

Company No.

689263

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**STATUTORY FINANCIAL STATEMENTS**

**31 DECEMBER 2017**

0395A8/nm

Company No.

689263

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
(Incorporated in Malaysia)

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**SUN LIFE MALAYSIA 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 31 December 2017.

**PRINCIPAL ACTIVITIES**

The Company is engaged principally in the underwriting of Family Takaful including investment-linked business and General Takaful business. There have been no significant changes in the principal activities of the Company during the financial year other than as disclosed in Note 11 to financial statements.

**FINANCIAL RESULTS**

	RM'000
Net profit for the financial year	
- Continuing operations	66,909
- Discontinued operations	6,856
	<u>73,765</u>

**DIVIDENDS**

No dividends have been paid or declared by the Company since the end of the previous financial year. The Directors have not recommended any final dividend to be paid for the financial year under review.

**RESERVES AND PROVISIONS**

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

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**DIRECTORS' REPORT (CONTINUED)**

**PROVISION FOR TAKAFUL LIABILITIES**

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for incurred claims, including Incurred But Not Reported ("IBNR") claims and adequate provision for Takaful contract liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework for Takaful Operators issued by Bank Negara Malaysia.

**SHARE CAPITAL**

There was no issuance of shares by the Company during the financial year.

**BAD AND DOUBTFUL DEBTS**

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

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

**CURRENT ASSETS**

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

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

**VALUATION METHODS**

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

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**DIRECTORS' REPORT (CONTINUED)**

**CONTINGENT AND OTHER LIABILITIES**

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

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

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

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

**CHANGE OF CIRCUMSTANCES**

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

**ITEMS OF AN UNUSUAL NATURE**

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

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

**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
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**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS**

The Directors who have held office since the date of the last report and at the date of this report and the attendance of the Directors during the financial year are as follows:

	<u>Attendance</u>
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir – Chairman (Independent Non-Executive Director)	6/6
Encik Pushpanathan A/L S.A. Kanagarayar (Independent Non-Executive Director)	6/6
Encik Jose Isidro Navato Camacho (Independent Non-Executive Director)	6/6
Dato' Mohd Shukri Bin Hussin (Independent Non-Executive Director) <sup>(1)</sup>	5/6
Encik Izlan Bin Izhah (Non-Independent Non-Executive Director)	6/6
Encik Ooi Say Teng (Non-Independent Non-Executive Director) (appointed on 8 September 2017)	2/2
Encik Karim Gilani (Executive Director) (appointed on 8 September 2017)	2/2
Encik Renzo Christopher Viegas (Non-Independent Non-Executive Director) (resigned on 18 July 2017)	3/3
Encik Muhammad Fikri Bin Mohamad Rawi (Executive Director) (resigned on 18 July 2017)	3/3
Encik Roger David Steel (Executive Director) (resigned on 28 August 2017)	3/4
Encik Ahmad Farouk Bin Mohamed (Non-Independent Non-Executive Director) (resigned on 7 September 2017)	4/4

(1) Dato' Mohd Shukri Bin Hussin was a Non-Independent Non-Executive Director and was reclassified as an Independent Non-Executive Director on 8 September 2017.

In accordance to Article 69 of the Company's Articles of Association, Dato' Mohd Shukri Bin Hussin and Encik Jose Isidro Navato Camacho shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Pursuant to Article 76 of the Company's Article of Association, Encik Karim Gilani and Encik Ooi Say Teng shall retire at the forthcoming Annual General Meeting and being eligible, shall offer themselves for re-election.

**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE**

The Company has complied with all the prescriptive requirements and adopts management practices that are consistent with the principles prescribed under the Islamic Financial Services Act, 2013, Bank Negara Malaysia ("BNM") Guidelines in particular BNM/RH/GL\_012\_3 Shariah Governance Framework for Islamic Financial Institutions, BNM/RH/GL 018-5 on Fit and Proper Criteria, BNM/RH/PD 029-9 on Corporate Governance, other directives and the principles of Shariah, and which supercedes BNM/RH/GL 004-1 on Directorship for Takaful Operators and BNM/RH/GL/003-2 on Prudential Framework of Corporate Governance for Insurers.

Board of Directors ("the Board")

The Board of Directors is responsible for supervising the management of the business and affairs of the Company.

In discharging its stewardship responsibilities, the Board assumes the following duties and responsibilities either directly or through its Committees and notwithstanding that, it still remains fully accountable for any authority delegated to the Committees:

Board

- (i) Plans Board and Committee's size and composition, establishes Board Committees and Shariah Committee and appoints its members, and determines Directors' compensation;
- (ii) Maintains formal orientation program for new Directors and ongoing education programs for all Directors;
- (iii) Establishes corporate governance practices and policies; and
- (iv) Assesses its effectiveness and the effectiveness of its Committees, the Chairman, the Committee Chairs, as well as the effectiveness including the fitness and proper criteria of individual Directors on an annual basis.

Senior Management

- (i) Selects, evaluates and, if necessary, replaces the Chief Executive Officer and other members of senior management, including the Appointed Actuary;
- (ii) Delegates powers to management to manage the Company;
- (iii) Oversees succession planning for senior management positions;
- (iv) Approves compensation of senior management;
- (v) Advises the Chief Executive Officer; and
- (vi) Reviews and approves the organizational structure on an annual basis.

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

Board of Directors ("the Board") (continued)

Ethics and Integrity

- (i) Sets an ethical tone for the Company;
- (ii) Satisfies itself that senior management maintain a culture of integrity throughout the Company; and
- (iii) Approves amendments and reviews employee compliance to Code of Business Conduct.

Strategy

- (i) Approves the Company's vision and mission statements;
- (ii) Reviews the effectiveness of the strategic planning process;
- (iii) Approves the Company's business objectives, strategies, capital and financial plans on an annual basis; and
- (iv) Monitors the Company's performance against these statements, objectives and plans on an ongoing basis.

Risk Management, Capital Management and Internal Control

- (i) At least on an annual basis, approves policies and procedures for the management and control of risk and capital, and reviews compliance with these policies and procedures;
- (ii) Reviews the internal control and management information systems that provide reasonable assurance as to the reliability of the Company's financial information and the safeguarding of its assets; and
- (iii) Reviews compliance with legislative and regulatory requirements.

Material Transactions

- (i) Reviews and approves material investments and transactions.

Financial Reporting

- (i) Reviews and approves annual and interim financial statements.



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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board of Directors ("the Board") (continued)

Communication and Disclosure

- (i) Oversees the reporting of financial results to Shareholders and other stakeholders on a timely basis;
- (ii) Reviews and, when appropriate, approves policies with regard to public disclosure, confidentiality of information and securities trading; and
- (iii) Enables Shareholders to provide feedback to the independent Directors.

Other

- (i) Engages any special advisors it deems necessary to provide independent advice at the expense of the Company; and
- (ii) Performs such other functions as prescribed by law or as assigned to the Board in the Company's governing documents.

Directors' Training

The remuneration and Nomination Committee ensures that all Directors undergo appropriate induction programmes and receive continuous training. The induction programmes include briefing on the operations and businesses of the Company and the applicable BNM guidelines and other legislations. The Financial Institutions Directors' Education (FIDE) Forum has organised various topics for the participation of the Directors.

During the year, the Directors were briefed and updated on the BNM guidelines pertaining to Corporate Governance and the Directors have also participated in external training programmes on various topics to keep abreast with the latest developments.

Audit Committee ("AC")

The composition of the AC comprises Independent Non-Executive Directors of the Company and the attendances of the AC members during the financial year were as follows:

	<u>Attendance</u>
Encik Pushpanathan A/L S.A. Kanagarayar (appointed as Chairman on 28 February 2017)	5/5
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir (resigned as Chairman on 27 February 2017)	5/5
Encik Jose Isidro Navato Camacho	5/5

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

Audit Committee ("AC") (continued)

The duties and responsibilities of the AC are as follows:

Financial Reporting

- (i) Reviews with the External Auditor and management and makes recommendations to the Board on the approval of:
  - (a) The interim unaudited financial statements including the notes thereto; and
  - (b) The annual audited financial statements including the notes thereto.

External Auditor

- (i) Reviews the independence of the External Auditor, including the requirements relating to such independence in the laws governing the Company and the applicable financial legislative and regulatory requirements;
- (ii) Assesses the performance of the External Auditor and recommends to the Board the reappointment or, if so determined by the AC, the replacement of the External Auditor, subject to the approval of the Shareholders;
- (iii) Determines, reviews and approves the services to be performed by the External Auditor and the fees to be paid to the External Auditor for audit, audit-related and other services permitted by law;
- (iv) Reviews with the External Auditor and management the overall scope of the annual audit plan, quality control procedures and the resources that the External Auditor will devote to the audit;
- (v) Reviews with the External Auditor on any regulatory investigations that pertain to the External Auditor; and
- (vi) Investigates reasons for any request made by management to dismiss the External Auditor, or any resignation by the External Auditor. The results of the investigation will be disclosed to the Board together with the recommendations on the proposed actions to be taken.

Internal Control and Audit

- (i) Requires management to implement and maintain appropriate internal control procedures, and reviews, evaluates and approves the procedures;
- (ii) Reviews management's reports on the effectiveness of the Company's disclosure controls and procedures and its internal control over financial reporting;

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

Audit Committee ("AC") (continued)

Internal Control and Audit (continued)

- (iii) Reviews with the Head of Internal Audit and management:
  - (a) The overall scope of the annual internal audit plan, including the extent of coordination and reliance placed by the External Auditor's audit plan, and the adequacy of the resources available to the Head of Internal Audit;
  - (b) The effectiveness of the internal control procedures;
- (iv) Ensures that management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and any other issues identified by the internal audit and other control functions;
- (v) Notes any significant disagreements between the Head of Internal Audit and management, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings; and
- (vi) Reviews third-party opinions on the design and effectiveness of the Company's internal control framework.

Governance

- (i) Reviews and approves changes to the statements of mandate, responsibility and authority of the Internal Audit;
- (ii) Ensures that the Head of Internal Audit has adequate authority and independence to perform the Internal Audit mandate;
- (iii) Approves the appointment, remuneration, performance evaluation, removal and deployment of the Head of Internal Audit;
- (iv) Ensures that an independent review of the Internal Audit function is conducted, as needed;
- (v) Discusses with the External Auditor if necessary, on the impact of the financial and control-related aspects of material transactions that are being proposed by the Company;
- (vi) Reviews and discusses with the External Auditor and Appointed Actuary on such reports and regulatory returns of the Company as may be specified by law;
- (vii) Reviews matters within its mandate that are addressed in the regular examination and similar reports received from regulatory authorities including management's responses and recommendations;
- (viii) Discusses the qualifications for and determines whether a member of the AC is a financial expert and in conjunction with the Remuneration and Nomination Committee ensures the on-going financial literacy of the AC members; and

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee ("AC") (continued)

Governance

- (ix) Reviews, updates and monitors any related party transactions and conflict of interest situations that may arise within the Company including any transactions, procedures or conduct that raises questions of management integrity.

Others

- (i) Performs such other duties and exercises such other powers as may, from time to time, be assigned to or vested in the AC by the Board, and such other functions as may be required of an AC by law and regulations.

Remuneration and Nomination Committee ("RNC")

The composition of the RNC comprises Independent Non-Executive Directors and the attendance of the RNC members during the financial year were as follows:

	<u>Attendance</u>
Dato' Mohd Shukri Bin Hussin (appointed as Chairman on 8 September 2017)	1/1
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir (resigned as Chairman on 27 February 2017)	2/2
Encik Jose Isidro Navato Camacho (appointed as Chairman on 28 February 2017 and resigned as Chairman on 7 September 2017)	2/2
Encik Renzo Christopher Viegas (resigned on 18 July 2017)	1/1
Encik Pushpanathan A/L S.A. Kanagarayar (resigned on 7 September 2017)	1/1
Encik Izlan Bin Izhab (resigned on 7 September 2017)	1/1

The duties and responsibilities of the RNC with regards to the nomination role are as follows:

- (i) Establishes minimum requirements for the Board and the Chief Executive Officer to perform their responsibilities effectively and oversees the overall composition of the Board in terms of the appropriate size and mix of skills, the balance between Executive Directors, Non-Executive and Independent Directors, and other core competencies required through annual reviews.

The RNC shall also review the mix of skills of the members of the Audit Committee through annual reviews;

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

Remuneration and Nomination Committee ("RNC") (continued)

The duties and responsibilities of the RNC with regards to the nomination role are as follows:  
(continued)

- (ii) Recommends and assesses the fitness and propriety of nominees for directorship, the Directors to fill the Board Committees, members of the Shariah Committee as well as nominees for the position of the Chief Executive Officer and the Company Secretary. This includes assessing the Directors, members of the Shariah Committee and the Chief Executive Officer including the proposals for their re-appointment before an application for approval is submitted to BNM;
- (iii) Establishes a mechanism for formal assessment and assesses the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various committees including members of the Shariah Committee and the performance of the Chief Executive Officer on an annual basis;
- (iv) Recommends to the Board on the removal of a Director, Chief Executive Officer and Shariah Committee Member for ineffectiveness, or being errant or negligent in discharging responsibilities;
- (v) Ensures that all Directors and Shariah Committee Members undergo appropriate induction programmes and receive continuous training;
- (vi) Oversees the appointments, succession planning of management and performance evaluation of key senior officers and recommends to the Board the removal of key senior officers for ineffectiveness, or being errant and negligent in discharging responsibilities;
- (vii) Seeks the services of advisors or consultants as it deems necessary to fulfill its responsibilities; and
- (viii) Reviews the list of key responsible persons, as defined in BNM guidelines, annually and make changes as appropriate.

The duties and responsibilities of the RNC with regards to the remuneration role are as follows:

- (i) Recommends a framework of remuneration for Directors, Chief Executive Officer, Shariah Committee Members and key senior officers; and
- (ii) Recommends specific remuneration packages for Directors, Chief Executive Officer, Shariah Committee Members and key senior officers.

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

Risk Management Committee (“RMC”)

The composition of the RMC comprises Independent Non-Executive Directors of the Company and the attendance of the RMC members during the financial year were as follows:

	<u>Attendance</u>
Encik Jose Isidro Navato Camacho – Chairman	6/6
Encik Pushpanathan A/L S.A. Kanagarayar	6/6
Dato' Mohd Shukri Bin Hussin	6/6

The duties and responsibilities of the RMC are as follows:

Risk Management

- (i) Reviews and recommends risk management strategies, policies, risk tolerance and risk appetite for Board's approval;
- (ii) Reviews at least annually and assesses the adequacy of and compliance with Risk Management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- (iii) Ensures adequate infrastructure, resources and systems are in place for an effective risk management;
- (iv) Reviews periodic management reports on risk exposure, risk portfolio composition and risk management activities;
- (v) Reviews and assesses on matters set out in the Shareholders Agreement as recommended by the Executive Committee, for the Board's approval;
- (vi) Monitors the performance of the Enterprise Risk Management Committee (“ERMC”), the Asset and Liability Committee (“ALCO”) and the Investment Committee (“IC”) within the context of the Company's strategy, risk appetite and charters of the respective Committees;
- (vii) Reviews and assesses the results of the stress and scenario testings, before endorsing for approval by the Board. In addition, ensuring timely identification and continuous monitoring of suitable corrective action plans by management in addressing the identified risks;

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

Risk Management Committee ("RMC") (continued)

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

Risk Management (continued)

- (viii) Reviews key risk-related issues incorporated into the business plans annually;
- (ix) Reviews management's actions related to product design through the process set out in the Risk Management policies; and
- (x) Assists the implementation of a sound remuneration structure and without prejudice to the tasks of the Remuneration and Nomination Committee, examining whether incentives provided by the remuneration structure take into consideration risks, capital, liquidity and the likelihood and timing of earnings.

Compliance

- (i) Reviews at least annually and approves changes to policies or programmes that provide for the monitoring of compliance with legal and regulatory requirements, including legislative compliance of management systems;
- (ii) Reviews at least annually the adequacy of and compliance with the Company's Code of Conduct and enterprise-wide policies for the management and mitigation of compliance risks, including risks associated with money laundering, terrorist financing, market conduct, bribery, corruption and fraud; and
- (iii) Reviews quarterly compliance reports presented to RMC with respect to, among others, compliance trends and themes on an enterprise-wide basis, regulatory reviews and the Company's compliance risks and programmes.

Governance

- (i) Reviews, at least annually, and approves changes to the statements of mandate, responsibility and authority of the Chief Risk Officer and the Chief Actuary.

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

Executive Committee ("EC")

The EC comprises an equal number of Directors nominated by each of the Shareholders, with a maximum of two nominees from each Shareholder. The composition of the EC is as follows:

Encik Karim Gilani (appointed on 10 July 2017)  
Encik Ooi Say Teng (appointed on 12 July 2017)  
Encik Roger David Steel (resigned on 9 July 2017)  
Encik Ahmad Farouk Bin Mohamed (resigned on 11 July 2017)

The duties and responsibilities of the EC are as follows:

- (i) Reviews and recommends for approval of certain matters set out in the Shareholders Agreement before being tabled to the RMC and subsequently to the Board for deliberation and approval;
- (ii) Reviews and recommends for approval of certain matters set out in the Shareholders Agreement before being tabled to the Board for deliberation and approval; and
- (iii) Performs such other duties and exercises and such other powers as may, from time to time, be assigned to or vested in the EC by the Board.

Shariah Committee ("SC")

The members of the SC and the attendance of the SC members during the financial year are as follows:

	<u>Attendance</u>
Associate Professor Dr. Shafaai Musa - Chairman	8/8
Professor Dr. Mohammad Hashim Kamali	8/8
Dato' Dr. Haji Mohd Nai'm Haji Mokhtar	7/8
Professor Dato' Dr. Noor Inayah Yaakub	8/8
Ustaz Mohd Fadhly Md Yusoff	8/8



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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

Shariah Committee ("SC") (continued)

The duties and responsibilities of the SC are as follows:

- (i) Active participation, including attending meetings of the SC, evaluating reports, reading minutes and others;
- (ii) Engages actively in deliberating Shariah issues presented before them;
- (iii) Advises the Board and/or Management of the Company on Shariah matters in order to ensure that the Takaful business is Shariah-compliant at all times;
- (iv) Sets the policies and procedures for the Company's Takaful business, to endorse all the Manuals governing the Takaful business of the Company including the Guidelines, Rules, Terms and Procedures ("GRTP") and to suggest for their revision, improvement and updates from time to time as may be necessary;
- (v) Sets the policies and guidelines to allow the Shariah Department of the Company to process and decide on submissions from any division within the Company;
- (vi) Advises the Company to refer to the Shariah Advisory Council For Islamic Banking And Takaful of Bank Negara Malaysia ("the SACBNM") and the Shariah Advisory Council for the Islamic Capital Market of the Securities Commission ("the SACSC") on any Shariah matter that requires the SACBNM's and SACSC's endorsement, respectively;
- (vii) Ensures high standards in arriving at Shariah decisions through a proper Shariah ruling framework;
- (viii) Being well informed of the latest development of Takaful business globally, regulatory changes affecting the Company's business, rulings made by the SACBNM and changes in the latest Shariah research, ijihad, fatwas or findings;
- (ix) Reviews and endorses the Shariah Governance Framework as provided by various tools such as the Shariah Compliance Policy and General Procedure Manual and various implementation functions within the Company including Shariah research, Shariah review, Shariah audit and Shariah risk management;
- (x) Reviews and responds to proposals submitted for the Members' Circular Resolution within 7 (seven) calendar days after the proposals have been circulated;
- (xi) Attendance by members of at least 75% of all the SC meetings held in a year. Any member who does not meet the minimum requirement would be subjected to a review of his or her service; and
- (xii) Maintains and portrays professionalism in the best manner to reflect the integrity of the SC.

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**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' BENEFITS**

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

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration and benefits disclosed in the notes to the financial statements of the Company) 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.

The Directors and officers of the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance premium paid during the financial year amounted to RM66,250.

**DIRECTORS' INTERESTS IN SHARES AND DEBENTURES**

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its holding company or subsidiaries of the holding company during the financial year.

**DIRECTORS' REMUNERATION**

Details of Directors' remuneration are set out in Note 22 to the financial statements.

**SHARE OPTION SCHEME**

No Share Option Scheme was offered during the financial year.

**HOLDING COMPANIES**

The Directors regard Renggis Ventures Sdn Bhd as the immediate holding company, Avicennia Capital Sdn Bhd as the penultimate holding company and Khazanah Nasional Berhad as the ultimate holding company. Avicennia Capital Sdn Bhd is also a financial holding company. All the three companies are incorporated in Malaysia.

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**DIRECTORS' REPORT (CONTINUED)**

**AUDITORS**

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

Signed on behalf of the Board in accordance with the resolution of the Directors dated 1 March 2018.

DATUK DR. SYED MUHAMAD BIN  
SYED ABDUL KADIR

OOI SAY TENG

Kuala Lumpur

Company No.

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
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**STATEMENT BY DIRECTORS**  
**PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir and Ooi Say Teng, being two of the Directors of Sun Life Malaysia Takaful Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 25 to 163 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2017 and financial performance of the Company for the financial year ended 31 December 2017 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016, in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 1 March 2018.

DATUK DR. SYED MUHAMAD BIN  
SYED ABDUL KADIR

OOI SAY TENG

Kuala Lumpur

**STATUTORY DECLARATION**  
**PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016**

I, Chew Chin Lim, being the Officer primarily responsible for the financial management of Sun Life Malaysia Takaful Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 25 to 163 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the declarations to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHEW CHIN LIM

Subscribed and solemnly declared by the abovenamed Chew Chin Lim at Kuala Lumpur in Malaysia on 1 March 2018.

Before me,

COMMISSIONER FOR OATHS

**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**REPORT OF THE SHARIAH COMMITTEE**

In the name of Allah, the Beneficent, the Merciful

We, the Sun Life Malaysia Takaful Berhad Shariah Committee (the “Shariah Committee”) have reviewed the principles and the contracts relating to the transactions and applications introduced by Sun Life Malaysia Takaful Berhad (“the Company”) through the product literature, contract documents, financial statements, policies and specific issues during the financial year ended 31 December 2017. We have also conducted our review to form an opinion as to whether the Company, has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

The management of the Company is responsible for ensuring that it conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on review of the operations by the Shariah Review, Risk Management and the Internal Audit of the Company as presented to the Shariah Committee, and to report to you.

We have assessed the work carried out by the Shariah review which included examining the relevant documentation and operational procedures adopted by the Company.

