

Company No.

738090	M
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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in presenting their Report together with the audited financial statements of the Company for the financial year ended 30 June 2015.

PRINCIPAL ACTIVITIES

The Company is principally engaged in managing Family Takaful including investment-linked business and all classes of General Takaful business. There has been no significant change in the nature of this activity during the financial year.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	<u>462</u>

DIVIDENDS

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

The Directors do not recommend any dividend for the financial year ended 30 June 2015.

RESERVES AND PROVISIONS

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

DIRECTORS

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

YBhg Tan Sri A. Razak bin Ramli	Chairman, Independent Non-Executive Director
Ms Loh Guat Lan	Non-Independent Non-Executive Director
Mr Choong Yee How	Non-Independent Non-Executive Director
Encik Mustapha bin Hamat	Independent Non-Executive Director
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	Independent Non-Executive Director
YM Raja Teh Maimunah binti Raja Abdul Aziz	Non-Independent Non-Executive Director
Mr Masakatsu Komaita	Non-Independent Non-Executive Director

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

None of the Directors holding office at the end of the financial year had any beneficial interest in ordinary shares, options over shares and debentures of the Company and/or its related corporations during the financial year ended 30 June 2015 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, except for Mr Choong Yee How and Ms Loh Guat Lan, whose direct interests in the shares and options over shares of related corporations, are as follows:

**Number of ordinary shares /*shares issued or to be issued or
acquired arising from the exercise of options**

	Nominal value per share	As at 01.07.2014	Acquired	(Sold / (Exercised)	As at 30.06.2015
Interest of Mr Choong Yee How in:					
Hong Leong Financial Group Berhad	RM1.00	3,100,000	1,750,000 ⁽¹⁾	(1,200,000)	3,650,000
		1,750,000*	-	(1,750,000) ⁽¹⁾	Nil
Interest of Ms Loh Guat Lan in:					
Hong Leong Financial Group Berhad	RM1.00	243,000	-	-	243,000
		-	5,000,000*	-	5,000,000*

Note:

(1) Exercise of share options.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company received or became entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by certain Directors as shown in Note 21 to the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Company is a party, with the object or objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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HONG LEONG MSIG TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE

The Company has complied with the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under BNM/RH/GL/004-1 on Guidelines on Directorship for Takaful Operators.

Board of Directors/Chief Executive Officer

The Board of Directors of the Company ("Board") assumes responsibility for effective stewardship and control of the Company and has established terms of reference to assist in the discharge of this responsibility.

The roles and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Company's business; identifying principal risks and ensuring the implementation of appropriate systems to manage these risks; reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals and major capital expenditure and such other responsibilities that are required of them by Bank Negara Malaysia ("BNM") as specified in guidelines and circulars issued by BNM, from time to time.

The Chief Executive Officer of the Company is responsible for implementing the policies and decisions of the Board, overseeing the day-to-day operations, setting the plan and direction, benchmark and targets for the Company, tracking compliance and business progress, initiating innovative business ideas to create competitive edge and development of business and corporate strategies with the aim of enhancing Shareholders' wealth.

The present Board comprises the Chairman who is an Independent Non-Executive Director, four Non-Independent Non-Executive Directors and two Independent Non-Executive Directors. In accordance with the Guidelines on Directorship for Takaful Operators, all Directors are appointed to the Board after approval had been obtained from BNM.

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HONG LEONG MSIG TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board of Directors/Chief Executive Officer (continued)

During the financial year ended 30 June 2015, six (6) Board Meetings were held and the attendance of the Directors was as follows:

<u>Directors</u>	<u>Attendance</u>
YBhg Tan Sri A. Razak bin Ramli (Chairman, Independent Non-Executive Director)	6/6
Mr Choong Yee How (Non-Independent Non-Executive Director)	5/6
Encik Mustapha bin Hamat (Independent Non-Executive Director)	6/6
Ms Loh Guat Lan (Non-Independent Non-Executive Director)	6/6
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin (Independent Non-Executive Director)	5/6
YM Raja Teh Maimunah binti Raja Abdul Aziz (Non-Independent Non-Executive Director)	5/6
Mr Masakatsu Komaita (Non-Independent Non-Executive Director)	6/6

Supply of Information

Board reports are circulated prior to Board meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, performance of the Company and management's proposal which require the approval of the Board.

All Directors have access to the advice and services of the Company Secretary as well as independent professional advice, including the Internal Auditors.

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HONG LEONG MSIG TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Nominating Committee ("NC")

The members of the NC are as follows:

YBhg Tan Sri A. Razak bin Ramli	(Chairman, Independent Non-Executive Director)
Mr Choong Yee How	(Non-Independent Non-Executive Director)
Encik Mustapha bin Hamat	(Independent Non-Executive Director)
Ms Loh Guat Lan	(Non-Independent Non-Executive Director)
YM Raja Teh Maimunah binti Raja Abdul Aziz	(Non-Independent Non-Executive Director)

The NC's functions and responsibilities are set out in the terms of reference as follows:

- Recommend to the Board the minimum requirements for appointments to the Board, Board committees and for the position of Chief Executive Officer.
- Review and recommend to the Board, all Board, Board committees and Shariah Committee appointments and re-appointments and removals including of the Chief Executive Officer.
- Review annually the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required.
- Assess annually the effectiveness of the Board and key senior management officers as a whole and the contribution by each individual Director to the effectiveness of the Board and various Board Committees based on criteria approved by the Board.
- Oversee the appointment, management succession planning and performance evaluation of key senior management officers and recommend their removal if they are found ineffective, errant and negligent in discharging their responsibilities.
- Ensure that the Board receives an appropriate continuous training programme.

During the financial year ended 30 June 2015, three (3) NC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
YBhg Tan Sri A. Razak bin Ramli (Chairman, Independent Non-Executive Director)	3/3
Mr Choong Yee How (Non-Independent Non-Executive Director)	3/3
Encik Mustapha bin Hamat (Independent Non-Executive Director)	3/3
Ms Loh Guat Lan (Non-Independent Non-Executive Director)	3/3
YM Raja Teh Maimunah binti Raja Abdul Aziz (Non-Independent Non-Executive Director)	3/3

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Remuneration Committee ("RC")

The members of the RC are as follows:

YBhg Tan Sri A. Razak bin Ramli	(Chairman, Independent Non-Executive Director)
Mr Choong Yee How	(Non-Independent Non-Executive Director)
Encik Mustapha bin Hamat	(Independent Non-Executive Director)

The RC's functions and responsibilities are set out in the terms of reference as follows:

- Recommend to the Board the framework governing the remuneration of the:
 - ❖ Directors;
 - ❖ Chief Executive Officer; and
 - ❖ Key senior management officers.
- Review and recommend to the Board the specific remuneration packages of Executive Directors and the Chief Executive Officer.
- Review the remuneration package of key senior management officers.
- Review and recommend to the Board the remuneration of Shariah Committee members.

During the financial year ended 30 June 2015, one (1) RC meeting was held and the meeting was attended by all the members.

The Directors' fees are set out in Note 21 to the financial statements.

Board Audit and Risk Management Committee ("BARMC")

Encik Mustapha bin Hamat	(Chairman, Independent Non-Executive Director)
YBhg Tan Sri A. Razak bin Ramli	(Independent Non-Executive Director)
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	(Independent Non-Executive Director)

During the financial year ended 30 June 2015, six (6) BARMC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Encik Mustapha bin Hamat (Chairman, Independent Non-Executive Director)	6/6
YBhg Tan Sri A. Razak bin Ramli (Independent Non-Executive Director)	6/6
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin (Independent Non-Executive Director)	5/6

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Audit and Risk Management Committee ("BARMC") (continued)

The primary functions and responsibilities of the BARMC are set out in the terms of reference as follows:

Audit

- To nominate and recommend for the approval of the Board, a person or persons as external auditor(s);
- To review the external audit fees;
- To review, with the external auditors, the audit scope and plan;
- To review, with the external auditors, the audit report and audit findings and the management's response thereto;
- To review the assistance given by the officers of the Company to the external auditors;
- To review and assess the objectivity, performance and independence of the external auditors and to recommend the appointment or re-appointment of external auditors;
- To ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgment of the external auditors;
- To ensure that the accounts are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies and bad and doubtful debts;
- To engage on a continuous basis with senior management, such as the Chairman, the Chief Executive Officer, the Finance Director, the Head of Internal Audit and the external auditors in order to be kept informed of matters affecting the Company;
- To review the quarterly reports and annual financial statements of the Company prior to the approval by the Board;
- To review the Chairman's statement, corporate governance disclosures in the Directors' Report and all representation letters by management in relation to the financial audit of the Company;
- To review the performance and adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit function as stipulated in the Service Level Agreement;
- To review the report and findings of the internal audit department including any findings of internal investigations and the management's response thereto;
- To consider the provision of non-audit services by the external auditors;

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Audit and Risk Management Committee ("BARMC") (continued)

Audit (continued)

- To advise on the appointment, remuneration, performance, evaluation, removal and redeployment of the Head of Internal Audit;
- To review the audit plan, audit charter and budget of the Internal Audit Department as well as the scope of internal audit procedures and to ensure that the Internal Audit Department is distinct and has the appropriate status within the overall organisation structure for the internal auditors to achieve their audit objectives;
- To review related party transactions and conflict of interest situations that may arise within the Company including any transaction, procedure or conduct that raises questions of management integrity;
- Other audit functions as may be agreed to by the BARMC and the Board.

Risk Management and Compliance

- To oversee senior management's activities in managing credit, market, liquidity, operational, shariah compliance and IT risks and to ensure that the risk management process is in place and functioning;
- To review and report to the Board measures taken to:
 - (a) identify and examine principal risks faced by the Company; and
 - (b) implement appropriate systems and internal controls to manage these risks.
- To review, recommend and/or endorse the Company's major risk management strategies, policies and risk tolerance for Board's approval;
- To endorse the Company's risk appetite, internal capital target and Capital Management framework for Board's approval;
- To provide effective oversight of senior management's actions to ensure consistency with the risk strategy and policies approved by the Board, including the risk appetite framework;
- To oversee and monitor implementation of the Risk and Capital Management Plan and activities adopted by the Company;
- To ensure that senior management discharges its responsibilities for the development and effective implementation of the internal capital adequacy assessment process;
- To review the report from senior management on adherence to the Company's risk appetite and the implementation of risk management policies, processes and controls within the Company in managing the key risks to the Company as well as emerging risks;

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Audit and Risk Management Committee ("BARMC") (continued)

Risk Management and Compliance (continued)

- To review periodic reports on risk appetite, risk exposure, risk portfolio composition, stress testing and risk management activities;
- To review the adequacy and effectiveness of internal controls and risk management process;
- To review and assess adequacy of risk management and compliance policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively;
- To ensure infrastructure, resources and systems are in place for risk management i.e ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Company's risk taking activities;
- To advise on the appointment, remuneration, performance, evaluation, removal and redeployment of the Head of Risk Management & Compliance;
- To conduct performance reviews of staff primarily responsible for control functions;
- To perform diligent oversight over the effective function of Shariah risk and Shariah compliance of the Company;
- Oversight of the Company's compliance activities and ensuring the Company is in compliance with all established policies, guidelines and external regulations;
- To review all non-compliance incidences and recommend corrective actions where necessary;
- To review and consider the impact of new laws, regulations and guidelines affecting the Company's operations and ensuring adequate resources are committed and realistic action plans are carried out within the stipulated deadline set;
- Other risk management and compliance functions as may be agreed to by the BARMC and the Board.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Group Internal Audit Division ("GIAD")

The Company's internal audit function is carried out by Group Internal Audit Division ("GIAD"). GIAD employs a risk-based assessment approach in auditing the Company's business and operational activities. An annual audit plan is developed and approved by the BARMC. All internal audit reports which incorporates the management's responses were tabled for discussion at the BARMC meetings. During the financial year ended 30 June 2015, GIAD carried out its duties covering audit on operations, compliance, financial, information system, Shariah and branches. These audits are performed in line with BNM Guidelines on Internal Audit Function and BNM Guidelines on Management of IT Environment.

The cost incurred for the internal audit function in respect of the current financial year was RM 277,000 (2014: RM 233,000).

Corporate Independence

The Company has complied with BNM/RH/GL/004-7 on Guidelines On Related Party Transactions For Takaful Operators. All necessary disclosures have been made to the Board regularly and where required, prior Board approval has been obtained. All material related party transactions are disclosed in Note 26 to the financial statements.

Financial Reporting

The Board is responsible for ensuring that the accounting records of the Company are properly maintained. Financial and management reports of the Company are reviewed at Board meetings.

Internal Controls and Operational Risk Management

The Board holds overall responsibility for maintaining a system of internal controls, which provides reasonable assessment of effective and efficient operations, internal financial controls and compliance with laws and regulations.

The Company has established authority limits and internal controls to manage operational and financial risks. The authority limits and system of internal controls are regularly reviewed to ensure continuous improvement in the control environment.

Management Accountability

The Company operates in an organisational structure and control environment which are constantly being reviewed and enhanced to ensure that it remains appropriate for the operating environment.

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HONG LEONG MSIG TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Relationship with Auditors

External auditors are appointed based on the recommendation by the BARMC. The BARMC also determines the remuneration of external auditors. The external auditors meet with the BARMC to:

- (a) present the scope of audit before the commencement of audit; and
- (b) review the results of the financial year as well as the Internal Control letter after the conclusion of the audit.

Shariah Committee ("SC")

The members of the SC are as follows:

Assoc. Prof. Dr. Ab. Mumin Ab. Ghani	(Chairman)
Asst. Prof. Dr. Uzaimah Ibrahim	(Member)
Dr Muhammad Aunurrochim Mas'ad Salleh	(Member)
Dr Nurul Aini binti Muhamed	(Member)
Dr Asmak Binti Ab Rahman	(Member)

During the financial year ended 30 June 2015, ten (10) SC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Assoc. Prof. Dr. Ab. Mumin Ab. Ghani (Chairman)	10/10
Asst. Prof. Dr. Uzaimah Ibrahim	10/10
Dr Muhammad Aunurrochim Mas'ad Salleh	10/10
Dr Nurul Aini binti Muhamed	8/10
Dr Asmak Binti Ab Rahman	10/10

HOLDING COMPANIES

The immediate, penultimate and ultimate holding companies are HLA Holdings Sdn Bhd, Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad respectively, all companies incorporated in Malaysia.

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HONG LEONG MSIG TAKAFUL BERHAD
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DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION REGARDING THE COMPANY

- (I) As at the end of the financial year
- (a) Before the financial statements of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that there was adequate provision for incurred claims, including incurred but not reported claims ("IBNR");
 - (ii) to ascertain proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (iii) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature, other than those disclosed in the financial statements.
- (II) As at the end of the financial year to the date of this report
- (a) The Directors are not aware of any circumstances:
- (i) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements misleading; and
 - (iii) which had arisen which would render adherence to the existing method of valuation of assets and liabilities of the Company misleading or inappropriate.
- (b) In the opinion of the Directors:
- (i) the results of the operations of the Company for the financial year ended 30 June 2015 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet their obligations as and when they fall due (for the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contract of Takaful underwritten in the ordinary course of business of the Company).

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DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION REGARDING THE COMPANY (CONTINUED)

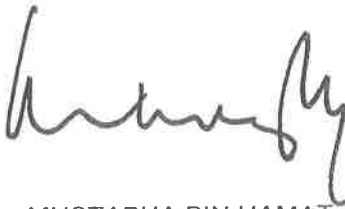
(III) As at the date of this report

- (a) There are no charges on the assets of the Company which had arisen since the end of the financial year to secure the liabilities of any other person;
- (b) There are no contingent liabilities which had arisen since the end of the financial year; and
- (c) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.

AUDITORS

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

Signed on behalf of the Board, in accordance with a resolution of the Directors dated 15 September 2015.



MUSTAPHA BIN HAMAT
DIRECTOR



LOH GUAT LAN
DIRECTOR

Kuala Lumpur

Company No.

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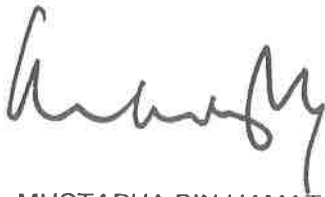
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HONG LEONG MSIG TAKAFUL BERHAD
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STATEMENT BY DIRECTORS PURSUANT TO
SECTION 169 (15) OF THE COMPANIES ACT, 1965

We, Mustapha bin Hamat and Loh Guat Lan, being two of the Directors of Hong Leong MSIG Takaful Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 19 to 121 are drawn up in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and comply with the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affair of the Company as at 30 June 2015 and of the results and cash flows of the Company for the financial year then ended.

