	-	-	-	-	-	-
Profit paid to participants	(8,451)	-	(8,451)	(20,998)	-	(20,998)	(29,449)	-	(29,449)
Excess payment transferred to participants	926	-	926	-	-	-	926	-	926
Increase in actuarial liabilities	18,878	(37,319)	(18,441)	-	-	-	18,878	(37,319)	18,441
Profit attributable to the Takaful Operator	(55,907)	(7,831)	(63,738)	(17,254)	-	(17,254)	(74,841)	(7,831)	(82,672)
Change in AFS reserve	23,667	-	23,667	3,549	-	3,549	27,216	-	27,216
Withholding tax	(22,779)	-	(22,779)	(3,145)	-	(3,145)	(25,924)	-	(25,924)
Disposal of a subsidiary				(6,737)	-	(6,737)	(6,737)		(6,737)
Effect of movement in exchange rates	(47,552)	1,931	(45,621)	(1,067)	-	(1,067)	(48,619)	1,931	(46,688)
At 31 December 2017	5,663,396	(179,484)	5,483,912	197,703	-	197,703	5,822,403	(179,484)	5,642,919

24 Takaful Operator Income

SYARIKAT TAKAFUL MALAYSIA BERHAD

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The takaful operator income consists of the following:

	3 months ended		Cumulative 12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Surplus transfer from:				
Family Takaful Fund	19,971	14,189	63,738	66,522
General Takaful Fund	3,692	9,811	17,254	22,571
Wakalah fee income	152,209	137,138	630,032	558,915
Total Takaful Operator income	<u>175,872</u>	<u>161,138</u>	<u>711,024</u>	<u>648,008</u>

25 Investment Income

The investment income consists of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Rental income	189	226	2,376	1,654	221	141	1,429	925
Dividend income	339	934	4,898	4,292	305	587	5,542	5,825
Profit income	10,680	8,271	59,178	54,016	7,148	7,261	77,006	69,397
Accretion / (Amortisation)	(214)	(269)	(2,724)	(1,439)	(378)	(305)	(3,316)	(2,013)
Investment expenses	(140)	(50)	(380)	(352)	6	(7)	(496)	(1,462)
	<u>10,854</u>	<u>9,112</u>	<u>63,348</u>	<u>58,171</u>	<u>7,302</u>	<u>7,677</u>	<u>80,165</u>	<u>72,672</u>

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 DECEMBER 2017

25 Investment Income (continued)

The investment income consists of the following (continued):

	Takaful Operator		Family Takaful Fund		General Takaful Fund		Group	
	12 months ended		12 months ended		12 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Rental income	786	725	8,954	8,892	798	787	4,956	4,753
Dividend income	1,573	2,981	13,552	18,655	1,044	2,076	16,169	23,724
Profit income	38,089	29,042	228,475	204,844	28,862	28,083	295,426	261,818
Accretion / (Amortisation)	(991)	(1,037)	(7,150)	(5,131)	(1,286)	(1,268)	(9,427)	(7,436)
Investment expenses	(185)	(88)	(1,862)	(1,914)	(84)	(74)	(1,762)	(2,166)
	<u>39,272</u>	<u>31,623</u>	<u>241,969</u>	<u>225,346</u>	<u>29,334</u>	<u>29,604</u>	<u>305,362</u>	<u>280,693</u>

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26 Other Operating Income

The other operating income consists of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Service charged and management fee	2,745	2,659	-	-	-	-	-	291
Gain on foreign exchange	-	900	-	-	-	2	-	902
Writeback of allowance for impaired financing	-	13	-	-	-	-	-	13
Writeback of allowance for impaired debts	-	-	-	695	-	-	-	421
Writeback of allowance for impaired wakalah fee	-	1,472	-	-	-	-	-	1,472
Gain on disposal of assets	58	-	-	-	-	-	-	-
Other income	723	2,952	-	-	19	-	607	1,302
	<u>3,472</u>	<u>7,996</u>	<u>-</u>	<u>695</u>	<u>19</u>	<u>2</u>	<u>607</u>	<u>4,401</u>

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2017

26 Other Operating Income (continued)

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

	Takaful Operator 12 months ended		Family Takaful Fund 12 months ended		General Takaful Fund 12 months ended		Group 12 months ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Service charged and management fee	12,003	10,118	-	-	-	-	9	303
Gain on foreign exchange	-	984	-	-	6	659	6	1,643
Writeback of allowance for impaired financing	240	53	-	-	-	-	240	53
Writeback of allowance for impaired debts	-	-	1,265	421	-	-	1,265	421
Gain on disposal of assets	-	116	-	-	-	-	-	116
Other income	1,288	3,144	1,080	626	159	162	2,527	3,932
	<u>13,531</u>	<u>14,415</u>	<u>2,345</u>	<u>1,047</u>	<u>165</u>	<u>821</u>	<u>4,047</u>	<u>6,468</u>