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

In our opinion:

1. The contracts, transactions and dealings entered into and concluded by the Company during the financial year ended 31 December 2017 are in compliance with the Shariah principles.
2. The allocation of surplus sharing from the Participant Risk Fund (Tabarru’ Funds) to the customers and Company conforms to the basis stipulated in the Surplus Recognition and Allocation policy that had been approved by us.
3. The allocation of profit sharing to the Participant Accounts had been presented to us and matters arising from the allocation exercise had been deliberated by us under the Shariah Review.
4. There is no Shariah non-compliant earnings recorded for the financial year ended 31 December 2017.
5. All Shariah review findings have been addressed to us, deliberated and ratified by us.
6. The allocation of zakat amounting to RM430,000 has been deliberated and approved by the Shariah Committee.

Company No.

689263
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SUN LIFE MALAYSIA TAKAFUL BERHAD  
(Incorporated in Malaysia)

REPORT OF THE SHARIAH COMMITTEE (CONTINUED)

We, being two of the members of the Shariah Committee of the Company, do hereby confirm that the operations of the Company for the financial year ended 31 December 2017 have been conducted in conformity with Shariah, except where it is disclosed otherwise.

SHEIKH ASSOCIATE PROFESSOR DR. SHAFAAI BIN MUSA

SHEIKH PROFESSOR DR. MOHAMMAD HASHIM KAMALI

Kuala Lumpur  
1 March 2018

**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF SUN LIFE MALAYSIA TAKAFUL BERHAD**  
(Incorporated in Malaysia)  
(Company No. 689263 M)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

Our opinion

In our opinion, the financial statements of Sun Life Malaysia Takaful Berhad (“the Company”) give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 25 to 163.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the financial statements” section of our report.

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

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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*PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia*  
*T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my*

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 02.01.2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF SUN LIFE MALAYSIA TAKAFUL BERHAD (CONTINUED)**  
(Incorporated in Malaysia)  
(Company No. 689263 M)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF SUN LIFE MALAYSIA TAKAFUL BERHAD (CONTINUED)**  
(Incorporated in Malaysia)  
(Company No. 689263 M)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF SUN LIFE MALAYSIA TAKAFUL BERHAD (CONTINUED)**  
(Incorporated in Malaysia)  
(Company No. 689263 M)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

Auditors' responsibilities for the audit of the financial statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**OTHER MATTERS**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

MANJIT SINGH A/L HAJANDER SINGH  
02954/03/2019 J  
Chartered Accountant

Kuala Lumpur  
1 March 2018

Company No.

689263

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SUN LIFE MALAYSIA TAKAFUL BERHAD  
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017

	Note	2017				2016			
		Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>									
Property and equipment	3	266	-	-	266	222	-	-	222
Intangible assets	4	37,998	-	-	37,998	36	-	-	36
Available-for-sale financial assets	5	295,092	-	773,743	1,060,015	267,547	29,857	701,075	990,441
Fair value through profit or loss financial assets	5	11,741	-	99,457	111,198	-	-	32,791	32,791
Financing and receivables	6	33,061	-	83,378	116,439	40,761	14,827	84,021	139,609
Takaful receivables	7	-	-	30,476	30,476	-	3,026	30,366	33,392
Retakaful assets	8	-	-	87,260	87,260	-	7,140	37,743	44,883
Other receivables	9	73,851	-	1,194	3,073	62,116	28	7,158	7,271
Deferred tax assets	10	3,025	-	(864)	2,161	3,209	240	94	3,543
Cash and bank balances		7,040	-	11,924	18,964	4,983	3,015	15,745	23,743
Assets of a disposal group classified as held-for sale	11	-	52,221	-	52,221	-	-	-	-
<b>Total assets</b>		<b>462,074</b>	<b>52,221</b>	<b>1,086,568</b>	<b>1,520,071</b>	<b>378,874</b>	<b>58,133</b>	<b>908,993</b>	<b>1,275,931</b>

Company No.

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017 (CONTINUED)**

	Note	2017				2016			
		Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>EQUITY AND LIABILITIES</b>									
Share capital	15	200,000	-	-	200,000	100,010	-	-	100,010
Share premium		-	-	-	-	99,990	-	-	99,990
Available-for-sale reserve		2,634	-	-	2,634	717	-	-	717
Retained earnings		175,291	-	-	175,291	101,526	-	-	101,526
<b>Total equity</b>		<b>377,925</b>	<b>-</b>	<b>-</b>	<b>377,925</b>	<b>302,243</b>	<b>-</b>	<b>-</b>	<b>302,243</b>
<b>LIABILITIES</b>									
Takaful contract liabilities	12	-	-	997,762	988,942	-	44,186	834,531	870,679
Takaful payables	13	-	-	21,434	21,434	-	2,764	17,505	20,269
Other payables	14	56,718	-	67,360	63,012	28,521	10,938	56,552	33,980
Expense liabilities		23,148	-	-	23,148	42,664	-	-	42,664
Current tax liabilities		4,283	-	12	4,295	5,446	245	405	6,096
Liabilities of a disposal group classified as held-for sale	11	-	52,221	-	41,315	-	-	-	-
<b>Total liabilities</b>		<b>84,149</b>	<b>52,221</b>	<b>1,086,568</b>	<b>1,142,146</b>	<b>76,631</b>	<b>58,133</b>	<b>908,993</b>	<b>973,688</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>462,074</b>	<b>52,221</b>	<b>1,086,568</b>	<b>1,520,071</b>	<b>378,874</b>	<b>58,133</b>	<b>908,993</b>	<b>1,275,931</b>

## Note:

In preparing the Company-level financial statements, balances and transactions of Shareholders' fund and Takaful funds are amalgamated with elimination of interfund balances and transactions.

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

Company No.

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SUN LIFE MALAYSIA TAKAFUL BERHAD  
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017				2016			
		Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned contribution	16(a)	-	-	486,915	486,915	-	-	486,905	486,905
Contribution ceded to retakaful operators	16(b)	-	-	(58,244)	(58,244)	-	-	(47,152)	(47,152)
Net earned contribution		-	-	428,671	428,671	-	-	439,753	439,753
Wakalah income		199,720	-	-	-	191,123	-	-	-
Surplus sharing from General and Family Takaful funds		26,439	-	-	-	44,330	-	-	-
Investment income	17	14,913	-	38,737	51,382	12,489	-	32,659	43,215
Realised gains	18	-	-	878	878	569	-	722	1,291
Net fair value gains	19	29	-	12,791	12,820	-	-	-	-
Commission income		-	-	234	234	-	-	176	176
Other operating income	20	21,403	-	77	21,480	1,697	-	5	1,702
Total income		262,504	-	481,388	515,465	250,208	-	473,315	486,137

## SUN LIFE MALAYSIA TAKAFUL BERHAD

(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	Note	2017				2016			
		Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross benefits and claims paid	21(a)	-	-	(195,272)	(195,272)	-	-	(151,986)	(151,986)
Claims ceded to retakaful operators	21(b)	-	-	61,017	61,017	-	-	49,955	49,955
Gross change in Takaful contract liabilities	21(c)	-	-	(163,751)	(163,751)	-	-	(162,323)	(162,323)
Change in Takaful contract liabilities ceded to retakaful operators	21(d)	-	-	49,517	49,517	-	-	31,999	31,999
		-	-	(248,489)	(248,489)	-	-	(232,355)	(232,355)
Surplus sharing with Takaful operator		-	-	(26,439)	-	-	-	(44,330)	-
Wakalah expenses		-	-	(199,720)	-	-	-	(191,123)	-
Net fair value losses	19	-	-	-	-	-	-	(463)	(463)
Commission expenses		(57,088)	-	-	(57,088)	(57,451)	-	-	(57,451)
Management expenses	22	(115,568)	-	-	(115,568)	(77,699)	-	-	(77,699)
Other operating expenses	23	(12,719)	-	(4,351)	(14,802)	(14,898)	-	(3,847)	(16,812)
		(185,375)	-	(230,510)	(187,458)	(150,048)	-	(239,763)	(152,425)
Total expenses		(185,375)	-	(478,999)	(435,947)	(150,048)	-	(472,118)	(384,780)

Company No.

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SUN LIFE MALAYSIA TAKAFUL BERHAD  
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	Note	2017				2016			
		Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before taxation		77,129	-	2,389	79,518	100,160	-	1,197	101,357
Tax expense attributable to participants		-	-	(2,389)	(2,389)	-	-	(951)	(951)
Profit before taxation attributable to Shareholders		77,129	-	-	77,129	100,160	-	246	100,406
Taxation	24	(9,790)	-	(2,389)	(12,179)	(12,604)	-	(951)	(13,617)
Tax expense attributable to participants		-	-	2,389	2,389	-	-	951	951
Tax expense attributable to Shareholders		(9,790)	-	-	(9,790)	(12,604)	-	-	(12,666)
Zakat		(430)	-	-	(430)	(570)	-	-	(570)
Net profit for the financial year from continuing operations		66,909	-	-	66,909	86,986	-	246	87,170
Discontinued operations:									
Net profit for the financial year from discontinued operations	11	6,856	-	-	6,856	907	-	-	907
Net profit for the financial year		73,765	-	-	73,765	87,893	-	246	88,077
Basic earnings per share (sen)		-	-	-	73.77	-	-	-	88.08

SUN LIFE MALAYSIA TAKAFUL BERHAD  
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	Note	2017				2016			
		Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other comprehensive income:									
Items that may be subsequently reclassified to profit or loss:									
Fair value changes on available-for-sale financial assets:									
- Revaluation		2,522	-	(1,532)	990	1,286	-	3,726	5,012
- Transfer to profit or loss upon disposal		-	-	967	967	128	-	62	190
- Gross fair value changes	5(c)	2,522	-	(565)	1,957	1,414	-	3,788	5,202
- Deferred taxation	10	(605)	-	45	(560)	(344)	-	(303)	(647)
- Net fair value changes		1,917	-	(520)	1,397	1,070	-	3,485	4,555
Changes in Takaful contract liabilities arising from unrealised net fair value changes	12	-	-	520	520	-	-	(3,485)	(3,485)
Other comprehensive income for the financial year, net of tax		1,917	-	-	1,917	1,070	-	-	1,070
Comprising:									
- Continuing operations		1,917	-	-	1,917	1,070	-	-	1,070
- Discontinued operations		-	-	-	-	-	-	-	-
		1,917	-	-	1,917	1,070	-	-	1,070



Company No.

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SUN LIFE MALAYSIA TAKAFUL BERHAD  
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	2017				2016			
	Share- holders' fund	General Takaful fund	Family Takaful fund	Company	Share- holders' fund	General Takaful fund	Family Takaful fund	Company
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total comprehensive income for the financial year	75,682	-	-	75,682	88,963	-	246	89,147
Comprising:								
- Continuing operations	68,826	-	-	68,826	88,056	-	246	88,240
- Discontinued operations	6,856	-	-	6,856	907	-	-	907
	75,682	-	-	75,682	88,963	-	246	89,147

Note:

In preparing the Company-level financial statements, balances and transactions of Shareholders' fund and Takaful funds are amalgamated with elimination of interfund balances and transactions.

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

SUN LIFE MALAYSIA TAKAFUL BERHAD  
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Share capital RM'000	Share premium RM'000	Non-distributable Available- for-sale reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2017	100,010	99,990	717	101,526	302,243
Transition to no-par value regime on 31 January 2017 <sup>1</sup>	99,990	(99,990)	-	-	-
Total comprehensive income for the financial year	-	-	1,917	73,765	75,682
At 31 December 2017	200,000	-	2,634	175,291	377,925
At 1 January 2016	100,010	99,990	(353)	13,449	213,096
Total comprehensive income for the financial year	-	-	1,070	88,077	89,147
At 31 December 2016	100,010	99,990	717	101,526	302,243

<sup>1</sup> The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account of RM99,990,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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

SUN LIFE MALAYSIA TAKAFUL BERHAD  
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	<u>2017</u> RM'000	<u>2016</u> RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the financial year		
Continuing operations	66,909	87,170
Discontinued operations	6,856	907
	<u>73,765</u>	<u>88,077</u>
Adjustments for:		
Depreciation of property and equipment	2	78
Amortisation of intangible assets	706	2
Amortisation of premiums - net	488	424
Realised gains on disposal of financial assets	(880)	(1,484)
Profit income	(51,250)	(44,655)
Dividend income	(2,388)	(801)
Net fair value (gains)/losses	(12,820)	463
Provision for expense liability	(19,516)	6,954
Allowance for impairment loss on Takaful receivables	(152)	(612)
Decrease in General Takaful contract liabilities	(5,541)	(6,327)
Increase in Family Takaful contract liabilities	163,751	162,323
Taxation	14,781	14,542
Zakat	430	570
	<u>161,376</u>	<u>219,554</u>
Profit from operations before changes in operating assets and liabilities	161,376	219,554
Proceeds from disposal and maturity of investments	227,613	180,548
Purchase of investments	(389,365)	(376,971)
Decrease/(increase) in other receivables	4,194	(6,331)
(Increase)/decrease in Takaful receivables	(5)	1,449
Decrease/(increase) in financing and receivables	12,936	(19,545)
Increase in retakaful assets	(49,465)	(30,010)
Increase/(decrease) in other payables	16,513	(5,549)
Increase in Takaful payables	3,335	1,965
	<u>(12,868)</u>	<u>(34,890)</u>
Income tax paid, net of refund	(16,027)	(3,793)
Zakat paid	(220)	(220)
Profit income received	50,466	42,556
Dividend income received	2,388	828
	<u>23,739</u>	<u>4,481</u>
Net cash generated from operating activities	23,739	4,481

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STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	<u>2017</u> RM'000	<u>2016</u> RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(854)	(246)
Purchase of intangible assets	(25,140)	(12)
Net cash used in investing activities	<u>(25,994)</u>	<u>(258)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,255)	4,223
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	23,743	19,520
TRANSFER TO ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE	11 (2,524)	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	<u>18,964</u>	<u>23,743</u>
Cash and cash equivalents comprise:		
Cash and bank balances	<u>18,964</u>	<u>23,743</u>

The Company classifies cash flows from the acquisition and disposal of financial assets as operating cash flows as the purchases are funded from cash flows associated with the origination of Takaful contracts, net of cash flows for payments of benefits and claims incurred for Takaful contracts, which are respectively treated under the operating activities.

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**1 CORPORATE INFORMATION**

The Company is engaged principally in the underwriting of Family Takaful including investment-linked business and General Takaful business. There have been no significant changes in the nature of these activities during the financial year other than as disclosed in Note 11 to the financial statements.

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at the 11<sup>th</sup> Floor, No 338, Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur, Malaysia.

The principal place of business of the Company is located at the 8<sup>th</sup> Floor, No 338, Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur, Malaysia.

The Directors regard Renggis Ventures Sdn Bhd as the immediate holding company, Avicennia Capital Sdn Bhd as the penultimate holding company and Khazanah Nasional Berhad as the ultimate holding company. Avicennia Capital Sdn Bhd is also a financial holding company. All the three companies are incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 1 March 2018.

**2 SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and comply with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the provisions of the Companies Act 2016.

Following the adoption of MFRS, a Takaful Operator is required to present its financial statements for itself and the Takaful funds it manages.

In preparing the Company's financial statements as a whole, the assets, liabilities, income and expenses of the Takaful fund are combined with those of the Takaful Operator. 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 as a whole 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 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.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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 judgement in the process of applying the Company's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.3 to the financial statements.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

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

The amendments and improvements to published standards and interpretations that have been adopted by the Company for the first time for the financial year beginning on or after 1 January 2017 are as follows:

- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses'

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

All new standards, amendments to published standards and interpretations that are effective for the current financial year are not relevant to the Company.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

A number of new standards and amendments to standards and interpretations are effective for financial years beginning after 1 January 2017. None of these are expected to have a significant effect on the financial statements of the Company, except for the following set out below:

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

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

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 in the process of assessing the financial impact onto the financial statements.

- Amendments to MFRS 4 - Applying MFRS 9 'Financial Instruments' with MFRS 4 'Insurance Contracts' effective for annual periods beginning on or after 1 January 2018.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9 “Financial Instruments” before the application of MFRS 17, the new insurance contracts standard. This is because certain financial assets have to be measured at fair value through profit or loss under MFRS 9; whereas, under MFRS 4 ‘Insurance Contracts’, the related liabilities from insurance contracts are often measured on amortised cost basis

The amendments provide two different approaches for entities: (i) a temporary exemption from MFRS 9 for entities that meet specific requirements; and (ii) the overlay approach. Both approaches are optional.

The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if its activities are predominantly connected with insurance whilst the overlay approach allows an entity to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from applying MFRS 9.

An entity can apply the temporary exemption from MFRS 9 from annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies MFRS 9 for the first time.

The Company’s business activity is predominately insurance and hence, it qualifies for the temporary exemption approach. Consequently, management has decided to apply the temporary exemption from MFRS 9 from its annual period beginning 1 January 2018 and will adopt MFRS 9 for its annual period beginning 1 January 2021.

- MFRS 15 ‘Revenue from contracts with customers’ (effective from 1 January 2018) replaces MFRS 118 ‘Revenue’. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.



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NOTES TO THE FINANCIAL STATEMENTS  
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers
- Identify the separate performance obligations
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard includes, amongst others:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift some revenue which is currently recognised at a point in time at the end of a contract to be recognised over the contract term and vice versa.

Based on the Company's assessment, there is no expected material impact to the Company's financial statements.

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is reduced over time with profit expense recognised in the income statement.

The Company is in the process of assessing the financial impact onto the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

- MFRS 17 'Insurance Contracts' (effective from 1 January 2021) replaces MFRS 4 'Insurance Contracts'

MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 "Revenue". An entity is allowed to account for financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance contracts. Insurance contracts, (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

MFRS 17 requires a current measurement model where estimates are remeasured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that relate to financial risks either in profit or loss or in other comprehensive income.

Alternative measurement models are provided for the different insurance coverage:

- Simplified Premium Allocation Approach if the insurance coverage period is a year or less
- Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder and the returns on the underlying items

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims.

Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.

The Company is in the process of assessing the financial impact onto the Company's financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.2 Summary of significant accounting policies

(a) Property and equipment

All items of property and equipment are initially recorded at cost. Subsequent costs 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. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, summarised as follows:

Computer equipment	3 years
Motor vehicles	3 years

Work-in-progress is not depreciable until the asset is ready for its intended use.

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) Intangible assets

Intangible assets of the Company consist of computer software and exclusive partnership fee.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable software systems controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives of 3 years.

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Exclusive partnership fee

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, an intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment losses. The exclusive partnership agreement provides the Company with an exclusive right to the use of the partnership network. The fee for this right is amortised over its partnership agreement term using the straight line method. The asset is reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. See accounting policy Note 2.2(e)(ii) on impairment of non-financial assets.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), financing and receivables ("FAR") and available-for-sale ("AFS").

The classification depends on the purpose for which the financial assets were acquired or originated. Management determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

FVTPL

Financial assets at FVTPL include financial assets held for trading and those designated at fair value through profit or loss at inception. Financial assets typically bought with the intention to sell in the near future are classified as held-for-trading. For financial assets designated as at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

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

These financial assets are initially recorded at fair value. Subsequent to initial recognition, these financial assets are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in profit or loss.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Financial assets (continued)

FAR

FAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at fair value. All transaction costs directly attributable to the acquisition are also included in the cost of the financial assets. After initial measurement, FAR are measured at amortised cost, using the effective yield method, less impairment loss. Gains and losses are recognised in profit or loss when the financial assets are derecognised or impaired, as well as through the amortisation process.

AFS

AFS are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the two preceding categories. These financial assets are initially recognised at fair value. After initial measurement, AFS are remeasured at fair value.

Fair value gains and losses of AFS, net of income tax, are recognised directly in other comprehensive income, except for impairment losses.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in other comprehensive income are transferred to the profit or loss as net realised gains or losses on AFS financial assets.

(d) Fair value of financial instruments

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

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

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(d) Fair value of financial instruments (continued)

The fair value of Government Investment Issues, Cagamas Sukuk and unquoted Sukuk are based on indicative fair market prices or index by reference to quotations provided by banks and rating agencies.

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/placement and accrued profit. The fair value of fixed profit/yield-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the date of the statement of financial position.

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

(e) Impairment

(i) Financial assets

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

Assets carried at amortised cost

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

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

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Impairment (continued)

(i) Financial assets (continued)

Assets carried at amortised cost (continued)

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

AFS financial assets

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

(ii) Non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the date of the statement of financial position. The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset, in which case it is taken to revaluation surplus.



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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(f) Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

(g) Equity instruments

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity.

Dividends

Dividends on ordinary shares and preference shares classified as equity instruments are recognised as a liability and deducted from equity when they are declared.

Dividends for the financial year that are declared after the date of the statement of financial position are dealt with as an event after the date of the statement of financial position.

(h) Product classification

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

Financial risk is the risk of a possible future change in one or more of a specified profit 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 whereby significant Takaful risks are shared among the participants. A Takaful contract is a contract under which the Takaful operator (the provider) has agreed to administer Takaful risk faced by the participants by agreeing to compensate the participants from the Tabarru' Fund if a specified uncertain future event (the insured 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.

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

Once a Takaful 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Product classification (continued)

Based on the Company's assessment, all Takaful 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 issuer; 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 issuer; 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, subject to the advice of the Company's Appointed Actuary.

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 profit or loss.

An investment-linked Takaful contract is a Takaful contract with an embedded derivative linking payments on the contract to units of an internal investment fund set up by the Company with the consideration received from the contract holders. This embedded derivative meets the definition of a Takaful contract and is therefore not accounted for separately from the host Takaful contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

(i) Retakaful contracts

Contracts entered into by the Company with retakaful operators under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for Takaful contracts in Note 2.2(h) (on product classification) are classified as Takaful contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Takaful contracts entered into by the Company under which the contract holder is another Takaful operator (inward retakaful) are included within Takaful contracts.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(i) Retakaful contracts (continued)

The benefits to which the Company is entitled under its retakaful contracts held are recognised as retakaful assets. These assets consist of short-term balances due from retakaful operators, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related retakaful contracts. Amounts recoverable from or due to retakaful operators are measured consistently with the amounts associated with the original Takaful contracts to which the retakaful relates and in accordance with the terms of each retakaful contract. Retakaful liabilities are primarily contributions payable for retakaful contracts and are recognised as an expense when due.