On behalf of the Board,



MUSTAPHA BIN HAMAT
DIRECTOR



LOH GUAT LAN
DIRECTOR

Kuala Lumpur
15 September 2015

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

I, Wan Mohd Fadzlullah bin Wan Abdullah, the Officer primarily responsible for the financial management of Hong Leong MSIG Takaful Berhad, do solemnly and sincerely declare that the financial statements set out on pages 19 to 121 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the above named Wan Mohd Fadzlullah
bin Wan Abdullah at Kuala Lumpur in
Wilayah Persekutuan on 15 September 2015

Before me,



)
)
)
)
)
) Wan Mohd Fadzlullah bin Wan Abdullah

Lot 1.03, Tingkat 1,
Bangunan KWSP, Jln Raja Laut,
50350 Kuala Lumpur.
Tel: 019-6680745

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REPORT OF THE SHARIAH COMMITTEE

In the name of Allah, The Beneficent, The Merciful.

To the Shareholders of Hong Leong MSIG Takaful Berhad,

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

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Company during the financial year ended 30 June 2015. We have also conducted our review to form an opinion as to whether the Company has complied with Shariah rules and principles and with the specific fatwas, rulings and guidelines issued by us.

The Company's management is responsible for ensuring that the Company conducts its business in accordance with Shariah rules and principles. It is our responsibility to form an independent opinion and report, based on our review of the principles and contracts in relation to transactions and applications of the Company.

We performed our review on the basis of information and explanations provided to us which are deemed essential together with sufficient evidence to give reasonable assurance that the Company has not violated Shariah rules and principles.

In our opinion and to the best of our knowledge:

- (a) the contracts, transactions and dealings entered into by the Company during the financial year ended 30 June 2015 as presented and deliberated to us are in compliance with the Shariah rules and principles;
- (b) the allocation of profit and charging of losses relating to investment accounts, the main sources and investments of the Company disclosed to us conform to the basis that had been approved by us in accordance with Shariah rules and principles;
- (c) no earnings have been realised from sources or by means prohibited by the Shariah principles;
- (d) the calculation of zakat is in compliance with Shariah principles; and
- (e) the Shariah non-compliant events occurred were rectified as advised and preventive actions have been taken to avoid the recurrence of the events. During the financial year, seven (7) Shariah non-compliant events were identified. These non-compliant events occurred mainly due to misappropriation of Takaful contribution by the agent. We have advised preventive actions such as tightening the process flow and enhancing the procedures to avoid similar breaches from recurring in the future.

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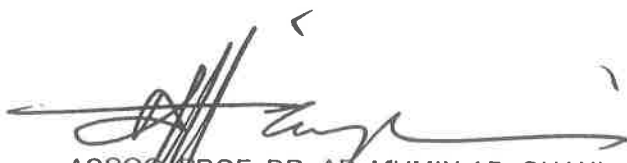
HONG LEONG MSIG TAKAFUL BERHAD
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REPORT OF THE SHARIAH COMMITTEE (CONTINUED)

We, are the members of Shariah Committee of Hong Leong MSIG Takaful, do hereby confirm that the operations of Hong Leong MSIG Takaful for the year ended 30 June 2015 have been conducted in conformity with the Shariah principles.

We beg Allah the Almighty to grant us all the success and straight-forwardness.

On behalf of the Shariah Committee:



ASSOC. PROF. DR. AB. MUMIN AB. GHANI
Chairman
Shariah Committee



ASST. PROF. DR. UZAIMAH IBRAHIM
Member
Shariah Committee

Kuala Lumpur
15 September 2015



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)
(Company No. 738090 M)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Hong Leong MSIG Takaful Berhad on page 19 to 121, which comprise the statement of financial position as at 30 June 2015, and the statements of comprehensive income, changes in equity and cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 30.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HONG LEONG MSIG TAKAFUL BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 738090 M)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion


In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 so as to give a true and fair value of the financial position of the Company as of 30 June 2015 and of its financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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



PRICEWATERHOUSECOOPERS
(No. AF:1146)
Chartered Accountants



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

Kuala Lumpur
15 September 2015

Company No.

738090 M

HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

Note	30.06.2015				30.06.2014			
	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
	ASSETS							
3	1,654	-	-	1,654	2,017	-	-	2,017
4	7,271	-	-	7,271	4,439	-	-	4,439
5	74,064	49,879	133,836	252,760	80,886	37,236	103,694	216,906
5	-	-	17,754	17,754	-	-	16,232	16,232
6	-	395	6,632	7,027	-	683	6,720	7,403
7	-	70,077	32,505	102,582	-	72,340	30,511	102,851
15	551	578	(316)	813	851	(329)	(162)	360
8	-	11,755	4,823	16,578	-	8,567	21,166	29,733
9	11,902	2,312	1,125	5,780	2,802	1,476	1,317	4,022
10	3,243	2,521	27,381	33,145	9,847	10,692	13,766	34,305
	98,685	137,517	223,740	445,364	100,842	130,665	193,244	418,268
	LIABILITIES							
11	-	114,594	213,112	322,687	-	120,317	173,758	289,165
12	-	11,277	3,695	14,972	-	5,224	14,640	19,864
13	7,113	-	-	7,113	7,988	-	-	7,988
14	6,598	8,477	5,431	10,947	7,379	2,226	3,214	11,246
	191	-	-	191	362	-	-	362
	(3,092)	3,169	1,502	1,579	(1,895)	2,898	1,632	2,635
	10,810	137,517	223,740	357,489	13,834	130,665	193,244	331,260
	SHAREHOLDERS' EQUITY							
16	100,000	-	-	100,000	100,000	-	-	100,000
	(14,280)	-	-	(14,280)	(14,742)	-	-	(14,742)
	2,155	-	-	2,155	1,750	-	-	1,750
	87,875	-	-	87,875	87,008	-	-	87,008
	98,685	137,517	223,740	445,364	100,842	130,665	193,244	418,268

The accompanying notes form an integral part of the financial statements.

Company No.

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	2015				2014			
	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
Gross contributions	-	44,940	60,720	105,660	-	45,122	68,261	113,383
Contributions ceded to retakaful	-	(23,745)	(10,557)	(34,302)	-	(18,391)	(25,479)	(43,870)
Net contributions	-	21,195	50,163	71,358	-	26,731	42,782	69,513
Change in unearned contribution reserve	-	1,636	-	1,636	-	2,482	-	2,482
Net earned contributions	-	22,831	50,163	72,994	-	29,213	42,782	71,995
Wakalah income	28,337	-	-	-	27,504	-	-	-
Surplus sharing from General and Family Takaful funds	8,035	-	-	-	-	-	-	-
Share of investment profit from Family Takaful	494	-	-	-	472	-	-	-
Commission income	-	6,036	-	6,036	-	3,891	-	3,891
Investment income	3,353	1,981	6,252	12,080	3,527	1,577	4,046	9,622
Realised gains	434	245	118	797	717	397	1,903	3,017
Fair value (losses)/gains	(533)	(483)	(956)	(1,972)	-	(37)	186	149
Other operating income	1,729	61	1,036	2,006	1,760	2,235	1,849	5,035
Other income	41,849	7,840	6,450	18,947	33,980	8,063	7,984	21,714
Gross benefits and claims paid	-	(34,071)	(19,337)	(53,408)	-	(19,089)	(40,516)	(59,605)
Claims ceded to retakaful	-	28,205	14,159	42,364	-	11,792	12,926	24,718
Gross change to Takaful contract liabilities	-	2,701	(36,691)	(33,990)	-	(20,580)	(20,279)	(40,859)
Change in Takaful contract liabilities ceded to retakaful	-	(881)	1,994	1,113	-	14,671	14,985	29,656
Net benefits and claims	-	(4,046)	(39,875)	(43,921)	-	(13,206)	(32,884)	(46,090)
Wakalah expenses	-	(13,570)	(14,767)	-	-	(13,773)	(13,731)	-
Surplus sharing with Takaful Operator	-	(7,270)	(765)	-	-	-	-	-
Commission expenses	(14,229)	-	-	(14,229)	(13,547)	-	-	(13,547)
Management expenses	(26,408)	-	-	(26,408)	(22,068)	-	-	(22,068)
Other operating expenses	-	(3,255)	(875)	(3,310)	(1,114)	(1,370)	(3,509)	(5,184)
Other expenses	(40,637)	(24,095)	(16,407)	(43,947)	(36,729)	(15,143)	(17,240)	(40,799)

The accompanying notes form an integral part of the financial statements.

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)

	2015				2014			
	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
Profit/(loss) before zakat and taxation	1,212	2,530	331	4,073	(2,749)	8,927	642	6,820
Tax expense attributable to participants	-	(2,530)	(331)	(2,861)	-	(3,467)	(642)	(4,109)
Profit before taxation attributable to Takaful Operator	1,212	-	-	1,212	(2,749)	5,460	-	2,711
Taxation	(660)	(2,530)	(331)	(3,521)	(813)	(3,467)	(642)	(4,922)
Tax expense attributable to participants	-	2,530	331	2,861	-	3,467	642	4,109
Tax expense attributable to Takaful Operator	(660)	-	-	(660)	(813)	-	-	(813)
Zakat	(90)	-	-	(90)	296	-	-	296
Profit/(loss) after zakat and taxation	462	-	-	462	(3,266)	5,460	-	2,194
Other comprehensive income/(loss):								
Items that may be subsequently reclassified to profit or loss:								
Fair value changes on available-for-sale financial assets, net of deferred tax:								
- Gross fair value gains arising during the financial year	974	240	3,037	4,142	(610)	1,082	673	988
- Gross fair value gains transferred to income statement	(434)	(245)	(143)	(822)	(717)	(397)	(733)	(1,847)
- Deferred taxation	(135)	1	(231)	(365)	331	(171)	5	165
- Net fair value changes	405	(4)	2,663	2,955	(996)	514	(55)	(694)
Change in Takaful contract liabilities arising from unrealised net fair value changes	-	4	(2,663)	(2,550)	-	(514)	55	(302)
Other comprehensive income/(loss) for the financial year, net of tax	405	-	-	405	(996)	-	-	(996)
Total comprehensive income/(loss) for the financial year	867	-	-	867	(4,262)	5,460	-	1,198

The accompanying notes form an integral part of the financial statements.

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HONG LEONG MSIG TAKAFUL BERHAD
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STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Issued and fully paid ordinary shares of RM 1 each		Non- distributable AFS Reserve RM'000	Accumulated Losses RM'000	Total RM'000
	Number of Shares '000	Nominal Value RM'000			
At 1 July 2014	100,000	100,000	1,750	(14,742)	87,008
Total comprehensive income for the financial year	-	-	405	462	867
At 30 June 2015	100,000	100,000	2,155	(14,280)	87,875
At 1 July 2013	100,000	100,000	2,746	(16,936)	85,810
Total comprehensive (loss)/income for the financial year	-	-	(996)	2,194	1,198
At 30 June 2014	100,000	100,000	1,750	(14,742)	87,008

The accompanying notes form an integral part of the financial statements.

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	2015 RM'000	2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	462	2,194
Adjustments for:		
Write off/(write back) of takaful receivables	2,317	(558)
Write off of retakaful receivables	34	2,205
Depreciation of property and equipment	541	410
Amortisation of intangible assets	1,382	327
Gain on disposal of investments	(796)	(3,017)
Unrealised fair value gain on financial assets	(183)	(223)
Foreign exchange	-	210
Amortisation of discounts – net	7	69
Profits and dividend income	(12,087)	(9,691)
Allowance for diminution in value of investments	2,155	74
Taxation	3,521	4,922
Loss from operations before changes in operating assets and liabilities	(2,647)	(3,078)
Proceeds from disposal of investments	13,524	103,550
Maturity of investments	5,000	28,777
Purchase of investments	(53,576)	(183,022)
(Decrease)/increase in expenses liabilities	(875)	204
Increase in Family Takaful contract liabilities	36,691	20,279
(Decrease)/increase in General Takaful contract liabilities	(5,720)	6,525
Decrease in loans and receivables	376	11,679
Decrease/(increase) in retakaful assets	269	(18,083)
Decrease/(increase) in Takaful receivables	10,804	(21,908)
Increase in other receivables	(1,677)	(1,978)
(Decrease)/increase in Takaful payables	(4,892)	11,729
(Decrease)/increase in other payables	(299)	1,612
(Decrease)/increase in amount due to related companies	(171)	150
	(3,193)	(43,564)
Tax paid	(5,394)	(2,526)
Profit received	10,956	8,619
Dividends received	863	786
Net cash generated from/(used in) operating activities	3,232	(36,685)

The accompanying notes form an integral part of the financial statements.

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)

	2015 RM'000	2014 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	(4,214)	(3,450)
Purchase of property and equipment	(178)	(1,347)
Net cash used in investing activities	<u>(4,392)</u>	<u>(4,797)</u>
Net decrease in cash and cash equivalents	(1,160)	(41,482)
Cash and cash equivalents at beginning of the financial year	34,305	75,787
Cash and cash equivalents at the end of the financial year	<u>33,145</u>	<u>34,305</u>
Cash and cash equivalents comprise:		
Cash and bank balances	3,712	13,139
Short term deposits	29,433	21,166
	<u>33,145</u>	<u>34,305</u>

The accompanying notes form an integral part of the financial statements.

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

1 CORPORATE INFORMATION

The Company is engaged principally in the managing of Family Takaful including investment-linked business and all classes of General Takaful business. There has been no significant change in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 8, Wisma Hong Leong, 18, Jalan Perak, 50450 Kuala Lumpur. The principal place of business of the Company is located at Level 5, Tower B, PJ City Development, No 15A, Jalan 219, Seksyen 51A, 46100 Petaling Jaya, Selangor.

The immediate, penultimate and ultimate holding companies are HLA Holdings Sdn Bhd, Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad respectively, all companies incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 15 September 2015.

2 SIGNIFICANT ACCOUNTING POLICIES

- 2.1 Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements and to all the financial years presented.

Basis of preparation

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

The financial statements of the Company reflects the financial information and results of Takaful Operator and Takaful funds presented as a single economic entity for the respective financial years disclosed. Interfund balances and transactions are eliminated in arriving at the Company's financial statements.

The inclusion of separate financial information of the Takaful funds and the Takaful Operator together with the financial information of the Company in the statement of financial position, 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 ("IFSA") in Malaysia to separate assets, liabilities, income and expenses of the Takaful funds from its own. The accounting policies adopted for the Takaful Operator and Takaful funds are uniform for transactions and events in similar circumstances.

HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.3.

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

The following amendments and improvements to published standards and interpretations have been adopted by the Company for the first time for the financial year beginning on 1 July 2014:

- Amendment to MFRS 132 'Financial Instruments: Presentation' (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.
- The Amendment to MFRS 136 'Recoverable Amount Disclosures for Non-Financial Assets' (effective from 1 January 2014) introduces new disclosure requirements when impairment losses are recognised, or reversed, in relation to an asset or a group of assets. The adoption of this Amendment will require more extensive disclosures on recoverable amounts including the basis by which recoverable amounts have been determined.
- Amendments to MFRS 139 'Financial Instruments: Recognition and Measurement' – Novation of Derivatives and Continuation of Hedge Accounting (effective 1 January 2014) provide relief from discontinuing hedge accounting in a situation where a derivative (which has been designated as a hedging instrument) is novated to effect clearing with a central counterparty as a result of laws or regulation, subject to meeting the following criteria - the parties to the hedging instrument agree that the central counterparty replaces the original counterparty, other changes to the hedging instrument are limited to those that are necessary to effect replacement of the counterparty.
- IC Interpretation 21, 'Levies' (effective from 1 January 2014) sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation clarifies that a liability to pay a levy is recognised when the obligating event occurs. Obligating event is the event identified by the legislation that triggers the payment of the levy.

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

- (a) Standards, amendments to published standards and interpretations that are effective (continued)

There were no material changes to the Company's accounting policies other than enhanced disclosures to the financial statements.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 July 2014 are not material to the Company.

- (b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective

Financial year beginning on/after 1 July 2018

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'. The complete version of MFRS 9 was issued in November 2014.

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

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

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

The Company is reviewing the adoption of the above accounting standard and the potential impact to the prevailing accounting policies, and will complete the process prior to the reporting requirement deadline.

All other new amendments to published standards and interpretations to existing standards issued by MASB effective for financial periods subsequent to 1 July 2015 are not relevant to the Company.