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2017

27 Other Operating Expenses

The other operating expenses consist of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Depreciation	(2,494)	(2,695)	-	-	-	-	(4,066)	(4,174)
Impairment losses	(168)	(298)	(1,741)	(2,218)	(549)	(336)	(2,458)	(2,852)
Loss from foreign exchange	-	-	-	-	-	-	-	-
Administration fees	(36,460)	(31,409)	-	-	-	-	(36,460)	(31,409)
Agency related expenses	(4,201)	(2,402)	-	-	-	-	(4,201)	(2,402)
Allowance for impaired debts	-	-	(124)	-	(2,347)	(1,824)	(2,471)	(1,550)
Allowance for impaired wakalah fee receivables	-	(1,667)	-	-	-	-	-	-
Debts written off	-	-	8	(5)	-	(24)	8	(29)
Loss on disposal of assets	(218)	(4)	-	-	-	-	(218)	(4)
Other expenses	(2,426)	(6,275)	(1,826)	(2,343)	(397)	(352)	(3,346)	(5,747)
	<u>(45,967)</u>	<u>(43,083)</u>	<u>(3,683)</u>	<u>(4,566)</u>	<u>(3,293)</u>	<u>(2,536)</u>	<u>(53,212)</u>	<u>(48,167)</u>

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2017

27 Other Operating Expenses (continued)

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

	Takaful Operator 12 months ended		Family Takaful Fund 12 months ended		General Takaful Fund 12 months ended		Group 12 months ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Depreciation	(10,781)	(10,844)	-	-	-	-	(17,221)	(16,610)
Impairment losses	(788)	(3,235)	(6,024)	(10,737)	(1,279)	(1,539)	(8,091)	(15,511)
Administration fees	(146,154)	(138,970)	-	-	-	-	(146,154)	(138,970)
Agency related expenses	(10,754)	(7,466)	-	-	-	-	(10,754)	(7,466)
Allowance for impaired debts	-	-	-	-	(1,285)	(2,123)	(1,285)	(2,123)
Allowance for impaired wakalah fee receivables	-	(195)	-	-	-	-	-	(195)
Debts written off	-	-	(673)	(312)	-	(386)	(673)	(698)
Loss on disposal of assets	(58)	-	-	-	-	-	(58)	-
Other expenses	(3,091)	(6,352)	(4,038)	(3,516)	(2,479)	(623)	(4,670)	(7,417)
	<u>(171,626)</u>	<u>(167,062)</u>	<u>(10,735)</u>	<u>(14,565)</u>	<u>(5,043)</u>	<u>(4,671)</u>	<u>(188,906)</u>	<u>(188,990)</u>

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2017

28 Fair Value Information

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

31 December 2017	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Takaful Operator										
Financial assets										
Equity securities	20,336	-	-	20,336	-	-	-	-	20,336	20,336
Unit trusts	12,873	7,517	-	20,390	-	-	-	-	20,390	20,390
Institutional Trust Account	-	-	37,032	37,032	-	-	-	-	37,032	37,032
Islamic debt securities	4,255	446,354	-	450,609	10,703	-	-	10,703	461,312	460,643
Investment in linked funds	38,696	-	-	38,696	-	-	-	-	38,696	38,696
	76,160	453,871	37,032	567,063	10,703	-	-	10,703	577,766	577,097
Family Takaful										
Financial assets										
Equity securities	289,141	-	-	289,141	-	-	-	-	289,141	289,141
Unit trusts	125,865	28,760	-	154,625	-	-	-	-	154,625	154,625
Institutional Trust Account	-	-	179,706	179,706	-	-	-	-	179,706	179,706
Islamic debt securities	55,745	2,515,388	-	2,571,133	75,676	372,150	-	447,826	3,018,959	3,012,629
Malaysian Government Islamic papers	-	218,952	-	218,952	-	55,518	-	55,518	274,470	273,946
	470,751	2,763,100	179,706	3,413,557	75,676	427,668	-	503,344	3,916,901	3,910,047

