

Company No.

689263	M
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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
(formerly known as CIMB Aviva Takaful Berhad)  
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2013

0977A4/nm

Company No.

689263

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
(formerly known as CIMB Aviva Takaful Berhad)  
(Incorporated in Malaysia)

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
(formerly known as CIMB Aviva Takaful Berhad)  
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## 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 2013.

### 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.

### CHANGE OF NAME

The Company changed its name from CIMB Aviva Takaful Berhad to Sun Life Malaysia Takaful Berhad on 19 August 2013 arising from the change in shareholders during the financial year.

### FINANCIAL RESULTS

	RM'000
Net profit for the financial year	<u>9,008</u>

### DIVIDENDS

No dividends have been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any dividend for the financial year ended 31 December 2013.

### RESERVES AND PROVISIONS

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

### 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.

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## DIRECTORS' REPORT (CONTINUED)

### 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.

### 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.

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**DIRECTORS' REPORT (CONTINUED)**

**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.

**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 at the Board Meetings held during the financial year are as follows:

	<u>Attendance</u>
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir (appointed as Chairman and Director on 13 May 2013)	4/4
Encik Mohd Yusof Bin Hussian (resigned as Chairman and Director on 13 May 2013)	4/4
Encik Izlan Bin Izhab	8/8
Encik Pushpanathan A/L S.A. Kanagarayar	8/8
Encik Renzo Christopher Viegas (appointed on 22 May 2013)	4/4
Dato' Mohd Shukri Bin Hussin (appointed on 22 May 2013)	4/4
Encik Ahmad Farouk Bin Mohamed (appointed on 22 May 2013)	4/4
Encik Jose Isidro Navato Camacho (appointed on 23 May 2013)	3/4
Encik Muhammad Fikri Bin Mohamad Rawi (appointed on 24 June 2013)	3/3
Encik Roger David Steel (appointed on 8 November 2013)	1/1
Encik Peter William England (resigned on 22 May 2013)	3/4
Encik Allan Raymond Griffiths (resigned on 11 April 2013)	2/4
Cik Saw Teow Yam (resigned on 11 April 2013)	4/4
Encik Ooi Say Teng (resigned on 24 June 2013)	5/5
Encik Kevin David Strain (appointed on 9 May 2013 and resigned on 8 November 2013)	3/3

In accordance with Article 69 of the Company's Articles of Association, Y.Bhg. Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir, Y.Bhg. Dato' Mohd Shukri Bin Hussin and Encik Izlan Bin Izhab shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

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**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS (CONTINUED)**

In accordance with Article 76 of the Company's Articles of Association, Encik Roger David Steel and Encik Muhammad Fikri Bin Mohamad Rawi shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

**CORPORATE GOVERNANCE**

The Company has complied with all the prescriptive requirements of, 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 004-1 Guidelines on Directorship for Takaful Operators, BNM/RH/GL 018-3 Guidelines on Fit and Proper for Key Responsible Persons, BNM/RH/GL\_012\_3 Shariah Governance Framework for Islamic Financial Institutions, BNM/RH/GL/003-2 Prudential Framework of Corporate Governance for Insurers, other directives and the principles of Shariah.

Audit Committee ("AC")

The composition of the AC comprises a majority of Independent Directors of the Company and the attendances of the AC members at the meetings held during the financial year are indicated below:

	<u>Attendance</u>
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir (Independent Non-Executive Director) (appointed as Chairman on 29 May 2013)	2/2
Encik Pushpanathan A/L S.A. Kanagarayar (Independent Non-Executive Director) (resigned as Chairman on 29 May 2013)	4/4
Encik Roger David Steel (Non-Independent Non-Executive Director) (appointed on 26 November 2013)	1/1
Encik Mohd Yusof Bin Hussian (Independent Non-Executive Director) (resigned on 13 May 2013)	2/2
Encik Izlan Bin Izhah (Independent Non-Executive Director) (resigned on 29 May 2013)	2/2
Encik Kevin David Strain (Non-Independent Non-Executive Director) (appointed on 29 May 2013 and resigned on 8 November 2013)	1/1

The duties and responsibilities of the AC are as follows:

Financial Reporting

- (i) Reviews with management and the External Auditor and makes recommendations to the Board of Directors 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.

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

Audit Committee ("AC") (continued)

External Auditor

- (i) Reviews the independence of the External Auditor, including the requirements relating to such independence of 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 appointment or, if so determined by the Committee, 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; and
- (v) Reviews with the External Auditor any regulatory investigations that pertain to the External Auditor.

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; and
- (iii) Reviews with the management and the Head of Internal Audit:
  - (a) The overall scope of the annual internal audit plan, including its coordination with the External Auditor's audit plan, and the adequacy of the resources available to the Head of Internal Audit; and
  - (b) The effectiveness of the internal control procedures.

Governance

- (i) Reviews and approves changes to the statements of mandate, responsibility and authority of the Head of Internal Audit;
- (ii) Ensures that the Head of Internal Audit has adequate authority, independence and resources to perform his mandate;
- (iii) Ensures that an independent review of the Internal Audit function is conducted as needed;

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## DIRECTORS' REPORT (CONTINUED)

### CORPORATE GOVERNANCE (CONTINUED)

#### Audit Committee ("AC") (continued)

#### Governance (continued)

- (iv) Discusses with the External Auditor the finance and control-related aspect of the material transactions that are being proposed by the Company;
- (v) Reviews, and discusses with the External Auditor and Appointed Actuary such reports and regulatory returns of the Company as may be specified by law;
- (vi) 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;
- (vii) Discusses the qualifications for and determines whether a member of the Committee is a financial expert and in conjunction with the Remuneration and Nomination Committee ensures the on-going financial literacy of Committee members; and
- (viii) Reviews any related party transactions and conflicts of interest situations that may arise within the Company including any transaction, procedure or conduct that raises questions of management integrity.

#### Other

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



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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

Remuneration and Nomination Committee ("RNC")

The composition of the RNC comprises Non-Executive Directors and the attendance of the RNC members at the meetings held during the financial year are indicated below:

	<u>Attendance</u>
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir (Independent Non-Executive Director) (appointed as Chairman on 29 May 2013)	2/2
Encik Izlan Bin Izhah (Independent Non-Executive Director) (resigned as Chairman on 29 May 2013)	3/3
Encik Jose Isidro Navato Camacho (Independent Non-Executive Director) (appointed on 29 May 2013)	2/2
Encik Renzo Christopher Viegas (Non-Independent Non-Executive Director) (appointed on 29 May 2013)	2/2
Encik Roger David Steel (Non-Independent Non-Executive Director) (appointed on 26 November 2013)	1/1
Encik Mohd Yusof Bin Hussian (Independent Non-Executive Director) (resigned on 13 May 2013)	1/1
Encik Peter William England (Non-Independent Non-Executive Director) (resigned on 22 May 2013)	0/1
Encik Allan Raymond Griffiths (Non-Independent Non-Executive Director) (resigned on 11 April 2013)	0/1
Encik Pushpanathan A/L S.A. Kanagarayar (Independent Non-Executive Director) (resigned on 29 May 2013)	1/1
Encik Kevin David Strain (Non-Independent Non-Executive Director) (appointed on 29 May 2013 and resigned on 8 November 2013)	1/1

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

- (i) Establishing minimum requirements for the Board and the Chief Executive Officer to perform their responsibilities effectively. It is also responsible for overseeing 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;
- (ii) Recommending and assessing the fitness and propriety of nominees for directorship, the Directors to fill Board Committees, members of the Shariah Committee as well as nominees for the Chief Executive Officer position and the Company Secretary. This includes assessing the Directors, members of the Shariah Committee and the Chief Executive Officer proposed for re-appointment before an application for approval is submitted to Bank Negara Malaysia;
- (iii) Establishing a mechanism for formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Chief Executive Officer;

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

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

- (iv) Recommending to the Board on removal of a Director/Chief Executive Officer if he is ineffective, errant or negligent in discharging his responsibilities;
- (v) Ensuring that all Directors undergo appropriate induction programmes and receive continuous training;
- (vi) Overseeing the appointments, management succession planning and performance evaluation of Key Senior Officers and recommending to the Board the removal of Key Senior Officers if they are ineffective, errant and negligent in discharging their responsibilities; and
- (vii) To seek the services of such advisors or consultants as it deems necessary to fulfil its responsibilities.

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

- (i) Recommending a framework of remuneration for Directors, Chief Executive Officer and Key Senior Officers; and
- (ii) Recommending specific remuneration packages for Directors, Chief Executive Officer, Shariah Committee Members and Key Senior Officers.