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HONG LEONG MSIG TAKAFUL BERHAD

(Incorporated in Malaysia)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies

(a) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property and equipment includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditure are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Repairs and maintenance costs are charged to profit or loss during the financial year in which they are incurred.

Property and equipment are depreciated on the straight line basis to write off the cost of the assets, to their residual values over their estimated useful lives, summarised as follows:

Computer equipment	5 years
Furniture & fittings, office equipment and renovation	5 years
Motor vehicles	4 years

Work-in-progress is carried at cost and is depreciated when the asset is available for use.

The residual values and useful lives of property and equipment are reviewed, and adjusted as appropriate, at each date of statement of financial position.

At each date of statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.2(f) on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in profit or loss.

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HONG LEONG MSIG TAKAFUL BERHAD

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) Intangible assets - computer software

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

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

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

(c) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(i) Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised at its fair value separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Financial Instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Financial assets

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss ("FVTPL"), financial assets available-for-sale ("AFS"), financial assets held-to-maturity ("HTM") and loans and receivables ("LAR"). Classification of the financial assets is determined at initial recognition and relates to the purpose for which the investments were acquired.

(1) Financial assets at FVTPL

Financial assets at FVTPL comprise held-for-trading financial assets and financial assets other than held-for-trading that are designated at fair value through profit or loss.

- (a) Held-for-trading financial assets are financial assets that are acquired and held principally for the purpose of selling in the short term or it is part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. This includes derivatives that are not designated for hedges.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

- (b) Financial assets other than held-for-trading that are designated at fair value are classified as such if this eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. All financial assets held in the investment-linked funds are designated at fair value through profit or loss at inception.

Financial assets classified as FVTPL are subsequently measured at their fair values with fair value adjustments and realised gains or losses recognised in profit or loss of the respective funds. Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost.

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HONG LEONG MSIG TAKAFUL BERHAD
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

(2) AFS financial assets

AFS financial assets are non-derivative financial assets that are not classified in any of the other categories and are measured at fair value.

AFS financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition and are subsequently carried at fair value. Fair value gains or losses of those financial assets are recognised directly in other comprehensive income, except for impairment losses. When these assets are derecognised, the accumulated fair value adjustments previously recognised in equity are included in profit or loss as net realised gains or losses of the respective funds.

(3) HTM financial assets

HTM financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has the positive intention or the ability to hold to maturity.

Financial assets categorised as HTM are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Gains and losses are recognised in profit or loss of respective funds when HTM financial assets are derecognised or impaired.

(4) LAR financial assets

LAR financial assets are financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

After initial measurement, LAR are measured at amortised cost, using the effective yield method, less provision for impairment. Gains and losses are recognised in profit or loss of respective funds when the financial assets are derecognised or impaired, as well as through the amortisation process.

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HONG LEONG MSIG TAKAFUL BERHAD
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Financial Instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at fair values with the gain or loss recognised in profit or loss of the respective funds.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss of the respective funds.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss of the respective funds.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(d) Fair value of financial instruments

The fair values of Government Investment Issues and unquoted corporate securities are based on indicative fair market prices/index by reference to the quotations provided by banks and brokers.

The fair values of quoted securities are based on current market prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

The fair value of structured deposits is based on the prices quoted by the issuing financial institution.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit or placement and accrued profit. The fair value of fixed profit or yield-bearing deposits is measured at the face value or market value, whichever is lower.

(e) Qardh

Qardh represents benevolent loan from Takaful Operator to meet deficits in participants' special accounts and shall be repaid from future surpluses from the participants' special accounts in Takaful funds.

In preparing the separate financial statements of the Takaful Operator, qardh receivable is stated at cost and at each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount, as set out in Note 2.2(f) on impairment of assets.

In preparing the separate financial statements of the respective Takaful funds, qardh payable is stated at cost.

Qardh balances are eliminated in preparing the Company's statement of financial position.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(f) Impairment

(i) Financial assets, excluding Takaful receivables

The Company assesses at each date of the statement of financial position whether a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the asset that can be reliably estimated.

(1) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss in respect of loans and other receivables and HTM financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective yield. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss of the respective funds.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss of the respective funds.

(2) Financial assets carried at cost

If there is objective evidence that an impairment loss on financial assets carried at cost (e.g. equity instrument of which there is no active market or whose fair value cannot be reliably measured) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. Such impairment losses are recognised in profit or loss of the respective funds and shall not be reversed.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(f) Impairment (continued)

(i) Financial assets, excluding Takaful receivables (continued)

(3) Financial assets carried at fair value

In the case of investments classified as AFS, a significant or prolonged decline in the fair value of the financial assets below its cost is considered in determining whether the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in equity is removed from equity and recognised in profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss. Impairment losses previously recognised in profit or loss for equity instruments are not reversed through the profit or loss.

(ii) Non-financial assets

At each date of statement of financial position, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. Impairment is measured by comparing carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net realisable value and the value in use, which is measured by reference to discounted cash flows.

An impairment loss is charged to profit or loss of the respective funds immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased. A reversal of such impairment loss is recognised in profit or loss of respective funds immediately.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(g) Takaful receivables

Takaful receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, Takaful receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that the Takaful receivable is impaired, the Company reduces the carrying amount of the Takaful receivable accordingly and recognises that impairment loss in profit or loss of respective funds. The Company gathers the objective evidence that Takaful receivables are impaired using the same process adopted for financial assets at amortised costs. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.2(f).

Takaful receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(c)(iii) have been met.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash balances and deposits held at call with Islamic financial institutions with original maturities of three months or less. It excludes deposits which are held for investment purpose. The Company classifies the cash flow for the purchase and disposal of investment in financial asset in its operating cash flows as the purchases are funded from the cash flow associated with the origination of Takaful contracts, net of the cash flow for payment of Takaful benefits and claims benefits.

(i) Taxation

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

Deferred tax is recognised in full, using the statement of financial position method, providing for temporary differences arising between the carrying amounts of assets and liabilities for tax purpose. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

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

Tax rates enacted or substantively enacted by the statement of financial position date are used to determine deferred tax.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Zakat

Zakat represents tithes payable by the Company to comply with Shariah principles and as approved by the Shariah Advisory Committee. Zakat provision is calculated based on 2.5% of net asset method, calculated on the percentage of the muslim equity of the ultimate holding company. Zakat is only provided when there is a commitment or an obligation exists as at financial year end.

(k) Management expenses, commission expenses and wakalah fee

Acquisition costs, commissions and management expenses are borne by the Family Takaful and General Takaful funds respectively in profit or loss at an agreed percentage of the gross contribution, in accordance with the principles of "Wakalah" as approved by the Company's Shariah Committee and agreed between the participants and the Company. These expenses are allocated to the Takaful Operator via upfront wakalah fee and special wakalah fee.

Upfront wakalah fee is allocated to the Takaful Operator and recognised as income upon issuance of certificates.

Special wakalah fee is the monthly tabarru' from the participants' account to the participants' special account and is deferred as a liability under "special fund reserve" in participants' special account. Special wakalah fee may be distributed to the Takaful Operator and participants in the ratio specified in the certificate contract, based on the recommendation by the Appointed Actuary when the participants' special account is in a surplus position after an annual actuarial valuation of the participants' special account at the end of the financial year. Undistributed special wakalah fee for a particular year cannot be carried forward for distribution in a future financial year, and hence, will form a part of Takaful contract liabilities in participants' special account.

In the event that the participants' special account is in a deficit position, the deficit in the participants' special account will be made good by the "special fund reserve" arising from monthly allocation of tabarru'/donation before the Takaful Operator via a benevolent loan or Qardh.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(l) Expense liabilities

At each reporting date, the Company estimates its net future expenses cashflow required on the maintenance of the Takaful funds in accordance with the Guidelines on Valuation Basis for Liabilities of Family and General Takaful Business issued by BNM. If the estimate shows that there is a deficiency in the net future expense cashflow, the deficiency is recognised as expense liabilities.

(m) Employee benefits

Short-term employee benefits

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

Post employment benefits

The Company's contributions to the national defined contribution plan, the Employees' Provident Fund, are charged to profit or loss of the respective funds in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

(n) Product classification

The Company, on behalf of Takaful funds, issues contracts that transfer Takaful risk and financial risk.

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

Takaful contracts are those contracts that transfer significant Takaful risk. A Takaful contract is a contract under which the Takaful Operator, on behalf of Takaful funds, has accepted significant Takaful risk from another party (the participants) by agreeing to compensate the participants if a specified uncertain future event (the Takaful event) adversely affects the participants. As a general guideline, the Company defines significant Takaful risk to be the possibility of having to pay benefits on the occurrence of a Takaful event that are at least 5% more than the benefits payable if the Takaful event did not occur.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(n) Product classification (continued)

Investment contracts are those contracts that do not transfer significant Takaful risk.

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

Based on the Company's assessment, all such contracts underwritten by the Company meet the definition of Takaful contracts and accordingly are classified as Takaful contracts.

Takaful contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Company; and
- that are contractually based on the:
 - performance of a specified pool of contracts or a specified type of contract;
 - realised and/or unrealised investment returns on a specified pool of assets held by the Company; or
 - the profit or loss of the Company, fund or other entity that issues the contract.

Surpluses in the DPF fund are distributable to participants and the Company in accordance with the relevant terms under the Takaful contracts. The Company however has the discretion over the amount and timing of the distribution of these surpluses to participants, subject to the advice of the Company's Appointed Actuary. The Company does not recognise the guaranteed component separately from the DPF and the whole contract liabilities, including both guaranteed and discretionary and unallocated surplus at the end of the reporting period are held within the Takaful contract liabilities.

For financial options and guarantees which are not closely related to the host Takaful contract, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself a Takaful contract, or embedded options to surrender Takaful contracts for a fixed amount (or an amount based on a fixed amount and an interest rate).

Takaful contracts that contain both a financial risk component and a significant Takaful risk component are not unbundled and classified as Takaful contracts as the current accounting policy recognises all Takaful contributions, claims and benefit payments, expenses and valuation of future benefit payments, inclusive of the investment component, through the profit or loss.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Retakaful contracts

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

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

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

The fund also assumes retakaful risk in the normal course of business for Family Takaful and General Takaful contracts when applicable.

Contributions and claims on assumed facultative retakaful are recognised as revenue or expenses in the same manner as they would be if the retakaful were considered direct business, taking into account the product classification of the ceded retakaful business. Contributions, claims and other transactions costs on assumed treaty retakaful are accounted for upon notification by the ceding companies or upon receipts of statements of accounts.

Retakaful liabilities represent balances due to retakaful operators. Amounts payable are estimated in a manner consistent with the related retakaful contract.

Retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Retakaful contracts that do not transfer significant Takaful risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less an explicit identified contributions or fees to be retained by the retakaful operator.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) Family Takaful contracts

Family Takaful fund

The Family Takaful fund is maintained in accordance with the requirements of the IFSA and includes the amount attributable to participants, if any. The amount attributable to participants represents the accumulated surplus attributable to the participants as determined by an annual actuarial valuation of the Family Takaful fund, and is distributed in accordance with the terms and conditions prescribed by the Shariah Committee of the Company. Based on the terms of Takaful contracts issued by the Company, no underwriting surplus is attributable to participants.

Any actuarial deficit in the Family Takaful fund will be made good by the Takaful Operator via a benevolent loan or Qardh and are being reflected as Qardh receivable in the separate financial statement of Takaful Operator and Qardh payable in the separate financial statement of Family Takaful fund.

Contribution income

Contributions include contributions recognised in the Family Takaful fund and investment-linked funds.

Contributions are recognised as soon as the amount of contributions can be reliably measured. Initial contribution is recognised from inception date and subsequent contributions are recognised on due dates.

Contributions of investment-linked funds are in respect of the net creation of units which represent contributions paid by participants as payment for new certificates or subsequent payments to increase the amount of their certificate. Net creation of units is recognised on a receipt basis.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) Family Takaful contracts (continued)

Benefits, claims and expense

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or the Takaful Operator is notified.

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

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

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

The benefits payable under investment-linked business are in respect of net creation of units and are recognised as surrenders.

Family Takaful contract liabilities

These liabilities comprise (i) claims liabilities, (ii) actuarial liabilities, (iii) unallocated surplus/deficit and (iv) AFS fair value adjustment.

(i) Claims liabilities

The amounts payable under a Family Takaful certificate in respect of benefits and claims including settlement costs, are accounted for using the case-by-case method as set out above under benefits, claims and expenses.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) Family Takaful contracts (continued)

(ii) Actuarial liabilities

Actuarial liabilities are recognised when contracts are entered into and contributions are charged.

These liabilities are measured by a prospective actuarial valuation method. The liability is determined as present value of future benefits from the Takaful funds, less the present value of future gross tabarru' arising from the certificate, discounted at the appropriate risk discount rate. The liabilities are based on best estimate assumptions and with due regard to significant recent experience. Provision of risk margin for adverse deviation ("PRAD") at 75% confidence level was made in the valuation of these liabilities.

In the case of a 1-year Family Takaful certificate or 1-year extension to a Family Takaful certificate shall be valued according to the following:

- (a) For a certificate covering death or survival, the liabilities shall be valued on an unexpired risk basis using a prospective estimate of expected future payments arising from future events covered as at the valuation date.
- (b) For a certificate covering contingencies other than death or survival, the liability for such family takaful certificate comprises the provision for unearned contribution and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported.

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

As the valuation method used to value liabilities are in accordance with the Risk-Based Capital Framework for Takaful Operators ("RBCT Framework"), the Company is deemed to have complied with the requirement of a liability adequacy test under MFRS 4.

(iii) Unallocated surplus/deficits

Unallocated surplus represents the remaining underwriting surplus in the participants' special account that may be distributed to the Takaful Operator and participants upon recommendation by the Appointed Actuary, subject to approval by the Shariah Committee and Board of Directors, plus the remaining balance of special fund reserves as set out in Note 2.2(k). Unallocated surplus is reported as a separate component of the Takaful Contract liabilities in Family Takaful fund.

Unallocated deficits represents accumulated deficit in the Family Takaful fund. This is reported as accumulated losses in Family Takaful fund and the Company's equity in the statements of financial position.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) Family Takaful contracts (continued)

(iv) AFS fair value adjustment

Where unrealised gains or losses arise on AFS financial assets of the Family Takaful fund, the adjustment to the Takaful contract liabilities equal to the effect that the realisation of those gains or losses at the end of the reporting period would have had on those liabilities is recognised directly in other comprehensive income.

(q) General Takaful contracts

General Takaful fund

The General Takaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 which is subsequently replaced by IFSA and consists of participants' account and participants' special account.

Any deficit in the participants' special account will be made good by the Takaful Operator via a benevolent loan or Qardh and are being reflected as Qardh receivable in the Takaful Operator's fund and Qardh payable in the General Takaful fund.

Contribution income

Contributions are recognised in a financial year in respect of risks assumed during that particular financial year. Contributions from direct business are recognised during the financial year upon the issuance of debit notes. Contributions in respect of risks incepted for which debit notes have not been raised as of the balance sheet date are accrued at that date.

Claims and expenses

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liabilities for compensation owed to certificate holders or third parties damaged by the certificated holders. They include direct and indirect claims settlements costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company.

General Takaful contracts liabilities

General Takaful contracts liabilities are recognised when contracts are entered into and contributions are charged. These liabilities comprise of (i) contribution liabilities, (ii) claims liabilities, (iii) participants' account, (iv) AFS fair value adjustment and (v) unallocated surplus/deficits. Provision of risk margin for adverse deviation ("PRAD") at 75% confidence level was made in the valuation of these liabilities.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(q) General Takaful contracts (continued)

(i) Contribution liabilities

The contribution liabilities refer to the higher of:

- (a) the aggregate of the provision for unearned contribution reserves ("UCR") or
- (b) the best estimate value of the provision for unexpired risk ("URR") at the valuation date and the PRAD calculated at the total fund level. The URR for each class of business is estimated as the adjusted net UCR multiplied by a selected Ultimate Loss Ratio ("ULR"). In general, the ULR is the average of the three most recent loss years' ULR, with the exception of Fire class of business. For Fire class of business, the latest loss year's ULR is adopted to cater for the potential occurrence of future flood events.

At each reporting date, the Company reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims over unearned contribution. If these estimates show that the carrying amount of the unearned contribution less related deferred acquisition costs is inadequate, the deficiency is recognised in profit or loss by setting up a provision for liability adequacy.

As the valuation method used are in accordance with the Risk-Based Capital Framework for Takaful Operators ("RBCT Framework"), the Company is deemed to have complied with the requirement of a liability adequacy test under MFRS 4.