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

Retakaful assets are reviewed for impairment at each date of the statement of financial position 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 occurs after initial recognition of the retakaful asset that the Company may not receive all outstanding amounts due under the terms of the retakaful contract and the event has a reliably measurable impact on the amounts that the Company will receive from the retakaful operator. The Company gathers objective evidence that a retakaful asset is impaired using the same process adopted for financial assets held at amortised cost and the impairment loss is calculated following the same method used for these financial assets as set out in Note 2.2(e) to the financial statements. The impairment loss is recorded in profit or loss.

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

(j) Family Takaful contracts

Family Takaful fund

The Family Takaful fund is maintained in accordance with the requirements of the Islamic Financial Services Act, 2013 and includes the amount attributable to participants.

The amount attributable to participants represents the accumulated surplus attributable to the participants as determined by an annual actuarial valuation of the Family Takaful fund and is attributable in accordance with the terms and conditions prescribed by the Company's Shariah Committee.

All actuarial deficits in the Family Takaful fund will be made good by the Shareholders' fund via a benevolent loan or Qardhul Hasan.

The deficits reported by the Takaful funds during the financial year that are attributable to the Shareholders' fund will be reported as a loss in the financial statements of the respective Takaful funds. Accordingly, accumulated deficits and available-for-sale reserve attributable to the Shareholders' fund are treated as equity in the financial statements.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Contribution income

Contribution income represents contribution recognised in the Family Takaful and Investment-linked funds. Contribution income from the Family Takaful fund are recognised as soon as the amount of the contribution can be reliably measured. Initial contribution is recognised from inception date and subsequent contributions are recognised when due.

At the end of the financial year, all due contributions are accounted for to the extent that they can be reliably measured.

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

Retakaful contributions

Retakaful contributions are recognised as an expense when payable or on the date on which the certificate is effective.

Benefits and claims expenses

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

Benefits and claims, including settlement costs, are accounted for using the case-by-case method and for this purpose, the amounts payable under a Family Takaful certificate are recognised as follows:

- maturity and other certificate benefit payments due on specified dates are treated as benefits payable on the due dates;
- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered;
- benefits payable under the Investment-linked funds are in respect of net cancellation of units and are recognised as surrenders; and
- surplus sharing of Takaful certificates in the financial year when surplus arises.

Retakaful claims are recognised when the related gross Takaful claim is recognised according to the terms of the relevant retakaful contracts.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Commission expenses and management expenses

Commissions and management expenses are borne by the Family Takaful fund 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 transferred to the Shareholders’ fund via Wakalah fee and are recognised as incurred and properly allocated to the period in which it is probable that they give rise to income.

At each date of the statement of financial position, the Company estimates its net future expense cash flows required on the maintenance of the Family Takaful fund. If the estimate shows that there is a deficiency in the net future expense cash flows, the deficiency is immediately charged to the profit or loss of the Shareholders’ fund with a corresponding credit to the provision of expense liabilities.

Family Takaful contract liabilities

Family Takaful contract liabilities comprise liabilities attributable to the certificate holders, claims liabilities, available-for-sale reserve on financial assets, net asset value attributable to certificate holders and unallocated surplus.

(i) Liabilities attributable to the certificate holders

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

Actuarial liabilities as determined by the annual actuarial valuation are based on the Islamic Financial Services Act, 2013 as well as the relevant statutory requirements stated in the Guidelines on Valuation Basis for Liabilities of Family Takaful Business. The actuarial liabilities are derecognised when the Takaful contract expires, is discharged or is cancelled.

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed benefits and any expected future expenses payable from the takaful funds, less the present value of future gross tabarru arising from the certificate discounted at the appropriate risk discount rate. The valuation basis, including the determination of the appropriate risk discount rate, is in accordance with the Guidelines on Valuation Basis for Liabilities of Family Takaful Business and any related Circulars issued by BNM relevant to the guidelines.

The liabilities are based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of these liabilities.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Family Takaful contract liabilities (continued)

(i) Liabilities attributable to the certificate holders (continued)

Adjustments to the liabilities at each date of the statement of financial position are recorded in the Family Takaful fund. Profits originating from margins of adverse deviations on run-off contracts are recognised in the Family Takaful fund over the life of the contracts, whereas losses are fully recognised in the Family Takaful fund during the first year of run-off.

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

At each date of the statement of financial position, an assessment is made of whether the recognised life insurance liabilities are adequate, net of present value of in-force business ("PVIF") by using an existing liability adequacy test.

Any inadequacy is recorded in profit or loss, initially by impairing PVIF and subsequently by establishing technical reserves for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

For the purpose of complying with the requirements of a liability adequacy test under MFRS 4 Insurance Contract, takaful operators are deemed to comply if the valuation methods used are in accordance with "Guidelines on Valuation Basis for Liabilities of Family Takaful Business", as specified by BNM.

(ii) 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 further set out in Note 2.2(j) on the accounting policy for benefits and claims expenses for Family Takaful contracts.

(iii) Fair value adjustment on available-for-sale financial assets

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Family Takaful contract liabilities (continued)

(iv) Net asset value attributable to certificate holders

The unit liability of an investment-linked certificate is equal to the net asset value of the investment-linked funds, which represents the net contributions received and investment returns credited to the certificate less deduction for mortality, morbidity costs and expense charges.

(v) Unallocated surplus

Surpluses of contracts under the surplus sharing Family Takaful fund are attributable to certificate holders and shareholders and the amount and timing of distribution to both the certificate holders and shareholders are determined by an actuarial valuation of the long term liabilities to certificate holders at the date of the statement of financial position and is made in accordance with the provisions of the Islamic Financial Services Act, 2013 and the related regulations by the Company's Appointed Actuary.

Surpluses in the non-surplus sharing fund arising during the financial year are recognised in the statement of comprehensive income and the unallocated surplus where the amount of surplus allocation to shareholders has yet to be determined by the end of the financial year is held in equity.

Unallocated surpluses of the surplus sharing funds where the amount of surplus allocation to the certificate holders has yet to be determined by the end of the financial year are held within the Takaful contract liabilities.

(k) General Takaful contracts

General Takaful fund

The General Takaful fund is maintained in accordance with the Islamic Financial Services Act, 2013 and consists of outstanding claims liability, contribution liability and surplus/deficit attributable to participants which represents the participants' share in the net surplus of the General Takaful fund's profit or loss. Surplus is distributable in accordance with the terms and conditions prescribed by the Company's Shariah Committee. Any deficit in the General Takaful fund will be made good by the Shareholders' fund via a benevolent loan or Qardhul Hasan.

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NOTES TO THE FINANCIAL STATEMENTS  
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) General Takaful contracts (continued)

Contribution income

Contributions are recognised as soon as the amount of the contributions can be reliably measured in accordance with the principles of Shariah. Gross contributions are recognised in a financial year in respect of risks assumed during that particular financial year. Gross contributions from direct business are recognised during the financial year upon the issuance of certificates. Gross contributions in respect of risks accepted for which certificates have not been issued as of the date of the statement of financial position 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 liability for compensation owed to certificate holders or third parties losses caused by the certificate holders. They include direct claims settlement cost 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.

Commission expenses and management expenses

Commissions and management expenses are borne by the General Takaful fund in the 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 transferred to the Shareholders' fund via Wakalah fee and are recognised as incurred and properly allocated to the period in which it is probable that they give rise to income.

General Takaful contract liabilities

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

These liabilities comprise of outstanding claims liability, contribution liability, available-for-sale reserve on financial assets and unallocated surplus.



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NOTES TO THE FINANCIAL STATEMENTS  
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) General Takaful contracts (continued)

General Takaful contract liabilities (continued)

(i) Outstanding claims liability

Outstanding claims liability 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, taking into account the 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 specific provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

For the purpose of complying with the requirements of a liability adequacy test under MFRS 4 Insurance Contract, takaful operators are deemed to comply if the valuation methods used are in accordance with "Guidelines on Valuation Basis for Liabilities of General Takaful Business", as specified by BNM.

(ii) Contribution liability

The contribution liability is calculated at the higher of the Unearned Contribution Reserve ("UCR") and the Unexpired Risk Reserve ("URR") at the individual class level. The UCR represents the portion of the gross contributions of Takaful certificates written that relate to the unexpired periods of the certificates at the end of the financial year.

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

- 1/365<sup>th</sup> method for all classes of General Takaful business; and
- Non-annual certificates are time-apportioned over the period of the risks.

UCR is determined on a net contribution basis, which is the gross contributions net of the related retakaful contributions ceded to qualified retakaful operators, reduced by the corresponding percentage of accounted gross direct business commission, agency related expenses and management expenses, not exceeding the limits specified by BNM.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) General Takaful contracts (continued)

General Takaful contract liabilities (continued)

(ii) Contribution liability (continued)

URR represents the ultimate claims amount corresponding to the UCR. The estimation of the URR is determined by an independent actuarial firm, Actuarial Partners Consulting Sdn Bhd (Actuarial Partners). For the purpose of calculating the best estimate of the URR, an Ultimate Loss Ratio from the most recent exposure period is multiplied with the UCR. However for the Company's long term product, Actuarial Partners have adopted a Gross Premium Valuation ("GPV") method, which is a prospective method that takes into account the future timing of cashflows and any uncertainty associated with the contract, to assess the value of the unexpired reserves for the long term product. This is due to its long-term exposure where the Company is required to service the in-force certificates as well as the claims between 20 to 30 years.

Generally, the reserve is released over the term of the contract and is recognised as contribution income.

For the purpose of complying with the requirements of a liability adequacy test under MFRS 4 Insurance Contract, takaful operators are deemed to comply if the valuation methods used are in accordance with "Guidelines on Valuation Basis for Liabilities of General Takaful Business", as specified by BNM.

(iii) Fair value adjustment on available-for-sale financial assets

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

(iv) Unallocated surplus

Surplus of contracts under the surplus sharing General Takaful fund is attributable to certificate holders and shareholders and the amount and timing of distribution to both the certificate holders and shareholders are determined by an actuarial valuation of the long term liabilities to certificate holders at the date of the statement of financial position and is made in accordance with the provisions of the Islamic Financial Services Act, 2013 and the related regulations by the Company's Appointed Actuary.

Unallocated surpluses of the surplus sharing funds where the amount of surplus allocation to the certificate holders has yet to be determined by the end of the financial year is held within the Takaful contract liabilities.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of significant accounting policies (continued)**

**(l) Takaful receivables**

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

If there is objective evidence that the Takaful receivables are impaired, the Company reduces the carrying amount of the Takaful receivables accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that Takaful receivables are impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets as set out in Note 2.2(e) to the financial statements.

Takaful receivables are derecognised when the derecognition criteria for financial assets as set out in Note 2.2(f) to the financial statements have been met.

**(m) 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 its existence where inflows of economic benefits are probable, but not virtually certain.

**(n) Qardhul Hasan**

Qardhul Hasan is stated at cost and as of the date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable in the near term. A write down is made if the carrying amount exceeds the recoverable amount, as set out in Note 2.2(e) to the financial statements on impairment of assets.

Qardhul Hasan 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)

(o) Expense liabilities

Expense liabilities are maintained in the Shareholders' fund in accordance with the requirements stated in the Guidelines on Valuation Basis for Liabilities of General Takaful and Family Takaful Business issued by BNM.

The expense liability with respect to General Takaful business is calculated at the higher of the provision for Unearned Wakalah Fee ("UWF") (excluding commission) or the Unexpired Expense Risk ("UER") at the individual class level.

UWF is net of commission and is being calculated based on the same approach as the UCR. UER represents the expense amount expected to be incurred over the unearned period. It is determined by Actuarial Partners by applying a percentage in respect of the claims-related expense on the outstanding claims liability and URR as well as applying a percentage in respect of on-going contribution-related expense on the gross UCR. However for the Company's long term General Takaful product, Actuarial Partners have adopted the GPV method to assess the value of the unexpired reserves for the long term product. This is due to its long-term exposure where the Company is expected to incur expenses to service the in-force certificates as well as the claims between 20 to 30 years.

For Family Takaful business, the expense liabilities are determined by taking the present value of projected future deficits, discounted at appropriate risk discount rate. Future deficits are defined as the excess of future expense streams over future income cash flows, on an aggregate basis.

In addition, an appropriate allowance for provision of risk margin for adverse deviation is made in the valuation of these liabilities.

(p) Other revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Wakalah fees

Wakalah fees represent fees charged by the Shareholders' fund to manage the Takaful certificates issued by the General and Family Takaful funds under the principle of Wakalah and are recognised as soon as the contributions, to which they relate, can be reliably measured in accordance with the principles of Shariah.

Profit income

Profit income is recognised using the effective profit rate method.

Other profit income, including the amount of amortisation of premiums and accretion of discounts, is recognised on a time proportion basis that takes into account the effective yield of the asset.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) Other revenue recognition

Dividend income

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

Realised gains and losses on investments

Realised gains and losses recorded in profit or loss on investments include gains and losses on financial assets. Gains and losses on sale of financial assets are calculated as the difference between net sales proceeds and the original or amortised costs and are recorded on occurrence of the sale transactions.

(q) Taxation

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of taxable profits and surplus for the financial year and is measured using the tax rates that have been enacted at the date of the statement of financial position. Current tax is recognised in profit or loss.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred tax is recognised as income or expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in other comprehensive income, in which case the deferred tax is also recognised directly in other comprehensive income.

(r) 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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**NOTES TO THE FINANCIAL STATEMENTS**  
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(s) Employee benefits

(i) Short term employee benefits

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

(ii) Post employment benefits

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

(iii) Share-based payment plan

Certain employees of the Company are granted a share-based payment plan as consideration for services rendered.

The share-based payment plan is based on the value of Sun Life Financial Inc.'s ("SLF") common shares. The total liabilities for this plan is computed based on the estimated number of SLF's common shares expected to vest at the end of the vesting period. The liabilities are recomputed at the end of each reporting period and are measured at the fair value of SLF's common shares at the reporting date. The liabilities are accrued and expensed on a straight-line basis over the vesting periods. The liabilities are settled in cash at the end of the vesting period.

(t) Zakat

This represents the tithe amount allocated by the Company to the zakat authorities as approved by the Company's Shariah Committee.

(u) Other financial liabilities and Takaful payables

Other financial liabilities and Takaful payables are recognised when due and measured on initial recognition at fair value less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

(v) Cash and cash equivalents

Cash and cash equivalents consist of cash in-hand and balances at bank and deposits held at call with financial institutions with original maturities of three months or less. It excludes deposits which are held for investment purpose.

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**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Summary of significant accounting policies (continued)**

(w) Non-current assets (or disposal groups) held-for -sale

Non-current assets (or disposable groups) are classified as assets held-for-sale when their carrying amounts are recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

**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 date of the statement of financial position. 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 any future periods. 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 a 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) Provision for Incurred But Not Reported ("IBNR") claims

For the financial year ended 31 December 2017, the estimation of IBNR claims has been computed by Actuarial Partners. Different methods have been used to analyse past data and project past patterns into the future. For the purpose of calculating the final best estimate of the outstanding claims liability, Actuarial Partners adopted the Link Ratio method with a Bornhuetter-Ferguson ("BF") adjustment on an incurred claims basis.

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NOTES TO THE FINANCIAL STATEMENTS  
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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)

(i) Provision for Incurred But Not Reported (“IBNR”) claims (continued)

The BF method is an extension to the Link Ratio method where the Link Ratio method identifies claims patterns experienced in the past and projects these same patterns over future years through the selection of link ratio factors. At each claims development year, the grossing up factors under the BF method are then derived as the inverse of the product of the link ratio factors from the subsequent development year to ultimate. In the BF method, an adopted Ultimate Loss Ratio is then incorporated to arrive at the resultant Ultimate Loss Ratio, where the former is selected based on the historical claims experience, industry loss ratios as well as incurred claims ratios to-date. The IBNR is then determined by subtracting the case estimate from the estimated outstanding claims liability as derived from the BF method.

(ii) Actuarial liabilities for Family Takaful fund

The liability for Family Takaful contracts and investment contracts with DPF is based on current assumptions, reflecting the best estimate at the time of its determination and increased with a margin for risk and adverse deviation.

The main assumptions used relate to mortality, morbidity, investment returns, expenses, lapse and surrender rates and discount rates. The Company bases mortality and morbidity on established Malaysian industry tables which reflect historical experiences, adjusted when appropriate to reflect the Company’s unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences.

Estimates are also made as to future investment income arising from the assets backing the Family Takaful contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation adjustments, if appropriate.

Lapse and surrender rates are based on the Company’s historical experience of lapses and surrenders.

Discount rate for Family Takaful certificates and the non-unit liability of investment-linked certificates accord a level of guarantee which is no less certain than that accorded by a Government Investment Issue (“GI”).



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NOTES TO THE FINANCIAL STATEMENTS  
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3 PROPERTY AND EQUIPMENT

Shareholders' fund/Company

	<u>Computer equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>				
At 1 January 2016	631	289	-	920
Additions	-	-	246	246
Reclassification of work in progress to intangible assets	-	-	(26)	(26)
At 31 December 2016/ 1 January 2017	631	289	220	1,140
Additions	-	-	854	854
Reclassification of work in progress to intangible assets	-	-	(808)	(808)
At 31 December 2017	631	289	266	1,186
<u>Accumulated depreciation</u>				
At 1 January 2016	623	217	-	840
Charge for the financial year (note 22)	6	72	-	78
At 31 December 2016/ 1 January 2017	629	289	-	918
Charge for the financial year (note 22)	2	-	-	2
At 31 December 2017	631	289	-	920
<u>Net carrying amount</u>				
31 December 2016	2	-	220	222
31 December 2017	-	-	266	266

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

4 INTANGIBLE ASSETS

Shareholders' fund/Company

	<u>Computer software</u> RM'000	<u>Partnership fee</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>			
At 1 January 2016	13,525	-	13,525
Additions	12	-	12
Reclassification of work in progress from property and equipment	26	-	26
At 31 December 2016/1 January 2017	13,563	-	13,563
Additions	10	37,850	37,860
Reclassification of work in progress from property and equipment	808	-	808
At 31 December 2017	14,381	37,850	52,231
<u>Accumulated amortisation</u>			
At 1 January 2016	13,525	-	13,525
Amortisation for the financial year (note 22)	2	-	2
At 31 December 2016/1 January 2017	13,527	-	13,527
Amortisation for the financial year (note 22)	126	580	706
At 31 December 2017	13,653	580	14,233
<u>Net carrying amount</u>			
31 December 2016	36	-	36
31 December 2017	728	37,270	37,998

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

## 5 FINANCIAL ASSETS

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2017</u>				
Government Investment Issues	149,098	129,759	278,857	12,239
Cagamas Sukuk	-	10,094	10,094	-
Unquoted Sukuk	137,174	633,890	771,064	16,665
Quoted equity securities	-	71,579	71,579	-
Unit trust funds	11,741	27,878	39,619	-
Investments in investment-linked funds	8,820	-	-	-
Total	<u>306,833</u>	<u>873,200</u>	<u>1,171,213</u>	<u>28,904</u>
	Shareholders' fund	General Takaful fund	Family Takaful fund	Company
	RM'000	RM'000	RM'000	RM'000
<u>2016</u>				
Government Investment Issues	127,955	12,275	172,234	312,464
Cagamas Sukuk	-	-	15,234	15,234
Unquoted Sukuk	131,554	17,582	513,607	662,743
Quoted equity securities	-	-	11,868	11,868
Unit trust funds	-	-	20,923	20,923
Investments in investment-linked funds	8,038	-	-	-
Total	<u>267,547</u>	<u>29,857</u>	<u>733,866</u>	<u>1,023,232</u>

The Company's financial assets are summarised by categories as follows:

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2017</u>				
AFS	295,092	773,743	1,060,015	28,904
FVTPL – designated upon initial recognition	11,741	99,457	111,198	-
Total	<u>306,833</u>	<u>873,200</u>	<u>1,171,213</u>	<u>28,904</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

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

	Shareholders' fund <u>RM'000</u>	General Takaful fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>2016</u>				
AFS	267,547	29,857	701,075	990,441
FVTPL – designated upon initial recognition	-	-	32,791	32,791
Total	<u>267,547</u>	<u>29,857</u>	<u>733,866</u>	<u>1,023,232</u>

The following financial assets are expected to be realised after 12 months:

	Shareholders' fund <u>RM'000</u>	Continuing operations Family Takaful fund <u>RM'000</u>	Company <u>RM'000</u>	Discontinued operations General Takaful fund <u>RM'000</u>
<u>2017</u>				
AFS	286,272	748,537	1,034,809	15,710
FVTPL - designated upon initial recognition	-	-	-	-
	<u>286,272</u>	<u>748,537</u>	<u>1,034,809</u>	<u>15,710</u>

	Shareholders' fund <u>RM'000</u>	General Takaful fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>2016</u>				
AFS	259,510	28,857	701,075	989,442
FVTPL - designated upon initial recognition	-	-	-	-
	<u>259,510</u>	<u>28,857</u>	<u>701,075</u>	<u>989,442</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(a) AFS

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2017</u>				
Government Investment Issues	149,098	129,759	278,857	12,239
Cagamas Sukuk	-	10,094	10,094	-
Unquoted Sukuk	137,174	633,890	771,064	16,665
Investments in investment-linked funds	8,820	-	-	-
Total	<u>295,092</u>	<u>773,743</u>	<u>1,060,015</u>	<u>28,904</u>
	Shareholders' fund	General Takaful fund	Family Takaful fund	Company
	RM'000	RM'000	RM'000	RM'000
<u>2016</u>				
Government Investment Issues	127,955	12,275	172,234	312,464
Cagamas Sukuk	-	-	15,234	15,234
Unquoted Sukuk	131,554	17,582	513,607	662,743
Investments in investment-linked funds	8,038	-	-	-
Total	<u>267,547</u>	<u>29,857</u>	<u>701,075</u>	<u>990,441</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(b) FVTPL – designated upon initial recognition

	Shareholders' fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	<u>Company</u> <u>RM'000</u>
<u>2017</u>			
Quoted equity securities	-	71,579	71,579
Unit trust funds	11,741	27,878	39,619
Total	<u>11,741</u>	<u>99,457</u>	<u>111,198</u>
<u>2016</u>			
Quoted equity securities	-	11,868	11,868
Unit trust funds	-	20,923	20,923
Total	<u>-</u>	<u>32,791</u>	<u>32,791</u>

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5 FINANCIAL ASSETS (CONTINUED)

(c) Carrying values of financial assets

	Available-for-sale			FVTPL		Company RM'000
	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Share- holders' fund RM'000	Family Takaful fund RM'000	
At 1 January 2017	267,547	29,857	701,075	-	32,791	1,023,232
Purchases	25,065	15,121	223,720	20,213	105,246	389,365
Maturities	-	(11,007)	-	-	-	(11,007)
Disposals	-	(5,053)	(150,801)	(8,495)	(50,584)	(214,933)
Fair value gains recorded in:						
Profit or loss (note 19)	-	-	-	23	12,004	12,027
Other comprehensive income/(loss)	2,522	119	(565)	-	-	2,076
Elimination of fair value gain from Shareholders' fund investment in investment-linked funds	-	-	-	-	-	(782)
Movement in accrued profit	105	(25)	547	-	-	627
Amortisation adjustments (note 17)	(147)	(108)	(233)	-	-	(488)
Transfer to assets of a disposal group classified as held-for-sale (Note 11)	-	(28,904)	-	-	-	(28,904)
At 31 December 2017	<u>295,092</u>	<u>-</u>	<u>773,743</u>	<u>11,741</u>	<u>99,457</u>	<u>1,171,213</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(c) Carrying values of financial assets (continued)

	Available-for-sale			FVTPL		Company RM'000
	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Share- holders' fund RM'000	Family Takaful fund RM'000	
At 1 January 2016	220,513	36,426	539,183	-	30,916	819,098
Purchases	94,860	8,612	219,444	-	54,055	376,971
Maturities	-	-	(3,075)	-	(500)	(3,575)
Disposals	(49,427)	(14,922)	(59,988)	-	(50,810)	(175,147)
Fair value gains/(losses) recorded in:						
Profit or loss (note 19)	-	-	-	-	(805)	(805)
Other comprehensive income	1,414	(122)	3,788	-	-	5,080
Elimination of fair value gain from Shareholders' fund investment in investment-linked funds	-	-	-	-	-	(98)
Movement in accrued profit	322	(20)	1,895	-	(65)	2,132
Amortisation adjustments (note 17)	(135)	(117)	(172)	-	-	(424)
At 31 December 2016	<u>267,547</u>	<u>29,857</u>	<u>701,075</u>	<u>-</u>	<u>32,791</u>	<u>1,023,232</u>



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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(d) Fair value hierarchy

The Company categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Company's valuation techniques for determining the fair value of the financial instruments.