Risk Management Committee ("RMC")

The composition of the RMC comprises Non-Executive Directors of the Company and the attendance of the RMC members at the meetings held during the financial year are indicated below:

	<u>Attendance</u>
Encik Jose Isidro Navato Camacho (Independent Non-Executive Director) (appointed as Chairman on 29 May 2013)	3/3
Dato' Mohd Shukri Bin Hussin (Non-Independent Non-Executive Director) (appointed on 29 May 2013)	3/3
Encik Roger David Steel (Non-Independent Non-Executive Director) (appointed on 26 November 2013)	1/1
Encik Allan Raymond Griffiths (Non-Independent Non-Executive Director) (resigned on 11 April 2013)	1/1
Encik Mohd Yusof Bin Hussian (Independent Non-Executive Director) (resigned on 13 May 2013)	1/1
Encik Pushpanathan A/L S.A. Kanagarayar (Independent Non-Executive Director) (resigned on 29 May 2013)	1/1

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

Risk Management Committee ("RMC") (continued)

	<u>Attendance</u>
Encik Izlan Bin Izhah (Independent Non-Executive Director) (resigned on 29 May 2013)	1/1
Encik Ooi Say Teng (Non-Independent Non-Executive Director) (resigned on 12 April 2013)	1/1
Encik Kevin David Strain (Non-Independent Non-Executive Director) (appointed on 29 May 2013 and resigned on 8 November 2013)	2/2

The duties and responsibilities of the RMC are as follows:

Risk Management

- (i) Reviewing and recommending risk management strategies, policies, risk tolerance and risk appetite for the Board's approval;
- (ii) Reviewing at least annually and assessing 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) Ensuring adequate infrastructure, resources and systems are in place for an effective risk management;
- (iv) Reviewing management's periodic reports on risk exposure, risk portfolio composition and risk management activities;
- (v) Reviewing and assessing on matters as recommended by the Executive Committee, for the Board's approval;
- (vi) Monitoring 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 charter of the respective Committees;
- (vii) Reviewing and assessing the results of the stress and scenario testing, before endorsing for approval by the Board. In addition, ensuring timely identification and continuous monitoring of suitable corrective action plans by the senior management in addressing the identified risks;
- (viii) Reviewing annually key risk-related issues incorporated into the business plans; and
- (ix) Through the processes set out in the Risk Management Policies, reviewing management's actions related to the product design.

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

Risk Management Committee ("RMC") (continued)

Compliance

- (i) Reviewing at least annually and approving changes to policies or programmes that provide for the monitoring of compliance with legal and regulatory requirements, including legislative compliance of management systems;
- (ii) Reviewing 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) Reviewing quarterly compliance reports presented to the Committee with respect to, among other things, compliance trends and themes on an enterprise-wide basis, regulatory reviews and the Company's compliance risks and programmes.

Governance

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

Executive Committee ("EC")

The EC comprises an equal number of directors nominated by each of the shareholders (the Nominees), with a maximum of two Nominees from each shareholder. The attendance of the EC members at the meetings held during the financial year are indicated below:

	<u>Attendance</u>
Encik Ahmad Farouk Bin Mohamed (appointed on 29 May 2013)	1/1
Encik Roger David Steel (appointed on 26 November 2013)	1/1
Encik Kevin David Strain (appointed on 29 May 2013 and resigned on 8 November 2013)	0/0

The duties and responsibilities of the EC are as follows:

- (i) Reviewing and recommending for approval of the matters set out in the Shareholders Agreement before being tabled to the Risk Management Committee and subsequently to the Board of Directors for deliberation and approval;
- (ii) Reviewing and recommending for approval of the matters set out in the Shareholders Agreement before being tabled to the Board of Directors for deliberation and approval; and
- (iii) Performing 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.

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE (CONTINUED)**

Shariah Committee ("SC")

The members of the SC and the attendance of the SC members at the meetings held during the financial year are indicated below:

	<u>Attendance</u>
Associate Professor Dr. Shafaai Musa (Chairman)	6/6
Professor Dr. Mohammad Hashim Kamali	6/6
Dr. Haji Mohd Nai'm Haji Mokhtar	5/6
Professor Dr. Noor Inayah Yaakub	6/6
Ustaz Mohd Fadhly Md Yusoff	6/6

The duties and responsibilities of the SC are as follows:

- (i) To have active participation, including attending meetings of the Committee, evaluating reports, reading minutes, and others;
- (ii) To engage actively in deliberating Shariah issues presented before them;
- (iii) To advise the Board of Directors and/or the Management of the Company on Shariah matters in order to ensure that the Takaful business is Shariah-compliant at all times;
- (iv) To set 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) To set the policies and guidelines to allow the Shariah Department of the Company to process and decide on submissions from any divisions within the Company;
- (vi) To advise 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 Islamic Capital Market of Securities Commission ("the SACSC") on any Shariah matter that requires the SACSC' endorsement;
- (vii) To ensure high standards in arriving at Shariah decisions through proper Shariah ruling framework;
- (viii) To be 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) To review and endorse 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) To review and respond to proposals submitted for the Members' Circular Resolution within 7 (seven) calendar days after the proposals have been circulated;
- (xi) To attend at least 75% of all the meetings held in a year. Any member who does not meet the minimum requirement might be subjected to a review of his or her service; and
- (xii) To maintain and portray professionalism in the best manner to reflect the integrity of the Committee.

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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 is 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.

### DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES

According to the Register of Directors' Shareholdings, the Directors in office at the end of the financial year did not hold shares or have beneficial interests in the shares of the Company or hold shares, options over shares and debentures or have beneficial interests in the shares, options over shares and debentures of its related companies during and at the end of the financial year.

### SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 12 April 2013, Renggis Ventures Sdn Bhd, a subsidiary of Khazanah Nasional Berhad, and Sun Life Assurance Company of Canada, a subsidiary of Sun Life Financial Inc., successfully completed the acquisition of Sun Life Malaysia Takaful Berhad (formerly known as CIMB Aviva Takaful Berhad).

### HOLDING COMPANIES

The Directors regard Renggis Ventures Sdn Bhd as the immediate holding company and Khazanah Nasional Berhad as the ultimate holding company. Both companies are incorporated in Malaysia.

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**DIRECTORS' REPORT (CONTINUED)**

**AUDITORS**

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

Signed on behalf of the Board in accordance with a resolution of the Directors.

**DATUK DR. SYED MUHAMAD BIN SYED ABDUL KADIR**  
**CHAIRMAN**

**MUHAMMAD FIKRI BIN MOHAMAD RAWI**  
**DIRECTOR**

Kuala Lumpur  
21 March 2014

Company No.

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## SUN LIFE MALAYSIA TAKAFUL BERHAD

(formerly known as CIMB Aviva Takaful Berhad)

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### STATEMENT BY DIRECTORS

#### PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir and Muhammad Fikri Bin Mohamad Rawi, being two of the Directors of Sun Life Malaysia Takaful Berhad (formerly known as CIMB Aviva Takaful Berhad), do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 19 to 138 are drawn up in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and comply with the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as at 31 December 2013 and of the financial performance and the cash flows of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors.

DATUK DR. SYED MUHAMAD BIN  
SYED ABDUL KADIR  
CHAIRMAN

MUHAMMAD FIKRI BIN  
MOHAMAD RAWI  
DIRECTOR

Kuala Lumpur  
21 March 2014

### STATUTORY DECLARATION

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

I, Choong Yick Kheong, being the Officer primarily responsible for the financial management of Sun Life Malaysia Takaful Berhad (formerly known as CIMB Aviva Takaful Berhad), do solemnly and sincerely declare that the accompanying financial statements set out on pages 19 to 138 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHOONG YICK KHEONG

Subscribed and solemnly declared by the abovenamed Choong Yick Kheong at Kuala Lumpur in Malaysia on 21 March 2014, before me.

COMMISSIONER FOR OATHS



Company No.

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
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## 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”) during the financial year ended 31 December 2013. 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 of the Company as presented to 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 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 by the Company during the financial year ended 31 December 2013 are in compliance with the Shariah principles.
2. The allocation of profit sharing and surplus sharing relating to Participant Accounts and Participant Special Accounts (i.e. Tabarru’ Funds) conforms to the basis stipulated in the Takaful Investment Allocation and Surplus Recognition and Allocation policies, that had been approved by us.
3. The Qardhul Hasan recovery by the Shareholders Fund from Family Takaful Fund is in accordance with the standard Takaful practice.
4. All earnings that have been realised from sources or by means prohibited by the Shariah principles have been considered for disposal to charitable causes.
5. The allocation of zakat has been deliberated and approved by the Shariah Committee.

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
(formerly known as CIMB Aviva 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 2013 have been conducted in conformity with the Shariah, except where it is disclosed otherwise.

SHEIKH ASSOCIATE PROFESSOR DR. SHAFAAI BIN MUSA  
CHAIRMAN

SHEIKH PROFESSOR DR. MOHAMMAD HASHIM KAMALI  
MEMBER

Kuala Lumpur  
21 March 2014

INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF SUN LIFE MALAYSIA TAKAFUL BERHAD  
(formerly known as CIMB Aviva Takaful Berhad)  
(Incorporated in Malaysia)  
(Company No. 689263 M)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Sun Life Malaysia Takaful Berhad (formerly known as CIMB Aviva Takaful Berhad), which comprise the statement of financial position as at 31 December 2013 of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and explanatory notes, as set out on pages 19 to 138.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF SUN LIFE MALAYSIA TAKAFUL BERHAD (CONTINUED)  
(formerly known as CIMB Aviva Takaful Berhad)  
(Incorporated in Malaysia)  
(Company No. 689263 M)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as of 31 December 2013 and of its financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

SHIRLEY GOH  
(No. 1778/08/14 (J))  
Chartered Accountant

Kuala Lumpur  
21 March 2014

Company No.