(ii) Claims liabilities

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(q) General Takaful contracts (continued)

(iii) Participants' account

Participants' account comprise of participants' investment account and participants' special account.

Participants' investment account represents the proportion of contributions set aside for the purpose of investment. Participants' special account represents the accumulated participants' share in the net surplus of the General Takaful revenue account, distributable in accordance with the terms and conditions prescribed by the Shariah Committee of the Company. In the event of actuarial deficit, participants' special account represents accumulated actuarial deficits in the participants' special account and will be made good by the Takaful Operator via a benevolent loan or Qardh payable.

(iv) AFS fair value adjustment

Where unrealised gains or losses arise on AFS financial assets of the General Takaful fund, the adjustment to the Takaful contract liabilities equal to the effect that the realisation of those gains or losses at the end of the reporting period would have had on those liabilities is recognised directly in other comprehensive income.

(v) Unallocated surplus/deficits

Unallocated surplus represents remaining underwriting surplus after repayment of Qardh, where a certain percentage of it may be set aside as contingency reserves and the remaining may be donated to the charitable organisations subject to the approval of Shariah Committee. Unallocated surplus is reported as a separate component of the Takaful contract liabilities in General Takaful fund.

Unallocated deficits represents accumulated deficit in the General Takaful fund. This is reported as accumulated losses in General Takaful fund's and the Company's equity in the statements of financial position.

(r) Other revenue recognition

Investment income is recognised on a time proportion basis taking into account the effective yield of the asset.

Investment profit of Family Takaful and General Takaful funds is shared by the participants and the Takaful Operator at an agreed percentage, in accordance with the principles of Mudharabah basis as approved by the Company's Shariah Committee and agreed between the participants and the Company.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(s) Foreign currencies

(i) Functional and presentation currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting in the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss of respective funds.

(t) Contingent liabilities and contingent assets

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

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

(u) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate.

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HONG LEONG MSIG TAKAFUL BERHAD

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

(a) Critical judgements made in applying the Company's accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where choice of specific policy could materially affect the reported results and financial position of the Company. However, the Directors are of the opinion that there are currently no accounting policies which require significant judgement to be exercised.

(b) Key sources of estimation uncertainty and assumptions

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

(i) Claims liabilities of General Takaful business

For the financial year ended 30 June 2015, the claims estimates have been computed by an independent actuarial firm, Actuarial Partners Consulting Sdn Bhd ("Actuarial Partners"). Actuarial Partners had considered the Link Ratio method with a Bornhuetter-Ferguson ("BF") adjustment on an incurred claims basis for all classes of business.

Bornhuetter-Ferguson method is an extension of the Link Ratio method, where claims patterns experienced in the past is used to project the patterns for future years. As the projected ultimate claims estimated by the Link Ratio method for the more recent development years can be unreliable for some classes of business, Ultimate Loss Ratio ("ULR") is selected where appropriate and incorporated into the projection under Bornhuetter-Ferguson method. The selection is based on the resultant loss ratios from the Link Ratio method, taking into consideration of historical experience, industry loss ratios as well as the claims incurred to-date ratios.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting judgements, estimates and assumptions (continued)

(b) Key sources of estimation uncertainty and assumptions (continued)

(ii) Actuarial liabilities for Family Takaful fund

Actuarial liabilities as determined by the annual actuarial valuation are based on Guidelines on Valuation Basis of Liabilities of Family Takaful Business (BNM/RH/GL 004-20) and Risk Based Capital Framework for Takaful Operators (BNM/RH/GL 004-23).

For Family Takaful plans, the actuarial liabilities are determined by the Company's Appointed Actuary and were set up based on the unearned contribution reserve basis in which the proportion is equivalent to the ratio of the period from the valuation date to the period of next tabarru' dripping period and the period of cover provided by risk charges recognised.

The following methodology is used in determining the unearned contribution reserve:

For long term liabilities, the cash flow reserves are set up for mortality benefits on a best estimate basis, which results in reserves being equal to a proportion of the risk charges, for unexpired risk or unearned contribution. Cash flow reserves for future expenses are not set up as management expenses and commissions are paid from the Takaful Operator.

Details of key assumptions used and the sensitivity analysis are shown in Note 29(b).

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3 PROPERTY AND EQUIPMENT

Takaful Operator/Company

	Computer equipment RM'000	Furniture & fittings, office equipment and renovation RM'000	Motor vehicles RM'000	Company RM'000
<u>Cost</u>				
At 1 July 2013	712	729	508	1,949
Additions	1,166	181	-	1,347
Written off	(72)	-	-	(72)
At 30 June 2014/1 July 2014	1,806	910	508	3,224
Additions	130	48	-	178
Disposal	(43)	-	-	(43)
At 30 June 2015	1,893	958	508	3,359
<u>Accumulated depreciation</u>				
At 1 July 2013	553	232	84	869
Charge for the financial year	187	165	58	410
Written off	(72)	-	-	(72)
At 30 June 2014/1 July 2014	668	397	142	1,207
Charge for the financial year	302	181	58	541
Disposal	(43)	-	-	(43)
At 30 June 2015	927	578	200	1,705
<u>Net book value</u>				
At 30 June 2014	1,138	513	366	2,017
At 30 June 2015	966	380	308	1,654

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HONG LEONG MSIG TAKAFUL BERHAD
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4 INTANGIBLE ASSETS

Takaful Operator/Company

	Computer software RM'000	Work-in- progress RM'000	Company RM'000
<u>Cost</u>			
At 1 July 2013	3,932	-	3,932
Additions	169	3,281	3,450
At 30 June 2014/ 1 July 2014	4,101	3,281	7,382
Additions	2,059	2,155	4,214
Reclass from/(to)	5,436	(5,436)	-
At 30 June 2015	11,596	-	11,596
<u>Accumulated amortisation</u>			
At 1 July 2013	2,616	-	2,616
Amortisation charge for the financial year	327	-	327
At 30 June 2014/ 1 July 2014	2,943	-	2,943
Amortisation charge for the financial year	1,382	-	1,382
At 30 June 2015	4,325	-	4,325
<u>Net book value</u>			
At 30 June 2014	1,158	3,281	4,439
At 30 June 2015	7,271	-	7,271

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HONG LEONG MSIG TAKAFUL BERHAD
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5 FINANCIAL ASSETS

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2015</u>				
Government Investment Issues	2,709	-	8,127	10,836
Islamic bonds	61,079	43,381	119,484	223,944
Equity securities	4,625	6,125	18,678	29,428
Investments in investment-linked funds	5,019	-	-	-
Structured investments	-	-	4,234	4,234
Accrued profit	632	373	1,067	2,072
Total	74,064	49,879	151,590	270,514
<u>30 June 2014</u>				
Government Investment Issues	2,609	-	7,826	10,435
Islamic bonds	66,534	30,093	94,210	190,837
Equity securities	6,200	6,866	12,893	25,959
Investments in investment-linked funds	4,910	-	-	-
Structured investments	-	-	4,024	4,024
Accrued profit	633	277	973	1,883
Total	80,886	37,236	119,926	233,138

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HONG LEONG MSIG TAKAFUL BERHAD
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5 FINANCIAL ASSETS (CONTINUED)

(a) The Company's financial assets are summarised as follows:

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2015</u>				
AFS	74,064	49,879	133,836	252,760
FVTPL	-	-	17,754	17,754
Total	<u>74,064</u>	<u>49,879</u>	<u>151,590</u>	<u>270,514</u>
Current	632	373	2,207	3,212
Non-current	<u>73,432</u>	<u>49,506</u>	<u>149,383</u>	<u>267,302</u>
	<u>74,064</u>	<u>49,879</u>	<u>151,590</u>	<u>270,514</u>
(i) AFS				
<u>30 June 2015</u>				
Government Investment Issues	2,709	-	7,043	9,752
Islamic bonds	61,079	43,381	109,843	214,303
Equity securities quoted in Malaysia	4,625	6,125	15,953	26,703
Investments in investment-linked funds	5,019	-	-	-
Accrued profit	<u>632</u>	<u>373</u>	<u>997</u>	<u>2,002</u>
Total	<u>74,064</u>	<u>49,879</u>	<u>133,836</u>	<u>252,760</u>
(ii) FVTPL				
<u>30 June 2015</u>				
Government Investment Issues	-	-	1,084	1,084
Islamic bonds	-	-	9,641	9,641
Equity securities quoted in Malaysia	-	-	2,725	2,725
Structured investments	-	-	4,234	4,234
Accrued profit	<u>-</u>	<u>-</u>	<u>70</u>	<u>70</u>
Total	<u>-</u>	<u>-</u>	<u>17,754</u>	<u>17,754</u>

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HONG LEONG MSIG TAKAFUL BERHAD
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5 FINANCIAL ASSETS (CONTINUED)

(a) The Company's financial assets are summarised as follows: (continued)

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2014</u>				
AFS	80,886	37,236	103,694	216,906
FVTPL	-	-	16,232	16,232
Total	<u>80,886</u>	<u>37,236</u>	<u>119,926</u>	<u>233,138</u>
Current	3,642	277	2,980	6,899
Non-current	<u>77,244</u>	<u>36,959</u>	<u>116,946</u>	<u>226,239</u>
	<u>80,886</u>	<u>37,236</u>	<u>119,926</u>	<u>233,138</u>
(i) AFS				
<u>30 June 2014</u>				
Government Investment Issues	2,609	-	6,783	9,392
Islamic bonds	66,534	30,093	85,460	182,087
Equity securities quoted in Malaysia	6,200	6,866	10,541	23,607
Investments in investment-linked funds	4,910	-	-	-
Accrued profit	633	277	910	1,820
Total	<u>80,886</u>	<u>37,236</u>	<u>103,694</u>	<u>216,906</u>
(ii) FVTPL				
<u>30 June 2014</u>				
Government Investment Issues	-	-	1,043	1,043
Islamic bonds	-	-	8,750	8,750
Equity securities quoted in Malaysia	-	-	2,352	2,352
Structured investments	-	-	4,024	4,024
Accrued profit	-	-	63	63
Total	<u>-</u>	<u>-</u>	<u>16,232</u>	<u>16,232</u>

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HONG LEONG MSIG TAKAFUL BERHAD
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5 FINANCIAL ASSETS (CONTINUED)

(b) Carrying values of financial investments

				AFS	FVTPL
	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000	Family Takaful Fund/ Company RM'000
At 1 July 2013	72,990	24,193	52,520	144,950	35,003
Purchases	43,208	25,048	106,640	174,896	8,126
Maturities	(2,536)	(412)	-	(2,948)	(24,659)
Disposals	(31,461)	(12,359)	(55,612)	(99,432)	(2,271)
Fair value (losses)/gains recorded in:					
Profit or loss					
- Unrealised gains	-	-	-	-	223
- Movement in impairment allowance	-	(37)	(37)	(74)	-
Other comprehensive income	(610)	1,082	673	988	-
Realised gains	(717)	(397)	(733)	(1,847)	-
Accretion/(amortisation) – net	(40)	(11)	(18)	(69)	-
Movement in accrued profit	52	129	261	442	20
Foreign exchange	-	-	-	-	(210)
At 30 June 2014/1 July 2014	80,886	37,236	103,694	216,906	16,232
Purchases	3,481	18,267	30,469	52,217	1,359
Maturities	(3,000)	-	(2,000)	(5,000)	-
Disposals	(7,272)	(5,230)	(200)	(12,702)	(27)
Fair value (losses)/gains recorded in:					
Profit or loss					
- Unrealised gains	-	-	-	-	183
- Movement in impairment allowance	(533)	(483)	(1,139)	(2,155)	-
Other comprehensive income	974	240	3,037	4,142	-
Realised gains	(434)	(245)	(143)	(822)	-
(Amortisation)/accretion – net	(37)	(2)	32	(7)	-
Movement in accrued profit	(1)	96	86	181	7
At 30 June 2015	74,064	49,879	133,836	252,760	17,754

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5 FINANCIAL ASSETS (CONTINUED)

(b) Carrying values of financial investments (continued)

As at 30 June 2015, impairment losses of impaired available-for-sale financial assets of RM4,908,450 is RM2,154,880 (2014: impairment provision of impaired available-for-sale financial assets is nil). A reconciliation of the allowance for impairment losses for available-for-sale financial assets is as follows:

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
At 1 July 2014	573	37	37	647
Charge for the financial year	533	483	1,139	2,155
At 30 June 2015	<u>1,106</u>	<u>520</u>	<u>1,176</u>	<u>2,802</u>
	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
At 1 July 2013	573	-	-	573
Charge for the financial year	-	37	37	74
At 30 June 2014	<u>573</u>	<u>37</u>	<u>37</u>	<u>647</u>

(c) Fair value hierarchy

The table below shows the financial assets recorded at fair value by their valuation method.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	AFS Company RM'000	FVTPL Family Takaful Fund/ Company RM'000
<u>30 June 2015</u>					
Level 1	4,625	6,125	15,953	26,703	2,725
Level 2	69,439	43,754	117,883	226,057	15,029
Level 3	-	-	-	-	-
	<u>74,064</u>	<u>49,879</u>	<u>133,836</u>	<u>252,760</u>	<u>17,754</u>

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5 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

				AFS	FVTPL
	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000	Family Takaful Fund/ Company RM'000
<u>30 June 2014</u>					
Level 1	6,200	6,866	10,541	23,607	2,352
Level 2	74,686	30,370	93,153	193,299	13,880
Level 3	-	-	-	-	-
	<u>80,886</u>	<u>37,236</u>	<u>103,694</u>	<u>216,906</u>	<u>16,232</u>

6 LOANS AND RECEIVABLES

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2015</u>				
Fixed and cash deposits with licensed financial institutions	-	388	6,583	6,971
Accrued profit	-	7	49	56
	<u>-</u>	<u>395</u>	<u>6,632</u>	<u>7,027</u>
<u>30 June 2014</u>				
Fixed and cash deposits with licensed financial institutions	-	676	6,672	7,348
Accrued profit	-	7	48	55
	<u>-</u>	<u>683</u>	<u>6,720</u>	<u>7,403</u>

The carrying amounts disclosed above approximate the fair values at the date of the statement of financial position, and are receivable within one year.

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7 RETAKAFUL ASSETS

	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2015</u>			
Retakaful of Takaful contracts	<u>70,077</u>	<u>32,505</u>	<u>102,582</u>
<u>30 June 2014</u>			
Retakaful of Takaful contracts	<u>72,340</u>	<u>30,511</u>	<u>102,851</u>

8 TAKAFUL RECEIVABLES

	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2015</u>			
Outstanding contributions including agents, brokers and co-takaful balances	11,401	4,196	15,597
Less: Allowance for impairment	<u>(273)</u>	<u>-</u>	<u>(273)</u>
	<u>11,128</u>	<u>4,196</u>	<u>15,324</u>
Amount due from retakaful operators	3,520	2,485	6,005
Less: Allowance for impairment	<u>(2,893)</u>	<u>(1,858)</u>	<u>(4,751)</u>
	<u>627</u>	<u>627</u>	<u>1,254</u>
	<u>11,755</u>	<u>4,823</u>	<u>16,578</u>
Gross amounts of recognised financial assets	12,597	6,031	18,628
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	<u>(842)</u>	<u>(1,208)</u>	<u>(2,050)</u>
Net amounts of financial assets presented in the statement of financial position	<u>11,755</u>	<u>4,823</u>	<u>16,578</u>

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8 TAKAFUL RECEIVABLES (CONTINUED)

	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2014</u>			
Outstanding contributions including agents, brokers and co-takaful balances	6,796	18,067	24,863
Less: Allowance for impairment	(27)	-	(27)
	<u>6,769</u>	<u>18,067</u>	<u>24,836</u>
Amount due from retakaful operators	1,798	5,779	7,577
Less: Allowance for impairment	-	(2,680)	(2,680)
	<u>1,798</u>	<u>3,099</u>	<u>4,897</u>
	 <u>8,567</u>	 <u>21,166</u>	 <u>29,733</u>
Gross amounts of recognised financial assets	9,498	31,871	41,369
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	(931)	(10,705)	(11,636)
Net amounts of financial assets presented in the statement of financial position	<u>8,567</u>	<u>21,166</u>	<u>29,733</u>

The carrying amounts disclosed above approximate the fair values at the date of the statement of financial position, and are receivable within one year.