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 DECEMBER 2017

28 Fair Value Information (continued)

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
31 December 2017										
General Takaful										
Equity securities	13,694	-	-	13,694	-	-	-	-	13,694	13,694
Unit trusts	10,064	-	-	10,064	-	-	-	-	10,064	10,064
Institutional Trust Account	-	-	34,313	34,313	-	-	-	-	34,313	34,313
Islamic debt securities	-	344,758	-	344,758	-	5,000	-	5,000	349,758	349,758
Malaysian Government Islamic papers	-	-	-	-	-	5,047	-	5,047	5,047	5,000
	23,758	344,758	34,313	402,829	-	10,047	-	10,047	412,876	412,829
Group										
Financial assets										
Equity securities	323,171	-	-	323,171	-	-	-	-	323,171	323,171
Unit trusts	148,802	36,277	-	185,079	-	-	-	-	185,079	185,079
Institutional Trust Account	-	-	251,051	251,051	-	-	-	-	251,051	251,051
Islamic debt securities	60,000	3,306,500	-	3,366,500	86,379	377,150	-	463,529	3,830,029	3,823,030
Malaysian Government Islamic papers	-	218,952	-	218,952	-	60,565	-	60,565	279,517	278,946
	531,973	3,561,729	251,051	4,344,753	86,379	437,715	-	524,094	4,868,847	4,861,277

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2017

28 Fair Value Information (continued)

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

31 December 2016	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Takaful Operator										
Financial assets										
Equity securities	40,354	-	-	40,354	-	-	-	-	40,354	40,354
Unit trusts	19,939	13,031	-	32,970	-	-	-	-	32,970	32,970
Institutional Trust Account	-	-	22,529	22,529	-	-	-	-	22,529	22,529
Islamic debt securities	3,888	312,157	-	316,045	11,723	-	-	11,723	327,768	327,883
Investment in linked funds	37,016	-	-	37,016	-	-	-	-	37,016	37,016
	101,197	325,188	22,529	448,914	11,723	-	-	11,723	460,637	460,752
Family Takaful										
Financial assets										
Equity securities	396,058	-	-	396,058	-	-	-	-	396,058	396,058
Unit trusts	124,989	51,818	-	176,807	-	-	-	-	176,807	176,807
Institutional Trust Account	-	-	108,830	108,830	-	-	-	-	108,830	108,830
Islamic debt securities	44,567	2,232,885	-	2,277,452	76,885	371,726	-	448,611	2,726,063	2,723,616
Malaysian Government Islamic papers	-	148,793	-	148,793	-	73,017	-	73,017	221,810	221,306
	565,614	2,433,496	108,830	3,107,940	76,885	444,743	-	521,628	3,629,568	3,626,617

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 DECEMBER 2017

28 Fair Value Information (continued)

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
31 December 2016										
General Takaful										
Equity securities	36,199	-	-	36,199	-	-	-	-	36,199	36,199
Unit trusts	13,946	-	-	13,946	-	-	-	-	13,946	13,946
Institutional Trust Account	-	-	28,753	28,753	-	-	-	-	28,753	28,753
Islamic debt securities	-	314,484	-	314,484	5,382	5,000	-	10,382	324,866	324,828
Malaysian Government Islamic papers	-	-	-	-	-	32,635	-	32,635	32,635	32,524
	50,145	314,484	28,753	393,382	5,382	37,635	-	43,017	436,399	436,250
Group										
Financial assets										
Equity securities	472,611	-	-	472,611	-	-	-	-	472,611	472,611
Unit trusts	158,874	64,849	-	223,723	-	-	-	-	223,723	223,723
Institutional Trust Account	-	-	160,112	160,112	-	-	-	-	160,112	160,112
Islamic debt securities	48,455	2,859,526	-	2,907,981	93,990	376,726	-	470,716	3,378,697	3,376,327
Malaysian Government Islamic papers	-	148,793	-	148,793	-	105,652	-	105,652	254,445	253,830
	679,940	3,073,168	160,112	3,913,220	93,990	482,378	-	576,368	4,489,588	4,486,603

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2017

28 Fair Value Information (continued)

The carrying amounts of cash and cash equivalents, and short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices in an active market and the fair value cannot be reliably measured. Please refer to respective note for the fair values of other financial assets and liabilities, together with the carrying amounts shown in the statements of financial position.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the identical financial assets or liabilities, either directly or indirectly.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Transfer between Level 1 and 2 fair values

There is no transfer between Level 1 and 2 fair values during the period.