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
(formerly known as CIMB Aviva Takaful Berhad)  
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2013**

	Note	2013				2012			
		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	265	-	-	265	51	-	-	51
Intangible assets	4	770	-	-	770	2,509	-	-	2,509
Available-for-sale financial assets	5	54,842	24,159	256,821	335,822	45,010	16,048	244,695	305,753
Fair value through profit or loss financial assets	5	5,959	-	39,144	37,292	-	-	52,522	52,522
Financing and receivables	6	93,390	39,878	97,762	231,030	117,052	35,907	60,546	213,505
Qardhul Hasan receivables	7	284	-	-	-	360	-	-	-
Takaful receivables	8	-	2,443	15,962	18,405	-	4,570	4,814	9,384
Retakaful assets	9	-	17,359	8,588	25,947	-	11,410	5,062	16,472
Other receivables	10	33,065	78	1,705	3,477	13,850	232	725	677
Deferred tax assets	11	2,878	42	91	3,118	3,133	2,522	(794)	5,036
Cash and bank balances		5,853	8,025	24,263	38,141	4,259	4,024	11,858	20,141
<b>Total assets</b>		<b>197,306</b>	<b>91,984</b>	<b>444,336</b>	<b>694,267</b>	<b>186,224</b>	<b>74,713</b>	<b>379,428</b>	<b>626,050</b>

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
(formerly known as CIMB Aviva Takaful Berhad)  
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2013 (CONTINUED)**

	Note	2013				2012			
		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	100,010	-	-	100,010	100,010	-	-	100,010
Share premium		99,990	-	-	99,990	99,990	-	-	99,990
Available-for-sale reserve		287	-	-	287	890	-	-	890
Accumulated losses		(30,207)	-	(425)	(30,384)	(39,207)	-	(699)	(39,392)
<b>Total equity</b>		<b>170,080</b>	<b>-</b>	<b>(425)</b>	<b>169,903</b>	<b>161,683</b>	<b>-</b>	<b>(699)</b>	<b>161,498</b>
<b>LIABILITIES</b>									
Qardhul Hasan payables		-	-	425	-	-	-	699	-
Takaful contract liabilities	12	-	66,733	418,604	477,526	-	54,669	365,039	419,708
Takaful payables	13	-	3,274	11,722	14,996	-	9,389	2,391	11,780
Other payables	14	14,514	20,946	13,898	17,987	18,990	5,117	12,534	22,511
Expense liabilities		12,262	-	-	12,262	4,603	-	-	4,603
Current tax liabilities		450	1,031	112	1,593	948	5,538	(536)	5,950
<b>Total liabilities</b>		<b>27,226</b>	<b>91,984</b>	<b>444,761</b>	<b>524,364</b>	<b>24,541</b>	<b>74,713</b>	<b>380,127</b>	<b>464,552</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>197,306</b>	<b>91,984</b>	<b>444,336</b>	<b>694,267</b>	<b>186,224</b>	<b>74,713</b>	<b>379,428</b>	<b>626,050</b>

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

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**

(formerly known as CIMB Aviva Takaful Berhad)

(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

	Note	2013				2012			
		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	17(a)	-	44,403	228,700	273,103	-	34,753	111,323	146,076
Contribution ceded to retakaful operators	17(b)	-	(3,855)	(39,774)	(43,629)	-	(5,185)	(9,704)	(14,889)
Net earned contribution		-	40,548	188,926	229,474	-	29,568	101,619	131,187
Wakalah income		98,770	-	-	-	53,434	-	-	-
Surplus sharing from General and Family Takaful funds		15,633	-	-	-	4,880	-	-	-
Investment income	18	5,570	1,991	14,798	20,956	6,774	1,867	13,130	18,714
Realised gains	19	507	102	347	956	-	426	176	602
Net fair value gains	20	241	-	2,661	2,902	-	-	5,082	5,082
Commission income		-	-	7,035	7,035	-	23	27	50
Other operating income	21	402	8,144	56	8,602	2,474	9,913	6,559	18,946
Writeback of impairment charge on Qardhul Hasan extended to General and Family Takaful funds		198	-	-	-	26,731	-	-	-
Total income		121,321	50,785	213,823	269,925	94,293	41,797	126,593	174,581

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**

(formerly known as CIMB Aviva Takaful Berhad)

(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

	Note	2013				2012			
		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	22(a)	-	(5,493)	(74,029)	(79,522)	-	(5,197)	(174,887)	(180,084)
Claims ceded to retakaful operators	22(b)	-	1,528	9,262	10,790	-	1,985	7,292	9,277
Gross change to contract liabilities	22(c)	-	(10,907)	(63,888)	(74,795)	-	11,107	172,069	183,176
Change in contract liabilities ceded to retakaful operators	22(d)	-	5,745	3,526	9,271	-	(688)	(69,550)	(70,238)
		-	(9,127)	(125,129)	(134,256)	-	7,207	(65,076)	(57,869)
Surplus sharing with Takaful operator		-	(12,688)	(2,945)	-	-	(2,465)	(2,415)	-
Wakalah expenses		-	(20,454)	(78,316)	-	-	(16,493)	(36,941)	-
Commission expenses		(39,601)	-	-	(39,601)	(29,016)	-	-	(29,016)
Management expenses	23	(58,179)	-	-	(58,179)	(42,885)	-	-	(42,885)
Other operating expenses	24	(8,341)	(1,684)	(8,078)	(16,700)	(5,873)	(1,634)	(8,619)	(13,069)
Total expenses		(106,121)	(34,826)	(89,339)	(114,480)	(77,774)	(20,592)	(47,975)	(84,970)
Profit before taxation		15,200	6,832	(645)	21,189	16,519	28,412	13,542	31,742



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**SUN LIFE MALAYSIA TAKAFUL BERHAD**

(formerly known as CIMB Aviva Takaful Berhad)

(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

	Note	2013				2012			
		Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
Profit before taxation		15,200	6,832	(645)	21,189	16,519	28,412	13,542	31,742
Tax expense attributable to participants		-	(6,832)	919	(5,913)	-	(8,290)	(818)	(9,108)
Profit before taxation attributable to Shareholders		15,200	-	274	15,276	16,519	20,122	12,724	22,634
Taxation	25	(6,050)	(6,832)	919	(12,031)	1,186	(8,290)	(818)	(8,499)
Tax expense attributable to participants		-	6,832	(919)	5,913	-	8,290	818	9,108
Tax expense attributable to Shareholders		(6,050)	-	-	(6,118)	1,186	-	-	609
Zakat		(150)	-	-	(150)	-	-	-	-
Net profit for the financial year		9,000	-	274	9,008	17,705	20,122	12,724	23,243

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**

(formerly known as CIMB Aviva Takaful Berhad)

(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

	Note	2013				2012			
		Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000	Share- holders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
Other comprehensive income/(loss):									
Items that may be subsequently reclassified to profit or loss:									
Fair value changes on available-for-sale financial assets:									
- Gross fair value changes	5(c)	(806)	(403)	(11,220)	(12,429)	357	(486)	3,296	3,167
- Deferred taxation	11	203	101	897	1,201	(90)	121	(264)	(233)
- Net fair value changes		(603)	(302)	(10,323)	(11,228)	267	(365)	3,032	2,934
Change in Takaful contract liabilities arising from unrealised net fair value changes	12	-	302	10,323	10,625	-	365	(3,032)	(2,667)
Other comprehensive (loss)/income for the financial year, net of tax		(603)	-	-	(603)	267	-	-	267
Total comprehensive income for the financial year		8,397	-	274	8,405	17,972	20,122	12,724	23,510

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

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
 (formerly known as CIMB Aviva Takaful Berhad)  
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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

	<u>Non-distributable</u>			<u>Accumu- lated losses</u>	<u>Total</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Available- for-sale reserve</u>		
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2013	100,010	99,990	890	(39,392)	161,498
Total comprehensive (loss)/ income for the financial year	-	-	(603)	9,008	8,405
As at 31 December 2013	<u>100,010</u>	<u>99,990</u>	<u>287</u>	<u>(30,384)</u>	<u>169,903</u>
As at 1 January 2012	100,010	99,990	623	(62,635)	137,988
Total comprehensive income for the financial year	-	-	267	23,243	23,510
As at 31 December 2012	<u>100,010</u>	<u>99,990</u>	<u>890</u>	<u>(39,392)</u>	<u>161,498</u>

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

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
(formerly known as CIMB Aviva Takaful Berhad)  
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

	<u>2013</u>	<u>2012</u>
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit after taxation for the financial year	9,008	23,243
Adjustments for:		
Depreciation of property and equipment	48	56
Write off of property and equipment	27	-
Amortisation of intangible assets	1,739	2,040
(Accretion of discounts)/amortisation of premiums	(225)	140
Realised gains on disposal of financial assets	(956)	(602)
Profit income	(19,192)	(18,494)
Dividend income	(1,539)	(360)
Net fair value gains	(2,902)	(5,082)
Provision for expense liability	7,659	1,045
Writeback of allowance for doubtful debts on Takaful receivables	(1,515)	(9,657)
Decrease/(increase) in General Takaful contract liabilities	12,366	(9,302)
Decrease/(increase) in Family Takaful contract liabilities	63,888	(172,069)
Taxation	12,031	8,499
	<hr/>	<hr/>
Profit/(loss) from operations before changes in operating assets and liabilities	80,437	(180,543)
Proceeds from disposal and maturity of investments	316,102	189,136
Purchase of investments	(346,679)	(114,362)
(Increase)/decrease in other receivables	(2,584)	8,718
(Increase)/decrease in Takaful receivables	(7,506)	6,420
(Increase)/decrease in financing and receivables	(17,519)	34,022
(Increase)/decrease in retakaful assets	(9,475)	70,515
Decrease in other payables	(7,672)	(37,114)
Increase/(decrease) in Takaful payables	3,216	(2,676)
	<hr/>	<hr/>
Income tax paid, net of refund	8,320	(25,884)
Profit income received	(10,121)	(8,002)
Dividend income received	18,767	17,263
	<hr/>	<hr/>
Dividend income received	1,323	395
	<hr/>	<hr/>
Net cash generating from/(used in) operating activities	18,289	(16,228)

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SUN LIFE MALAYSIA TAKAFUL BERHAD  
(formerly known as CIMB Aviva Takaful Berhad)  
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

	<u>2013</u> RM'000	<u>2012</u> RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	-	(896)
Purchase of property and equipment	(289)	-
Net cash used in investing activities	<u>(289)</u>	<u>(896)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	18,000	(17,124)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		
	<u>20,141</u>	<u>37,265</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		
	<u><u>38,141</u></u>	<u><u>20,141</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	<u><u>38,141</u></u>	<u><u>20,141</u></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.