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9 OTHER RECEIVABLES

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2015</u>				
Dividend receivables	22	14	81	117
Amount due from General Takaful Fund	7,841	-	231	-
Amount due from Family Takaful Fund	1,487	-	-	-
Other receivables	2,552	2,298	813	5,663
	<u>11,902</u>	<u>2,312</u>	<u>1,125</u>	<u>5,780</u>
<u>30 June 2014</u>				
Dividend receivables	15	6	16	37
Amount due from General Takaful Fund	1,106	-	42	-
Amount due from Family Takaful Fund	425	-	-	-
Other receivables	1,256	1,470	1,259	3,985
	<u>2,802</u>	<u>1,476</u>	<u>1,317</u>	<u>4,022</u>

The carrying amounts disclosed above approximate the fair values at the date of the statement of financial position, and are receivable within one year.

10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2015</u>				
Cash and bank balances	907	851	1,954	3,712
Short term deposits	2,336	1,670	25,413	29,419
Accrued profit	-	-	14	14
	<u>3,243</u>	<u>2,521</u>	<u>27,381</u>	<u>33,145</u>
<u>30 June 2014</u>				
Cash and bank balances	1,705	6,358	5,076	13,139
Short term deposits	8,141	4,334	8,689	21,164
Accrued profit	1	-	1	2
	<u>9,847</u>	<u>10,692</u>	<u>13,766</u>	<u>34,305</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)**

11 TAKAFUL CONTRACT LIABILITIES

Note	30.06.2015			30.06.2014		
	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
General Takaful	114,594	(70,077)	44,517	120,317	(72,340)	47,977
Family Takaful	213,112	(32,505)	180,607	173,758	(30,511)	143,247
	327,706	(102,582)	225,124	294,075	(102,851)	191,224
Elimination of investment in investment-linked funds	(5,019)	-	(5,019)	(4,910)	-	(4,910)
Total Company	322,687	(102,582)	220,105	289,165	(102,851)	186,314

(a) General Takaful contract liabilities

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

	30.06.2015			30.06.2014		
	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
Provision for claims reported by certificateholders	50,813	(39,816)	10,997	49,845	(38,703)	11,142
Provision for IBNR	34,114	(21,871)	12,243	39,972	(23,865)	16,107
Provision for outstanding claims (i)	84,927	(61,687)	23,240	89,817	(62,568)	27,249
Unearned contribution reserve (ii)	17,725	(8,390)	9,335	20,743	(9,772)	10,971
AFS fair value adjustment (iii)	1,037	-	1,037	1,041	-	1,041
Participants' account (iv)	7,270	-	7,270	1,711	-	1,711
Unallocated surplus (v)	3,635	-	3,635	7,005	-	7,005
	114,594	(70,077)	44,517	120,317	(72,340)	47,977

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)

11 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) General Takaful contract liabilities (continued)

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

	2015			2014		
	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
(i) Provision for outstanding claims						
At 1 July	89,817	(62,568)	27,249	75,978	(47,897)	28,081
Claims incurred in the current accident year	28,280	(18,163)	10,117	51,089	(37,809)	13,280
Other movements in claims incurred in prior accident year	901	(9,161)	(8,260)	(18,161)	11,346	(6,815)
Claims paid during the financial year	(34,071)	28,205	(5,866)	(19,089)	11,792	(7,297)
At 30 June	84,927	(61,687)	23,240	89,817	(62,568)	27,249

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11 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) General Takaful contract liabilities (continued)

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

	2015			2014		
	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
(ii) Unearned contribution reserve						
At 1 July	20,743	(9,772)	10,971	34,798	(21,345)	13,453
Contribution written in the financial year	44,940	(23,745)	21,195	45,122	(18,391)	26,731
Contribution earned during the financial year	(47,958)	25,127	(22,831)	(59,177)	29,964	(29,213)
At 30 June	17,725	(8,390)	9,335	20,743	(9,772)	10,971

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11 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) General Takaful contract liabilities (continued)

	Gross/Net	
	2015	2014
	RM'000	RM'000
(iii) AFS fair value adjustment		
At 1 July	1,041	527
Net fair value change during the financial year	(4)	514
At 30 June	<u>1,037</u>	<u>1,041</u>
(iv) Participants' account		
At 1 July	1,711	1,975
Deficits arising during the financial year	-	(264)
Participants' account recognised as unallocated surplus	(1,711)	-
Surplus payable to participants	<u>7,270</u>	-
At 30 June	<u>7,270</u>	<u>1,711</u>
(v) Unallocated surplus		
At 1 July	7,005	-
Surplus arising during the financial year	9,459	7,005
Surplus recognised from participants' account	1,711	-
Surplus sharing with Takaful operator/participants	<u>(14,540)</u>	-
At 30 June	<u>3,635</u>	<u>7,005</u>

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11 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) Family Takaful contract liabilities

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

	30.06.2015			30.06.2014		
	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
Certificateholders' liabilities						
Net asset value attributable to certificateholders	186,213	(28,151)	158,062	151,603	(25,364)	126,239
Actuarial liabilities (i)	15,516	-	15,516	14,313	-	14,313
Claims liabilities	201,729	(28,151)	173,578	165,916	(25,364)	140,552
Unallocated surplus (ii)	5,066	(4,354)	712	5,844	(5,147)	697
AFS fair value adjustment (iii)	2,396	-	2,396	740	-	740
	3,921	-	3,921	1,258	-	1,258
	213,112	(32,505)	180,607	173,758	(30,511)	143,247

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11 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) Family Takaful contract liabilities (continued)

(i) Actuarial liabilities

	Gross RM'000	Re-takaful RM'000	Net RM'000
At 1 July 2013	146,111	(12,766)	133,345
Change in certificate liabilities	39,059	(12,598)	26,461
Movement in net asset value attributable to certificateholders	<u>(19,254)</u>	<u>-</u>	<u>(19,254)</u>
At 30 June 2014/1 July 2014	165,916	(25,364)	140,552
Change in certificate liabilities	34,610	(2,787)	31,823
Movement in net asset value attributable to certificateholders	<u>1,203</u>	<u>-</u>	<u>1,203</u>
At 30 June 2015	<u>201,729</u>	<u>(28,151)</u>	<u>173,578</u>

	Gross/Net	
	2015 RM'000	2014 RM'000
(ii) Unallocated surplus		
At 1 July	740	3,012
Surplus/(deficits) during the financial year	2,700	(2,272)
Surplus sharing with Takaful operator/participants	<u>(1,044)</u>	<u>-</u>
At 30 June	<u>2,396</u>	<u>740</u>
(iii) AFS fair value adjustment		
At 1 July	1,258	1,313
Net fair value change during the financial year	<u>2,663</u>	<u>(55)</u>
At 30 June	<u>3,921</u>	<u>1,258</u>

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12 TAKAFUL PAYABLES

	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2015</u>			
Due to agents and intermediaries	3,185	-	3,185
Due to retakaful operators and cedants	8,092	3,695	11,787
	<u>11,277</u>	<u>3,695</u>	<u>14,972</u>
Gross amounts of recognised financial liabilities	12,119	4,903	17,022
Less: Gross amounts of recognised financial assets set off in the statement of financial position	(842)	(1,208)	(2,050)
Net amounts of financial assets presented in the statement of financial position	<u>11,277</u>	<u>3,695</u>	<u>14,972</u>
	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2014</u>			
Due to agents and intermediaries	2,112	65	2,177
Due to retakaful operators and cedants	3,112	14,575	17,687
	<u>5,224</u>	<u>14,640</u>	<u>19,864</u>
Gross amounts of recognised financial liabilities	6,155	25,345	31,500
Less: Gross amounts of recognised financial assets set off in the statement of financial position	(931)	(10,705)	(11,636)
Net amounts of financial assets presented in the statement of financial position	<u>5,224</u>	<u>14,640</u>	<u>19,864</u>

The carrying amounts disclosed above approximate the fair values at the date of the statement of financial position, and are payable within one year.

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13 EXPENSE LIABILITIES

Takaful Operator/Company

	<u>2015</u> RM'000	<u>2014</u> RM'000
At the beginning of the financial year	7,988	7,784
(Decrease)/increase during the financial year	<u>(875)</u>	<u>204</u>
At end of the financial year	<u>7,113</u>	<u>7,988</u>

14 OTHER PAYABLES

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2015</u>				
Contribution deposits	-	29	1,785	1,814
Amount due to Takaful Operator Fund	-	7,841	1,487	-
Amount due to Family Takaful Fund	-	231	-	-
Sundry payables and accruals	<u>6,598</u>	<u>376</u>	<u>2,159</u>	<u>9,133</u>
	<u>6,598</u>	<u>8,477</u>	<u>5,431</u>	<u>10,947</u>
<u>30 June 2014</u>				
Contribution deposits	-	29	1,248	1,277
Amount due to Takaful Operator Fund	-	1,106	425	-
Amount due to Family Takaful Fund	-	42	-	-
Sundry payables and accruals	<u>7,379</u>	<u>1,049</u>	<u>1,541</u>	<u>9,969</u>
	<u>7,379</u>	<u>2,226</u>	<u>3,214</u>	<u>11,246</u>

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15 DEFERRED TAX ASSETS/(LIABILITIES)

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

The following amounts, determined after appropriate offsets, are shown in the statements of financial position.

The movements in deferred tax balances are as follows:

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
At 1 July 2013	1,204	(34)	(193)	977
Recognised in:				
Profit or loss	(684)	(124)	26	(782)
Other comprehensive income	331	(171)	5	165
At 30 June 2014/1 July 2014	851	(329)	(162)	360
Recognised in:				
Profit or loss	(165)	906	77	818
Other comprehensive income	(135)	1	(231)	(365)
At 30 June 2015	551	578	(316)	813

Presented after appropriate offsetting as follows:

<u>30 June 2015</u>				
Deferred tax liabilities	(1,571)	(346)	(413)	(2,330)
Deferred tax assets	2,122	924	97	3,143
	551	578	(316)	813
<u>30 June 2014</u>				
Deferred tax liabilities	(1,305)	(347)	(169)	(1,821)
Deferred tax assets	2,156	18	7	2,181
	851	(329)	(162)	360
<u>30 June 2015</u>				
Current	210	791	-	1,001
Non-current	341	(213)	(316)	(188)
	551	578	(316)	813
<u>30 June 2014</u>				
Current	139	7	(1)	145
Non-current	712	(336)	(161)	215
	851	(329)	(162)	360

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15 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The components and movements of deferred tax assets/(liabilities) during the financial year prior to offsetting are as follows:

	Property and equipment RM'000	Financial assets RM'000	Takaful receivables RM'000	Payables RM'000	Total RM'000
<u>Takaful Operator</u>					
At 1 July 2013	(369)	(796)	-	2,369	1,204
Recognised in:					
Profit or loss	(354)	(100)	-	(230)	(684)
Other comprehensive income	-	331	-	-	331
At 30 June 2014/1 July 2014	(723)	(565)	-	2,139	851
Recognised in:					
Profit or loss	(130)	116	-	(151)	(165)
Other comprehensive income	-	(135)	-	-	(135)
At 30 June 2015	(853)	(584)	-	1,988	551
<u>General Takaful Fund</u>					
At 1 July 2013	-	(176)	142	-	(34)
Recognised in:					
Profit or loss	-	11	(135)	-	(124)
Other comprehensive income	-	(171)	-	-	(171)
At 30 June 2014/1 July 2014	-	(336)	7	-	(329)
Recognised in:					
Profit or loss	-	122	784	-	906
Other comprehensive income	-	1	-	-	1
At 30 June 2015	-	(213)	791	-	578

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15 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	Property and equipment RM'000	Financial assets RM'000	Takaful receivables RM'000	Payables RM'000	Total RM'000
<u>Family Takaful Fund</u>					
At 1 July 2013	-	(193)	-	-	(193)
Recognised in:					
Profit or loss	-	26	-	-	26
Other comprehensive income	-	5	-	-	5
At 30 June 2014/1 July 2014	-	(162)	-	-	(162)
Recognised in:					
Profit or loss	-	77	-	-	77
Other comprehensive income	-	(231)	-	-	(231)
At 30 June 2015	-	(316)	-	-	(316)
<u>Company</u>					
At 1 July 2013	(369)	(1,165)	142	2,369	977
Recognised in:					
Profit or loss	(354)	(63)	(135)	(230)	(782)
Other comprehensive income	-	165	-	-	165
At 30 June 2014/1 July 2014	(723)	(1,063)	7	2,139	360
Recognised in:					
Profit or loss	(130)	315	784	(151)	818
Other comprehensive income	-	(365)	-	-	(365)
At 30 June 2015	(853)	(1,113)	791	1,988	813

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16 SHARE CAPITAL

Takaful Operator/Company

	30.06.2015		30.06.2014	
	No. of shares '000	RM'000	No. of shares '000	RM'000
Ordinary shares of RM 1.00 each				
Authorised:				
At beginning/end of financial year	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid				
At beginning/end of financial year	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

17 INVESTMENT INCOME

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2015</u>				
<u>AFS financial assets</u>				
Profit income	3,010	1,547	4,808	9,365
(Amortisation of premiums)/accretion of discounts - net	(37)	(2)	32	(7)
Dividend income	180	236	441	857
<u>FVTPL</u>				
Profit income	-	-	456	456
Dividend income	-	-	86	86
<u>Loans and receivables</u>				
Profit income	-	19	201	220
<u>Cash and cash equivalents</u>				
Profit income	<u>200</u>	<u>181</u>	<u>722</u>	<u>1,103</u>
	3,353	1,981	6,746	12,080
Less: Share of investment profit of Takaful funds with Takaful Operator	-	-	(494)	-
	<u>3,353</u>	<u>1,981</u>	<u>6,252</u>	<u>12,080</u>

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17 INVESTMENT INCOME (CONTINUED)

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2014</u>				
<u>AFS financial assets</u>				
Profit income	2,952	966	2,844	6,762
(Amortisation of premiums) - net	(40)	(11)	(18)	(69)
Dividend income	202	224	302	728
<u>FVTPL</u>				
Profit income	-	-	289	289
Dividend income	-	-	41	41
<u>Loans and receivables</u>				
Profit income	27	37	412	476
<u>Cash and cash equivalents</u>				
Profit income	386	361	648	1,395
	<u>3,527</u>	<u>1,577</u>	<u>4,518</u>	<u>9,622</u>
Less: Share of investment profit of takaful funds with Takaful Operator	-	-	(472)	-
	<u>3,527</u>	<u>1,577</u>	<u>4,046</u>	<u>9,622</u>

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18 REALISED GAINS/(LOSSES)

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2015</u>				
<u>AFS financial assets</u>				
Quoted equity	426	227	143	796
Government Investment Issues	-	18	-	18
Islamic bond	8	-	-	8
<u>FVTPL</u>				
Quoted equity	-	-	(25)	(25)
	<u>434</u>	<u>245</u>	<u>118</u>	<u>797</u>
<u>2014</u>				
<u>AFS financial assets</u>				
Quoted equity	389	350	625	1,364
Government Investment Issues	-	36	123	159
Islamic bond	217	11	(15)	213
Unit Trusts	111	-	-	111
<u>FVTPL</u>				
Government Investment Issues	-	-	3	3
Islamic bond	-	-	(10)	(10)
Structured investments	-	-	1,177	1,177
	<u>717</u>	<u>397</u>	<u>1,903</u>	<u>3,017</u>

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19 FAIR VALUE (LOSSES)/GAINS

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2015</u>				
Impairment of AFS financial assets	(533)	(483)	(1,139)	(2,155)
Fair value gains on financial assets at fair value through profit or loss	-	-	183	183
	<u>(533)</u>	<u>(483)</u>	<u>(956)</u>	<u>(1,972)</u>
<u>2014</u>				
Impairment of AFS financial assets	-	(37)	(37)	(74)
Fair value gains on financial assets at fair value through profit or loss	-	-	223	223
	<u>-</u>	<u>(37)</u>	<u>186</u>	<u>149</u>

20 OTHER OPERATING INCOME

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2015</u>				
Write back of impairment loss on Takaful receivables	-	-	822	822
Provision for expense liabilities	875	-	-	875
Other income	854	61	214	1,129
Elimination of income from investment-linked funds	-	-	-	(820)
	<u>1,729</u>	<u>61</u>	<u>1,036</u>	<u>2,006</u>
<u>2014</u>				
Write back of impairment loss on Takaful receivables	914	2,235	-	3,149
Other income	846	-	1,849	2,695
Elimination of income from investment-linked funds	-	-	-	(809)
	<u>1,760</u>	<u>2,235</u>	<u>1,849</u>	<u>5,035</u>

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21 MANAGEMENT EXPENSES

	<u>2015</u>	<u>2014</u>
	RM'000	RM'000
<u>Takaful Operator/Company</u>		
Staff costs:		
Salary and bonus	10,862	8,963
Social security costs	72	64
Employees' provident fund	1,710	1,395
Other staff related expenses	555	472
Directors' fees	272	272
Shariah committee remuneration and other expenses		
- remuneration	180	174
- other expenses	82	4
Depreciation of property and equipment (Note 3)	541	410
Amortisation of intangible assets (Note 4)	1,382	327
Auditors' remuneration:		
Audit related services		
- current financial year	307	282
- (over)/under provision in prior financial year	(11)	29
Non-audit related services	161	36
Other professional fee	1,754	1,314
Rental of properties	1,224	957
Shared services fee	1,704	1,330
Other expenses	5,613	6,039
Total	<u>26,408</u>	<u>22,068</u>

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the financial year amounted to RM 1,141,095 (2014: RM 1,061,596).