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:

Level 1 – Fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as profit rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

Level 3 – Fair value measurements using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which are not market observable, including assumptions about risk.

The following table presents the Company's financial assets that are carried at fair value as at 31 December 2017.

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>Continuing operations</u>			
<u>2017</u>			
<u>Shareholders' fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	149,098	149,098
- Unquoted Sukuk	-	137,174	137,174
- Investments in investment-linked funds	8,820	-	8,820
<u>FVTPL – designated upon initial recognition</u>			
- Unit trust funds	11,741	-	11,741
	<u>20,561</u>	<u>286,272</u>	<u>306,833</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(d) Fair value hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>Continuing operations</u> (continued)			
<u>2017</u> (continued)			
<u>Family Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	129,759	129,759
- Cagamas Sukuk	-	10,094	10,094
- Unquoted Sukuk	-	633,890	633,890
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	71,579	-	71,579
- Unit trust funds	27,878	-	27,878
	<u>99,457</u>	<u>773,743</u>	<u>873,200</u>
<u>Company</u>			
<u>AFS</u>			
- Government Investment Issues	-	278,857	278,857
- Cagamas Sukuk	-	10,094	10,094
- Unquoted Sukuk	-	771,064	771,064
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	71,579	-	71,579
- Unit trust funds	39,619	-	39,619
	<u>111,198</u>	<u>1,060,015</u>	<u>1,171,213</u>
<u>Discontinued operations</u>			
<u>General Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	12,239	12,239
- Unquoted Sukuk	-	16,665	16,665
	<u>-</u>	<u>28,904</u>	<u>28,904</u>

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5 FINANCIAL ASSETS (CONTINUED)

(d) Fair value hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>2016</u>			
<u>Shareholders' fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	127,955	127,955
- Unquoted Sukuk	-	131,554	131,554
- Investments in investment-linked funds	8,038	-	8,038
	<u>8,038</u>	<u>259,509</u>	<u>267,547</u>
<u>General Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	12,275	12,275
- Unquoted Sukuk	-	17,582	17,582
	<u>-</u>	<u>29,857</u>	<u>29,857</u>
<u>Family Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	172,234	172,234
- Cagamas Sukuk	-	15,234	15,234
- Unquoted Sukuk	-	513,607	513,607
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	11,868	-	11,868
- Unit trust funds	20,923	-	20,923
	<u>32,791</u>	<u>701,075</u>	<u>733,866</u>

SUN LIFE MALAYSIA TAKAFUL BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

5 FINANCIAL ASSETS (CONTINUED)

(d) Fair value hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>2016</u> (continued)			
<u>Company</u>			
<u>AFS</u>			
- Government Investment Issues	-	312,464	312,464
- Cagamas Sukuk	-	15,234	15,234
- Unquoted Sukuk	-	662,743	662,743
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	11,868	-	11,868
- Unit trust funds	20,923	-	20,923
	<u>32,791</u>	<u>990,441</u>	<u>1,023,232</u>

There are no transfers between Level 1 and 2 of the fair value hierarchy during the current financial year.

6 FINANCING AND RECEIVABLES

	<u>Continuing operations</u>			<u>Discontinued operations</u>
	<u>Shareholders'</u> <u>fund</u>	<u>Family</u> <u>Takaful</u> <u>fund</u>	<u>Company</u> <u>fund</u>	<u>General</u> <u>Takaful</u> <u>fund</u>
	RM'000	RM'000	RM'000	RM'000
<u>2017</u>				
Fixed and call deposits with licensed financial institutions	<u>33,061</u>	<u>83,378</u>	<u>116,439</u>	<u>10,391</u>
Receivable within 12 months	<u>33,061</u>	<u>83,378</u>	<u>116,439</u>	<u>10,391</u>

SUN LIFE MALAYSIA TAKAFUL BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

6 FINANCING AND RECEIVABLES (CONTINUED)

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2016</u>				
Fixed and call deposits with licensed financial institutions	40,761	14,827	84,021	139,609
Receivable within 12 months	40,761	14,827	84,021	139,609

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

Included in the fixed and call deposits with licensed financial institutions is an amount of RM1,850,854 (2016: RM1,785,652) which has been pledged to a financial institution for a bank guarantee facility.

7 TAKAFUL RECEIVABLES

	<u>Continuing operations</u>		<u>Discontinued operations</u>
	Family Takaful fund RM'000	Company RM'000	General Takaful fund RM'000
<u>2017</u>			
Outstanding contributions including agents, brokers and co-takaful balances	20,626	20,626	3,073
Less: Allowance for impairment (note 30)	(8)	(8)	-
	<u>20,618</u>	<u>20,618</u>	<u>3,073</u>
Amount due from retakaful operators	9,858	9,858	744
Less: Allowance for impairment (note 30)	-	-	(744)
	<u>9,858</u>	<u>9,858</u>	<u>-</u>
Total	<u>30,476</u>	<u>30,476</u>	<u>3,073</u>

SUN LIFE MALAYSIA TAKAFUL BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

7 TAKAFUL RECEIVABLES (CONTINUED)

	Continuing operations		Discontinued operations
	Family Takaful fund RM'000	Company RM'000	General Takaful fund RM'000
<u>2017 (continued)</u>			
Gross amounts of recognised financial assets	33,512	33,512	3,144
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	(3,036)	(3,036)	(71)
Net amounts of financial assets presented in the statement of financial position	<u>30,476</u>	<u>30,476</u>	<u>3,073</u>
	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2016</u>			
Outstanding contributions including agents, brokers and co-takaful balances	3,052	21,559	24,611
Less: Allowance for impairment (note 30)	(32)	(6)	(38)
	<u>3,020</u>	<u>21,553</u>	<u>24,573</u>
Amount due from retakaful operators	633	8,813	9,446
Less: Allowance for impairment (note 30)	(627)	-	(627)
	<u>6</u>	<u>8,813</u>	<u>8,819</u>
	<u>3,026</u>	<u>30,366</u>	<u>33,392</u>
Gross amounts of recognised financial assets	3,027	31,690	34,717
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	(1)	(1,324)	(1,325)
Net amounts of financial assets presented in the statement of financial position	<u>3,026</u>	<u>30,366</u>	<u>33,392</u>

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

SUN LIFE MALAYSIA TAKAFUL BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

7 TAKAFUL RECEIVABLES (CONTINUED)

There are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 31 December 2017 (2016: nil).

8 RETAKAFUL ASSETS

	<u>Continuing operations</u>		<u>Discontinued operations</u>
	<u>Family Takaful fund</u>	<u>Company</u>	<u>General Takaful fund</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>2017</u>			
Retakaful of Takaful contracts			
- Takaful contract liabilities (note 12)	87,260	87,260	7,088
Receivable within 12 months	24,847	24,847	3,623
Receivable after 12 months	62,413	62,413	3,465
	87,260	87,260	7,088
	<u>General Takaful fund</u>	<u>Family Takaful fund</u>	<u>Company</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>2016</u>			
Retakaful of Takaful contracts			
- Takaful contract liabilities (note 12)	7,140	37,743	44,883
Receivable within 12 months	3,469	12,781	16,250
Receivable after 12 months	3,671	24,962	28,633
	7,140	37,743	44,883

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

9 OTHER RECEIVABLES

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2017</u>				
Amount due from related party	-	7	7	5
Dividend receivable	-	360	360	-
Interfund balances	11,613	-	-	-
Surplus sharing from General Takaful fund	9,868	-	-	-
Surplus sharing from Family Takaful fund	48,223	-	-	-
Sharing of investment income from Participants' Account fund	2,268	-	-	-
Other receivables	1,879	827	2,706	-
	<u>73,851</u>	<u>1,194</u>	<u>3,073</u>	<u>5</u>
Receivable within 12 months	<u>73,851</u>	<u>1,194</u>	<u>3,073</u>	<u>5</u>
	Shareholders' fund	General Takaful fund	Family Takaful fund	Company
	RM'000	RM'000	RM'000	RM'000
<u>2016</u>				
Amount due from related party	-	2	-	2
Dividend receivable	-	-	75	75
Interfund balances	4,797	21	-	-
Surplus sharing from General Takaful fund	9,884	-	-	-
Surplus sharing from Family Takaful fund	45,396	-	-	-
Sharing of investment income from Participants' Account fund	1,933	-	-	-
Knock for knock claims recoverable	-	4	-	4
Other receivables	106	1	7,083	7,190
	<u>62,116</u>	<u>28</u>	<u>7,158</u>	<u>7,271</u>
Receivable within 12 months	<u>62,116</u>	<u>28</u>	<u>7,158</u>	<u>7,271</u>

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

Amount due from related party is unsecured, profit free and has no fixed repayment terms.



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10 DEFERRED TAX ASSETS

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

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

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2017</u>				
Deferred tax assets	3,025	(864)	2,161	236
Current	2,232	-	2,232	165
Non-current	793	(864)	(71)	71
	<u>3,025</u>	<u>(864)</u>	<u>2,161</u>	<u>236</u>
Comprising:				
Continuing operations	3,025	(864)	2,161	-
Discontinued operations (Note 11)	-	-	-	236
	<u>3,025</u>	<u>(864)</u>	<u>2,161</u>	<u>236</u>
	Shareholders' fund	General Takaful fund	Family Takaful fund	Company
	RM'000	RM'000	RM'000	RM'000
<u>2016</u>				
Deferred tax assets	3,209	240	94	3,543
Current	1,983	149	-	2,132
Non-current	1,226	91	94	1,411
	<u>3,209</u>	<u>240</u>	<u>94</u>	<u>3,543</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

10 DEFERRED TAX ASSETS (CONTINUED)

The movements in deferred tax assets/(liabilities) are as follows:

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2017</u>				
At 1 January	3,209	240	94	3,543
<u>Credited/(charged) to profit or loss</u>				
- Property and equipment	-	(17)	(56)	(73)
- FVTPL financial assets	29	25	(947)	(893)
- Allowance for doubtful debts	-	16	-	16
- Expense liabilities	143	-	-	143
- Provision of expenses	249	-	-	249
Taxation	421	24	(1,003)	(558)
<u>(Charged)/credited to other comprehensive income</u>				
- AFS financial assets	(605)	(28)	45	(588)
Transfer to assets of a disposal group (note 11)	-	(236)	-	(236)
At 31 December	<u>3,025</u>	<u>-</u>	<u>(864)</u>	<u>2,161</u>
Comprising:				
<u>Credited/(charged) to statement of profit or loss</u>				
- continuing operations (Note 24)	382	-	(1,003)	(621)
- discontinued operations	39	24	-	63
	<u>421</u>	<u>24</u>	<u>(1,003)</u>	<u>(558)</u>
Comprising:				
<u>(Charged)/credited to comprehensive income</u>				
- continuing operations	(605)	-	45	(588)
- discontinued operations (Note 11)	-	(28)	-	-
	<u>(605)</u>	<u>(28)</u>	<u>45</u>	<u>(588)</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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10 DEFERRED TAX ASSETS (CONTINUED)

The movements in deferred tax assets/(liabilities) are as follows:

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2016</u>				
At 1 January	5,637	23	348	6,070
<u>(Charged)/credited to profit or loss</u>				
- Property and equipment	112	12	(29)	95
- FVTPL financial assets	32	28	78	138
- Qardhul Hasan	62	-	-	-
- Allowance for doubtful debts	-	149	-	149
- Expense liabilities	131	-	-	131
- Provision of expenses	(2,421)	-	-	(2,421)
Taxation (note 24)	(2,084)	189	49	(1,908)
<u>(Charged)/credited to other comprehensive income</u>				
- AFS financial assets (page 29)	(344)	28	(303)	(619)
At 31 December	<u>3,209</u>	<u>240</u>	<u>94</u>	<u>3,543</u>
Comprising:				
(Charged)/credited to statement of profit or loss (Note 24)				
- continuing operations	(1,372)	-	49	(1,385)
- discontinued operations	(712)	189	-	(523)
	<u>(2,084)</u>	<u>189</u>	<u>49</u>	<u>(1,908)</u>
Comprising:				
(Charged)/credited to comprehensive income				
- continuing operations	(344)	-	(303)	(647)
- discontinued operations	-	28	-	28
	<u>(344)</u>	<u>28</u>	<u>(303)</u>	<u>(619)</u>

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10 DEFERRED TAX ASSETS (CONTINUED)

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

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2017</u>				
<u>Subject to income tax:</u>				
<u>Deferred tax assets</u> (before offsetting)				
Financial assets	-	-	-	67
Property and equipment	-	-	-	-
Allowance for doubtful debts	-	-	-	174
Expense liabilities	1,556	-	1,556	-
Provision of expenses	2,231	-	2,231	-
	<u>3,787</u>	<u>-</u>	<u>3,787</u>	<u>241</u>
Offsetting	(762)	(864)	(1,626)	(5)
Deferred tax assets (after offsetting)	<u><u>3,025</u></u>	<u><u>(864)</u></u>	<u><u>2,161</u></u>	<u><u>236</u></u>
<u>Deferred tax liabilities</u> (before offsetting)				
Financial assets	762	778	1,540	-
Property and equipment	-	86	86	5
	<u>762</u>	<u>864</u>	<u>1,626</u>	<u>5</u>
Offsetting	(762)	(864)	(1,626)	(5)
Deferred tax liabilities (after offsetting)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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NOTES TO THE FINANCIAL STATEMENTS  
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10 DEFERRED TAX ASSETS (CONTINUED)

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2016</u>				
<u>Subject to income tax:</u>				
<u>Deferred tax assets</u> (before offsetting)				
Financial assets	-	70	123	193
Property and equipment	-	12	-	12
Allowance for doubtful debts	-	158	-	158
Expense liabilities	1,413	-	-	1,413
Provision of expenses	1,982	-	-	1,982
	<u>3,395</u>	<u>240</u>	<u>123</u>	<u>3,758</u>
Offsetting	(186)	-	(29)	(215)
Deferred tax assets (after offsetting)	<u>3,209</u>	<u>240</u>	<u>94</u>	<u>3,543</u>
<u>Deferred tax liabilities</u> (before offsetting)				
Financial assets	186	-	-	186
Property and equipment	-	-	29	29
	<u>186</u>	<u>-</u>	<u>29</u>	<u>215</u>
Offsetting	(186)	-	(29)	(215)
Deferred tax liabilities (after offsetting)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)**

**11 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE**

The Islamic Financial Services Act 2013 (IFSA) requires all composite Takaful Operators to segregate their composite licences into separate Family Takaful and General Takaful licences by 1 July 2018. In compliance with this Act and subject to the approval of BNM, the Company has submitted an application for a single licence to continue its Family Takaful business and to relinquish its composite Takaful licence by 1 July 2018.

Accordingly, the statement of financial position, statement of profit or loss, statement of comprehensive income and statement of cash flows of the General Takaful Fund have been classified as discontinued operations.

The components of assets and liabilities held-for-sale attributable to the discontinued operations are as follows:

(i) Assets of a disposal group classified as held-for-sale

	<u>2017</u>	
	<u>General</u>	<u>Company</u>
	<u>Takaful fund</u>	<u>RM'000</u>
	RM'000	RM'000
Available-for-sale financial assets (note 5)	28,904	28,904
Financing and receivables (note 6)	10,391	10,391
Takaful receivables (note 7)	3,073	3,073
Retakaful assets (note 8)	7,088	7,088
Other receivables (note 9)	5	5
Deferred tax assets (note 10)	236	236
Cash and bank balances	2,524	2,524
<b>Total assets</b>	<b>52,221</b>	<b>52,221</b>

(ii) Liabilities of a disposal group classified as held-for-sale

	<u>2017</u>	
	<u>General</u>	<u>Company</u>
	<u>Takaful fund</u>	<u>RM'000</u>
	RM'000	RM'000
Takaful contract liabilities (note 12)	38,736	38,736
Takaful payables (note 13)	2,170	2,170
Other payables (note 14)	11,315	409
<b>Total liabilities</b>	<b>52,221</b>	<b>41,315</b>

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NOTES TO THE FINANCIAL STATEMENTS  
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11 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

The components of Statement of Comprehensive Income attributable to the discontinued operations are as follows:

(i) Statement of Comprehensive Income

	2017			2016		
	Continuing operations		Discounted operations	Continuing operations		Discounted operations
	Share-holders' fund	Company	General Takaful fund	Share-holders' fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned contribution (note 16(a))	-	-	46,779	-	-	65,931
Contribution ceded to retakaful operators (note 16 (b))	-	-	(4,917)	-	-	(5,782)
Net earned contribution	-	-	41,862	-	-	60,149
Wakalah income	28,021	28,021	-	39,237	39,237	-
Surplus sharing from General Takaful fund	9,868	9,868	-	9,884	9,884	-
Investment income (note 17)	-	-	1,768	-	-	1,817
Realised gains (note 18)	-	-	2	-	-	193
Other operating income (note 20)	(249)	(249)	75	-	-	64
Total income	37,640	37,640	43,707	49,121	49,121	62,223

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NOTES TO THE FINANCIAL STATEMENTS  
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11 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

The components of Statement of Comprehensive Income attributable to the discontinued operations are as follows: (continued)

(i) Statement of Comprehensive Income (continued)

	2017			2016		
	Continuing operations		Discontinued operations	Continuing operations		Discontinued operations
	Share-holders' fund	Company	General Takaful fund	Share-holders' fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross benefits and claims paid (note 21(a))	-	-	(5,263)	-	-	(14,232)
Claims ceded to retakaful operators (note 21(b))	-	-	2,051	-	-	9,307
Gross change in Takaful contract liabilities (note 21(c))	-	-	(1,997)	-	-	(4,594)
Change in Takaful contract liabilities ceded to retakaful operators (note 21(d))	-	-	(641)	-	-	(2,737)
	-	-	(5,850)	-	-	(12,256)
Surplus sharing with Takaful operator	-	-	(9,868)	-	-	(9,884)
Wakalah expenses	-	-	(28,021)	-	-	(39,237)
Commission expenses	(16,695)	(16,695)	-	(20,395)	(20,395)	-
Management expenses	(11,340)	(11,340)	-	(26,374)	(26,374)	-
Other operating expenses (note 23)	-	-	(115)	(760)	(760)	(606)
	(28,035)	(28,035)	(38,004)	(47,529)	(47,529)	(49,727)
Total expenses	(28,035)	(28,035)	(43,854)	(47,529)	(47,529)	(61,983)



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NOTES TO THE FINANCIAL STATEMENTS  
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11 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

The components of Statement of Comprehensive Income attributable to the discontinued operations are as follows: (continued)

(i) Statement of Comprehensive Income (continued)

	2017			2016		
	Continuing operations		Discounted operations	Continuing operations		Discounted operations
	Share-holders' fund	Company	General Takaful fund	Share-holders' fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before taxation	9,605	9,605	(147)	1,592	1,592	240
Tax income attributable to participants	-	-	147	-	-	(240)
Profit before taxation attributable to Shareholders	9,605	9,605	-	1,592	1,592	-
Taxation (note 24)	(2,749)	(2,749)	147	(685)	(685)	(240)
Tax income attributable to participants	-	-	(147)	-	-	240
Tax expense attributable to Shareholders	(2,749)	(2,749)	-	(685)	(685)	-
Net profit for the financial year	6,856	6,856	-	907	907	-

Company No.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

11 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

The components of Statement of Comprehensive Income attributable to the discontinued operations are as follows: (continued)

(i) Statement of Comprehensive Income (continued)

	2017			2016		
	Continuing operations		Discounted operations	Continuing operations		Discounted operations
	Share- holders' fund	Company	General Takaful fund	Share- holders' fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other comprehensive income:						
Items that may be subsequently reclassified to profit or loss:						
Fair value changes on available-for-sale financial assets:						
- Revaluation	-	-	101	-	-	(70)
- Transfer to profit or loss upon disposal	-	-	18	-	-	(52)
- Gross fair value changes (note 5(c))	-	-	119	-	-	(122)
- Deferred taxation (note 10)	-	-	(28)	-	-	28
- Net fair value changes	-	-	91	-	-	(94)

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11 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

The components of Statement of Comprehensive Income attributable to the discontinued operations are as follows: (continued)

(i) Statement of Comprehensive Income (continued)