Company No.

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## SUN LIFE MALAYSIA TAKAFUL BERHAD

(formerly known as CIMB Aviva Takaful Berhad)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

#### 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 principal activities of the Company during the financial year.

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

The registered office of the Company is located at 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 and Khazanah Nasional Berhad as the ultimate holding company. Both 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 21 March 2014.

#### 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, 1965.

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 like transactions and events in similar circumstances.

**SUN LIFE MALAYSIA TAKAFUL BERHAD**

(formerly known as CIMB Aviva Takaful Berhad)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)****2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.1 Basis of preparation (continued)**

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

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 to existing standards that are applicable for the Company's financial year beginning on or after 1 January 2013 are as follows:

<u>MFRSs/Interpretations</u>	<u>Effective Date</u>
MFRS 7 "Financial Instruments: Disclosures"	1 January 2013
MFRS 13 "Fair Value Measurement"	1 January 2013
MFRS 101 "Presentation of items of other comprehensive income"	1 July 2012

- Amendment to MFRS 7, 'Financial Instruments: Disclosures' requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.
- MFRS 13, 'Fair Value Measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7, 'Financial Instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial ones.
- Amendment to MFRS 101 'Presentation of items of other comprehensive income' requires entities to separate items presented in 'other comprehensive income' ("OCI") in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future.

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

**SUN LIFE MALAYSIA TAKAFUL BERHAD**

(formerly known as CIMB Aviva Takaful Berhad)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)****2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.2 Basis of preparation (continued)**

- (b) The Company will apply the new standards, amendments to standards and interpretations in the following periods:
- (i) Effective from financial year beginning on/after 1 January 2014
- Amendment to MFRS 132, 'Financial Instruments: Presentation' (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria. The amendment is not expected to have a material impact on the financial statements of the Company.
- (ii) Effective date yet to be determined by the Malaysian Accounting Standards Board ("MASB")
- MFRS 9, 'Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities', replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. 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.
  - The Company has yet to assess the full impact of MFRS 9 onto the Company's accounting policies. The Company will also consider the impact of the remaining phases of MFRS 9 when completed by the MASB.

All other new amendments to the published standards and interpretations to existing standards issued by the MASB effective for financial periods subsequent to 1 January 2014 are not relevant to the Company.



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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. In the current financial year, the Company has aligned the estimated useful lives of its property and equipment to Sun Life Financial Inc., the ultimate holding company of the Company's significant shareholder, which resulted in the following revision:

	<u>Before revision</u>	<u>After revision</u>
Computer equipment	3 years	3 years
Furniture and fittings	5 - 10 years	10 years
Motor vehicles	5 years	3 years
Office equipment	5 - 10 years	5 years
Renovation	5 - 10 years	10 years

The revision was accounted for as a change in accounting estimate and the additional depreciation charge in the current financial year is not material.

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. These are described in 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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**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**(b) Intangible assets**

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.

In the current financial year, the Company has aligned the estimated useful lives of intangible assets from 5 years to 3 years to follow Sun Life Financial Inc., the ultimate holding company of the Company's significant shareholder. The alignment was accounted for as a change in accounting estimate and the additional amortisation charge amounted to RM553,000 in the current financial year.

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. These are described in 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 are recognised in profit or loss when the asset is derecognised.

**(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.

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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 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.

**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 FAR. 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.

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

The fair value of variable 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.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(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.

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.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Impairment (continued)

(i) Financial assets (continued)

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 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

The carrying values of assets 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 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 each 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.

(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.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(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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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.

Surpluses 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 the 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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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 both ceded and assumed retakaful.

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 contract and the event has a reliably measurable impact on the amounts that the Company will receive from the retakaful operator. The Company gathers the objective evidence that a retakaful asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets. These processes are described in Note 2.2(e). 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 contract is transferred to another party.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(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.

Contribution income

Contribution income represents contribution recognised in the Family Takaful and Investment-linked funds. Contribution income from 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.

Contribution income of the investment-linked funds includes the net creation of units, which represents contribution 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.

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.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Family Takaful contracts (continued)

Benefits and claims expenses (continued)

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 claims 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; and
- profit sharing of Takaful certificates at maturity and in the financial year the profit arises.

Commission expenses and management expenses

Acquisition costs, commissions and management expenses are borne by the Family 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 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 and available-for-sale reserve.

(i) Liabilities attributable to the certificate holders

Actuarial liabilities are recognised when 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.

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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)

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.

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

(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 unearned contribution reserves 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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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 incepted 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 damaged by the certificate holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company.

Commission expenses and management expenses

Acquisition costs, 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 provisions and unearned contribution reserve.

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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 provision

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

(ii) Unearned contribution reserve

Unearned contribution reserve ("UCR") represents the portion of the gross contributions of Takaful certificates written net of the related retakaful contributions ceded to qualified retakaful operators that relate to the unexpired periods of the certificates at the end of the financial year.

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

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

UCR is determined on net contribution reduced by the corresponding percentage of accounted gross direct business commission, agency related expenses and management expenses, not exceeding the limits specified by BNM.

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

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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. These processes are described in Note 2.2(e).

**(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) on impairment of assets.

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

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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 liabilities with respect to General Takaful business are calculated at the higher of aggregate of the provision for unearned wakalah fee or the unexpired expense risk and for Family Takaful business, the expense liabilities are determined by taking the present value of projected future deficits, discounted at appropriate spot rates. Future deficits are defined as the excess of future expense stream over future income cash flows, on aggregate basis. 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 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**

Profits including the amount of amortisation of premiums and accretion of discounts is recognised on a time proportion basis taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company.

**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 the sale of financial assets are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.



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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 the taxable profit 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.

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 an 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.

**(s) Employee benefits****(i) Short term employee benefits**

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

**(ii) Post employment benefits**

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

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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

(t) Zakat

This represents an obligatory amount payable by the Company to comply with the principles of Shariah in accordance with the method 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 and bank balances 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.

**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.

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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 2013, the estimation of IBNR claims has been computed by an independent actuarial firm, Actuarial Partners Consulting Sdn Bhd ("Actuarial Partners"). Different methods can be used to analyse past data and project past patterns into the future. Actuarial Partners has considered the Ultimate Loss Ratio ("ULR") method for the estimation of IBNR claims for the Motor Act class, while the Link Ratio method with a Bornhuetter-Ferguson ("BF") adjustment on a paid claims basis was considered for the rest of the business classes.

The ULR method requires a selected ULR to be applied to the net earned contribution in order to project the amount of ultimate claims incurred for each loss year. Then claims incurred for known claims are subtracted from the projected ultimate claims incurred for each loss year in order to estimate the amount of IBNR claims. Assumptions regarding the ULR vary by class of business and take into account the following:

- (i) The Company's claims incurred development to-date;
- (ii) Net contribution remaining after deducting Wakalah fee; and
- (iii) The industry loss experience.

The BF method can be seen as a combination of the ULR and unadjusted Link Ratio methods. An adopted ULR is selected based on the resultant loss ratios from the Link Ratio method, where appropriate, taking into consideration historical experience, industry loss ratios as well as incurred claims ratios to-date. The outstanding claims are calculated using the expected payment pattern (based on the average grossing up factors over the most recent three years) and an externally determined estimate of ultimate claims incurred for each loss year (determined by multiplying the adopted ULR with the net earned contribution). The IBNR is determined by subtracting the case estimate from the estimated outstanding claims.

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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 ("GII").