Included in the staff costs are the remuneration for key management personnel, which is disclosed in Note 27.

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21 MANAGEMENT EXPENSES (CONTINUED)

The total remuneration of the Shariah Committee members is as follows:

	<u>2015</u> RM'000	<u>2014</u> RM'000
Assoc. Prof. Dr. Ab. Mumin Ab. Ghani	36	37
Asst. Prof. Dr. Uzaimah Ibrahim	36	38
Dr Muhammad Aunurrochim Mas'ad Salleh	36	37
Dr Nurul Aini binti Muhamed	36	37
Dr Asmak Binti Ab Rahman	36	12
Assoc. Prof. Dr. Asmadi bin Mohamed Naim	-	13
	<u>180</u>	<u>174</u>

22 OTHER OPERATING EXPENSES

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2015</u>				
Write off of takaful receivables	-	(34)	-	(34)
Impairment of takaful receivables	-	(3,139)	-	(3,139)
Others	-	(82)	(875)	(957)
Elimination of income from investment-linked funds	-	-	-	820
	<u>-</u>	<u>(3,255)</u>	<u>(875)</u>	<u>(3,310)</u>
<u>2014</u>				
Write off of takaful receivables	(910)	(1,295)	-	(2,205)
Impairment of takaful receivables	-	-	(2,591)	(2,591)
Expense liabilities	(204)	-	-	(204)
Others	-	(75)	(918)	(993)
Elimination of income from investment-linked funds	-	-	-	809
	<u>(1,114)</u>	<u>(1,370)</u>	<u>(3,509)</u>	<u>(5,184)</u>

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23 TAXATION

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2015</u>				
Current tax :				
- In respect of current financial year	495	3,598	420	4,513
- Over provision in prior financial years	-	(162)	(12)	(174)
Deferred tax benefits	165	(906)	(77)	(818)
	<u>660</u>	<u>2,530</u>	<u>331</u>	<u>3,521</u>
<u>2014</u>				
Current tax :				
- In respect of current financial year	-	3,331	558	3,889
- Under provision in prior financial years	129	12	110	251
Deferred tax expenses/(benefits)	684	124	(26)	782
	<u>813</u>	<u>3,467</u>	<u>642</u>	<u>4,922</u>

The income tax for the Takaful Operator and General Takaful funds are calculated based on the tax rate of 25% (2014: 25%) of the estimated assessable profit for the financial year. The income tax for the Family Takaful fund is calculated based on tax rate of 8% (2014: 8%) of the assessable investment income net of allowable deductions for the financial year.

The numerical reconciliation between taxation and the product of accounting profit multiplied by the Malaysian tax rate of the Company is as follows:

	2015 RM'000	2014 RM'000
Profit before taxation attributable to Takaful Operator	<u>1,212</u>	<u>2,711</u>
Taxation at Malaysian statutory rate of 25% (2014: 25%)	303	678
Income not subject to tax	(5,620)	(1,365)
Expenses not deductible for tax purposes	5,977	1,371
Tax expense attributable to participants	2,861	4,109
Under provision in prior financial years	-	129
Tax expense for the financial year	<u>3,521</u>	<u>4,922</u>

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24 INVESTMENT-LINKED BUSINESS

(a) Assets and liabilities as at

	<u>30.06.2015</u>	<u>30.06.2014</u>
	RM'000	RM'000
<u>Assets</u>		
Fair value through profit and loss financial assets	14,200	13,156
Other receivables	7	3
Cash and cash equivalents	2,100	2,006
Investment-linked business assets	<u>16,307</u>	<u>15,165</u>
<u>Liabilities</u>		
Deferred tax liabilities	64	55
Current tax liabilities	33	291
Amount due to non-investment linked Family Takaful Fund*	694	506
Investment-linked business liabilities	<u>791</u>	<u>852</u>
Net asset value of funds	<u>15,516</u>	<u>14,313</u>
Represented by:		
<u>Unitholders' account</u>		
At beginning of the financial year	14,313	33,567
Net creation of units	2,236	1,556
Net cancellation of units	(733)	(23,122)
(Deficit)/surplus for the financial year	<u>(300)</u>	<u>2,312</u>
	<u>15,516</u>	<u>14,313</u>

* Eliminated in preparing separate financial statements of Family Takaful fund.

(b) Income and expenses for the financial year ended 30 June

	2015	2014
	RM'000	RM'000
Investment income	439	367
Realised gain on disposal of investment	(25)	1,170
Fair value gain on investments	110	179
Other expenses	(798)	868
(Deficit)/surplus before taxation	<u>(274)</u>	<u>2,584</u>
Taxation:		
- current tax	(17)	(296)
- deferred tax	(9)	24
	<u>(300)</u>	<u>2,312</u>

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25 SEGMENTAL INFORMATION ON CASH FLOW

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2015</u>				
Cash flows from:				
Operating activities	(2,212)	(8,171)	13,615	3,232
Investing activities	(4,392)	-	-	(4,392)
	<u>(6,604)</u>	<u>(8,171)</u>	<u>13,615</u>	<u>(1,160)</u>
Net increase in cash and cash equivalent	(6,604)	(8,171)	13,615	(1,160)
Cash and cash equivalents:				
At beginning of financial year	9,847	10,692	13,766	34,305
At end of financial year	<u>3,243</u>	<u>2,521</u>	<u>27,381</u>	<u>33,145</u>
<u>2014</u>				
Cash flows from:				
Operating activities	(957)	(14,546)	(21,182)	(36,685)
Investing activities	(4,797)	-	-	(4,797)
	<u>(5,754)</u>	<u>(14,546)</u>	<u>(21,182)</u>	<u>(41,482)</u>
Net increase in cash and cash equivalent	(5,754)	(14,546)	(21,182)	(41,482)
Cash and cash equivalents:				
At beginning of financial year	15,601	25,238	34,948	75,787
At end of financial year	<u>9,847</u>	<u>10,692</u>	<u>13,766</u>	<u>34,305</u>

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26 RELATED PARTY TRANSACTIONS

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

<u>Related Parties</u>	<u>Relationship</u>
Hong Leong Company (Malaysia) Berhad	Ultimate holding company
Hong Leong Financial Group	Penultimate holding company
HLA Holdings Sdn Bhd	Immediate holding company
Mitsui Sumitomo Insurance Corporation, Japan	Substantial Shareholder of the Company
Hong Leong Assurance Berhad	Subsidiary of immediate holding company
Hong Leong Bank Berhad	Subsidiary of ultimate holding company
Hong Leong Islamic Bank Berhad	Subsidiary of ultimate holding company

The Directors are of the opinion that related party transactions were entered at agreed terms and conditions in the normal course of business.

Significant related party transactions with related parties during the financial year are as follows:

	<u>2015</u>	<u>2014</u>
	RM'000	RM'000
Transactions with companies within the Hong Leong Company (Malaysia) Berhad Group:		
- Commission expenses	(7,625)	(6,247)
- Fund management fee	(786)	(591)
- Profit from Islamic deposits and money market placements with licensed banks	692	1,503
- Bank charges	(75)	(123)
- Office rental expenses	(1,225)	(957)
- Shared services fee	(1,962)	(1,617)
- Campaign and incentives	(580)	(589)

Companies within the Hong Leong Company (Malaysia) Berhad Group include Hong Leong Bank Berhad, Hong Leong Islamic Bank Berhad and Hong Leong Assurance Berhad where there were related party transactions.

Included in the statement of financial position of the Company are significant related party balances, represented by the following:

	<u>30.06.2015</u>	<u>30.06.2014</u>
	RM'000	RM'000
Amount due from/(to) other related companies within the Hong Leong Company (Malaysia) Berhad Group:		
- Bank balances	2,535	10,157
- Islamic deposits and money market placements with licensed banks	5,402	22,272
- Accrued profit	1	2
- Rental deposit included in other receivables	320	40
- Amount due to related companies	(191)	(362)

Amounts due to related companies are unsecured, interest free and have no fixed term of repayment.

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27 KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel are defined as those persons having authority and responsibility for the planning, directing and control of the Company's activities, either directly or otherwise. The key management personnel include all the Directors of the Company, and selected senior management members.

Key management personnel's remuneration is as follows:

	<u>2015</u>	<u>2014</u>
	RM'000	RM'000
<u>Non-Executive Directors</u>		
Fees:		
YBhg Tan Sri A. Razak bin Ramli	96	96
Encik Mustapha bin Hamat	96	96
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	80	80
	<u>272</u>	<u>272</u>
 <u>Key management personnel</u>		
Short term employee benefits:		
Salary and other remuneration	2,512	1,891
Defined contribution retirement plan	428	321
Benefits-in-kind/perquisite	229	173
	<u>3,169</u>	<u>2,385</u>
Total	<u>3,441</u>	<u>2,657</u>

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NOTES TO THE FINANCIAL STATEMENTS
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28 RISK MANAGEMENT FRAMEWORK

(a) Risk management framework

The Company has in place a risk management framework and methodology which is adapted from the local regulatory requirements, as well as Hong Leong Bank Risk Management framework, designed to support the identification, assessment, monitoring and control of significant risks covering market risk, credit risk, operational risk and Takaful risk.

The day-to-day responsibility for risk management and control is embedded into the respective business lines and the management of each business lines is responsible to ensure that risk management process is functioning effectively. Risk Management functions as an independent party that is responsible for assessing and reporting the potential impact and probability of the significant risks identified across the organisation and the adequacy of related mitigation programs.

The Integrated Risk Management keeps the senior management and Board Audit and Risk Management Committee ("BARMC") abreast of material risks that require attention and action plan on a regular basis.

(b) Capital management objectives, policies and approach

Capital management risk is defined as the risk of having an insufficient capital base, which undermines execution of strategic objectives, reduces the ability of a company to cope with losses not anticipated, and reduces confidence of the market, policyholders and creditors.

The Company's capital management objective is to maintain effective capital management processes and a prudent level of capital resources, consistent with the risk appetite agreed by the Board from time to time. It is designed to provide the principles to ensure the efficient management of capital where capital resources must be managed in a way which optimises returns to Shareholders, stakeholders and meets the expectation of the regulator.

The capital management strategy of the Company is to allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of Shareholders and maintain the level of capital as required by BNM.

On a half-yearly basis, the Company performs stress testing based on several adverse scenarios and stress levels as part of the pro-active measures in monitoring and managing the capital position. The report will be presented to the BARMC and Board of Directors will be updated on the stress test results.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)

28 RISK MANAGEMENT FRAMEWORK

(b) Capital management objectives, policies and approach (continued)

Risk governance structure

The Company emphasises good and effective governance structure with three lines of defense and a healthy risk culture to provide reasonable assurance to the BARMC and Board of Directors:

- (a) First line of defense: Under the leadership of the Chief Executive Officer, all operating and business units are responsible and accountable for the effective and timely implementation of action plans. The monthly Executive Committee (“EXCO”) meetings build an appropriate risk culture to encourage constant communication.
- (b) Second line of defense: Risk Management and Compliance, a risk oversight department, is tasked to formulate and continuously improve the Risk Management Framework and to promote risk awareness culture with regular meetings with the senior management and/or line managers in the light of risk analysis and risk action plan; and
- (c) Third line of defense: Internal Auditors perform a “check and balance” role by conducting independent and regular reviews on the Company’s internal control systems and Risk Management Framework.

Regulatory capital requirements

The capital structure of the Company as at the date of the statement of financial position, consisting of all funds as prescribed under the RBCT is provided below:

	<u>30.06.2015</u>	<u>30.06.2014</u>
	RM'000	RM'000
Eligible Tier 1 capital		
- Share capital	100,000	100,000
- Reserves, including retained earnings	(8,246)	(5,287)
Eligible Tier 2 capital		
- Eligible reserves	3,209	2,904
	<u>94,963</u>	<u>97,617</u>

The Company has met the minimum capital requirements specified in the RBC Framework for the financial year ended.

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29 TAKAFUL RISK

The risk under any one Takaful contract is the possibility that the covered event occurs and the uncertainty of the amount of the resulting claim.

For a portfolio of Takaful contracts, the principal risk that the fund faces is that the actual claims and benefit payments exceed the assets of the fund. This could occur because the frequency or severity of claims is greater than estimated. Takaful events are random and the actual number and amount of claims can vary from the level established using statistical techniques.

(a) General Takaful/Company

The General Takaful fund is exposed to underwriting risk which includes risk of incurring claims costs that are higher than expected due to the random nature of claims, their frequency, severity and risk of exposure to changes in legal and economic condition. This also could arise from the underpricing of the contributions, which results in the Company having to receive too little contributions to cover for the risks that it underwrites.

These risks are managed through various risk mitigation measures such as retakaful arrangement as well as appropriate actuarial techniques such as pricing.

The table below sets out the concentration of General Takaful contract liabilities, excluding AFS fair value adjustment by types of contract.

	30.06.2015			30.06.2014		
	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000
Motor	4,180	(2,065)	2,115	5,273	(2,549)	2,724
Fire	23,018	(12,554)	10,464	23,704	(12,761)	10,943
Engineering	50,145	(45,083)	5,062	53,839	(46,713)	7,126
Liability	10,099	(2,193)	7,906	13,478	(3,667)	9,811
Miscellaneous	15,210	(8,182)	7,028	14,266	(6,650)	7,616
	102,652	(70,077)	32,575	110,560	(72,340)	38,220

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29 TAKAFUL RISK (continued)

(a) General Takaful/Company (continued)

Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and average number of claims for each accident year. Wherever possible, average link ratio factors over the most recent three years were used for the fire, personal accident and others class of business, with some adjustments in respect of any distortion observed in the claims pattern.

The net contribution liabilities is determined to be the higher of the adjusted net UCR or the net URR including PRAD at the 75% probability of adequacy after allowance for diversification benefit. The risk margin percentages applied to the net URR to derive the PRAD at the 75% probability of adequacy are based on industry experience, allowing for some loadings to take into account of the Company's small size portfolio.