	2017			2016		
	Continuing operations		Discontinued operations	Continuing operations		Discontinued operations
	Share-holders' fund	Company	General Takaful fund	Share-holders' fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Changes in Takaful contract liabilities arising from unrealised net fair value changes (note 12)	-	-	(91)	-	-	94
Other comprehensive income for the financial year, net of tax	-	-	-	-	-	-
Total comprehensive income for the financial year	-	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

12 TAKAFUL CONTRACT LIABILITIES

	2017			2016		
	Continuing operations		Discontinued operations	General Takaful fund	Family Takaful fund	Company
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross Retakaful (note 8)	997,762 (87,260)	988,942 (87,260)	38,736 (7,088)	44,186 (7,140)	834,531 (37,743)	870,679 (44,883)
Net	<u>910,502</u>	<u>901,682</u>	<u>31,648</u>	<u>37,046</u>	<u>796,788</u>	<u>825,796</u>
Current	164,734	164,734	23,196	21,834	129,273	151,107
Non-current	745,768	736,948	8,452	15,212	667,515	674,689
	<u>910,502</u>	<u>901,682</u>	<u>31,648</u>	<u>37,046</u>	<u>796,788</u>	<u>825,796</u>

(a) Family Takaful contract liabilities

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

	2017			2016		
	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000
Certificate holders' liabilities	915,834	(73,774)	842,060	770,867	(29,208)	741,659
Net asset value attributable to certificate holders	<u>26,225</u>	-	<u>26,225</u>	<u>20,975</u>	-	<u>20,975</u>
Actuarial liabilities	942,059	(73,774)	868,285	791,842	(29,208)	762,634
Claims liabilities	23,805	(13,486)	10,319	17,292	(8,535)	8,757
Unallocated surplus	33,087	-	33,087	26,066	-	26,066
Available-for-sale fair value adjustment						
- gross	(1,292)	-	(1,292)	(727)	-	(727)
- deferred tax	103	-	103	58	-	58
- net	<u>(1,189)</u>	-	<u>(1,189)</u>	<u>(669)</u>	-	<u>(669)</u>
	<u>997,762</u>	<u>(87,260)</u>	<u>910,502</u>	<u>834,531</u>	<u>(37,743)</u>	<u>796,788</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful contract liabilities (continued)

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

<u>2017</u>	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
At 1 January 2017	834,531	(37,743)	796,788
<u>Projected changes of inforce Takaful certificates</u>			
Contribution income	34,345	(51,556)	(17,211)
Benefits	(111,420)	55,106	(56,314)
Investment returns	29,548	(956)	28,592
Others	(26,685)	(585)	(27,270)
Experience variance on inforce Takaful certificates	(1,017)	774	(243)
Reserve on new Takaful certificates	194,623	(12,750)	181,873
Miscellaneous	25,573	(34,599)	(9,026)
Movement in net asset value attributable to certificate holders	5,250	-	5,250
Movement in claims liabilities	6,513	(4,951)	1,562
Movement in unallocated surplus	7,021	-	7,021
Movement in AFS fair value adjustment	(520)	-	(520)
At 31 December 2017	<u>997,762</u>	<u>(87,260)</u>	<u>910,502</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful contract liabilities (continued)

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

<u>2016</u>	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
At 1 January 2016	668,723	(5,744)	662,979
<u>Projected changes of inforce Takaful certificates</u>			
Contribution income	16,159	(37,123)	(20,964)
Benefits	(74,835)	39,859	(34,976)
Investment returns	20,898	(1,305)	19,593
Others	(21,292)	(1,887)	(23,179)
Experience variance on inforce Takaful certificates	(5,603)	(247)	(5,850)
Reserve on new Takaful certificates	221,409	(6,475)	214,934
Miscellaneous	(9,861)	(22,030)	(31,891)
Movement in net asset value attributable to certificate holders	2,452	-	2,452
Movement in claims liabilities	8,020	(2,791)	5,229
Movement in unallocated surplus	4,976	-	4,976
Movement in AFS fair value adjustment	3,485	-	3,485
At 31 December 2016	<u>834,531</u>	<u>(37,743)</u>	<u>796,788</u>

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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)**

12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful contract liabilities

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

	<u>Discontinued operations</u>			<u>Continuing operations</u>		
	2017			2016		
	<u>Gross</u>	<u>Re-</u>	<u>Net</u>	<u>Gross</u>	<u>Re-</u>	<u>Net</u>
	RM'000	takaful	RM'000	RM'000	takaful	RM'000
		RM'000			RM'000	
Provision for claims reported by certificate holders	4,705	(2,040)	2,665	2,901	(1,426)	1,475
Provision for IBNR	11,203	(3,424)	7,779	20,878	(4,679)	16,199
Provision for outstanding claims (i)	15,908	(5,464)	10,444	23,779	(6,105)	17,674
Contribution liabilities (ii)	10,228	(1,624)	8,604	8,757	(1,035)	7,722
Unallocated surplus	12,649	-	12,649	11,790	-	11,790
Available-for-sale fair value adjustment						
- gross	(65)	-	(65)	(184)	-	(184)
- deferred tax	16	-	16	44	-	44
- net	(49)	-	(49)	(140)	-	(140)
	<u>38,736</u>	<u>(7,088)</u>	<u>31,648</u>	<u>44,186</u>	<u>(7,140)</u>	<u>37,046</u>

(i) Provision for outstanding claims

	<u>Discontinued operations</u>			<u>Continuing operations</u>		
	2017			2016		
	<u>Gross</u>	<u>Re-</u>	<u>Net</u>	<u>Gross</u>	<u>Re-</u>	<u>Net</u>
	RM'000	takaful	RM'000	RM'000	takaful	RM'000
		RM'000			RM'000	
At 1 January	23,779	(6,105)	17,674	29,070	(8,842)	20,228
Claims incurred in the current accident year	10,290	(3,347)	6,943	14,978	(4,567)	10,411
Other movements in claims incurred in prior accident years	(12,898)	1,937	(10,961)	(6,037)	(2,003)	(8,040)
Claims paid during the financial year (note 21(a) and (b))	(5,263)	2,051	(3,212)	(14,232)	9,307	(4,925)
At 31 December	<u>15,908</u>	<u>(5,464)</u>	<u>10,444</u>	<u>23,779</u>	<u>(6,105)</u>	<u>17,674</u>

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12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful contract liabilities (continued)

(ii) Contribution liabilities

	<u>Discontinued operations</u>			<u>Continuing operations</u>		
	2017			2016		
	<u>Gross</u>	<u>Re-</u>	<u>Net</u>	<u>Gross</u>	<u>Re-</u>	<u>Net</u>
	RM'000	takaful	RM'000	RM'000	takaful	RM'000
		RM'000			RM'000	
At 1 January	8,757	(1,035)	7,722	10,065	(287)	9,778
Contribution written in the financial year (note 16(a) and (b))	48,250	(5,506)	42,744	64,623	(6,530)	58,093
Contribution earned during the financial year (note 16(a) and (b))	(46,779)	4,917	(41,862)	(65,931)	5,782	(60,149)
At 31 December	<u>10,228</u>	<u>(1,624)</u>	<u>8,604</u>	<u>8,757</u>	<u>(1,035)</u>	<u>7,722</u>

(c) Takaful contract liabilities at Company level

	2017			Continuing operations		
	2017			2016		
	<u>Gross</u>	<u>Re-</u>	<u>Net</u>	<u>Gross</u>	<u>Re-</u>	<u>Net</u>
	RM'000	takaful	RM'000	RM'000	takaful	RM'000
		RM'000			RM'000	
Family Takaful fund (note 12(a))	997,762	(87,260)	910,502	834,531	(37,743)	796,788
General Takaful fund (note 12(b))	-	-	-	44,186	(7,140)	37,046
	<u>997,762</u>	<u>(87,260)</u>	<u>910,502</u>	<u>878,717</u>	<u>(44,883)</u>	<u>833,834</u>
Elimination of shareholders' fund investment in investment-linked funds	(8,820)	-	(8,820)	(8,038)	-	(8,038)
Total	<u>988,942</u>	<u>(87,260)</u>	<u>901,682</u>	<u>870,679</u>	<u>(44,883)</u>	<u>825,796</u>



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13 TAKAFUL PAYABLES

	Continuing operations		Discontinued operations
	Family Takaful fund RM'000	Company RM'000	General Takaful fund RM'000
<u>2017</u>			
Due to agents and intermediaries	5,290	5,290	971
Due to retakaful operators and cedants	16,144	16,144	1,199
	<u>21,434</u>	<u>21,434</u>	<u>2,170</u>
Gross amounts of recognised financial liabilities	24,470	24,470	2,241
Less: Gross amounts of recognised financial assets set off in the statement of financial position	(3,036)	(3,036)	(71)
Net amounts of financial liabilities presented in the statement of financial position	<u>21,434</u>	<u>21,434</u>	<u>2,170</u>
	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2016</u>			
Due to agents and intermediaries	1,452	5,770	7,222
Due to retakaful operators and cedants	1,312	11,735	13,047
	<u>2,764</u>	<u>17,505</u>	<u>20,269</u>
Gross amounts of recognised financial liabilities	2,765	18,829	21,594
Less: Gross amounts of recognised financial assets set off in the statement of financial position	(1)	(1,324)	(1,325)
Net amounts of financial liabilities presented in the statement of financial position	<u>2,764</u>	<u>17,505</u>	<u>20,269</u>

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

There are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 31 December 2017 (2016: nil).

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## 14 OTHER PAYABLES

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2017</u>				
Amount due to related parties	15,279	-	15,279	-
Accrual for professional fees	718	-	718	-
Interfund balances	-	10,575	-	1,038
Deposits received	-	3,177	3,177	2
Surplus sharing to Takaful Operator	-	48,223	-	9,868
Sharing of investment income from Participants' Account fund	-	2,268	-	-
Accrual for sales and marketing expenses	19,962	-	19,962	-
Accrual for sharing of wakalah fees	581	-	581	-
Other payables and accrued liabilities	20,178	3,117	23,295	407
	<u>56,718</u>	<u>67,360</u>	<u>63,012</u>	<u>11,315</u>
Payable within 12 months	<u>56,718</u>	<u>67,360</u>	<u>63,012</u>	<u>11,315</u>
	Shareholders' fund	General Takaful fund	Family Takaful fund	Company
	RM'000	RM'000	RM'000	RM'000
<u>2016</u>				
Amount due to related parties	5,202	-	22	5,224
Accrual for professional fees	813	-	-	813
Interfund balances	-	-	4,818	-
Deposits received	-	537	1,532	2,069
Surplus sharing to Takaful Operator	-	9,884	45,396	-
Sharing of investment income from Participants' Account fund	-	-	1,933	-
Accrual for sales and marketing expenses	15,091	-	-	15,091
Accrual for sharing of wakalah fees	1,409	-	-	1,409
Other payables and accrued liabilities	6,006	517	2,851	9,374
	<u>28,521</u>	<u>10,938</u>	<u>56,552</u>	<u>33,980</u>
Payable within 12 months	<u>28,521</u>	<u>10,938</u>	<u>56,552</u>	<u>33,980</u>

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

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## 15 SHARE CAPITAL

	2017		2016	
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000
<u>Authorised</u> <sup>1</sup>				
Ordinary shares of RM1.00 each:				
- At beginning/end of the financial year	-	-	200,000	200,000
Islamic Perpetual Non-Cumulative Preference Shares ("IPPS") of RM0.10 each:				
- At beginning/end of the financial year	-	-	100,000	10,000
	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>210,000</u>
	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>210,000</u>
<u>Ordinary shares issued and paid up</u>				
Ordinary shares of RM1.00 each:				
- At beginning of the financial year	100,000	100,000	100,000	100,000
Transition to no-par value regime on 31 January 2017 <sup>1</sup>	-	99,990	-	-
At 31 December – ordinary shares with no par value (2016: par value of RM1.00 each)	<u>100,000</u>	<u>199,990</u>	<u>100,000</u>	<u>100,000</u>
<u>Islamic Perpetual Non-Cumulative Preference Shares ("IPPS") issued and paid up</u>				
Preference shares of RM1.00 each:				
- At beginning of the financial year	100	10	100	10
At 31 December – preference shares with no par value (2016: par value of RM0.10 each)	<u>100</u>	<u>10</u>	<u>100</u>	<u>10</u>
At 31 December	<u>100,100</u>	<u>200,000</u>	<u>100,100</u>	<u>100,010</u>

<sup>1</sup> The new Companies Act 2016 (the "New Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account of RM99,990,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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15 SHARE CAPITAL (CONTINUED)

Features of the Islamic Perpetual Non-Cumulative Preference Shares ("IPPS")

The IPPS are subordinated and unsecured obligations of the Company and shall rank pari passu among themselves and senior only to the Company's ordinary shares. The IPPS shall not represent any fixed charge on the earnings of the Company and shall carry no right to vote at any general meeting of the ordinary shareholders of the Company.

The IPPS confers on the holder the right to receive a non-cumulative gross dividend of 8% per annum, payable annually in arrears on the anniversary of the issue date of the IPPS. The payment of dividend under the IPPS is at the Company's discretion.

The IPPS are not convertible to ordinary shares of the Company and the tenure of the IPPS is perpetual and redeemable after year 5 (33,000 in year 2015 and 67,000 in year 2016) at the sole option of the Company subject to Bank Negara Malaysia's approval. At the date of this report, the Company has yet to exercise its redemption option.

16 NET EARNED CONTRIBUTION

	<u>2017</u> RM'000	<u>2016</u> RM'000
(a) Gross earned contribution		
<u>Continuing operations</u>		
Takaful contracts:		
Family Takaful	486,915	486,905
	<u>486,915</u>	<u>486,905</u>
<u>Discontinued operations</u>		
Takaful contracts:		
General Takaful (note 12(b)(ii))	48,250	64,623
Movement in unearned contribution reserves	(1,471)	1,308
	<u>46,779</u>	<u>65,931</u>

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16	NET EARNED CONTRIBUTION (CONTINUED)				
				<u>2017</u>	<u>2016</u>
				RM'000	RM'000
(b)	Contribution ceded				
	<u>Continuing operations</u>				
	Takaful contracts:				
	Family Takaful			(58,244)	(47,152)
				<u>(58,244)</u>	<u>(47,152)</u>
	<u>Discontinued operations</u>				
	General Takaful (note 12(b)(ii))			(5,506)	(6,530)
	Movement in unearned contribution reserves			589	748
				<u>(4,917)</u>	<u>(5,782)</u>
	Net earned contribution				
	- Continuing operations			428,671	439,753
	- Discontinued operations			41,862	60,149
				<u>470,533</u>	<u>500,902</u>
17	INVESTMENT INCOME				
					Discontinued
					operations
					General
					Takaful
					fund
					RM'000
	<u>2017</u>				
	<u>AFS financial assets</u>				
	Profit income	11,161	33,829	44,990	1,534
	Amortisation of premiums – net	(147)	(233)	(380)	(108)
	<u>FVTPL – designated upon initial recognition</u>				
	Dividend income	195	2,193	2,388	-
	<u>Financing and receivables</u>				
	Profit income	1,436	2,948	4,384	342
	Sharing of investment income from				
	Participants' Account fund	2,268	-	-	-
		<u>14,913</u>	<u>38,737</u>	<u>51,382</u>	<u>1,768</u>

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## 17 INVESTMENT INCOME (CONTINUED)

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2016</u>				
<u>AFS financial assets</u>				
Profit income	9,791	29,370	39,161	1,403
Amortisation of premiums – net	(135)	(172)	(307)	(117)
<u>FVTPL – designated upon initial recognition</u>				
Profit income	-	175	175	-
Dividend income	-	801	801	-
<u>Financing and receivables</u>				
Profit income	900	2,485	3,385	531
Sharing of investment income from Participants' Account fund	1,933	-	-	-
	<u>12,489</u>	<u>32,659</u>	<u>43,215</u>	<u>1,817</u>

## 18 REALISED GAINS

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2017</u>				
<u>AFS financial assets</u>				
Unquoted Sukuk	-	295	295	2
Government Investment Issues	-	501	501	-
Cagamas Sukuk	-	82	82	-
	<u>-</u>	<u>878</u>	<u>878</u>	<u>2</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

## 18 REALISED GAINS (CONTINUED)

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2016</u>				
<u>AFS financial assets</u>				
Unquoted Sukuk	-	280	280	61
Government Investment Issues	569	366	935	132
Cagamas Sukuk	-	76	76	-
	<u>569</u>	<u>722</u>	<u>1,291</u>	<u>193</u>

## 19 NET FAIR VALUE GAINS/(LOSSES)

	Shareholders' fund	Family Takaful fund	Company
	RM'000	RM'000	RM'000
<u>2017</u>			
<u>FVTPL – designated upon initial recognition</u>			
- realised	6	787	793
- unrealised	23	12,004	12,027
	<u>29</u>	<u>12,791</u>	<u>12,820</u>
<u>2016</u>			
<u>FVTPL – designated upon initial recognition</u>			
- realised	-	342	342
- unrealised	-	(805)	(805)
	<u>-</u>	<u>(463)</u>	<u>(463)</u>

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20 OTHER OPERATING INCOME

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2017</u>				
Writeback of allowance for impairment loss (note 30)	-	-	-	35
Fee income	1,627	-	1,627	-
Provision for expense liability	19,765	-	19,765	-
Others	11	77	88	40
	<u>21,403</u>	<u>77</u>	<u>21,480</u>	<u>75</u>

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2016</u>				
Fee income	1,348	-	1,348	-
Others	349	5	354	64
	<u>1,697</u>	<u>5</u>	<u>1,702</u>	<u>64</u>

21 NET BENEFITS AND CLAIMS

	<u>2017</u>	<u>2016</u>
	RM'000	RM'000
(a) Gross benefits and claims paid		
<u>Continuing operations</u>		
Takaful contracts:		
Family Takaful	<u>(195,272)</u>	<u>(151,986)</u>
<u>Discontinued operations</u>		
Takaful contracts:		
General Takaful (note 12 (b)(i))	<u>(5,263)</u>	<u>(14,232)</u>



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21	NET BENEFITS AND CLAIMS (CONTINUED)	<u>2017</u> RM'000	<u>2016</u> RM'000
	(b) Claims ceded to retakaful operators		
	<u>Continuing operations</u>		
	Takaful contracts:		
	Family Takaful	61,017	49,955
		<u>          </u>	<u>          </u>
	<u>Discontinued operations</u>		
	Takaful contracts:		
	General Takaful (note 12 (b)(i))	2,051	9,307
		<u>          </u>	<u>          </u>
	(c) Gross change in Takaful contract liabilities		
	<u>Continuing operations</u>		
	<u>Family Takaful</u>		
	- Movement in actuarial liabilities	(150,217)	(149,327)
	- Movement in claims liabilities	(6,513)	(8,020)
	- Movement in unallocated surplus	(7,021)	(4,976)
		<u>          </u>	<u>          </u>
		(163,751)	(162,323)
		<u>          </u>	<u>          </u>
	<u>Discontinued operations</u>		
	<u>General Takaful</u>		
	- Movement in provision for outstanding claims	7,871	5,291
	- Movement in unallocated surplus	(9,868)	(9,885)
		<u>          </u>	<u>          </u>
		(1,997)	(4,594)
		<u>          </u>	<u>          </u>
	(d) Change in Takaful contract liabilities ceded to retakaful operators		
	<u>Continuing operations</u>		
	<u>Family Takaful</u>		
	- Movement in actuarial liabilities	44,566	29,208
	- Movement in claims liabilities	4,951	2,791
		<u>          </u>	<u>          </u>
		49,517	31,999
		<u>          </u>	<u>          </u>
	<u>Discontinued operations</u>		
	<u>General Takaful</u>		
	- Movement in provision for outstanding claims	(641)	(2,737)
		<u>          </u>	<u>          </u>

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22 MANAGEMENT EXPENSES

	<u>2017</u>	<u>2016</u>
	RM'000	RM'000
<u>Shareholders' fund/Company</u>		
Staff salaries and bonus	31,199	23,346
Defined contribution plan	4,202	3,026
Share based payment plan (note 22(a))	452	357
Other staff costs	1,728	305
	<u>37,581</u>	<u>27,034</u>
Auditors' remuneration:		
Statutory audit		
- current financial year	321	297
- over provision in prior financial years	-	13
Non-audit services	83	167
Directors' fees and other emoluments:-		
- current financial year (note 22(b))	920	981
Shariah committee remuneration:		
- fees	178	201
Amortisation of intangible assets (note 4)	706	2
Depreciation of property and equipment (note 3)	2	78
Third party administrator fee	2,349	2,185
Printing and stationery	1,413	1,414
Sales and marketing expenses	53,939	28,380
Professional fees	1,250	3,504
Electronic data processing expenses	4,408	3,459
Other expenses	12,418	9,984
	<u>115,568</u>	<u>77,699</u>

(a) Share-based payment plan

Expenses arising from the share-based payment transactions recognised during the financial year as part of the employee benefits expense were as follows:

	<u>2017</u>	<u>2016</u>
	RM'000	RM'000
Sun Share Unit Plan	<u>452</u>	<u>357</u>

Sun Share Units ("SSU") are granted to certain employees of the Company as part of the annual performance reward cycle and has a vesting period of over 36 months from grant date. Each SSU entitles the recipient to receive payment equal to the market value of one common share, plus credited dividends, at the time of vesting, subject to any performance conditions. These SSU expenses are paid out in cash at the end of the vesting period.

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NOTES TO THE FINANCIAL STATEMENTS  
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22 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' and Chief Executive Officer's remuneration

The details of remuneration received and receivable by Directors and Chief Executive Officer during the financial year are as follows:

	Salary and bonus RM'000	Defined contribution plan RM'000	Benefits- in-kind RM'000	Share-based payment plan RM'000	Fees and allowance RM'000	Total RM'000
<u>2017</u>						
Chief Executive Officer:						
Encik Muhammad Fikri Bin Mohamad Rawi <sup>(1)</sup>	857	120	22	5	-	1,004
	<u>857</u>	<u>120</u>	<u>22</u>	<u>5</u>	<u>-</u>	<u>1,004</u>
Non-executive:						
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	-	-	-	-	175	175
Encik Pushpanathan A/L S.A. Kanagarayar	-	-	-	-	166	166
Encik Jose Isidro Navato Camacho	-	-	-	-	177	177
Dato' Mohd Shukri Bin Hussin	-	-	-	-	130	130
Encik Izlan Bin Izhab	-	-	-	-	112	112
Encik Ahmad Farouk Bin Mohamed	-	-	-	-	66	66
Encik Renzo Christopher Viegas	-	-	-	-	64	64
Encik Ooi Say Teng	-	-	-	112	30	142
	<u>857</u>	<u>120</u>	<u>22</u>	<u>117</u>	<u>920</u>	<u>2,036</u>

(1) Encik Muhammad Fikri Bin Mohamad Rawi resigned as an Executive Director on 18 July 2017.