**(iii) Current tax liabilities**

Significant judgment is required in determining the income and deferred taxes applicable to the Company's business as a Takaful operator. There are transactions and calculations for which the ultimate tax determination is subject to agreement with the tax authorities. The Company recognises tax liabilities on the best estimate of the amount of taxes expected to be paid. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

**3 PROPERTY AND EQUIPMENT**

Shareholders' fund/Company

	<u>Computer equipment</u> RM'000	<u>Furniture and fittings</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Office equipment</u> RM'000	<u>Renovation</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>						
At 1 January 2012/1 January 2013	1,621	40	230	37	7	1,935
Additions	-	-	289	-	-	289
Write off	(1,005)	(40)	-	(37)	(7)	(1,089)
At 31 December 2013	<u>616</u>	<u>-</u>	<u>519</u>	<u>-</u>	<u>-</u>	<u>1,135</u>
<u>Accumulated depreciation</u>						
At 1 January 2012	1,620	19	170	14	5	1,828
Charge for the financial year	1	5	46	3	1	56
At 31 December 2012/1 January 2013	<u>1,621</u>	<u>24</u>	<u>216</u>	<u>17</u>	<u>6</u>	<u>1,884</u>
Charge for the financial year	-	3	38	6	1	48
Write off	(1,005)	(27)	-	(23)	(7)	(1,062)
At 31 December 2013	<u>616</u>	<u>-</u>	<u>254</u>	<u>-</u>	<u>-</u>	<u>870</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

3 PROPERTY AND EQUIPMENT (CONTINUED)

Shareholders' fund/Company

	<u>Computer equipment</u> RM'000	<u>Furniture and fittings</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Office equipment</u> RM'000	<u>Renovation</u> RM'000	<u>Total</u> RM'000
<u>Net carrying amount</u>						
31 December 2012	-	16	14	20	1	51
31 December 2013	-	-	265	-	-	265

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4	INTANGIBLE ASSETS	<u>Shareholders' fund/Company</u> RM'000
	<u>Cost</u>	
	At 1 January 2012	14,124
	Additions	896
	At 31 December 2012/1 January 2013	<u>15,020</u>
	Write off	(1,495)
	At 31 December 2013	<u>13,525</u>
	<u>Accumulated amortisation</u>	
	At 1 January 2012	10,471
	Amortisation for the financial year	2,040
	At 31 December 2012/1 January 2013	<u>12,511</u>
	Amortisation for the financial year	1,739
	Write off	(1,495)
	At 31 December 2013	<u>12,755</u>
	<u>Net carrying amount</u>	
	31 December 2012	<u>2,509</u>
	31 December 2013	<u>770</u>

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

## 5 FINANCIAL ASSETS

	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>2013</u>				
Government Investment Issues	-	15,011	129,100	144,111
Unquoted Sukuk	46,626	8,878	128,713	180,744
Quoted equity securities	5,959	-	35,036	36,657
Investments in investment-linked funds	7,811	-	-	7,811
Accrued profit	405	270	3,116	3,791
Total	<u>60,801</u>	<u>24,159</u>	<u>295,965</u>	<u>373,114</u>
<u>2012</u>				
Government Investment Issues	12,588	9,078	133,763	155,429
Unquoted Sukuk	24,908	6,760	111,853	143,521
Quoted equity securities	-	-	18,421	18,421
Investments in investment-linked funds	7,286	-	-	7,286
Structured investment	-	-	30,246	30,246
Accrued profit	228	210	2,934	3,372
Total	<u>45,010</u>	<u>16,048</u>	<u>297,217</u>	<u>358,275</u>

The Company's financial assets are summarised as follows:

	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>2013</u>				
AFS	54,842	24,159	256,821	335,822
FVTPL – designated upon initial recognition	5,959	-	39,144	37,292
Total	<u>60,801</u>	<u>24,159</u>	<u>295,965</u>	<u>373,114</u>
<u>2012</u>				
AFS	45,010	16,048	244,695	305,753
FVTPL – designated upon initial recognition	-	-	52,522	52,522
Total	<u>45,010</u>	<u>16,048</u>	<u>297,217</u>	<u>358,275</u>



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5 FINANCIAL ASSETS (CONTINUED)

The following financial assets mature after 12 months:

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2013</u>				
AFS	46,626	18,881	238,723	304,230
FVTPL – designated upon initial recognition	-	-	4,071	598
	<u>46,626</u>	<u>18,881</u>	<u>242,794</u>	<u>304,828</u>
<u>2012</u>				
AFS	24,908	11,831	240,791	277,530
FVTPL – designated upon initial recognition	-	-	2,067	2,067
	<u>24,908</u>	<u>11,831</u>	<u>242,858</u>	<u>279,597</u>
(a) AFS				
	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2013</u>				
Government Investment Issues	-	15,011	129,100	144,111
Unquoted Sukuk	46,626	8,878	124,642	180,146
Investments in investment-linked funds	7,811	-	-	7,811
Accrued profit	405	270	3,079	3,754
Total	<u>54,842</u>	<u>24,159</u>	<u>256,821</u>	<u>335,822</u>
<u>2012</u>				
Government Investment Issues	12,588	9,078	133,763	155,429
Unquoted Sukuk	24,908	6,760	108,028	139,696
Investments in investment-linked funds	7,286	-	-	7,286
Accrued profit	228	210	2,904	3,342
Total	<u>45,010</u>	<u>16,048</u>	<u>244,695</u>	<u>305,753</u>

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5 **FINANCIAL ASSETS (CONTINUED)**

(b) **FVTPL – designated upon initial recognition**

	<u>Shareholders'</u> <u>fund</u>	<u>Family</u> <u>Takaful</u> <u>fund</u>	<u>Company</u> <u>RM'000</u>
<u>2013</u>			
Unquoted Sukuk	-	4,071	598
Quoted equity securities	5,959	35,036	36,657
Accrued profit	-	37	37
Total	<u>5,959</u>	<u>39,144</u>	<u>37,292</u>
<u>2012</u>			
Unquoted Sukuk	-	3,825	3,825
Quoted equity securities	-	18,421	18,421
Structured investment	-	30,246	30,246
Accrued profit	-	30	30
Total	<u>-</u>	<u>52,522</u>	<u>52,522</u>

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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

5 FINANCIAL ASSETS (CONTINUED)

(c) Carrying values of financial assets

	<u>Available-for-sale</u>			<u>FVTPL</u>		<u>Company</u> RM'000
	<u>Share- holders' fund</u> RM'000	<u>General Takaful fund</u> RM'000	<u>Family Takaful fund</u> RM'000	<u>Share- holders' fund</u> RM'000	<u>Family Takaful fund</u> RM'000	
At 1 January 2012	6,830	22,760	206,092	-	187,341	423,023
Purchases	50,179	2,517	45,748	-	15,918	114,362
Maturities	-	(3,996)	(999)	-	(129,357)	(134,352)
Disposals	(12,600)	(4,719)	(10,453)	-	(18,958)	(46,730)
Fair value gains/(losses) recorded in:						
Profit or loss	-	-	-	-	(2,370)	(2,370)
Other comprehensive income/(loss)	357	(486)	3,296	-	-	3,167
Movement in accrued profit	228	6	1,063	-	18	1,315
Accretion/(amortisation) adjustments (Note 18)	16	(34)	(52)	-	(70)	(140)
At 31 December 2012/1 January 2013	<u>45,010</u>	<u>16,048</u>	<u>244,695</u>	<u>-</u>	<u>52,522</u>	<u>358,275</u>

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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

5 FINANCIAL ASSETS (CONTINUED)

(c) Carrying values of financial assets (continued)

	<u>Available-for-sale</u>			<u>FVTPL</u>		<u>Company</u> RM'000
	<u>Share- holders' fund</u> RM'000	<u>General Takaful fund</u> RM'000	<u>Family Takaful fund</u> RM'000	<u>Share- holders' fund</u> RM'000	<u>Family Takaful fund</u> RM'000	
At 31 December 2012/1 January 2013	45,010	16,048	244,695	-	52,522	358,275
Purchases	212,446	32,262	58,800	5,718	37,453	346,679
Maturities	(179,936)	(4,000)	(10,940)	-	(1,772)	(196,648)
Disposals	(22,041)	(19,895)	(24,812)	-	(48,912)	(115,660)
Fair value gains/(losses) recorded in:						
Profit or loss	-	-	-	241	(177)	64
Other comprehensive loss	(806)	(403)	(11,220)	-	-	(12,429)
Elimination of Shareholders' fund investment in investment-linked funds (Note 12(c))	-	-	-	-	-	(7,811)
Movement in accrued profit (Amortisation)/accretion adjustments (Note 18)	177	60	175	-	7	419
	(8)	87	123	-	23	225
At 31 December 2013	<u>54,842</u>	<u>24,159</u>	<u>256,821</u>	<u>5,959</u>	<u>39,144</u>	<u>373,114</u>

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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

5 **FINANCIAL ASSETS (CONTINUED)**

(d) Fair values 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 is not market observable, including assumptions about risk.

There has been no transfer between Level 1 and 2 fair values during the financial year.

The following table presents the Company's financial assets that are carried at fair value as at 31 December 2013.