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29 TAKAFUL RISK (CONTINUED)

(a) General Takaful/Company (continued)

Sensitivity

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

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

	Change in assumptions %	Impact on gross Takaful claims liabilities RM'000	Impact on net Takaful claims liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
<u>30 June 2015</u>					
ULRs for all business classes for all loss years	+10	15,068	5,292	-	-
ULRs for Personal Accident class for all loss years	+20	7,299	2,537	-	-
ULRs for Fire class for all loss years	+20	9,622	3,112	-	-
PRAD for all business classes for all loss years	+20	2,442	539	-	-
<u>30 June 2014</u>					
ULRs for all business classes for all loss years	+10	12,444	5,008	-	-
ULRs for Personal Accident class for all loss years	+20	5,042	2,299	-	-
ULRs for Fire class for all loss years	+20	7,221	2,596	-	-
PRAD for all business classes for all loss years	+20	1,949	551	-	-

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29 TAKAFUL RISK (continued)

(a) General Takaful/Company (continued)

Claims development table

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

Gross General Takaful claims liabilities for 30 June 2015

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>									
At end of accident year	490	3,204	5,956	21,080	35,591	46,842	51,089	28,278	
One year later	446	1,908	5,249	18,211	33,995	33,607	39,535	-	
Two years later	126	1,020	4,286	16,814	30,394	29,060	-	-	
Three years later	78	979	3,525	15,602	49,411	-	-	-	
Four years later	72	972	3,405	14,057	-	-	-	-	
Five years later	72	978	2,941	-	-	-	-	-	
Six years later	74	970	-	-	-	-	-	-	
Seven years later	74	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	74	970	2,941	14,057	49,411	29,060	39,535	28,278	

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29 TAKAFUL RISK (continued)

(a) General Takaful/Company (continued)

Claims development table (continued)

Gross General Takaful claims liabilities for 30 June 2015 (continued)

	2008	2009	2010	2011	2012	2013	2014	2015	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident year									
At end of accident year	25	116	357	1,194	2,754	3,316	3,833	3,030	
One year later	73	408	2,301	7,562	10,018	11,610	7,664	-	
Two years later	67	966	2,732	9,097	15,254	14,562	-	-	
Three years later	72	960	2,773	10,860	39,297	-	-	-	
Four years later	72	967	2,731	11,066	-	-	-	-	
Five years later	72	970	2,736	-	-	-	-	-	
Six years later	74	970	-	-	-	-	-	-	
Seven years later	74	-	-	-	-	-	-	-	
Cumulative payments to-date	74	970	2,736	11,066	39,297	14,562	7,664	3,030	
Gross General Takaful claims liabilities	-	-	205	2,991	10,114	14,498	31,871	25,248	84,927

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29 TAKAFUL RISK (continued)

(a) General Takaful/Company (continued)

Claims development table (continued)

Net General Takaful claims liabilities for 30 June 2015

<u>Accident year</u>	2008	2009	2010	2011	2012	2013	2014	2015	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year	241	311	2,508	8,479	13,715	18,802	13,280	10,117	
One year later	156	260	2,535	9,797	12,590	13,208	9,169	-	
Two years later	74	119	2,126	8,176	11,673	11,179	-	-	
Three years later	54	96	1,952	7,882	10,468	-	-	-	
Four years later	52	90	1,933	7,337	-	-	-	-	
Five years later	52	98	1,566	-	-	-	-	-	
Six years later	54	95	-	-	-	-	-	-	
Seven years later	54	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	54	95	1,566	7,337	10,468	11,179	9,169	10,117	

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29 TAKAFUL RISK (continued)

- (a) General Takaful/Company (continued)
Claims development table (continued)

Net General Takaful claims liabilities for 30 June 2015 (continued)

	2008	2009	2010	2011	2012	2013	2014	2015	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>									
At end of accident year	25	58	259	1,016	2,119	1,845	1,899	2,252	
One year later	54	86	1,114	4,295	5,186	4,482	3,692	-	
Two years later	49	93	1,505	4,936	7,321	5,631	-	-	
Three years later	52	86	1,471	5,535	7,898	-	-	-	
Four years later	52	90	1,493	5,627	-	-	-	-	
Five years later	52	95	1,496	-	-	-	-	-	
Six years later	54	95	-	-	-	-	-	-	
Seven years later	54	-	-	-	-	-	-	-	
Cumulative payments to-date	54	95	1,496	5,627	7,898	5,631	3,692	2,252	
Net General Takaful claims liabilities	-	-	70	1,710	2,570	5,548	5,477	7,865	23,240

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29 TAKAFUL RISK (continued)

(a) General Takaful/Company (continued)

Claims development table (continued)

Gross General Takaful claims liabilities for 30 June 2014

	2007	2008	2009	2010	2011	2012	2013	2014	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>									
At end of accident year	28	490	3,204	5,956	21,080	35,591	46,842	51,089	
One year later	45	446	1,908	5,249	18,211	33,995	33,607	-	
Two years later	1	126	1,020	4,286	16,814	30,394	-	-	
Three years later	1	78	979	3,525	15,602	-	-	-	
Four years later	1	72	972	3,405	-	-	-	-	
Five years later	1	72	978	-	-	-	-	-	
Six years later	1	74	-	-	-	-	-	-	
Seven years later	1	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	1	74	978	3,405	15,602	30,394	33,607	51,089	

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29 TAKAFUL RISK (continued)

(a) General Takaful/Company (continued)

Claims development table (continued)

Gross General Takaful claims liabilities for 30 June 2014 (continued)

<u>Accident year</u>	2007	2008	2009	2010	2011	2012	2013	2014	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year	1	25	116	357	1,194	2,754	3,316	3,833	
One year later	1	73	408	2,301	7,562	10,018	11,610	-	
Two years later	1	67	966	2,732	9,097	15,254	-	-	
Three years later	1	72	960	2,773	10,860	-	-	-	
Four years later	1	72	967	2,731	-	-	-	-	
Five years later	1	72	970	-	-	-	-	-	
Six years later	1	74	-	-	-	-	-	-	
Seven years later	1	-	-	-	-	-	-	-	
Cumulative payments to-date	1	74	970	2,731	10,860	15,254	11,610	3,833	
Gross General Takaful claims liabilities	-	-	8	674	4,742	15,140	21,997	47,256	89,817

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29 TAKAFUL RISK (continued)

(a) General Takaful/Company (continued)

Claims development table (continued)

Net General Takaful claims liabilities for 30 June 2014

	2007	2008	2009	2010	2011	2012	2013	2014	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accident year</u>									
At end of accident year	28	241	311	2,508	8,479	13,715	18,802	13,280	
One year later	21	156	260	2,535	9,797	12,590	13,208	-	
Two years later	1	74	119	2,126	8,176	11,673	-	-	
Three years later	1	54	96	1,952	7,882	-	-	-	
Four years later	1	52	90	1,933	-	-	-	-	
Five years later	1	52	98	-	-	-	-	-	
Six years later	1	54	-	-	-	-	-	-	
Seven years later	1	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	1	54	98	1,933	7,882	11,673	13,208	13,280	

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29 TAKAFUL RISK (continued)

(a) General Takaful/Company (continued)

Claims development table (continued)

Net General Takaful claims liabilities for 30 June 2014 (continued)

<u>Accident year</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year	1	25	58	259	1,016	2,119	1,845	1,899	
One years later	1	54	86	1,114	4,295	5,186	4,482	-	
Two years later	1	49	93	1,505	4,936	7,321	-	-	
Three years later	1	52	86	1,471	5,535	-	-	-	
Four years later	1	52	90	1,493	-	-	-	-	
Five years later	1	52	95	-	-	-	-	-	
Six years later	1	54	-	-	-	-	-	-	
Seven years later	1	-	-	-	-	-	-	-	
Cumulative payments to-date	1	54	95	1,493	5,535	7,321	4,482	1,899	
Net General Takaful claims liabilities	-	-	3	440	2,347	4,352	8,726	11,381	27,249

Company No.

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HONG LEONG MSIG TAKAFUL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)

29 TAKAFUL RISK (CONTINUED)

(b) Family Takaful/Company

Takaful risk is the risk that inadequate or inappropriate underwriting, claims management, product design and pricing will expose the Company to financial loss and may result in the inability to meet its liabilities.

The Company's Family Takaful businesses are exposed to a range of Takaful risks from various products. In providing financial advisory services coupled with Takaful protection, the Company has to manage risks such as mortality (the death of policyholder), morbidity (ill health), persistency, product design and pricing.

The Company's underwriting strategy is designed to ensure risks are well diversified in terms of type of risk and the level of covered benefits. This is broadly achieved through the use of medical screening to ensure participants' health condition and family medical history, regular review of actual claims experience as well as detailed claims procedures.

The mortality and morbidity risks are managed through the use of retakaful to transfer excessive risk exposures, appropriate actuarial techniques as well as other mitigation measures.

The table below shows the concentration of Family Takaful actuarial liabilities by types of product.

	Gross RM'000	Retakaful RM'000	Net RM'000
<u>30 June 2015</u>			
Mortgage Reducing Term and Group business	31,294	(22,822)	8,472
i-BR1M	4,683	(3,747)	936
Others	1,806	(1,582)	224
	<u>37,783</u>	<u>(28,151)</u>	<u>9,632</u>
<u>30 June 2014</u>			
Mortgage Reducing Term and Group business	17,249	(11,673)	5,576
i-BR1M	13,244	(11,919)	1,325
Others	2,001	(1,772)	229
	<u>32,494</u>	<u>(25,364)</u>	<u>7,130</u>

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)

29 TAKAFUL RISK (CONTINUED)

(b) Family Takaful/Company (continued)

As all of the business is derived from Malaysia, the entire Family Takaful actuarial liabilities are in Malaysia.

Key assumptions

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

The principles on which the valuation was made were determined by the actuary having regard to BNM Guidelines on Valuation Basis for Liabilities of Family Takaful Business (BNM/RH/GL 004-20) and Risk Based Capital Framework for Takaful Operators (BNM/RH/GL 004-23).

Mortality and morbidity assumption were derived based on the understanding of actual and expected experience and industry experience. Lapse rate assumptions are based on the Company's experience.

Management expenses assumptions are developed based on the projection of management expenses and new business sales for the next two years. The development of assumptions based on expected experience in two years rather than current experience is due to the current size of the Company and its relatively new operations.

For the investment-linked plans, the Company took cognizance of JPI33 Part vii Section V, valuation of liabilities of investment-linked business. The cash flow reserves were set up using a discounted cash flow method, to ensure that any future negative cash flow resulting from excess of tabarru' charges to meet expected benefit outgo are eliminated.

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)

29 TAKAFUL RISK (CONTINUED)

(b) Family Takaful/Company (continued)

Sensitivity

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

	Change in assumptions	Impact on gross Takaful actuarial liabilities RM'000	Impact on net Takaful actuarial liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
	%				
<u>30 June 2015</u>					
Mortality	+10	14,237	1,533	-	-
Mortality	-10	(13,014)	(1,209)	-	-
Lapse and surrender rates	+10	(865)	(370)	-	-
Lapse and surrender rates	-10	955	411	-	-
Discount rate	+10	(1,269)	(318)	-	-
Discount rate	-10	1,358	343	-	-
Investment return	+10	(1,910)	(314)	-	-
Investment return	-10	1,794	315	-	-

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)**

29 TAKAFUL RISK (CONTINUED)

(b) Family Takaful/Company (continued)

Sensitivity (continued)

	Change in assumptions	Impact on gross Takaful actuarial liabilities RM'000	Impact on net Takaful actuarial liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
	%	RM'000	RM'000	RM'000	RM'000
<u>30 June 2014</u>					
Mortality	+10	12,401	1,737	-	-
Mortality	-10	(6,451)	(849)	-	-
Lapse and surrender rates	+10	(627)	(276)	-	-
Lapse and surrender rates	-10	716	335	-	-
Discount rate	+10	(690)	(176)	-	-
Discount rate	-10	780	199	-	-
Investment return	+10	(563)	(23)	-	-
Investment return	-10	795	23	-	-

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

In the sensitivity analysis above, the impact from changes in best estimate assumptions for the Family Takaful fund is retained within the Takaful contract liabilities. The methods used and significant assumptions made for deriving sensitivity information did not change from the previous financial year.

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HONG LEONG MSIG TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)

30

FINANCIAL RISK

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counter-party to meet the payment obligations. The credit risk and investment activities are monitored regularly with respect to single customer limit, sectorial exposure, credit rating and residual maturity in accordance to internal and regulatory investment guidelines and limits.

As at the date of the statement of financial position, the credit exposure is within the investment guidelines and limits approved by the Board and regulators. The maximum exposure to credit risk is the carrying amount as stated in the financial statements.

There were no significant changes to the credit risk management of the Company.

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)

30 FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating

The table below shows the maximum exposure to credit risk for the components on the statement of financial position and provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

	AAA		AA		A		BBB		Neither past due nor impaired		Not subject to credit risk		Past due but not impaired		Past due and impaired		Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
30 June 2015																			
Takaful Operator																			
AFS financial assets																			
Government Investment Issues																			
Islamic bonds		7,673		25,379															2,709
Equity securities										28,027									61,079
Investment-linked funds												4,625							4,625
Accrued profit		127		207						298		5,019							5,019
Other receivables																			632
Cash and cash equivalents																			11,354
		71		3,170						2									3,243
	<u>7,871</u>		<u>28,756</u>						<u>42,390</u>		<u>9,644</u>							<u>88,661</u>	

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HONG LEONG MSIG TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)

30 FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

	AAA		AA		A		Neither past due nor impaired		Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	BBB	Not rated				
30 June 2014												
<u>Takaful Operator</u>												
<u>AFS financial assets</u>												
Government Investment Issues	-	-	-	-	-	-	-	2,609	-	-	-	2,609
Islamic bonds	10,418	27,059	4,513	-	-	-	24,544	-	-	-	-	66,534
Equity securities	-	-	-	-	-	-	-	-	6,200	-	-	6,200
Investment-linked funds	-	-	-	-	-	-	-	-	4,910	-	-	4,910
Accrued profit	144	146	64	-	-	-	279	-	-	-	-	633
Other receivables	-	-	-	-	-	-	2,145	-	-	-	-	2,145
Cash and cash equivalents	312	9,533	-	-	-	-	2	-	-	-	-	9,847
	<u>10,874</u>	<u>36,738</u>	<u>4,577</u>	-	-	-	<u>29,579</u>	<u>11,110</u>	-	-	-	<u>92,878</u>

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HONG LEONG MSIG TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)

30 FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

	AAA		AA		A		Neither past due nor impaired		Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	RM'000	RM'000	RM'000	RM'000	AAA	BBB	Not rated	RM'000				
30 June 2015												
<u>General Takaful Fund</u>												
AFS financial assets												
Government Investment Issues	-	-	-	-	-	-	-	-	-	-	-	-
Islamic bonds	-	21,816	-	-	-	-	21,565	-	-	-	-	43,381
Equity securities	-	-	-	-	-	-	-	6,125	-	-	-	6,125
Accrued profit	-	160	-	-	-	-	213	-	-	-	-	373
Loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-
Fixed and call deposits	-	388	-	-	-	-	-	-	-	-	-	388
Accrued profit	-	7	-	-	-	-	-	-	-	-	-	7
Retakaful assets	-	2,572	14,205	3,028	41,881	-	-	-	-	-	-	61,686
Takaful receivables	-	4,416	(22)	-	2,263	-	-	5,098	-	3,166	(3,166)	14,921
Allowance for impairment	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	2,312	-	-	-	-	-	-	2,312
Cash and cash equivalents	518	1,978	20	-	5	-	-	-	-	-	-	2,521
	518	31,337	14,203	3,028	68,239	-	-	6,125	-	5,098	-	128,548

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)**

30 FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

	AAA		AA		A		Neither past due nor impaired		Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	RM'000	RM'000	RM'000	RM'000	BBB	Not rated	RM'000	RM'000				
30 June 2014												
<u>General Takaful Fund</u>												
<u>AFS financial assets</u>												
Government investment issues	-	-	-	-	-	-	-	-	-	-	-	-
Islamic bonds	-	18,551	1,505	-	-	10,037	-	-	-	-	-	30,093
Equity securities	-	-	-	-	-	-	-	6,866	-	-	-	6,866
Accrued profit	-	117	20	-	-	140	-	-	-	-	-	277
Loans and receivables	-	676	-	-	-	-	-	-	-	-	-	676
Fixed and call deposits	-	7	-	-	-	-	-	-	-	-	-	7
Accrued profit	-	1,834	17,886	7,934	-	34,914	-	-	-	-	-	62,568
Retakaful assets	-	-	528	228	-	4,944	-	-	2,867	27	-	8,594
Takaful receivables	-	-	-	-	-	-	-	-	-	(27)	-	(27)
Allowance for impairment	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	1,476	-	-	-	-	-	1,476
Cash and cash equivalents	1,454	9,163	70	-	-	5	-	-	-	-	-	10,692
	<u>1,454</u>	<u>30,348</u>	<u>20,009</u>	<u>8,162</u>	<u>51,516</u>	<u>6,866</u>	<u>2,867</u>	<u>121,222</u>				

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HONG LEONG MSIG TAKAFUL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)

30 FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

	Neither past due nor impaired					Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	AAA	AA	A	BBB	Not rated				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2015									
Family Takaful Fund									
AFS financial assets									
Government Investment Issues	-	-	-	-	7,043	-	-	-	7,043
Islamic bonds	6,672	49,380	-	-	53,791	-	-	-	109,843
Equity securities	-	-	-	-	-	15,953	-	-	15,953
Accrued profit	123	266	-	-	608	-	-	-	997
FVTPL financial assets									
Government Investment Issues	-	-	-	-	1,084	-	-	-	1,084
Islamic bonds	1,000	6,095	-	-	2,546	-	-	-	9,641
Equity securities	-	-	-	-	-	2,725	-	-	2,725
Structured investments	4,234	-	-	-	-	-	-	-	4,234
Accrued profit	4	34	-	-	32	-	-	-	70
Loans and receivables									
Fixed and call deposits	-	914	5,669	-	-	-	-	-	6,583
Accrued profit	-	7	42	-	-	-	-	-	49
Retakaful assets	-	1,053	7,182	-	24,270	-	-	-	32,505
Takaful receivables	-	-	-	-	4,450	-	373	1,858	6,681
Allowance for impairment	-	-	-	-	-	-	-	(1,858)	(1,858)
Other receivables	-	-	-	-	1,125	-	-	-	1,125
Cash and cash equivalents	287	26,883	201	-	10	-	-	-	27,381
	12,320	84,632	13,094	-	94,959	18,678	373	-	224,056