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22 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' and Chief Executive Officer's remuneration (continued)

The details of remuneration received and receivable by Directors during the financial year are as follows: (continued)

	Fixed remuneration		Variable remuneration		Total RM'000
	Cash-based RM'000	Cash-based RM'000	Share and share linked instruments RM'000	Benefits- in-kind RM'000	
<u>Total value of remuneration awards for the financial year:</u>					
<u>2017</u>					
Chief Executive Officer:					
Encik Muhammad Fikri Bin Mohamad Rawi	665	312	5	22	1,004
	<u>665</u>	<u>312</u>	<u>5</u>	<u>22</u>	<u>1,004</u>
Non-executive:					
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	161	14	-	-	175
Encik Pushpanathan A/L S.A. Kanagarayar	148	18	-	-	166
Encik Jose Isidro Navato Camacho	158	19	-	-	177
Dato' Mohd Shukri Bin Hussin	118	12	-	-	130
Encik Izlan Bin Izhab	104	8	-	-	112
Encik Ahmad Farouk Bin Mohamed	62	4	-	-	66
Encik Renzo Christopher Viegas	60	4	-	-	64
Encik Ooi Say Teng	28	2	112	-	142
	<u>1,504</u>	<u>393</u>	<u>117</u>	<u>22</u>	<u>2,036</u>

All the remuneration awards above are non-deferred remuneration.

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SUN LIFE MALAYSIA TAKAFUL BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

## 22 MANAGEMENT EXPENSES (CONTINUED)

## (b) Directors' and Chief Executive Officer's remuneration (continued)

The details of remuneration received and receivable by Directors during the financial year are as follows: (continued)

	<u>Salary and bonus</u> RM'000	<u>Defined contribution plan</u> RM'000	<u>Benefits- in-kind</u> RM'000	<u>Fees and allowance</u> RM'000	<u>Total</u> RM'000
<u>2016</u>					
Executive:					
Encik Muhammad Fikri Bin Mohamad Rawi	899	126	27	-	1,052
Encik Roger David Steel	-	-	-	16	16
	<u>899</u>	<u>126</u>	<u>27</u>	<u>16</u>	<u>1,068</u>
Non-executive:					
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	-	-	-	159	159
Encik Pushpanathan A/L S.A. Kanagarayar	-	-	-	119	119
Encik Jose Isidro Navato Camacho	-	-	-	130	130
Dato' Mohd Shukri Bin Hussin	-	-	-	115	115
Encik Izlan Bin Izhab	-	-	-	110	110
Encik Ahmad Farouk Bin Mohamed	-	-	-	97	97
Encik Renzo Christopher Viegas	-	-	-	112	112
Encik Roger David Steel	-	-	-	123	123
	<u>899</u>	<u>126</u>	<u>27</u>	<u>981</u>	<u>2,033</u>

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22 MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' and Chief Executive Officer's remuneration (continued)

The details of remuneration received and receivable by Directors during the financial year are as follows: (continued)

<u>Total value of remuneration awards for the financial year:</u>	Fixed	Variable		<u>Total</u>
	remuneration	remuneration		
	<u>Cash-based</u>	<u>Cash-based</u>	<u>Benefits-in-kind</u>	
	RM'000	RM'000	RM'000	RM'000
<u>2016</u>				
Executive:				
Encik Muhammad Fikri Bin Mohamad Rawi	603	422	27	1,052
Encik Roger David Steel	15	1	-	16
	<u>618</u>	<u>423</u>	<u>27</u>	<u>1,068</u>
Non-executive:				
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	144	15	-	159
Encik Pushpanathan A/L S.A. Kanagarayar	105	14	-	119
Encik Jose Isidro Navato Camacho	116	14	-	130
Dato' Mohd Shukri Bin Hussin	102	13	-	115
Encik Izlan Bin Izhab	102	8	-	110
Encik Ahmad Farouk Bin Mohamed	90	7	-	97
Encik Renzo Christopher Viegas	102	10	-	112
Encik Roger David Steel	106	17	-	123
	<u>1,485</u>	<u>521</u>	<u>27</u>	<u>2,033</u>

All the remuneration awards above are non-deferred remuneration.

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23 OTHER OPERATING EXPENSES

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2017</u>				
Sharing of investment income to Shareholders' fund	-	2,268	-	-
Allowance for impairment loss (note 30)	-	2	2	115
Others	12,719	2,081	14,800	-
	<u>12,719</u>	<u>4,351</u>	<u>14,802</u>	<u>115</u>

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2016</u>				
Provision for expense liability	6,194	-	6,194	-
Sharing of investment income to Shareholders' fund	-	1,933	-	-
Allowance for impairment loss (note 30)	-	6	6	606
Others	8,704	1,908	10,612	-
	<u>14,898</u>	<u>3,847</u>	<u>16,812</u>	<u>606</u>

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24 TAXATION

	<u>2017</u>			<u>2016</u>				
	<u>Continuing operations</u>		<u>Discontinued operations</u>	<u>Continuing operations</u>			<u>Discontinued operations</u>	
	<u>Shareholders' fund</u>	<u>Family Takaful fund</u>	<u>General Takaful fund</u>	<u>Shareholders' fund</u>	<u>Family Takaful fund</u>	<u>Company</u>	<u>General Takaful fund</u>	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Tax expense on the profit for the financial year								
Income tax:								
Current financial year	10,028	1,500	11,528	(369)	12,934	1,198	14,132	(236)
Under/(over) provision in prior financial years	144	(114)	30	246	(1,702)	(198)	(1,900)	665
	<u>10,172</u>	<u>1,386</u>	<u>11,558</u>	<u>(123)</u>	<u>11,232</u>	<u>1,000</u>	<u>12,232</u>	<u>429</u>
Deferred tax (note 10):								
Relating to origination and reversal of temporary differences	(382)	1,003	621	(24)	1,372	(49)	1,385	(189)
	<u>9,790</u>	<u>2,389</u>	<u>12,179</u>	<u>(147)</u>	<u>12,604</u>	<u>951</u>	<u>13,617</u>	<u>240</u>



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24 TAXATION (CONTINUED)

A reconciliation of income tax expense applicable to the profit before taxation at the statutory income tax rate to the effective income tax rate of the Company is as follows:

	<u>Company</u>	
	<u>2017</u>	<u>2016</u>
	RM'000	RM'000
Profit before taxation attributable to Shareholders	77,129	100,406
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	18,511	24,097
Income not subject to tax	(52,693)	(45,865)
Expenses not deductible for tax purposes	43,828	35,915
Tax expense attributable to participants	2,389	951
Under/(over) provision in prior financial years	144	(1,702)
Effect of changes in tax rate	-	221
Tax expense for the financial year	<u>12,179</u>	<u>13,617</u>

25 INVESTMENT-LINKED FUNDS

The Company's statement of financial position and statement of comprehensive income include the statement of financial position and statement of comprehensive income of its investment-linked funds as follows:

STATEMENT OF FINANCIAL POSITION

	<u>2017</u>	<u>2016</u>
	RM'000	RM'000
<b>ASSETS</b>		
Fair value through profit or loss financial assets	26,100	20,923
Other receivables	110	16
Cash and bank balances	163	94
Deferred tax (liabilities)/assets	(132)	33
	<u>26,241</u>	<u>21,066</u>
<b>LIABILITIES</b>		
Other liabilities	3	7
Current tax liabilities	13	83
	<u>16</u>	<u>90</u>
<b>NET ASSET VALUE</b>	<u>26,225</u>	<u>20,976</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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25 INVESTMENT-LINKED FUNDS (CONTINUED)

The Company's statement of financial position and statement of comprehensive income include the statement of financial position and statement of comprehensive income of its investment-linked funds as follows: (continued)

STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<u>2017</u> RM'000	<u>2016</u> RM'000
REPRESENTED BY:		
CERTIFICATE HOLDERS' ACCOUNT		
At beginning of the financial year	20,976	18,523
Net creation of units	10,188	6,032
Net cancellation of units	(7,594)	(3,892)
Surplus for the financial year after taxation	2,655	313
	<u>26,225</u>	<u>20,976</u>

STATEMENT OF INCOME AND EXPENDITURE

Investment income	615	664
Net fair value gains/(losses)	2,218	(158)
Other operating expenses	-	(185)
	<u>2,833</u>	<u>321</u>
Surplus before taxation	2,833	321
Taxation:		
- current tax	(13)	(83)
- deferred tax	(165)	75
	<u>2,655</u>	<u>313</u>
Surplus for the financial year after taxation	<u>2,655</u>	<u>313</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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26 INFORMATION ON CASH FLOWS BY FUNDS

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Takaful fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2017</u>				
Cash flows from:				
Operating activities	28,051	(3,821)	23,739	(491)
Investing activities	(25,994)	-	(25,994)	-
Net increase/(decrease) in cash and cash equivalents	2,057	(3,821)	(2,255)	(491)
Cash and cash equivalents:				
At beginning of the financial year	4,983	15,745	23,743	3,015
Transfer to assets of disposal group classified as held-for-sale	-	-	(2,524)	-
At end of the financial year	7,040	11,924	18,964	2,524
	Shareholders' fund	General Takaful fund	Family Takaful fund	Company
	RM'000	RM'000	RM'000	RM'000
<u>2016</u>				
Cash flows from:				
Operating activities	2,946	189	1,346	4,481
Investing activities	(258)	-	-	(258)
Net increase in cash and cash equivalents	2,688	189	1,346	4,223
Cash and cash equivalents:				
At beginning of the financial year	2,295	2,826	14,399	19,520
At end of the financial year	4,983	3,015	15,745	23,743

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27 SIGNIFICANT RELATED PARTY DISCLOSURES

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

<u>Company</u>	<u>Country of incorporation</u>	<u>Relationship</u>
Khazanah Nasional Berhad ("KNB")	Malaysia	Ultimate holding company
Avicennia Capital Sdn Bhd ("ACSB")	Malaysia	Penultimate holding company (financial holding company)
Renggis Ventures Sdn Bhd ("RVSB")	Malaysia	Immediate holding company
Sun Life Assurance Company of Canada ("SLACC")	Canada	Significant shareholder
Sun Life Financial Inc. ("SLF")	Canada	Ultimate holding company of SLACC
CIMB Group Holdings Berhad ("CIMBG")	Malaysia	Associate of the ultimate holding company
CIG Berhad ("CIGB")	Malaysia	Subsidiary of CIMBG and shareholder of the immediate holding company
CIMB Bank Berhad ("CIMB Bank")	Malaysia	Subsidiary of CIMBG
CIMB Wealth Advisor Berhad ("CWAB")	Malaysia	Subsidiary of CIMBG
CIMB Islamic Bank Berhad ("CIBB")	Malaysia	Subsidiary of CIMBG
CIMB-Principal Asset Management Berhad	Malaysia	Subsidiary of CIMBG
Sun Life Malaysia Assurance Berhad ("SLMAB")	Malaysia	Fellow subsidiary of the ultimate holding company
Key management personnel		*

\* Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel of the Company comprise of the Board of Directors, Chief Executive Officer and the management committee members of the Company.

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27 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Related party transactions

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on terms and conditions negotiated between the related parties.

	<u>2017</u> RM'000	<u>2016</u> RM'000
Contribution income received from CIMB Bank	-	(7)
Contribution income received from CIBB	(2,799)	(1,036)
Contribution income received from SLMAB	(280)	(268)
Contribution income received from CIMB-Principal Asset Management Berhad	(188)	(212)
Profit income earned from deposits placed with CIBB	(806)	(882)
Shared services expenses paid/payable to SLMAB	62,386	46,481
Commissions paid to CIMB Bank	-	1,830
Commissions paid to CIBB	42,893	32,745
Internal audit fees paid to SLACC	-	58
Rental expenses paid to SLMAB	73	67
Sales and marketing expenses paid to CIMB Bank	11,662	11,826
Sales and marketing expenses paid to CIBB	330	-
Partnership fees paid to CIMB-Principal Asset Management Berhad	8,480	-
	<u>8,480</u>	<u>-</u>

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

	<u>2017</u> RM'000	<u>2016</u> RM'000
Amount due from/(to) other related companies within the KNB group:		
Amount due to SLMAB *	(15,267)	(5,222)
Amount due to CIMB Bank *	(6,476)	(5,704)
Amount due to CIBB *	(1,360)	(24)
Amount due to CIMB-Principal Asset Management Berhad *	(13,780)	-
	<u>(13,780)</u>	<u>(5,950)</u>

\* These related party balances are current, unsecured, non-profit bearing and have no fixed repayment terms.

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27 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Compensation of key management personnel

Total compensation paid and payable to the Company's key management personnel during the financial year was as follows:

	<u>2017</u>	<u>2016</u>
	RM'000	RM'000
Salaries and other short-term employee benefits	1,390	1,450
Defined contribution plan	195	203
Fees and allowance	920	981
Share-based payment plan	452	357
	<u>2,957</u>	<u>2,991</u>

The estimated cash value of benefits-in-kind provided to key management personnel of the Company amounted to RM22,200 (2016: RM27,015).

Compensation of senior management and other material risk takers

Total value of remuneration awards paid and payable to the Company's senior management and other material risk takers during the financial year was as follows:

	<u>2017</u>			<u>2016</u>		
	<u>Number of persons</u>	<u>Unrestricted</u>	<u>Deferred</u>	<u>Number of persons</u>	<u>Unrestricted</u>	<u>Deferred</u>
	RM'000	RM'000		RM'000	RM'000	
Fixed remuneration						
Cash-based	3	1,049	-	3	1,139	-
Variable remuneration						
Cash-based	3	536	-	2	514	-
Benefits-in-kind	1	22	-	1	27	-

28 RISK MANAGEMENT FRAMEWORK

(a) Risk management

The Board recognises that risk management is an integral part of the Company's business objectives and is critical for the Company to achieve continued profitability and sustainable growth in shareholders' value. In pursuing these objectives, the Company has put in place a Risk Management Framework ("RMF") to manage its risks and opportunities. The Board has established the Risk Management Committee ("RMC") with the primary responsibility of ensuring the effective functioning of the RMF. The RMC is supported by management-level committees; namely, the Enterprise Risk Management Committee ("ERMC"), the Asset and Liability Committee ("ALCO") and the Investment Committee ("IC"), that provides oversight responsibilities on operational, financial and Takaful risks management in facilitating the optimisation of the risk and return profile of the Company.

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28 **RISK MANAGEMENT FRAMEWORK (CONTINUED)**

(a) Risk management (continued)

The RMF involves an on-going process of identifying, measuring, managing, monitoring and reporting significant risks affecting the achievement of the Company's business objectives. It provides the Board and the management with a tool to anticipate and manage both the existing and potential risks, taking into consideration the changing risk profiles as dictated by changes in business and regulatory environment and the Company's strategies and functional activities throughout the financial year.

The Company operates a 'three lines of defence' model. Primary responsibility for the application of the RMF lies with business management (the first line of defence). Support for and challenge on the completeness and accuracy of risk assessment, risk reporting and adequacy of mitigation plans are performed by the risk management function (the second line of defence). The design of the RMF is also primarily the responsibility of the second line of defence. Independent and objective assurance on the robustness of the RMF and the appropriateness and effectiveness of internal control is provided by the Internal Audit division (the third line of defence).

To promote a consistent and rigorous approach to risk management, the Company has a set of formal risk management policies. These risk policies set out the risk management and control standards for the Company's operations. As the Company's business responds to changing market conditions and customer needs, the management regularly monitors the appropriateness of the Company's risk policies to ensure that they remain up-to-date.

(b) Capital management

Capital adequacy risk is defined as the risk that capital is not or will not be sufficient to withstand adverse economic conditions, maintain financial strength or to allow the Group and the Company to take advantage of opportunities for expansion.

The Company's capital risk policy is intended to safeguard capital for the benefit of all the stakeholders including the shareholders, and the policyholders. The interest of the shareholders is to maximize returns. The interests of participating and other policyholders are also protected under the appropriate regulatory requirements.

The Internal Capital Adequacy Assessment Process (ICAAP) guideline requires the Capital Management Plan (CMP) to specify thresholds for corrective actions. The Company needs to calibrate the acceptable limits of local solvency, i.e. a corridor of acceptable solvency, where a solvency level outside of this corridor would not meet the risk appetite requirement. The Capital Management Plan specifies the different capital levels, escalation process, possible corrective actions, and the frequency of monitoring based on the capital level.

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## 28 RISK MANAGEMENT FRAMEWORK (CONTINUED)

## (c) Governance

The risk management policies identify the risks inherent in different elements of the Company and articulate how these should be managed. The policies include the level of tolerance (or appetite) in relation to each of the inherent risks (where the risk is material) and the minimum standards of control the Company is expected to maintain. From a risk management governance perspective, the RMC has been established to assist the Board in its oversight of risk and risk management in the Company. The RMC reports and recommends to the Board on the risk management strategies, policies, risk tolerance appetite, review and assess the adequacy of the risk management policies and framework, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively.

## (d) Asset-Liability Management (“ALM”)

ALM is the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities to achieve the Company’s financial and business objectives, given the organization’s risk tolerances and other constraints. ALM is the practice of managing a business so that decisions made and actions taken with respect to assets and liabilities are appropriately coordinated. This ongoing process is critical for the sound management of any financial intermediary or organization that conducts investment activity to support future cash flow needs and capital requirements. While the primary focus is on long-term economic value, ALM also consider stability of reported earnings, tax effects and capital.

## 29 TAKAFUL RISKS

(a) Family Takaful

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 Family 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 certificate holders), morbidity (ill health), persistency, product design and pricing.

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

Persistency (or lapse) risk is managed through frequent monitoring of experience. Where possible, the potential financial impact of lapses is reduced by the product design. Persistency risk is also mitigated through persistency management, applying best practices in the setting of lapse assumptions, product design requirements, experience monitoring and management actions.



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29 TAKAFUL RISKS (CONTINUED)

(a) Family Takaful (continued)

Poorly designed or inadequately priced products can lead to both financial loss and reputation risk to the Company. Policies have been developed to support the Company through the product cycle development process, financial analysis and pricing.

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

	<u>Gross</u> RM'000	<u>Retakaful</u> RM'000	<u>Net</u> RM'000
<u>2017</u>			
Mortgage	502,015	(28,933)	473,082
Endowment	27,015	(346)	26,669
Term	376,690	(44,495)	332,195
Others	36,339	-	36,339
	<u>942,059</u>	<u>(73,774)</u>	<u>868,285</u>
<u>2016</u>			
Mortgage	381,658	(17,743)	363,915
Endowment	21,528	-	21,528
Term	368,508	(11,465)	357,043
Others	20,148	-	20,148
	<u>791,842</u>	<u>(29,208)</u>	<u>762,634</u>

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 actuarial liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

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29 TAKAFUL RISKS (CONTINUED)

(a) Family Takaful (continued)

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

Discount rate

Risk free discount rate is used to discount the cash flows for corresponding durations for Takaful certificates' liabilities calculation.

The risk free rates from durations of 1 to 15 years are the Government Investment Issues ("GII") yields taken from Bond Web, which is a recognised bond pricing agency in Malaysia. As the GII yields are only available for terms of 1, 2, 3, 5, 7, 10 and 15 years, the yields in between these terms are interpolated.

For durations of 15 years or more, the GII yields with 15 years term to maturity are used.

The risk free rates employed are gross of tax on investment income of the Takaful fund.

Mortality and morbidity

Best estimate assumptions are based on the Company's recent experience studies. Mortality assumption used for the Company's major products are based on a percentage of the industry's mortality table with provision of risk margin for adverse deviation ("PRAD") of 8%.

Lapse rate

Best estimate assumptions are based on the Company's recent experience studies. Depending on the product's feature, PRAD is set at 25% of the best estimate assumptions.

Management expenses

Best estimate assumptions are based on the experience of the Company. An inflation rate of 3.6% per annum is adopted for each policy expense. Maintenance expense overruns for future years have been set aside. The PRAD on expense loading is set at 5% of the best estimate assumptions. Allowance is also made for payment of commission to distributors.

Investment-linked funds' future growth rate

The expected funds' investment return, net of tax, is used to estimate the growth rate assumption of the unit value of the investment-linked funds.

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29 TAKAFUL RISK (CONTINUED)

(a) Family Takaful (continued)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net actuarial liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate 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.

	<u>Change in best estimate assumptions</u> %	<u>Impact on gross actuarial liabilities</u> RM'000	<u>Impact on net actuarial liabilities</u> RM'000	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity*</u> RM'000
<u>2017</u>					
Mortality/morbidity	+10	53,679	8,981	(3,409)	(2,638)
Expenses	+10	8,226	8,226	(8,226)	(8,226)
Lapse and surrender rates	+10	8,317	9,597	(7,578)	(7,390)
Discount rate	-1	20,135	15,669	(9,927)	(9,348)

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29 TAKAFUL RISK (CONTINUED)

(a) Family Takaful (continued)

Sensitivities (continued)

	Change in best estimate <u>assumptions</u> %	Impact on gross actuarial <u>liabilities</u> RM'000	Impact on net actuarial <u>liabilities</u> RM'000	Impact on profit <u>before tax</u> RM'000	Impact on <u>equity*</u> RM'000
<u>2016</u>					
Mortality/morbidity	+10	45,064	8,703	(2,666)	(2,025)
Expenses	+10	9,375	9,375	(9,375)	(9,375)
Lapse and surrender rates	+10	3,583	4,331	(2,696)	(2,638)
Discount rate	-1	19,429	16,966	(8,365)	(7,543)

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

The methods used and significant assumptions made for deriving sensitivity information did not change from the previous financial year.

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful

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

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

The table below sets out the concentration of General Takaful contract liabilities (i.e. outstanding claims liability and contribution liability) by type of contracts.

	<u>Discontinued operations</u>			<u>Continuing operations</u>		
	<u>2017</u>			<u>2016</u>		
	<u>Gross</u>	<u>Re-</u>	<u>Net</u>	<u>Gross</u>	<u>Re-</u>	<u>Net</u>
	<u>RM'000</u>	<u>takaful</u>	<u>RM'000</u>	<u>RM'000</u>	<u>takaful</u>	<u>RM'000</u>
		<u>RM'000</u>			<u>RM'000</u>	
Fire	13,012	(2,999)	10,013	12,044	(1,560)	10,484
Personal Accident	13,124	(4,089)	9,035	20,081	(5,336)	14,745
Miscellaneous	-	-	-	411	(244)	167
	<u>26,136</u>	<u>(7,088)</u>	<u>19,048</u>	<u>32,536</u>	<u>(7,140)</u>	<u>25,396</u>

Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and average number of claims for each accident year.