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>2013</u>			
<u>Shareholders' fund</u>			
<u>AFS</u>			
- Unquoted Sukuk	-	46,626	46,626
- Investments in investment-linked funds	7,811	-	7,811
- Accrued profit	-	405	405
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	5,959	-	5,959
	<u>13,770</u>	<u>47,031</u>	<u>60,801</u>

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5 FINANCIAL ASSETS (CONTINUED)

(d) Fair values hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>2013</u> (continued)			
<u>General Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	15,011	15,011
- Unquoted Sukuk	-	8,878	8,878
- Accrued profit	-	270	270
	<u>-</u>	<u>24,159</u>	<u>24,159</u>
<u>Family Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	129,100	129,100
- Unquoted Sukuk	-	124,642	124,642
- Accrued profit	-	3,079	3,079
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	35,036	-	35,036
- Unquoted Sukuk	-	4,071	4,071
- Accrued profit	-	37	37
	<u>35,036</u>	<u>260,929</u>	<u>295,965</u>
<u>Company</u>			
<u>AFS</u>			
- Government Investment Issues	-	144,111	144,111
- Unquoted Sukuk	-	180,146	180,146
- Investments in investment-linked funds	7,811	-	7,811
- Accrued profit	-	3,754	3,754
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	36,657	-	36,657
- Unquoted Sukuk	-	598	598
- Accrued profit	-	37	37
	<u>44,468</u>	<u>328,646</u>	<u>373,114</u>

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5 FINANCIAL ASSETS (CONTINUED)

(d) Fair values hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>2012</u>			
<u>Shareholders' fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	12,588	12,588
- Unquoted Sukuk	-	24,908	24,908
- Investments in investment-linked funds	7,286	-	7,286
- Accrued profit	-	228	228
	<u>7,286</u>	<u>37,724</u>	<u>45,010</u>
<u>General Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	9,078	9,078
- Unquoted Sukuk	-	6,760	6,760
- Accrued profit	-	210	210
	<u>-</u>	<u>16,048</u>	<u>16,048</u>
<u>Family Takaful fund</u>			
<u>AFS</u>			
- Government Investment Issues	-	133,763	133,763
- Unquoted Sukuk	-	108,028	108,028
- Accrued profit	-	2,904	2,904
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	18,421	-	18,421
- Unquoted Sukuk	-	3,825	3,825
- Structured investment	-	30,246	30,246
- Accrued profit	-	30	30
	<u>18,421</u>	<u>278,796</u>	<u>297,217</u>

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5 FINANCIAL ASSETS (CONTINUED)

(d) Fair values hierarchy (continued)

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>2012</u> (continued)			
<u>Company</u>			
<u>AFS</u>			
- Government Investment Issues	-	155,429	155,429
- Unquoted Sukuk	-	139,696	139,696
- Investments in investment-linked funds	7,286	-	7,286
- Accrued profit	-	3,342	3,342
<u>FVTPL – designated upon initial recognition</u>			
- Quoted equity securities	18,421	-	18,421
- Unquoted Sukuk	-	3,825	3,825
- Structured investment	-	30,246	30,246
- Accrued profit	-	30	30
	<u>25,707</u>	<u>332,568</u>	<u>358,275</u>

6 FINANCING AND RECEIVABLES

	<u>Shareholders' fund</u> RM'000	<u>General Takaful fund</u> RM'000	<u>Family Takaful fund</u> RM'000	<u>Company</u> RM'000
<u>2013</u>				
Fixed and call deposits with licensed financial institutions	93,345	39,828	97,601	230,774
Accrued profit	45	50	161	256
	<u>93,390</u>	<u>39,878</u>	<u>97,762</u>	<u>231,030</u>
Receivable within 12 months	<u>93,390</u>	<u>39,878</u>	<u>97,762</u>	<u>231,030</u>
<u>2012</u>				
Fixed and call deposits with licensed financial institutions	116,916	35,851	60,488	213,255
Accrued profit	136	56	58	250
	<u>117,052</u>	<u>35,907</u>	<u>60,546</u>	<u>213,505</u>
Receivable within 12 months	<u>117,052</u>	<u>35,907</u>	<u>60,546</u>	<u>213,505</u>



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7 QARDHUL HASAN RECEIVABLES

	Shareholders' fund RM'000	Company RM'000
<u>2013</u>		
Family Takaful fund, at cost	425	-
Less: Allowance for impairment	(141)	-
	<u>284</u>	<u>-</u>
<u>2012</u>		
Family Takaful fund, at cost	699	-
Less: Allowance for impairment	(339)	-
	<u>360</u>	<u>-</u>

Qardhul Hasan represents a benevolent loan to the Family and General Takaful funds to make good the actuarial deficit and underwriting deficit in the respective funds. The amounts are unsecured, not subject to any profit element and have no fixed terms of repayment.

8 TAKAFUL RECEIVABLES

	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2013</u>			
Claims recoverable	-	5,000	5,000
Outstanding contributions including agents, brokers and co-takaful balances	2,440	10,962	13,402
Less: Allowance for impairment (Note 31)	(4)	-	(4)
	<u>2,436</u>	<u>10,962</u>	<u>13,398</u>
Amount due from retakaful operators	103	-	103
Less: Allowance for impairment (Note 31)	(96)	-	(96)
	<u>7</u>	<u>-</u>	<u>7</u>
	<u>2,443</u>	<u>15,962</u>	<u>18,405</u>
Receivable within 12 months	<u>2,443</u>	<u>15,962</u>	<u>18,405</u>

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8 TAKAFUL RECEIVABLES	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2013</u> (continued)			
Gross amounts of recognised financial assets	2,443	16,657	19,100
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	-	(695)	(695)
	<u>2,443</u>	<u>15,962</u>	<u>18,405</u>
Net amounts of financial assets presented in the statement of financial position	<u>2,443</u>	<u>15,962</u>	<u>18,405</u>
<u>2012</u>			
Claims recoverable	-	3,162	3,162
Outstanding contributions including agents, brokers and co-takaful balances	14,428	1,652	16,080
Less: Allowance for impairment (Note 31)	(10,242)	-	(10,242)
	<u>4,186</u>	<u>1,652</u>	<u>5,838</u>
Amount due from retakaful operators	678	-	678
Less: Allowance for impairment (Note 31)	(294)	-	(294)
	<u>384</u>	<u>-</u>	<u>384</u>
	<u>4,570</u>	<u>4,814</u>	<u>9,384</u>
Receivable within 12 months	<u>4,570</u>	<u>4,814</u>	<u>9,384</u>
Gross amounts of recognised financial assets	4,605	5,672	10,277
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	(35)	(858)	(893)
Net amounts of financial assets presented in the statement of financial position	<u>4,570</u>	<u>4,814</u>	<u>9,384</u>

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9	RETAKAFUL ASSETS	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
	Retakaful of Takaful contracts (Note 12)			
	31 December 2013	17,359	8,588	25,947
	31 December 2012	11,410	5,062	16,472
10	OTHER RECEIVABLES	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
	Shareholders' fund RM'000			
	<u>2013</u>			
	Amount due from related party	1,929	-	1,929
	Dividend receivable	8	216	224
	Interfund balances	11,484	425	-
	Surplus sharing from General Takaful fund	15,153	-	-
	Surplus sharing from Family Takaful fund	2,926	-	-
	Sharing of investment income from Participant Accounts fund	1,383	-	-
	Knock for knock claims recoverable	-	57	57
	Other receivables	182	1,064	1,267
		<u>33,065</u>	<u>1,705</u>	<u>3,477</u>
	Receivable within 12 months	<u>33,065</u>	<u>1,705</u>	<u>3,477</u>

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10 OTHER RECEIVABLES (CONTINUED)

	Shareholders' fund	General Takaful fund	Family Takaful fund	Company
	RM'000	RM'000	RM'000	RM'000
<u>2012</u>				
Dividend receivable	-	-	8	8
Interfund balances	7,385	-	699	-
Surplus sharing from General Takaful fund	2,465	-	-	-
Surplus sharing from Family Takaful fund	2,415	-	-	-
Sharing of investment income from Participant Accounts fund	1,166	-	-	-
Knock for knock claims recoverable	-	232	-	232
Other receivables	419	-	18	437
	<u>13,850</u>	<u>232</u>	<u>725</u>	<u>677</u>
Receivable within 12 months	<u>13,850</u>	<u>232</u>	<u>725</u>	<u>677</u>

The carrying amounts approximate their fair values as at the reporting date due to relatively short-term maturity of these balances.

The interfund balances of RM425,000 (2012: RM699,000) comprising amounts due from Shareholders' fund in the Family Takaful fund, represent the benevolent financing from the Shareholders' fund to the Family Takaful fund under the Qardhul Hasan principle as disclosed in Note 2.2(j). The amounts are unsecured, not subject to profit element and have no fixed terms of repayment.