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2017

28 Fair Value Information (continued)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities. The following table shows a reconciliation of Level 3 fair values:

	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Group RM'000
Available-for-sale financial assets				
At 1 January 2016	21,411	103,801	27,429	152,641
Purchases	19,004	24,534	5,007	48,545
Maturities	(19,004)	(24,534)	(5,007)	(48,545)
Gains and losses recognised in profit or loss				
Investment income - realised	1,118	5,029	1,324	7,471
At 31 December 2016 / 1 January 2017	22,529	108,830	28,753	160,112
Purchases	13,000	83,272	5,267	101,539
Maturities	-	(20,272)	(1,267)	(21,539)
Gains and losses recognised in profit or loss				
Investment income - realised	1,503	7,876	1,560	10,939
At 31 December 2017	37,032	179,706	34,313	251,051

29 Additional Information

Takaful receivables

The age analysis of takaful receivables past-due but not impaired as at the end of the reporting period based on days past-due was as follows:

<u>Days past due</u>	Family Takaful		General Takaful		Group	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
1-30 days	1,451	2,195	1,044	554	2,495	2,749
31-60 days	157	2,903	270	527	427	3,430
61-90 days	77	1,572	248	720	325	2,292
91-180 days	2,713	19,474	2,602	1,477	5,315	20,951
> 180 days	1,037	31	3,396	4,487	4,433	4,518
	5,435	26,175	7,560	7,765	12,995	33,940

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2017

29 Additional Information (continued)

Takaful receivables (continued)

The average credit terms of takaful receivables granted to related parties and non-related parties are 6 months from the contractual due date. The recoverability of takaful receivables which exceeds the average credit term is high especially after Letter of Demand is imposed on the debtors.

The significant takaful receivables of the Group and of the Company with its related parties as at the end of the reporting period, are as follows. Takaful receivables due from related parties are trade related and have been entered into for the purpose of takaful coverage and under normal trade terms.

	Family Takaful		General Takaful		Group	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Bank Islam Malaysia berhad	135	252	825	1,094	960	1,346

The Group and the Company assess impairment on an individual and collective basis. The Group and the Company will assess on a case by case basis, whether there is any objective evidence that the outstanding due is impaired for contribution due and claims recovery that are considered individually significant. The criteria that the Group and the Company use to determine whether there is objective evidence of impairment for those selected for individual assessment include:

- (i) contribution due or claims recovery past-due for 6 months or more and where outstanding receivables is above 2% of total takaful receivables and RM200,000 for Family and General takaful receivables respectively;
- (ii) significant financial difficulty of customer / intermediaries;
- (iii) long outstanding balances where these are disputed and not resolved; and
- (iv) breach of contract, such as default or delinquency in payments.

The Group and the Company record impairment allowance for loans and receivables and takaful receivables in separate "Allowance for Impairment" accounts. Unless the Group and the Company are satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivables directly. There were no material provisions and write-off of trade receivables during the period.

Before takaful receivables are deemed uncollectible, consistent follow-up action such as requesting for payments including reminders will be sent to the relevant debtors. Where the amount due exceeds the internal threshold, a Letter of Demand will be imposed on the debtors.

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2017

29 Additional Information (continued)

Material Impairment of Assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

The breakdown of the assets' impairment losses, its carrying value in the book before impairment, carrying value in the book after impairment against its market value are as follows:

	3 months ended 31 December 2017				3 months ended 31 December 2016			
	Impairment losses RM'000	Carrying value before impairment RM'000	Carrying value after impairment RM'000	Market value RM'000	Impairment losses RM'000	Carrying value before impairment RM'000	Carrying value after impairment RM'000	Market value RM'000
Takaful Operator								
<u>Available-for-sale financial assets</u>								
Equity securities	(168)	2,283	2,115	2,115	(203)	1,600	1,397	1,397
Unit trust	-	-	-	-	(96)	1,490	1,394	1,394
	(168)	2,283	2,115	2,115	(299)	3,090	2,791	2,791
Family Takaful								
<u>Available-for-sale financial assets</u>								
Equity securities	(1,485)	17,634	16,149	16,149	(1,506)	12,287	10,781	10,781
Unit trust	-	-	-	-	(712)	11,084	10,372	10,372
Islamic debts securities	(17)	1,574	1,331	1,331	-	-	-	-
	(1,745)	59,205	55,582	55,582	(2,218)	23,371	21,153	21,153

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 DECEMBER 2017

29 Additional Information (continued)

Material Impairment of Assets (continued)