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

Other key circumstances affecting the reliability of assumptions include variation in profit rates, delays in settlement and changes in foreign currency rates.

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Sensitivities

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. Sensitivity information will also vary according to the current economic assumptions.

Discontinued operations

	<u>Change in assumptions</u> %	<u>Impact on gross Takaful claims liabilities</u> RM'000	<u>Impact on net Takaful claims liabilities</u> RM'000	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity*</u> RM'000
<u>2017</u>					
ULRs for all business classes for all loss years	+10	7,164	4,002	(2,130)	(1,618)
ULRs for Personal Accident class for all loss years	+20	9,545	5,566	(3,040)	(2,311)
ULRs for Fire class for all loss years	+20	5,076	2,680	(1,340)	(1,018)
Discount rates	-1	877	585	(292)	(222)

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Sensitivities (continued)

Continuing operations

	<u>Change in assumptions</u> %	<u>Impact on gross Takaful claims liabilities</u> RM'000	<u>Impact on net Takaful claims liabilities</u> RM'000	<u>Impact on profit before tax</u> RM'000	<u>Impact on equity*</u> RM'000
<u>2016</u>					
ULRs for all business classes for all loss years	+10	7,227	4,489	(2,244)	(1,683)
ULRs for Personal Accident class for all loss years	+20	10,125	6,068	(3,034)	(2,275)
ULRs for Fire class for all loss years	+20	4,674	2,986	(1,493)	(1,120)

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

\*\* ULR denotes for ultimate loss ratio.

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

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table

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

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is 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.

Discontinued operations

Gross General Takaful claims liabilities for 31 December 2017

<u>Gross claims incurred</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</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	11,983	9,012	11,692	17,009	21,254	14,871	14,978	10,290	
One year later	5,967	8,521	9,532	19,326	16,487	13,925	10,129		
Two years later	4,031	7,618	7,185	12,652	12,483	9,936			
Three years later	3,921	5,560	2,949	9,608	9,081				
Four years later	4,113	4,023	3,176	9,300					
Five years later	3,629	3,874	3,158						
Six years later	3,574	3,822							
Seven years later	3,735								
Current estimate of cumulative claims incurred	<u>3,735</u>	<u>3,822</u>	<u>3,158</u>	<u>9,300</u>	<u>9,081</u>	<u>9,936</u>	<u>10,129</u>	<u>10,290</u>	<u>59,451</u>



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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Discontinued operations

Gross General Takaful claims liabilities for 31 December 2017 (continued)

<u>Gross claims paid</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</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> (continued)									
At end of accident year	(860)	(1,940)	(1,333)	(2,934)	(1,933)	(3,208)	(3,817)	(2,429)	
One year later	(3,220)	(3,366)	(2,549)	(8,157)	(8,150)	(6,514)	(6,164)		
Two years later	(3,330)	(3,699)	(2,881)	(8,783)	(8,502)	(6,811)			
Three years later	(3,351)	(3,708)	(2,887)	(8,942)	(8,543)				
Four years later	(3,353)	(3,808)	(3,123)	(8,975)					
Five years later	(3,574)	(3,808)	(3,123)						
Six years later	(3,574)	(3,822)							
Seven years later	(3,676)								
Cumulative payments to-date	(3,676)	(3,822)	(3,123)	(8,975)	(8,543)	(6,811)	(6,164)	(2,429)	(43,543)
Gross General Takaful claims liabilities	59	-	35	325	538	3,125	3,965	7,861	15,908

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## 29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)Claims development table (continued)Continuing operationsGross General Takaful claims liabilities for 31 December 2016

<u>Gross claims incurred</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
<u>Accident year</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year	88,551	11,983	9,012	11,692	17,009	21,254	14,871	14,978	
One year later	70,263	5,967	8,521	9,532	19,326	16,487	13,925		
Two years later	59,942	4,031	7,618	7,185	12,652	12,483			
Three years later	54,893	3,921	5,560	2,949	9,608				
Four years later	50,617	4,113	4,023	3,176					
Five years later	48,586	3,629	3,874						
Six years later	46,453	3,574							
Seven years later	48,575								
Current estimate of cumulative claims incurred	<u>48,575</u>	<u>3,574</u>	<u>3,874</u>	<u>3,176</u>	<u>9,608</u>	<u>12,483</u>	<u>13,925</u>	<u>14,978</u>	<u>110,193</u>

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Continuing operations

Gross General Takaful claims liabilities for 31 December 2016 (continued)

<u>Gross claims paid</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</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> (continued)									
At end of accident year	(14,656)	(860)	(1,940)	(1,333)	(2,934)	(1,933)	(3,208)	(3,817)	
One year later	(37,580)	(3,220)	(3,366)	(2,549)	(8,157)	(8,150)	(6,514)		
Two years later	(40,654)	(3,330)	(3,699)	(2,881)	(8,783)	(8,502)			
Three years later	(41,358)	(3,351)	(3,708)	(2,887)	(8,942)				
Four years later	(41,493)	(3,353)	(3,808)	(3,123)					
Five years later	(41,623)	(3,574)	(3,808)						
Six years later	(41,772)	(3,574)							
Seven years later	(48,134)								
Cumulative payments to-date	(48,134)	(3,574)	(3,808)	(3,123)	(8,942)	(8,502)	(6,514)	(3,817)	(86,414)
Gross General Takaful claims liabilities	441	-	66	53	666	3,981	7,411	11,161	23,779

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Discontinued operations

Net General Takaful claims liabilities for 31 December 2017

<u>Net claims incurred</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
<u>Accident year</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year	3,302	4,272	4,852	9,219	9,312	10,555	10,411	6,943	
One year later	3,063	3,477	4,783	7,449	8,667	9,793	6,148		
Two years later	2,198	3,501	3,618	6,859	5,822	6,289			
Three years later	2,072	2,476	1,735	3,799	2,866				
Four years later	2,069	1,808	1,788	3,726					
Five years later	1,995	1,750	1,753						
Six years later	1,985	1,744							
Seven years later	2,020								
Current estimate of cumulative claims incurred	<u>2,020</u>	<u>1,744</u>	<u>1,753</u>	<u>3,726</u>	<u>2,866</u>	<u>6,289</u>	<u>6,148</u>	<u>6,943</u>	<u>31,489</u>

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Discontinued operations

Net General Takaful claims liabilities for 31 December 2017 (continued)

<u>Net claims paid</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</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> (continued)									
At end of accident year	(509)	(891)	(757)	(1,957)	(1,114)	(2,023)	(2,508)	(1,770)	
One year later	(1,741)	(1,474)	(1,626)	(2,892)	(2,658)	(3,883)	(3,741)		
Two years later	(1,762)	(1,720)	(1,694)	(3,292)	(2,567)	(4,004)			
Three years later	(1,765)	(1,720)	(1,699)	(3,402)	(2,588)				
Four years later	(1,765)	(1,741)	(1,746)	(3,435)					
Five years later	(1,985)	(1,741)	(1,746)						
Six years later	(1,985)	(1,744)							
Seven years later	(2,017)								
Cumulative payments to-date	(2,017)	(1,744)	(1,746)	(3,435)	(2,588)	(4,004)	(3,741)	(1,770)	(21,045)
Net General Takaful claims liabilities	3	-	7	291	278	2,285	2,407	5,173	10,444

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## 29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)Claims development table (continued)Continuing operationsNet General Takaful claims liabilities for 31 December 2016

<u>Net claims incurred</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</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	40,371	3,302	4,272	4,852	9,219	9,312	10,555	10,411	
One year later	36,699	3,063	3,477	4,783	7,449	8,667	9,793		
Two years later	39,268	2,198	3,501	3,618	6,859	5,822			
Three years later	36,473	2,072	2,476	1,735	3,799				
Four years later	29,827	2,069	1,808	1,788					
Five years later	27,949	1,995	1,750						
Six years later	26,034	1,985							
Seven years later	24,845								
Current estimate of cumulative claims incurred	24,845	1,985	1,750	1,788	3,799	5,822	9,793	10,411	60,193

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29 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Continuing operations

Net General Takaful claims liabilities for 31 December 2016 (continued)

<u>Net claims paid</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</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> (continued)									
At end of accident year	(11,562)	(509)	(891)	(757)	(1,957)	(1,114)	(2,023)	(2,508)	
One year later	(20,312)	(1,741)	(1,474)	(1,626)	(2,892)	(2,658)	(3,883)		
Two years later	(23,202)	(1,762)	(1,720)	(1,694)	(3,292)	(2,567)			
Three years later	(23,861)	(1,765)	(1,720)	(1,699)	(3,402)				
Four years later	(23,990)	(1,765)	(1,741)	(1,746)					
Five years later	(24,120)	(1,985)	(1,741)						
Six years later	(24,196)	(1,985)							
Seven years later	(24,687)								
Cumulative payments to-date	(24,687)	(1,985)	(1,741)	(1,746)	(3,402)	(2,567)	(3,883)	(2,508)	(42,519)
Net General Takaful claims liabilities	158	-	9	42	397	3,255	5,910	7,903	17,674

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**NOTES TO THE FINANCIAL STATEMENTS  
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Credit risk is the risk of loss due to the inability or unwillingness of a counter-party to meet the payment obligations of the principal and/or profit. Exposure to such risk arises primarily from default risk of unquoted Sukuk purchased.

The Company manages the exposure to individual counterparties, by measuring exposure against internal and regulatory limits. These limits are governed by BNM's regulatory limits and the Company's internal limits, taking into account credit ratings issued by authorised rating agencies. The Company is also exposed to credit risk through its use of retakaful. Retakaful arrangements are only placed with providers who meet the Company's counterparty credit standards.

The Company only purchases Sukuk of high credit standing (with minimum rating of AA) as rated by authorised rating agencies. The Company also actively monitors and considers the risk of fall in the value of fixed profit securities from changes in the perceived credit worthiness of the issuer by conducting credit reviews and credit bond analysis on a regular basis as stipulated in the Investment Guidelines of the Company.

It is the Company's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Company's rating policy. The attributable risk ratings are assessed and updated regularly.

The method used in monitoring the credit risk exposure to the Company did not change from the previous financial year.

The Company has not provided the credit risk analysis for the financial assets of the investment-linked business. This is due to the fact that in investment-linked business, the liabilities to certificate holders are linked to the performance and value of the assets that back those liabilities and the shareholders have no direct exposure to any credit risk in these assets. The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.



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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position.

	Continuing operations			Discontinued operations
	Shareholders' fund	Family Investment-linked fund	Company	General Takaful fund
	RM'000	RM'000	RM'000	RM'000
<u>2017</u>				
<u>Financing and receivables</u>				
Fixed and call deposits	33,061	83,378	-	116,439
<u>FVTPL - designated upon initial recognition</u>				
Quoted equity securities *	-	71,579	-	-
Unit trust funds	11,741	1,778	26,100	39,619
<u>AFS financial assets</u>				
Government Investment Issues	149,098	129,759	-	278,857
Cagamas Sukuk	-	10,094	-	10,094
Unquoted Sukuk	137,174	633,890	-	771,064
Investments in investment-linked funds *	8,820	-	-	-
Takaful receivables	-	30,476	-	30,476
Retakaful assets	-	87,260	-	87,260
Other receivables	73,851	1,084	110	3,073
Cash and bank balances	7,040	11,761	163	18,964
	<u>420,785</u>	<u>1,061,059</u>	<u>26,373</u>	<u>1,427,425</u>
				<u>51,985</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure (continued)

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Investment- linked fund RM'000	Company RM'000
<u>2016</u>					
<u>Financing and receivables</u>					
Fixed and call deposits	40,761	14,827	84,021	-	139,609
<u>FVTPL - designated upon initial recognition</u>					
Quoted equity securities *	-	-	11,868	-	11,868
Unit trust funds	-	-	-	20,923	20,923
<u>AFS financial assets</u>					
Government Investment Issues	127,955	12,275	172,234	-	312,464
Cagamas Sukuk	-	-	15,234	-	15,234
Unquoted Sukuk	131,554	17,582	513,607	-	662,743
Investments in investment-linked funds *	8,038	-	-	-	-
Takaful receivables	-	3,026	30,366	-	33,392
Retakaful assets	-	7,140	37,743	-	44,883
Other receivables	62,116	28	7,142	16	7,271
Cash and bank balances	4,983	3,015	15,651	94	23,743
	<u>375,407</u>	<u>57,893</u>	<u>887,866</u>	<u>21,033</u>	<u>1,272,130</u>

\* Not subject to credit risk

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NOTES TO THE FINANCIAL STATEMENTS  
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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the authorised rating agencies' credit ratings of counterparties.

<u>Shareholders' fund</u>	Neither past due nor impaired					Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2017</u>									
<u>AFS financial assets</u>									
Government Investment Issues	-	-	-	-	149,098	-	-	-	149,098
Unquoted Sukuk	20,366	10,156	-	-	106,652	-	-	-	137,174
Investment-linked funds	-	-	-	-	-	8,820	-	-	8,820
<u>FVTPL financial assets</u>									
Unit trust funds	-	-	-	-	-	11,741	-	-	11,741
<u>Financing and receivables</u>									
Fixed and call deposits	-	33,061	-	-	-	-	-	-	33,061
Other receivables	-	-	-	-	73,851	-	-	-	73,851
Cash and bank balances	7,034	-	-	-	6	-	-	-	7,040
	<u>27,400</u>	<u>43,217</u>	<u>-</u>	<u>-</u>	<u>329,607</u>	<u>20,561</u>	<u>-</u>	<u>-</u>	<u>420,785</u>

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## 30 FINANCIAL RISKS (CONTINUED)

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

<u>Shareholders' fund</u>	Neither past due nor impaired					Not subject to credit risk	Past due but not impaired	Past due and impaired	<u>Total</u>
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2016</u>									
<u>AFS financial assets</u>									
Government Investment Issues	-	-	-	-	127,955	-	-	-	127,955
Unquoted Sukuk	20,388	5,061	-	-	106,105	-	-	-	131,554
Investment-linked funds	-	-	-	-	-	8,038	-	-	8,038
<u>Financing and receivables</u>									
Fixed and call deposits	24,096	16,665	-	-	-	-	-	-	40,761
Other receivables	-	-	-	-	62,116	-	-	-	62,116
Cash and bank balances	4,977	-	-	-	6	-	-	-	4,983
	<u>49,461</u>	<u>21,726</u>	<u>-</u>	<u>-</u>	<u>296,182</u>	<u>8,038</u>	<u>-</u>	<u>-</u>	<u>375,407</u>

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## 30 FINANCIAL RISKS (CONTINUED)

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

<u>General Takaful fund</u>	Neither past due nor impaired					Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2017</u>									
<u>AFS financial assets</u>									
Government Investment Issues	-	-	-	-	12,239	-	-	-	12,239
Unquoted Sukuk	-	6,659	-	-	10,006	-	-	-	16,665
<u>Financing and receivables</u>									
Fixed and call deposits	10,391	-	-	-	-	-	-	-	10,391
Takaful receivables	-	-	-	-	2,945	-	128	744	3,817
Retakaful assets	-	-	-	-	7,088	-	-	-	7,088
Other receivables	-	-	-	-	5	-	-	-	5
Cash and bank balances	2,000	343	-	-	181	-	-	-	2,524
Allowance for impairment losses	-	-	-	-	-	-	-	(744)	(744)
	<u>12,391</u>	<u>7,002</u>	<u>-</u>	<u>-</u>	<u>32,464</u>	<u>-</u>	<u>128</u>	<u>-</u>	<u>51,985</u>

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## 30 FINANCIAL RISKS (CONTINUED)

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

<u>General Takaful fund</u>	Neither past due nor impaired					Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2016</u>									
<u>AFS financial assets</u>									
Government Investment Issues	-	-	-	-	12,275	-	-	-	12,275
Unquoted Sukuk	-	7,644	-	-	9,938	-	-	-	17,582
<u>Financing and receivables</u>									
Fixed and call deposits	6,843	7,984	-	-	-	-	-	-	14,827
Takaful receivables	-	-	-	-	2,995	-	31	659	3,685
Retakaful assets	-	-	-	-	7,140	-	-	-	7,140
Other receivables	-	-	-	-	28	-	-	-	28
Cash and bank balances	2,412	577	-	-	26	-	-	-	3,015
Allowance for impairment losses	-	-	-	-	-	-	-	(659)	(659)
	<u>9,255</u>	<u>16,205</u>	<u>-</u>	<u>-</u>	<u>32,402</u>	<u>-</u>	<u>31</u>	<u>-</u>	<u>57,893</u>

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## SUN LIFE MALAYSIA TAKAFUL BERHAD

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## 30 FINANCIAL RISKS (CONTINUED)

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

<u>Family Takaful fund</u>	Neither past due nor impaired					Not subject to credit risk RM'000	Investment-linked fund RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000					
<u>2017</u>										
<u>AFS financial assets</u>										
Government Investment Issues	-	-	-	-	129,759	-	-	-	-	129,759
Cagamas Sukuk	10,094	-	-	-	-	-	-	-	-	10,094
Unquoted Sukuk	154,230	204,612	-	-	275,048	-	-	-	-	633,890
<u>FVTPL financial assets</u>										
Government Investment Issues	-	-	-	-	-	-	-	-	-	-
Unquoted Sukuk	-	-	-	-	-	-	-	-	-	-
Quoted equity securities	-	-	-	-	-	71,579	-	-	-	71,579
Unit trust funds	-	-	-	-	-	1,778	26,100	-	-	27,878
<u>Financing and receivables</u>										
Fixed and call deposits	27,986	54,256	-	-	1,136	-	-	-	-	83,378
Takaful receivables	-	-	-	-	30,476	-	-	-	8	30,484
Retakaful assets	-	65,016	2,288	-	19,956	-	-	-	-	87,260
Other receivables	-	-	-	-	1,084	-	110	-	-	1,194
Cash and bank balances	10,954	742	1	-	64	-	163	-	-	11,924
Allowance for impairment losses	-	-	-	-	-	-	-	-	(8)	(8)
	<u>203,264</u>	<u>324,626</u>	<u>2,289</u>	<u>-</u>	<u>457,523</u>	<u>73,357</u>	<u>26,373</u>	<u>-</u>	<u>-</u>	<u>1,087,432</u>

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## 30 FINANCIAL RISKS (CONTINUED)

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

<u>Family Takaful fund</u>	Neither past due nor impaired					Not subject to credit risk RM'000	Investment-linked fund RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000					
<u>2016</u>										
<u>AFS financial assets</u>										
Government Investment Issues	-	-	-	-	172,234	-	-	-	-	172,234
Cagamas Sukuk	15,234	-	-	-	-	-	-	-	-	15,234
Unquoted Sukuk	123,942	127,799	-	-	261,866	-	-	-	-	513,607
<u>FVTPL financial assets</u>										
Government Investment Issues	-	-	-	-	-	-	-	-	-	-
Unquoted Sukuk	-	-	-	-	-	-	-	-	-	-
Quoted equity securities	-	-	-	-	-	11,868	-	-	-	11,868
Unit trust funds	-	-	-	-	-	-	20,923	-	-	20,923
<u>Financing and receivables</u>										
Fixed and call deposits	43,869	40,152	-	-	-	-	-	-	-	84,021
Takaful receivables	-	-	-	-	30,366	-	-	-	6	30,372
Retakaful assets	-	36,563	176	-	1,004	-	-	-	-	37,743
Other receivables	-	-	-	-	7,142	-	16	-	-	7,158
Cash and bank balances	15,145	488	-	-	18	-	94	-	-	15,745
Allowance for impairment losses	-	-	-	-	-	-	-	-	(6)	(6)
	<u>198,190</u>	<u>205,002</u>	<u>176</u>	<u>-</u>	<u>472,630</u>	<u>11,868</u>	<u>21,033</u>	<u>-</u>	<u>-</u>	<u>908,899</u>



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## 30 FINANCIAL RISKS (CONTINUED)

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

<u>Company</u>	Neither past due nor impaired					Not subject to credit risk RM'000	Investment- linked fund RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	<u>Total</u> RM'000
	<u>AAA</u> RM'000	<u>AA</u> RM'000	<u>A</u> RM'000	<u>BBB</u> RM'000	<u>Not rated</u> RM'000					
<u>2017</u>										
<u>AFS financial assets</u>										
Government Investment Issues	-	-	-	-	278,857	-	-	-	-	278,857
Cagamas Sukuk	10,094	-	-	-	-	-	-	-	-	10,094
Unquoted Sukuk	174,596	214,768	-	-	381,700	-	-	-	-	771,064
<u>FVTPL financial assets</u>										
Government Investment Issues	-	-	-	-	-	-	-	-	-	-
Unquoted Sukuk	-	-	-	-	-	-	-	-	-	-
Quoted equity securities	-	-	-	-	-	71,579	-	-	-	71,579
Unit trust funds	-	-	-	-	-	13,519	26,100	-	-	39,619
<u>Financing and receivables</u>										
Fixed and call deposits	27,986	87,317	-	-	1,136	-	-	-	-	116,439
Takaful receivables	-	-	-	-	30,476	-	-	-	8	30,484
Retakaful assets	-	65,016	2,288	-	19,956	-	-	-	-	87,260
Other receivables	-	-	-	-	2,963	-	110	-	-	3,073
Cash and bank balances	17,988	742	1	-	70	-	163	-	-	18,964
Allowance for impairment losses	-	-	-	-	-	-	-	-	(8)	(8)
	<u>230,664</u>	<u>367,843</u>	<u>2,289</u>	<u>-</u>	<u>715,158</u>	<u>85,098</u>	<u>26,373</u>	<u>-</u>	<u>-</u>	<u>1,427,425</u>

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## 30 FINANCIAL RISKS (CONTINUED)

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

<u>Company</u>	Neither past due nor impaired					Not subject to <u>credit risk</u> RM'000	Investment- <u>linked fund</u> RM'000	Past due but not <u>impaired</u> RM'000	Past due and <u>impaired</u> RM'000	<u>Total</u> RM'000
	<u>AAA</u> RM'000	<u>AA</u> RM'000	<u>A</u> RM'000	<u>BBB</u> RM'000	<u>Not rated</u> RM'000					
<u>2016</u>										
<u>AFS financial assets</u>										
Government Investment Issues	-	-	-	-	312,464	-	-	-	-	312,464
Cagamas Sukuk	15,234	-	-	-	-	-	-	-	-	15,234
Unquoted Sukuk	144,330	140,504	-	-	377,909	-	-	-	-	662,743
<u>FVTPL financial assets</u>										
Government Investment Issues	-	-	-	-	-	-	-	-	-	-
Unquoted Sukuk	-	-	-	-	-	-	-	-	-	-
Quoted equity securities	-	-	-	-	-	11,868	-	-	-	11,868
Unit trust funds	-	-	-	-	-	-	20,923	-	-	20,923
<u>Financing and receivables</u>										
Fixed and call deposits	74,808	64,801	-	-	-	-	-	-	-	139,609
Takaful receivables	-	-	-	-	33,361	-	-	31	665	34,057
Retakaful assets	-	36,563	176	-	8,144	-	-	-	-	44,883
Other receivables	-	-	-	-	7,255	-	16	-	-	7,271
Cash and bank balances	22,534	1,065	-	-	50	-	94	-	-	23,743
Allowance for impairment losses	-	-	-	-	-	-	-	-	(665)	(665)
	<u>256,906</u>	<u>242,933</u>	<u>176</u>	<u>-</u>	<u>739,183</u>	<u>11,868</u>	<u>21,033</u>	<u>31</u>	<u>-</u>	<u>1,272,130</u>

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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Aged analysis of financial assets past due but not impaired

Discontinued operations

<u>General Takaful fund</u>	< 90 <u>days</u> RM'000	> 90 <u>days</u> RM'000	<u>Total</u> RM'000
<u>2017</u>			
Takaful receivables	116	12	128

Continuing operations

General Takaful fund/Company

2016

Takaful receivables	26	5	31
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Impaired Takaful receivables

At 31 December 2017, impaired Takaful receivables amounted to RM8,178 (2016: RM0.7 million). Impairment of Takaful receivables is performed based on individual assessment of receivables where the contractual payments are in arrears for more than three months. No collateral is held as security for these impaired assets.