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11 DEFERRED TAXATION

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

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

	Shareholders' fund <u>RM'000</u>	General Takaful fund <u>RM'000</u>	Family Takaful fund <u>RM'000</u>	Company <u>RM'000</u>
<u>2013</u>				
Deferred tax assets	2,878	42	91	3,118
Current	3,186	(2)	(5)	3,286
Non-current	(308)	44	96	(168)
	<u>2,878</u>	<u>42</u>	<u>91</u>	<u>3,118</u>
<u>2012</u>				
Deferred tax assets/(liabilities)	3,133	2,522	(794)	5,036
Current	4,059	(2)	(19)	4,213
Non-current	(926)	2,524	(775)	823
	<u>3,133</u>	<u>2,522</u>	<u>(794)</u>	<u>5,036</u>

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11 DEFERRED TAXATION (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>2013</u>				
At 1 January	3,133	2,522	(794)	5,036
<u>Credited/(charged) to profit or loss</u>				
- Property and equipment	475	-	-	475
- FVTPL financial assets	(61)	(21)	(12)	(94)
- Qardhul Hasan	68	-	-	-
- Allowance for doubtful debts	-	(2,560)	-	(2,560)
- Provision of expenses	(940)	-	-	(940)
Taxation (Note 25)	(458)	(2,581)	(12)	(3,119)
<u>Credited to other comprehensive income</u>				
- AFS financial assets	203	101	897	1,201
At 31 December	<u>2,878</u>	<u>42</u>	<u>91</u>	<u>3,118</u>
<u>2012</u>				
At 1 January	(1,874)	3,580	(1,733)	725
<u>Credited/(charged) to profit or loss</u>				
- Property and equipment	287	-	-	287
- FVTPL financial assets	-	359	1,203	1,562
- Qardhul Hasan	577	-	-	-
- Allowance for doubtful debts	-	(1,752)	-	(1,752)
- Provision of expenses	4,233	-	-	4,233
- Unearned contribution reserves	-	214	-	214
Taxation (Note 25)	5,097	(1,179)	1,203	4,544
<u>Credited/(charged) to other comprehensive income</u>				
- AFS financial assets	(90)	121	(264)	(233)
At 31 December	<u>3,133</u>	<u>2,522</u>	<u>(794)</u>	<u>5,036</u>

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11 DEFERRED TAXATION (CONTINUED)

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

	Shareholders' <u>fund</u> RM'000	General <u>Takaful fund</u> RM'000	Family <u>Takaful fund</u> RM'000	<u>Company</u> RM'000
<u>2013</u>				
<u>Subject to income tax:</u>				
<u>Deferred tax assets (before offsetting)</u>				
Financial assets	-	41	91	132
Allowance for doubtful debts	-	1	-	1
Provision of expenses	3,293	-	-	3,293
	<u>3,293</u>	<u>42</u>	<u>91</u>	<u>3,426</u>
Offsetting	(415)	-	-	(308)
Deferred tax assets (after offsetting)	<u><u>2,878</u></u>	<u><u>42</u></u>	<u><u>91</u></u>	<u><u>3,118</u></u>
<u>Deferred tax liabilities (before offsetting)</u>				
Financial assets	156	-	-	156
Property and equipment	152	-	-	152
Qardhul Hasan	107	-	-	-
	<u>415</u>	<u>-</u>	<u>-</u>	<u>308</u>
Offsetting	(415)	-	-	(308)
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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11 DEFERRED TAXATION (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>2012</u>				
<u>Subject to income tax:</u>				
<u>Deferred tax assets</u> (before offsetting)				
Allowance for doubtful debts	-	2,561	-	2,561
Provision of expenses	4,233	-	-	4,233
	<u>4,233</u>	<u>2,561</u>	<u>-</u>	<u>6,794</u>
Offsetting	(1,100)	(39)	-	(1,139)
Deferred tax assets (after offsetting)	<u><u>3,133</u></u>	<u><u>2,522</u></u>	<u><u>-</u></u>	<u><u>5,655</u></u>
<u>Deferred tax liabilities</u> (before offsetting)				
Financial assets	298	39	794	1,131
Property and equipment	627	-	-	627
Qardhul Hasan	175	-	-	-
	<u>1,100</u>	<u>39</u>	<u>794</u>	<u>1,758</u>
Offsetting	(1,100)	(39)	-	(1,139)
Deferred tax liabilities (after offsetting)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>794</u></u>	<u><u>619</u></u>



## SUN LIFE MALAYSIA TAKAFUL BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

## 12 TAKAFUL CONTRACT LIABILITIES

	2013			2012		
	General Takaful fund	Family Takaful fund	Company	General Takaful fund	Family Takaful fund	Company
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross Retakaful (Note 9)	66,733 (17,359)	418,604 (8,588)	477,526 (25,947)	54,669 (11,410)	365,039 (5,062)	419,708 (16,472)
Net	49,374	410,016	451,579	43,259	359,977	403,236

(a) Family Takaful contract liabilities

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

	2013			2012		
	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000
Certificateholders' liabilities	392,738	(4,442)	388,296	301,977	(1,367)	300,610
Net asset value attributable to certificateholders	15,776	-	15,776	45,642	-	45,642
Actuarial liabilities	408,514	(4,442)	404,072	347,619	(1,367)	346,252
Claims liabilities	6,705	(4,146)	2,559	5,722	(3,695)	2,027
Unallocated surplus	5,458	-	5,458	3,448	-	3,448
Available-for-sale fair value adjustment						
- gross	(2,253)	-	(2,253)	8,967	-	8,967
- deferred tax	180	-	180	(717)	-	(717)
	(2,073)	-	(2,073)	8,250	-	8,250
	418,604	(8,588)	410,016	365,039	(5,062)	359,977

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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>2013</u>	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000
At 1 January 2013	365,039	(5,062)	359,977
<u>Projected changes of inforce Takaful certificates</u>			
Contribution income	22,284	(10,559)	11,725
Benefits	(26,930)	13,724	(13,206)
Investment returns	8,595	(1,004)	7,591
Others	(17,345)	(2,800)	(20,145)
Experience variance on inforce Takaful certificates	4,067	885	4,952
Reserve on new policies	101,995	(3,444)	98,551
Miscellaneous	(1,905)	123	(1,782)
Movement in net asset value attributable to certificateholders	(29,866)	-	(29,866)
Movement in claims liabilities	983	(451)	532
Movement in unallocated surplus	2,010	-	2,010
Movement in AFS fair value adjustment	(10,323)	-	(10,323)
At 31 December 2013	<u>418,604</u>	<u>(8,588)</u>	<u>410,016</u>

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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>2012</u>	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000
At 1 January 2012	534,076	(74,612)	459,464
<u>Projected changes of inforce Takaful certificates</u>			
Contribution income	17,342	(8,482)	8,860
Benefits	(21,942)	10,951	(10,991)
Investment returns	6,775	(809)	5,966
Others	(13,326)	(2,456)	(15,782)
Experience variance on inforce Takaful certificates	(3,156)	3,605	449
Reserve on new policies	53,161	(761)	52,400
Change in valuation methodology	(70,603)	70,271	(332)
Miscellaneous	(4,076)	(419)	(4,495)
Movement in net asset value attributable to certificateholders	(143,112)	-	(143,112)
Movement in claims liabilities	3,468	(2,350)	1,118
Movement in unallocated surplus	3,400	-	3,400
Movement in AFS fair value adjustment	3,032	-	3,032
At 31 December 2012	<u>365,039</u>	<u>(5,062)</u>	<u>359,977</u>

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12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful contract liabilities

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

	2013			2012		
	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re- takaful</u> RM'000	<u>Net</u> RM'000
Provision for claims reported by certificateholders	8,854	(4,116)	4,738	6,197	(1,407)	4,790
Provision for IBNR	35,284	(12,681)	22,603	39,722	(9,645)	30,077
Provision for outstanding claims (i)	44,138	(16,797)	27,341	45,919	(11,052)	34,867
Unearned contribution reserve (ii)	7,557	(562)	6,995	6,098	(358)	5,740
Available-for-sale fair value adjustment						
- gross	(153)	-	(153)	250	-	250
- deferred tax	38	-	38	(63)	-	(63)
	(115)	-	(115)	187	-	187
Unallocated surplus	15,153	-	15,153	2,465	-	2,465
	<u>66,733</u>	<u>(17,359)</u>	<u>49,374</u>	<u>54,669</u>	<u>(11,410)</u>	<u>43,259</u>

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12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) General Takaful contract liabilities (continued)

(i) Provision for outstanding claims

	2013			2012		
	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
At 1 January	45,919	(11,052)	34,867	59,491	(11,740)	47,751
Claims incurred in the current accident year	17,009	(7,790)	9,219	11,692	(6,840)	4,852
Other movements in claims incurred in prior accident years	(13,297)	517	(12,780)	(20,067)	5,543	(14,524)
Claims paid during the financial year (Note 22(a) and (b))	(5,493)	1,528	(3,965)	(5,197)	1,985	(3,212)
At 31 December	<u>44,138</u>	<u>(16,797)</u>	<u>27,341</u>	<u>45,919</u>	<u>(11,052)</u>	<u>34,867</u>

(ii) Unearned contribution reserve

At 1 January	6,098	(358)	5,740	4,293	(635)	3,658
Contribution written in the financial year (Note 17(a) and (b))	45,862	(4,059)	41,803	36,558	(4,908)	31,650
Contribution earned during the financial year (Note 17(a) and (b))	(44,403)	3,855	(40,548)	(34,753)	5,185	(29,568)
At 31 December	<u>7,557</u>	<u>(562)</u>	<u>6,995</u>	<u>6,098</u>	<u>(358)</u>	<u>5,740</u>

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12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(c) Takaful contract liabilities at Company level

	2013			Company 2012		
	Gross RM'000	Re- takaful RM'000	Net RM'000	Gross RM'000	Re- takaful RM'000	Net RM'000
Family Takaful fund (Note 12(a))	418,604	(8,588)	410,016	365,039	(5,062)	359,977
General Takaful fund (Note 12(b))	66,733	(17,359)	49,374	54,669	(11,410)	43,259
	485,337	(25,947)	459,390	419,708	(16,472)	403,236
Elimination of Shareholders' fund investment in investment-linked funds (Note 5(c))	(7,811)	-	(7,811)	-	-	-
Total	477,526	(25,947)	451,579	419,708	(16,472)	403,236

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13 TAKAFUL PAYABLES	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2013</u>			
Due to agents and intermediaries	1,496	2,077	3,573
Due to retakaful operators and cedants	1,778	9,645	11,423
	<u>3,274</u>	<u>11,722</u>	<u>14,996</u>
Payable within 12 months	<u>3,274</u>	<u>11,722</u>	<u>14,996</u>
Gross amounts of recognised financial liabilities	3,274	12,417	15,691
Less: Gross amounts of recognised financial assets set off in the statement of financial position	-	(695)	(695)
Net amounts of financial liabilities presented in the statement of financial position	<u>3,274</u>	<u>11,722</u>	<u>14,996</u>
<u>2012</u>			
Due to agents and intermediaries	8,260	227	8,487
Due to retakaful operators and cedants	1,129	2,164	3,293
	<u>9,389</u>	<u>2,391</u>	<u>11,780</u>
Payable within 12 months	<u>9,389</u>	<u>2,391</u>	<u>11,780</u>
Gross amounts of recognised financial liabilities	9,424	3,249	12,673
Less: Gross amounts of recognised financial assets set off in the statement of financial position	(35)	(858)	(893)
Net amounts of financial liabilities presented in the statement of financial position	<u>9,389</u>	<u>2,391</u>	<u>11,780</u>

There are no financial liabilities subjected to an enforceable master netting arrangement or similar agreement on financial instruments are received as collateral, nor any cash collateral pledged or received as at 31 December 2013 (2012: nil).