	3 months ended 31 December 2017				3 months ended 31 December 2016			
	Impairment losses RM'000	Carrying value before impairment RM'000	Carrying value after impairment RM'000	Market value RM'000	Impairment losses RM'000	Carrying value before impairment RM'000	Carrying value after impairment RM'000	Market value RM'000
General Takaful								
<u>Available-for-sale financial assets</u>								
Equity securities	(550)	4,237	3,687	3,687	(201)	1,581	1,380	1,380
Unit trust	-	-	-	-	(134)	2,094	1,960	1,960
	(550)	4,237	3,687	3,687	(335)	3,675	3,340	3,340
Group								
<u>Available-for-sale financial assets</u>								
Equity securities	(2,203)	24,154	21,951	21,951	(1,910)	15,468	13,558	13,558
Unit trust	-	-	-	-	(942)	14,668	13,726	13,726
Islamic debts securities	(17)	1,574	1,331	1,331	-	-	-	-
	(4,318)	71,048	66,730	66,730	(2,852)	30,136	27,284	27,284

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 DECEMBER 2017

29 Additional Information (continued)

Material Impairment of Assets (continued)

	12 months ended 31 December 2017				12 months ended 31 December 2016			
	Impairment losses RM'000	Carrying value before impairment RM'000	Carrying value after impairment RM'000	Market value RM'000	Impairment losses RM'000	Carrying value before impairment RM'000	Carrying value after impairment RM'000	Market value RM'000
Takaful Operator								
<u>Available-for-sale financial assets</u>								
Equity securities	(261)	4,923	4,662	4,662	(1,224)	5,929	4,705	4,705
Unit trust	(528)	9,002	8,474	8,474	(2,011)	22,057	20,046	20,046
	(789)	13,925	13,136	13,136	(3,235)	27,986	24,751	24,751
Family Takaful								
<u>Available-for-sale financial assets</u>								
Equity securities	(2,146)	29,927	27,781	27,781	(9,409)	46,924	37,515	37,515
Unit trust	(3,380)	57,631	54,251	54,251	(1,329)	14,196	12,867	12,867
Islamic debts securities	(260)	1,574	1,331	1,331	-	-	-	-
	(4,283)	71,498	67,215	67,215	(10,738)	61,120	50,382	50,382

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2017

29 Additional Information (continued)

Material Impairment of Assets (continued)

	12 months ended 31 December 2017				12 months ended 31 December 2016			
	Impairment losses RM'000	Carrying value before impairment RM'000	Carrying value after impairment RM'000	Market value RM'000	Impairment losses RM'000	Carrying value before impairment RM'000	Carrying value after impairment RM'000	Market value RM'000
General Takaful								
<u>Available-for-sale financial assets</u>								
Equity securities	(1,113)	8,038	6,925	6,925	(1,272)	6,110	4,838	4,838
Unit trust	(167)	2,841	2,674	2,674	(267)	4,596	4,329	4,329
	(1,280)	10,879	9,599	9,599	(1,539)	10,706	9,167	9,167
Group								
<u>Available-for-sale financial assets</u>								
Equity securities	(3,520)	42,888	39,368	39,368	(11,905)	58,963	47,058	47,058
Unit trust	(4,075)	69,474	65,399	65,399	(3,607)	40,849	37,242	37,242
Islamic debts securities	(260)	1,574	1,331	1,331	-	-	-	-
	(5,633)	89,783	84,150	84,150	(15,512)	99,812	84,300	84,300

Impairment losses for equity securities are estimated and recognised in profit or loss if there is a significant or prolonged decline in the fair value below its cost.

Impairment losses for Islamic debts securities classified as available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised.

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2017

30 Foreign exchange exposure / hedging policy

Foreign exchange exposure is only in relation to investment in the Indonesian subsidiary, which is immaterial. Therefore, hedging policy is not applicable to the Group and the Company.

31 Derivatives

The Group and Company did not enter into any derivatives for the current quarter under review and for the financial year ended 31 December 2017.

32 Gains/losses arising from fair value change of financial liabilities

There were no gains/losses arising from fair value changes of financial liabilities during the current quarter under review and financial year ended 31 December 2017.

33 Regulatory capital requirements

The Company's capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect participants and meet regulatory requirements.

The Company is required to comply with the regulatory capital requirement prescribed in the Risk Based Capital for Takaful (RBCT) Framework issued by Bank Negara Malaysia where Takaful operators are required to satisfy a minimum supervisory capital adequacy ratio of 130%. As at period end, the Company has a capital adequacy ratio in excess of the minimum requirement.

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

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Tier 1 capital	1,320,279	1,212,934
Tier 2 capital	5,628	(16,620)
Deductions	(158,736)	(122,376)
Total capital available	1,167,171	1,073,938

By Order of the Board

MOHAMAD ASRI BIN YUSOFF
Company Secretary (MIA 14171)
Kuala Lumpur, 25 January 2018