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

	<u>Continuing operations</u>		<u>2017</u> Discontinued operations
	<u>Family</u> <u>Takaful fund</u> RM'000	<u>Company</u> RM'000	<u>General</u> <u>Takaful fund</u> RM'000
As at 1 January	6	6	659
Writeback during the financial year (note 20)	-	-	(35)
Write off against Takaful receivables	-	-	10
Allowance for impairment loss during the financial year (note 23)	2	2	110
As at 31 December (note 8)	8	8	744

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30 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Impaired Takaful receivables (continued)

A reconciliation of the allowance for impairment losses on Takaful receivables is as follows:  
(continued)

	<u>2016</u>		
	<u>General Takaful fund RM'000</u>	<u>Family Takaful fund RM'000</u>	<u>Company RM'000</u>
As at 1 January	60	-	60
Allowance for impairment loss during the financial year (note 23)	599	6	605
As at 31 December (note 7)	<u>659</u>	<u>6</u>	<u>665</u>

Impaired other receivables

At 31 December 2017, there is no impairment on other receivables (2016: RM nil). Impairment of other receivables is performed based on individual assessment of receivables where the contractual payments are in arrears for more than three months. No collateral is held as security for these impaired assets.

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

	<u>2017</u>		<u>2016</u>
	<u>Discontinued operations General Takaful fund RM'000</u>	<u>Continuing operations Company RM'000</u>	<u>General Takaful fund/Company RM'000</u>
As at 1 January	-	-	-
Write off against other receivables	(5)	-	(7)
Allowance for impairment loss during the financial year (note 23)	5	-	7
As at 31 December	<u>-</u>	<u>-</u>	<u>-</u>

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30 **FINANCIAL RISKS (CONTINUED)**

Liquidity risk

Liquidity risk is the risk where the Company is unable to meet its obligations at reasonable cost or at any time. The Investment department of the Company manages this risk by monitoring daily as well as monthly, projected and actual cash inflows/outflows and by ensuring that a reasonable amount of financial assets are kept in liquid instruments at all times. The Company has a strong liquidity position and seeks to maintain sufficient financial resources to meet its obligations as they fall due.

The method used in monitoring the liquidity risk did not change from the previous financial year.

Maturity profiles

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

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

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

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30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Total RM'000
<u>Shareholders' fund</u>								
<u>2017</u>								
<u>AFS financial assets</u>								
Government Investment Issues	149,098	6,277	12,554	82,534	74,851	20,440	-	196,657
Unquoted Sukuk	137,174	6,008	41,026	24,186	107,348	-	-	178,568
Investment-linked funds	8,820	-	-	-	-	-	8,820	8,820
<u>FVTPL financial assets</u>								
Unit trust funds	11,741	-	-	-	-	-	11,741	11,741
<u>Financing and receivables</u>								
Fixed and call deposits	33,061	33,061	-	-	-	-	-	33,061
Other receivables	73,851	73,851	-	-	-	-	-	73,851
Cash and bank balances	7,040	-	-	-	-	-	7,040	7,040
Total financial assets	<u>420,785</u>	<u>119,197</u>	<u>53,580</u>	<u>106,720</u>	<u>182,199</u>	<u>20,440</u>	<u>27,601</u>	<u>509,738</u>
Other payables	56,718	56,718	-	-	-	-	-	56,718
Expense liabilities	23,148	22,215	6,216	3,634	(6,127)	(18,455)	-	7,483
Total financial liabilities	<u>79,866</u>	<u>78,933</u>	<u>6,216</u>	<u>3,634</u>	<u>(6,127)</u>	<u>(18,455)</u>	<u>-</u>	<u>64,201</u>

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## 30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Total RM'000
<u>2016</u>								
<u>AFS financial assets</u>								
Government Investment Issues	127,955	5,332	10,665	13,579	137,802	-	-	167,378
Unquoted Sukuk	131,554	5,777	16,545	29,889	126,852	-	-	179,063
Investment-linked funds	8,038	-	-	-	-	-	8,038	8,038
<u>Financing and receivables</u>								
Fixed and call deposits	40,761	40,797	-	-	-	-	-	40,797
Other receivables	62,116	62,116	-	-	-	-	-	62,116
Cash and bank balances	4,983	-	-	-	-	-	4,983	4,983
Total financial assets	<u>375,407</u>	<u>114,022</u>	<u>27,210</u>	<u>43,468</u>	<u>264,654</u>	<u>-</u>	<u>13,021</u>	<u>462,375</u>
Other payables	28,521	28,521	-	-	-	-	-	28,521
Expense liabilities	42,664	18,958	12,075	7,507	7,247	774	-	46,561
Total financial liabilities	<u>71,185</u>	<u>47,479</u>	<u>12,075</u>	<u>7,507</u>	<u>7,247</u>	<u>774</u>	<u>-</u>	<u>75,082</u>

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30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

Discontinued operations

	Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Total
<u>General Takaful fund</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2017</u>								
<u>AFS financial assets</u>								
Unquoted Sukuk	16,665	1,707	6,776	5,543	5,751	-	-	19,777
Government Investment Issues	12,239	10,442	168	2,129	-	-	-	12,739
<u>Financing and receivables</u>								
Fixed and call deposits	10,391	10,404	-	-	-	-	-	10,404
Takaful receivables	3,073	3,073	-	-	-	-	-	3,073
Other receivables	5	5	-	-	-	-	-	5
Retakaful assets	5,464	3,623	1,684	149	8	-	-	5,464
Cash and bank balances	2,524	-	-	-	-	-	2,524	2,524
Total financial assets	<u>50,361</u>	<u>29,254</u>	<u>8,628</u>	<u>7,821</u>	<u>5,759</u>	-	<u>2,524</u>	<u>53,986</u>
Takaful contract liabilities	28,557	23,196	4,904	435	22	-	-	28,557
Takaful payables	2,170	2,170	-	-	-	-	-	2,170
Other payables	11,315	11,315	-	-	-	-	-	11,315
Total financial liabilities	<u>42,042</u>	<u>36,681</u>	<u>4,904</u>	<u>435</u>	<u>22</u>	-	-	<u>42,042</u>



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30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

Continuing operations

	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
<u>General Takaful fund</u>								
<u>2016</u>								
<u>AFS financial assets</u>								
Unquoted Sukuk	17,582	1,746	4,879	8,778	5,961	-	-	21,364
Government Investment Issues	12,275	513	10,525	168	2,045	-	-	13,251
<u>Financing and receivables</u>								
Fixed and call deposits	14,827	14,850	-	-	-	-	-	14,850
Takaful receivables	3,026	3,026	-	-	-	-	-	3,026
Other receivables	28	28	-	-	-	-	-	28
Retakaful assets	6,105	3,469	2,446	190	-	-	-	6,105
Cash and bank balances	3,015	-	-	-	-	-	3,015	3,015
Total financial assets	56,858	23,632	17,850	9,136	8,006	-	3,015	61,639
<u>Takaful contract liabilities</u>								
Takaful contract liabilities	35,569	25,303	9,525	740	1	-	-	35,569
Takaful payables	2,764	2,764	-	-	-	-	-	2,764
Other payables	10,938	10,938	-	-	-	-	-	10,938
Total financial liabilities	49,271	39,005	9,525	740	1	-	-	49,271

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## 30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Investment- <u>linked fund</u> RM'000	<u>Total</u> RM'000
<u>Family Takaful fund</u>									
<u>2017</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	633,890	52,700	107,818	112,395	478,574	214,837	-	-	966,324
Cagamas Sukuk	10,094	455	910	910	11,288	-	-	-	13,563
Government Investment Issues	129,759	5,807	16,598	18,192	78,484	87,732	-	-	206,813
<u>FVTPL financial assets</u>									
Quoted equity securities	71,579	-	-	-	-	-	71,579	-	71,579
Unit trust funds	27,878	-	-	-	-	-	1,778	26,100	27,878
<u>Financing and receivables</u>									
Fixed and call deposits	83,378	83,488	-	-	-	-	-	-	83,488
Takaful receivables	30,476	30,476	-	-	-	-	-	-	30,476
Retakaful assets	87,260	24,616	14,663	10,526	25,190	12,265	-	-	87,260
Other receivables	1,194	1,084	-	-	-	-	-	110	1,194
Cash and bank balances	11,924	-	-	-	-	-	11,761	163	11,924
Total financial assets	<u>1,087,432</u>	<u>198,626</u>	<u>139,989</u>	<u>142,023</u>	<u>593,536</u>	<u>314,834</u>	<u>85,118</u>	<u>26,373</u>	<u>1,500,499</u>

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30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Investment- <u>linked fund</u> RM'000	<u>Total</u> RM'000
<u>Family Takaful fund</u>									
<u>2017</u> (continued)									
Takaful contract liabilities	998,951	166,306	187,743	134,776	322,528	157,035	33,087	26,225	1,027,700
Takaful payables	21,434	21,434	-	-	-	-	-	-	21,434
Other payables	67,360	67,357	-	-	-	-	-	3	67,360
Total financial liabilities	<u>1,087,745</u>	<u>255,097</u>	<u>187,743</u>	<u>134,776</u>	<u>322,528</u>	<u>157,035</u>	<u>33,087</u>	<u>26,228</u>	<u>1,116,494</u>

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## 30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Investment- <u>linked fund</u> RM'000	<u>Total</u> RM'000
<u>Family Takaful fund</u>									
<u>2016</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	513,607	24,465	74,858	79,137	437,474	231,778	-	-	847,712
Cagamas Sukuk	15,234	683	1,365	1,365	17,614	-	-	-	21,027
Government Investment Issues	172,234	7,691	15,382	28,880	117,795	104,412	-	-	274,160
<u>FVTPL financial assets</u>									
Quoted equity securities	11,868	-	-	-	-	-	11,868	-	11,868
Unit trust funds	20,923	-	-	-	-	-	-	20,923	20,923
<u>Financing and receivables</u>									
Fixed and call deposits	84,021	84,063	-	-	-	-	-	-	84,063
Takaful receivables	30,366	30,366	-	-	-	-	-	-	30,366
Retakaful assets	37,743	12,683	5,710	4,100	10,135	5,115	-	-	37,743
Other receivables	7,158	7,142	-	-	-	-	-	16	7,158
Cash and bank balances	15,745	-	-	-	-	-	15,651	94	15,745
Total financial assets	<u>908,899</u>	<u>167,093</u>	<u>97,315</u>	<u>113,482</u>	<u>583,018</u>	<u>341,305</u>	<u>27,519</u>	<u>21,033</u>	<u>1,350,765</u>

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30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	Carrying <u>value</u> RM'000	Up to a <u>year</u> RM'000	1 - 3 <u>years</u> RM'000	3 - 5 <u>years</u> RM'000	5 - 15 <u>years</u> RM'000	Over 15 <u>years</u> RM'000	No maturity <u>date</u> RM'000	Investment- linked fund RM'000	<u>Total</u> RM'000
<u>Family Takaful fund</u>									
<u>2016</u> (continued)									
Takaful contract liabilities	835,200	130,618	155,998	112,020	276,916	139,741	26,066	20,976	862,335
Takaful payables	17,505	17,505	-	-	-	-	-	-	17,505
Other payables	56,552	56,545	-	-	-	-	-	7	56,552
Total financial liabilities	<u>909,257</u>	<u>204,668</u>	<u>155,998</u>	<u>112,020</u>	<u>276,916</u>	<u>139,741</u>	<u>26,066</u>	<u>20,983</u>	<u>936,392</u>

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## 30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

<u>Company</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment- linked fund</u> RM'000	<u>Total</u> RM'000
<u>2017</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	771,064	58,708	148,844	136,581	585,922	214,837	-	-	1,144,892
Cagamas Sukuk	10,094	455	910	910	11,288	-	-	-	13,563
Government Investment Issues	278,857	12,084	29,152	100,726	153,335	108,172	-	-	403,470
<u>FVTPL financial assets</u>									
Quoted equity securities	71,579	-	-	-	-	-	71,579	-	71,579
Unit trust funds	39,619	-	-	-	-	-	13,519	26,100	39,619
<u>Financing and receivables</u>									
Fixed and call deposits	116,439	116,549	-	-	-	-	-	-	116,549
Takaful receivables	30,476	30,476	-	-	-	-	-	-	30,476
Retakaful assets	87,260	24,616	14,663	10,526	25,190	12,265	-	-	87,260
Other receivables	3,073	2,963	-	-	-	-	-	110	3,073
Cash and bank balances	18,964	-	-	-	-	-	18,801	163	18,964
Total financial assets	<u>1,427,425</u>	<u>245,851</u>	<u>193,569</u>	<u>248,743</u>	<u>775,735</u>	<u>335,274</u>	<u>103,899</u>	<u>26,373</u>	<u>1,929,445</u>

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30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

<u>Company</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment- linked fund</u> RM'000	<u>Total</u> RM'000
<u>2017</u> (continued)									
Takaful contract liabilities	990,131	166,306	187,743	134,776	322,528	157,035	33,087	17,405	1,018,880
Takaful payables	21,434	21,434	-	-	-	-	-	-	21,434
Other payables	63,012	63,009	-	-	-	-	-	3	63,012
Expense liabilities	23,148	22,215	6,216	3,634	(6,127)	(18,455)	-	-	7,483
Total financial liabilities	<u>1,097,725</u>	<u>272,964</u>	<u>193,959</u>	<u>138,410</u>	<u>316,401</u>	<u>138,580</u>	<u>33,087</u>	<u>17,408</u>	<u>1,110,809</u>

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## 30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)Maturity profiles (continued)

<u>Company</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment- linked fund</u> RM'000	<u>Total</u> RM'000
<u>2016</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	662,743	31,988	96,282	117,804	570,287	231,778	-	-	1,048,139
Cagamas Sukuk	15,234	683	1,365	1,365	17,614	-	-	-	21,027
Government Investment Issues	312,464	13,536	36,572	42,627	257,642	104,412	-	-	454,789
<u>FVTPL financial assets</u>									
Quoted equity securities	11,868	-	-	-	-	-	11,868	-	11,868
Unit trust funds	20,923	-	-	-	-	-	-	20,923	20,923
<u>Financing and receivables</u>									
Fixed and call deposits	139,609	139,710	-	-	-	-	-	-	139,710
Takaful receivables	33,392	33,392	-	-	-	-	-	-	33,392
Retakaful assets	43,848	16,152	8,156	4,290	10,135	5,115	-	-	43,848
Other receivables	7,271	7,255	-	-	-	-	-	16	7,271
Cash and bank balances	23,743	-	-	-	-	-	23,649	94	23,743
Total financial assets	<u>1,271,095</u>	<u>242,716</u>	<u>142,375</u>	<u>166,086</u>	<u>855,678</u>	<u>341,305</u>	<u>35,517</u>	<u>21,033</u>	<u>1,804,710</u>



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30 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

<u>Company</u>	<u>Carrying value</u> RM'000	<u>Up to a year</u> RM'000	<u>1 - 3 years</u> RM'000	<u>3 - 5 years</u> RM'000	<u>5 - 15 years</u> RM'000	<u>Over 15 years</u> RM'000	<u>No maturity date</u> RM'000	<u>Investment- linked fund</u> RM'000	<u>Total</u> RM'000
<u>2016</u> (continued)									
Takaful contract liabilities	862,731	155,921	165,523	112,760	276,917	139,741	26,066	12,938	889,866
Takaful payables	20,269	20,269	-	-	-	-	-	-	20,269
Other payables	33,980	33,973	-	-	-	-	-	7	33,980
Expense liabilities	42,664	18,958	12,075	7,507	7,247	774	-	-	46,561
Total financial liabilities	<u>959,644</u>	<u>229,121</u>	<u>177,598</u>	<u>120,267</u>	<u>284,164</u>	<u>140,515</u>	<u>26,066</u>	<u>12,945</u>	<u>990,676</u>

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30 FINANCIAL RISKS (CONTINUED)

Market risk

Market risk is the risk of assets/liabilities values being adversely affected by movements in market prices or rates. This includes equity prices and profit rates. It is recognised that such risk is inevitable from the business that the Company undertakes, and that a certain level of market risk is desirable to deliver benefits to both certificate holders and shareholders by achieving the Company's financial objectives.

The Company manages market risk by adopting asset liability matching criteria, to minimise the impact of mismatches between the value of assets and liabilities from market movements. However where any mismatch is within the Company's appetite, the impact is monitored through economic capital measures.

Volatility in profit rates is the Company's largest market risk exposure. The Company monitors market price movements through regular stress/sensitivity testing and constant supervision.

The method used in monitoring market risk did not change from the previous financial year.

(i) Profit rate risk

Profit rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market profit rate.

The Company's concentration of profit rate risk arises from fixed rate instruments and the Company's asset liability risk management policy requires management to manage the profit rate risk by maintaining an appropriate liability driven investment strategy. Profit on fixed rate instruments is priced at the issuance of the financial instrument and is fixed until the instrument matures.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before taxation 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.

	<u>Impact on profit before taxation RM'000</u>	<u>Company Impact on equity* RM'000</u>
<u>2017</u>		
<u>Change in profit rate</u>		
+ 100 basis points	-	(12,558)
- 100 basis points	-	13,703
	<u>          </u>	<u>          </u>

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NOTES TO THE FINANCIAL STATEMENTS  
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30 FINANCIAL RISKS (CONTINUED)

Market risk (continued)

(i) Profit rate risk (continued)

<u>2016</u>	<u>Company</u>	
	<u>Impact on profit before taxation</u> RM'000	<u>Impact on equity*</u> RM'000
<u>Change in profit rate</u>		
+ 100 basis points	-	(12,011)
- 100 basis points	-	13,101
	<u>                    </u>	<u>                    </u>

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

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

The impact to the Company's equity arose from AFS financial assets in the Shareholders' 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.

(ii) Price risk

Price risk is the risk that the fair value of a financial instrument or portfolio will decline from adverse movement in the market price of an asset, whether those changes are caused by factors specific to the individual financial instrument, overall performance of the market and economy, or its issuer or factors affecting similar financial instruments traded in the market.

The Company's equity price risk exposure relates to risk of losses arising from equity assets as a result of movement in market prices, principally investment securities not held for the account of unit-linked business.

The Company's asset liability risk management policy requires it to manage equity price risk and profit rate risk by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in the country, sector, market and issuer, having regard also to such limits stipulated by BNM. The Company complies with BNM's stipulated limits during the financial year and has no significant concentration of price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before taxation 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.

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30 FINANCIAL RISKS (CONTINUED)

Market risk (continued)

(ii) Price risk (continued)

	Impact on profit before taxation RM'000	Company Impact on equity* RM'000
<u>2017</u>		
<u>Change in variables</u>		
Quoted equity securities:		
Decrease in share price by 40%	(4,697)	(6,251)
	<u>          </u>	<u>          </u>
<u>2016</u>		
<u>Change in variables</u>		
Quoted equity securities:		
Decrease in share price by 40%	-	-
	<u>          </u>	<u>          </u>

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

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

There is no impact to the Company's profit before taxation and equity from changes in equity price risk of the Family Takaful fund and Investment-linked funds as these are retained in the Takaful contract liabilities.

Operational risk

Operational risk is defined as the risk of direct or indirect losses resulting from inadequate or failed internal processes, people and systems, or from external events.

The Company has in place an Operational Risk Management ("ORM") Framework. The purpose of this Framework is to:

- Set-out the framework for ensuring effective management of the Company's Operational Risks, including processes for identifying, measuring, managing, monitoring and reporting these risks across the Company; and
- Establish standard tools and processes for managing Operational Risks within the Company.

From the governance perspective, the RMC and ERMC monitor and oversee the implementation of the ORM Framework to ensure that the operational risk management processes are in place and functioning effectively.

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31 COMMITMENTS AND CONTINGENCIES

	Shareholders' fund/ Company	
	<u>2017</u> RM'000	<u>2016</u> RM'000
Approved and contracted for:		
Property and equipment	-	-
Approved but not contracted for:		
Property and equipment	119	-
	<u>119</u>	<u>-</u>
	<u><u>119</u></u>	<u><u>-</u></u>

32 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2017, as prescribed under the Risk Based Capital Framework is provided below:

	<u>2017</u> RM'000	<u>2016</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	200,000	100,010
Share premium	-	99,990
Retained earnings	175,291	101,526
Eligible contract liabilities	23,961	18,082
	<u>399,252</u>	<u>319,608</u>
<u>Tier 2 Capital</u>		
Eligible reserves	2,165	297
Amounts deducted from capital	(41,083)	(3,296)
Total capital available	<u><u>360,334</u></u>	<u><u>316,609</u></u>