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)

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FINANCIAL RISK (CONTINUED)

Credit risk (continued)Credit exposure by credit rating (continued)

	Neither past due nor impaired						Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	AAA	AA	A	BBB	Not rated					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
30 June 2014										
<u>Family Takaful Fund</u>										
<u>AFS financial assets</u>										
Government Investment Issues	-	-	-	-	6,783	-	-	-	6,783	
Islamic bonds	8,418	21,741	4,010	-	51,291	-	-	-	85,460	
Equity securities	-	-	-	-	-	10,541	-	-	10,541	
Accrued profit	135	110	62	-	603	-	-	-	910	
<u>FVTPL financial assets</u>										
Government Investment Issues	-	-	-	-	1,043	-	-	-	1,043	
Islamic bonds	996	5,247	-	-	2,507	-	-	-	8,750	
Equity securities	-	-	-	-	-	2,352	-	-	2,352	
Structured investments	4,024	-	-	-	-	-	-	-	4,024	
Accrued profit	4	27	-	-	32	-	-	-	63	
<u>Loans and receivables</u>										
Fixed and call deposits	-	1,184	5,488	-	-	-	-	-	6,672	
Accrued profit	-	6	42	-	-	-	-	-	48	
Retakaful assets	-	-	16,219	14,292	-	-	-	-	30,511	
Takaful receivables	-	-	-	2,996	15,782	-	2,388	2,680	23,846	
Allowance for impairment	-	-	-	-	-	-	-	(2,680)	(2,680)	
Other receivables	-	-	-	-	1,317	-	-	-	1,317	
Cash and cash equivalents	905	12,754	97	-	10	-	-	-	13,766	
	14,482	41,069	25,918	17,288	79,368	12,893	2,388	-	193,406	

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)**

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FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

	Neither past due nor impaired						Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	AAA	AA	A	BBB	Not rated					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2015										
<u>Company</u>										
AFS financial assets										
Government Investment Issues	-	-	-	-	9,752	-	-	-	-	9,752
Islamic bonds	14,345	96,575	-	-	103,383	-	-	-	-	214,303
Equity securities	-	-	-	-	-	26,703	-	-	-	26,703
Accrued profit	250	633	-	-	1,119	-	-	-	-	2,002
FVTPL financial assets										
Government Investment Issues	-	-	-	-	1,084	-	-	-	-	1,084
Islamic bonds	1,000	6,095	-	-	2,546	-	-	-	-	9,641
Equity securities	-	-	-	-	-	2,725	-	-	-	2,725
Structured investments	4,234	-	-	-	-	-	-	-	-	4,234
Accrued profit	4	34	-	-	32	-	-	-	-	70
Loans and receivables										
Fixed and call deposits	-	1,302	5,669	-	-	-	-	-	-	6,971
Accrued profit	-	14	42	-	-	-	-	-	-	56
Retakaful assets	-	3,625	21,387	3,028	66,151	-	-	-	-	94,191
Takaful receivables	-	4,416	(22)	-	6,713	-	5,471	5,024	(5,024)	21,602
Allowance for impairment	-	-	-	-	-	-	-	-	-	(5,024)
Other receivables	-	-	-	-	5,232	-	-	-	-	5,232
Cash and cash equivalents	876	32,031	221	-	17	-	-	-	-	33,145
	<u>20,709</u>	<u>144,725</u>	<u>27,297</u>	<u>3,028</u>	<u>196,029</u>	<u>29,428</u>	<u>5,471</u>	<u>-</u>	<u>-</u>	<u>426,687</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)**

30 FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

	AAA		AA		A		BBB		Neither past due nor impaired	Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000					
30 June 2014													
Company													
AFS financial assets													
Government Investment Issues	-	-	-	-	-	-	-	-	9,392	-	-	-	9,392
Islamic bonds	18,836	67,351	10,028	-	-	-	-	85,872	-	-	-	-	182,087
Equity securities	-	-	-	-	-	-	-	-	-	23,607	-	-	23,607
Accrued profit	279	373	146	-	-	-	-	1,022	-	-	-	-	1,820
FVTPL financial assets													
Government Investment Issues	-	-	-	-	-	-	-	-	1,043	-	-	-	1,043
Islamic bonds	996	5,247	-	-	-	-	-	2,507	-	-	-	-	8,750
Equity securities	-	-	-	-	-	-	-	-	-	2,352	-	-	2,352
Structured investments	4,024	-	-	-	-	-	-	-	-	-	-	-	4,024
Accrued profit	4	27	-	-	-	-	-	32	-	-	-	-	63
Loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed and call deposits	-	1,860	5,488	-	-	-	-	-	-	-	-	-	7,348
Accrued profit	-	13	42	-	-	-	-	-	-	-	-	-	55
Retakaful assets	-	1,834	34,105	22,226	-	-	-	34,914	-	-	-	-	93,079
Takaful receivables	-	-	528	3,224	-	-	-	20,726	-	5,255	2,707	-	32,440
Allowance for impairment	-	-	-	-	-	-	-	-	-	-	(2,707)	-	(2,707)
Other receivables	-	-	-	-	-	-	-	3,365	-	-	-	-	3,365
Cash and cash equivalents	2,671	31,450	167	-	-	-	17	-	-	-	-	-	34,305
	26,810	108,155	50,504	25,450	-	-	158,890	5,255	25,959	-	-	-	401,023

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)**

30 FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Aging analysis of financial assets past due but not impaired

	30.06.2015	Company 30.06.2014
	RM'000	RM'000
Takaful receivables		
61 to 180 days	3,406	2,082
>180 days	1,453	3,173
	<u>4,859</u>	<u>5,255</u>

Impaired Takaful receivables

At 30 June 2015, there are impaired Takaful receivables of RM 5.024 million (2014: RM 2.707 million). Impairment assessment of Takaful receivables is explained under Note 2.2(g). No collateral is held as security for these impaired assets.

A reconciliation of the allowance for impairment losses for Takaful receivables is as follows:

	2015	Company 2014
	RM'000	RM'000
As at 1 July	2,707	3,265
Charge/(write back) for the financial year	2,317	(558)
As at 30 June	<u>5,024</u>	<u>2,707</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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30 FINANCIAL RISK (CONTINUED)

Liquidity risk

Liquidity risk arises due to inability of the Company to meet its financial obligations as and when they fall due. The Company's investible funds are substantially placed in fixed and call deposits and other money market instruments. The Company endeavours to manage the maturity profiles of these financial instruments to meet financial obligations and working capital requirements.

Maturity profiles

The tables below analyses the carrying amounts of the Company's financial assets, and the contractual undiscounted cash flows payable for financial liabilities based on the remaining contractual maturities.

All liabilities are presented on a contractual cash flow basis except for Takaful contract liabilities, the maturity profiles are determined based on estimated timing of net cash outflows from the recognised Takaful liabilities. Available-for-sale fair value adjustment, UCR, retakaful's share of UCR and expense liabilities have been excluded from the analysis as they are not contractual obligations.

Investment-linked funds' liabilities are repayable or transferable upon notice by certificate holders and are included in the "Up to a year" column. Repayments which are subject to notice are treated as if notice was to be given immediately.

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30 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
<u>30 June 2015</u>						
<u>Takaful Operator</u>						
AFS financial assets	74,064	632	27,879	35,909	9,644	74,064
Other receivables	11,354	11,354	-	-	-	11,354
Cash and cash equivalents	3,243	3,243	-	-	-	3,243
Total financial assets	<u>88,661</u>	<u>15,229</u>	<u>27,879</u>	<u>35,909</u>	<u>9,644</u>	<u>88,661</u>
Other payables	6,598	6,598	-	-	-	6,598
Amount due to related companies	191	191	-	-	-	191
Total financial liabilities	<u>6,789</u>	<u>6,789</u>	-	-	-	<u>6,789</u>

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30 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

30 June 2014

Takaful Operator

AFS financial assets	80,886	Up to a year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Other receivables	2,145	3,643	26,761	39,372	11,110	80,886
Cash and cash equivalents	9,847	2,145	-	-	-	2,145
Total financial assets	92,878	9,847	26,761	39,372	11,110	9,847
		15,635	26,761	39,372	11,110	92,878
Other payables	7,379	7,379	-	-	-	7,379
Amount due to related companies	362	362	-	-	-	362
Total financial liabilities	7,741	7,741	-	-	-	7,741

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30 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

30 June 2015

General Takaful Fund

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
AFS financial assets	49,879	373	25,833	17,548	6,125	49,879
Loan and receivables	395	395	-	-	-	395
Retakaful assets	61,686	30,641	27,430	3,615	-	61,686
Takaful receivables	11,755	11,755	-	-	-	11,755
Other receivables	2,312	2,312	-	-	-	2,312
Cash and cash equivalents	2,521	2,521	-	-	-	2,521
Total financial assets	128,548	47,997	53,263	21,163	6,125	128,548
Takaful contract liabilities	84,927	42,186	37,764	4,977	-	84,927
Takaful payables	11,277	11,277	-	-	-	11,277
Other payables	8,477	8,477	-	-	-	8,477
Total financial liabilities	104,681	61,940	37,764	4,977	-	104,681

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FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

30 June 2014

General Takaful Fund

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
AFS financial assets	37,236	277	24,071	6,022	6,866	37,236
Loan and receivables	683	683	-	-	-	683
Retakaful assets	62,568	23,143	26,977	12,448	-	62,568
Takaful receivables	8,567	8,567	-	-	-	8,567
Other receivables	1,476	1,476	-	-	-	1,476
Cash and cash equivalents	10,692	10,692	-	-	-	10,692
Total financial assets	121,222	44,838	51,048	18,470	6,866	121,222
Takaful contract liabilities	89,817	33,222	38,726	17,869	-	89,817
Takaful payables	5,224	5,224	-	-	-	5,224
Other payables	2,226	2,226	-	-	-	2,226
Total financial liabilities	97,267	40,672	38,726	17,869	-	97,267

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30 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

30 June 2015

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
<u>Family Takaful Fund</u>						
AFS financial assets	133,836	1,874	21,162	94,847	15,953	133,836
FVTPL financial assets	17,754	333	5,900	8,796	2,725	17,754
Loan and receivables	6,632	6,632	-	-	-	6,632
Retakaful assets	32,505	5,234	1,650	25,621	-	32,505
Takaful receivables	4,823	4,823	-	-	-	4,823
Other receivables	1,125	1,125	-	-	-	1,125
Cash and cash equivalents	27,381	27,381	-	-	-	27,381
Total financial assets	224,056	47,402	28,712	129,264	18,678	224,056
Takaful contract liabilities	209,191	20,085	30,447	63,859	150,825	265,216
Takaful payables	3,695	3,695	-	-	-	3,695
Other payables	5,431	5,431	-	-	-	5,431
Total financial liabilities	218,317	29,211	30,447	63,859	150,825	274,342

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30 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

30 June 2014

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Family Takaful Fund	103,694	2,916	15,860	74,377	10,541	103,694
AFS financial assets	16,232	63	9,762	4,055	2,352	16,232
FVTPL financial assets	6,720	6,720	-	-	-	6,720
Loan and receivables	30,511	6,236	527	23,748	-	30,511
Retakaful assets	21,166	21,166	-	-	-	21,166
Takaful receivables	1,317	1,317	-	-	-	1,317
Other receivables	13,766	13,766	-	-	-	13,766
Cash and cash equivalents	193,406	52,184	26,149	102,180	12,893	193,406
Total financial assets	172,500	11,160	23,540	51,489	145,214	231,403
Takaful contract liabilities	14,640	14,640	-	-	-	14,640
Takaful payables	3,214	3,214	-	-	-	3,214
Other payables	190,354	29,014	23,540	51,489	145,214	249,257
Total financial liabilities						

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30 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
30 June 2015						
Company						
AFS financial assets	252,760	2,879	74,874	148,304	26,703	252,760
FVTPL financial assets	17,754	333	5,900	8,796	2,725	17,754
Loan and receivables	7,027	7,027	-	-	-	7,027
Retakaful assets	94,191	35,875	29,080	29,236	-	94,191
Takaful receivables	16,578	16,578	-	-	-	16,578
Other receivables	5,232	5,232	-	-	-	5,232
Cash and cash equivalents	33,145	33,145	-	-	-	33,145
Total financial assets	426,687	101,069	109,854	186,336	29,428	426,687
Amount due to related companies	191	191	-	-	-	191
Takaful contract liabilities	294,118	62,271	68,211	68,836	150,825	350,143
Takaful payables	14,972	14,972	-	-	-	14,972
Other payables	10,947	10,947	-	-	-	10,947
Total financial liabilities	320,228	88,381	68,211	68,836	150,825	376,253

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FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
30 June 2014						
Company						
AFS financial assets	216,906	6,836	66,692	119,771	23,607	216,906
FVTPL financial assets	16,232	63	9,762	4,055	2,352	16,232
Loan and receivables	7,403	7,403	-	-	-	7,403
Retakaful assets	93,079	29,379	27,504	36,196	-	93,079
Takaful receivables	29,733	29,733	-	-	-	29,733
Other receivables	3,365	3,365	-	-	-	3,365
Cash and cash equivalents	34,305	34,305	-	-	-	34,305
Total financial assets	401,023	111,084	103,958	160,022	25,959	401,023
Amount due to related companies	362	362	-	-	-	362
Takaful contract liabilities	262,317	44,382	62,266	69,358	145,214	321,220
Takaful payables	19,864	19,864	-	-	-	19,864
Other payables	11,246	11,246	-	-	-	11,246
Total financial liabilities	293,789	75,854	62,266	69,358	145,214	352,692

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NOTES TO THE FINANCIAL STATEMENTS
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30 FINANCIAL RISK (CONTINUED)

Market risk

Market risk is the risk of losses owing to changes in fair value of assets or financial instruments. The market risk factors are primarily volatility in market prices (price risk) or market profit rates (profit rate risk). The change in market price may be caused by factor(s) specific to the individual instrument or its issuer or factor(s) affecting all instruments traded in the market.

The Company adopts prudent investment policies and strategies to mitigate adverse market risks. The investment policies guide the strategies on asset mix, asset quality, profit rate risk exposure and liquidity targets.

(i) Profit rate risk

Profit rate risk is the risk that value or future cash flows of a financial instrument will fluctuate because of changes in market profit rate. This risk arises due to differences in pricing or tenure of investments and liabilities. The profit rate risk is managed through setting the appropriate asset allocation reflecting the liability profile and the availability of the suitable instrument in the investment market.

The following table demonstrates the sensitivity to a reasonably possible change in profit rates, with all other variables held constant, showing the impact on the Company's profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact on profit rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on profit before taxation RM'000	Impact on equity* RM'000
<u>30 June 2015</u>		
Change in variables		
+ 100 basis point of profit rate	-	(2,296)
- 100 basis point of profit rate	-	2,488
<u>30 June 2014</u>		
Change in variables		
+ 100 basis point of profit rate	-	(2,519)
- 100 basis point of profit rate	-	2,738

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

The impact on the company's equity arose from AFS financial assets in the Takaful Operator's fund. The impact arising from changes in profit rate risk to AFS and FVTPL fixed income securities of the General Takaful fund, Family Takaful fund and investment-linked funds is retained in the Takaful contract liabilities and as such, does not impact the profit before taxation and equity of the Company.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015 (CONTINUED)

30 FINANCIAL RISK (CONTINUED)

Market risk (continued)

(ii) Price risk

The Company's price risk exposure relates to financial assets and liabilities, whose values will fluctuate as a result of the change in market prices. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to the individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company has acknowledged the inherent risk of investing in equities. The Management is guided with investment policies that are approved by the Board in monitoring equity exposure and compliance with operational controls.

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant showing the impact on the Company's profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on profit before taxation RM'000	Impact on equity* RM'000
<u>30 June 2015</u>		
Change in variables		
+ 20% of equity price	-	694
- 20% of equity price	-	(694)
<u>30 June 2014</u>		
Change in variables		
+ 20% of equity price	-	930
- 20% of equity price	-	(930)

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

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

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30 FINANCIAL RISK (CONTINUED)

Operational risk

Operational risk is the risk of losses resulting from inadequate or failed internal processes, risk management policies and procedures, systems failures, human performance failures or from external events. The Company seeks to minimise exposure by ensuring appropriate internal controls and systems, together with trained and competent people are in place throughout the Company. The Company uses an established program of comprehensive risk self-assessments in conjunction with independent internal audits to monitor and assess inherent operational risks and the effectiveness of internal controls.