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## 14 OTHER PAYABLES

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2013</u>				
Accrual for professional fees	956	-	-	956
Interfund balances	425	5,350	6,134	-
Deposits received	-	-	603	603
Surplus sharing to Takaful Operator	-	15,153	2,926	-
Sharing of investment income from Participant Accounts fund	-	-	1,383	-
Accrual for telemarketing expenses	1,509	-	-	1,509
Other payables and accrued liabilities	11,624	443	2,852	14,919
	<u>14,514</u>	<u>20,946</u>	<u>13,898</u>	<u>17,987</u>
Payable within 12 months	<u>14,514</u>	<u>20,946</u>	<u>13,898</u>	<u>17,987</u>
<u>2012</u>				
Accrual for professional fees	567	-	-	567
Due to related parties	3,423	-	40	3,463
Interfund balances	699	1,103	6,282	-
Deposits received	-	-	311	311
Surplus sharing to Takaful Operator	-	2,465	2,415	-
Sharing of investment income from Participant Accounts fund	-	-	1,166	-
Accrual for telemarketing expenses	8,019	-	-	8,019
Other payables and accrued liabilities	6,282	1,549	2,320	10,151
	<u>18,990</u>	<u>5,117</u>	<u>12,534</u>	<u>22,511</u>
Payable within 12 months	<u>18,990</u>	<u>5,117</u>	<u>12,534</u>	<u>22,511</u>

The carrying amounts approximate their fair values as at the reporting date due to relatively short-term maturity of these balances.

The interfund balances in the Shareholders' fund comprised amounts due to Family Takaful fund, representing benevolent financing from the Shareholders' fund to the Family Takaful fund under the Qardhul Hasan principle as disclosed in Note 2.2(j).



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15 SHARE CAPITAL

	2013		2012	
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000
<u>Authorised</u>				
Ordinary shares of RM1.00 each:				
- At beginning/end of the financial year	200,000	200,000	200,000	200,000
Preference shares of RM0.10 each:				
- At beginning/end of the financial year	100,000	10,000	100,000	10,000
	<u>300,000</u>	<u>210,000</u>	<u>300,000</u>	<u>210,000</u>
<u>Issued and paid up</u>				
Ordinary shares of RM1.00 each:				
- At beginning/end of the financial year	100,000	100,000	100,000	100,000
Preference shares of RM0.10 each:				
- At beginning/end of the financial year	100	10	100	10
	<u>100,100</u>	<u>100,010</u>	<u>100,100</u>	<u>100,010</u>

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## 15 SHARE CAPITAL (CONTINUED)

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

The IPPS is a subordinated and unsecured obligation of the Company and shall rank pari passu among themselves and senior only to the Company's ordinary shares. The IPPS do not represent any fixed charge on the earnings of the Company and shall carry no voting rights at any general meeting of the ordinary shareholders of the Company.

The IPPS confers 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 can only be redeemed 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.

## 16 OPERATING REVENUE

	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>2013</u>				
Gross contribution (Note 17)	-	45,862	228,700	274,562
Investment income (Note 18)	5,570	1,991	14,798	20,956
	<u>5,570</u>	<u>47,853</u>	<u>243,498</u>	<u>295,518</u>
<u>2012</u>				
Gross contribution (Note 17)	-	36,558	111,323	147,881
Investment income (Note 18)	6,774	1,867	13,130	18,714
	<u>6,774</u>	<u>38,425</u>	<u>124,453</u>	<u>166,595</u>

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17	NET EARNED CONTRIBUTION	<u>2013</u>	<u>2012</u>
		RM'000	RM'000
	(a) Gross earned contribution		
	Takaful contracts:		
	Family Takaful	228,700	111,323
	General Takaful (Note 12(b)(ii))	45,862	36,558
	Movement in unearned contribution reserves	(1,459)	(1,805)
		44,403	34,753
		<u>273,103</u>	<u>146,076</u>
	(b) Contribution ceded		
	Takaful contracts:		
	Family Takaful	(39,774)	(9,704)
	General Takaful (Note 12(b)(ii))	(4,059)	(4,908)
	Movement in unearned contribution reserves	204	(277)
		(3,855)	(5,185)
		<u>(43,629)</u>	<u>(14,889)</u>
	Net earned contribution	<u><u>229,474</u></u>	<u><u>131,187</u></u>

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18 INVESTMENT INCOME

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2013</u>				
<u>AFS financial assets</u>				
Profit income	1,164	911	10,557	12,632
(Amortisation of premiums) / accretion of discounts – net	(8)	87	123	202
<u>FVTPL – designated upon initial recognition</u>				
Profit income	-	-	196	196
Dividend income	136	-	1,403	1,539
Accretion of discounts – net	-	-	23	23
<u>Financing and receivables</u>				
Profit income	2,875	993	2,496	6,364
Sharing of investment income from Participant Accounts' fund	1,403	-	-	-
	5,570	1,991	14,798	20,956
<u>2012</u>				
<u>AFS financial assets</u>				
Profit income	228	804	10,603	11,635
Accretion of discounts/ (amortisation of premiums) – net	16	(34)	(52)	(70)
<u>FVTPL – designated upon initial recognition</u>				
Profit income	-	-	206	206
Dividend income	-	-	360	360
Amortisation of premiums – net	-	-	(70)	(70)
<u>Financing and receivables</u>				
Profit income	3,473	1,097	2,083	6,653
Sharing of investment income from Participant Accounts' fund	3,057	-	-	-
	6,774	1,867	13,130	18,714

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19 REALISED GAINS/(LOSSES)

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2013</u>				
<u>AFS financial assets</u>				
Unquoted Sukuk	-	81	438	519
Government Investment Issues	496	21	(91)	426
Investments in investment-linked funds	11	-	-	11
	<u>507</u>	<u>102</u>	<u>347</u>	<u>956</u>
<u>2012</u>				
<u>AFS financial assets</u>				
Unquoted Sukuk	-	426	29	455
Government Investment Issues	-	-	147	147
	<u>-</u>	<u>426</u>	<u>176</u>	<u>602</u>

20 NET FAIR VALUE GAINS/(LOSSES)

	Shareholders' fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2013</u>			
FVTPL – designated upon initial recognition			
- realised	-	2,838	2,838
- unrealised	241	(177)	64
	<u>241</u>	<u>2,661</u>	<u>2,902</u>
<u>2012</u>			
FVTPL – designated upon initial recognition			
- realised	-	7,452	7,452
- unrealised	-	(2,370)	(2,370)
	<u>-</u>	<u>5,082</u>	<u>5,082</u>

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21 OTHER OPERATING INCOME

	Shareholders' fund RM'000	General Takaful fund RM'000	Family Takaful fund RM'000	Company RM'000
<u>2013</u>				
Writeback of allowance for doubtful debts (Note 31)	-	1,515	-	1,515
Others	402	6,629	56	7,087
	<u>402</u>	<u>8,144</u>	<u>56</u>	<u>8,602</u>
<u>2012</u>				
Writeback of allowance for doubtful debts (Note 31)	-	6,714	2,943	9,657
Others	2,474	3,199	3,616	9,289
	<u>2,474</u>	<u>9,913</u>	<u>6,559</u>	<u>18,946</u>

22 NET BENEFITS AND CLAIMS

	<u>2013</u> RM'000	<u>2012</u> RM'000
(a) Gross benefits and claims paid		
Takaful contracts:		
Family Takaful	(74,029)	(174,887)
General Takaful (Note 12 (b)(i))	(5,493)	(5,197)
	<u>(79,522)</u>	<u>(180,084)</u>
(b) Claims ceded to retakaful operators		
Takaful contracts:		
Family Takaful	9,262	7,292
General Takaful (Note 12 (b)(i))	1,528	1,985
	<u>10,790</u>	<u>9,277</u>

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22	NET BENEFITS AND CLAIMS (CONTINUED)	<u>2013</u> RM'000	<u>2012</u> RM'000
	(c) Gross change in contract liabilities		
	<u>Family Takaful</u>		
	Gross change in contract liabilities		
	- Movement in actuarial liabilities	(60,895)	178,937
	- Movement in claims liabilities	(983)	(3,468)
	- Movement in unallocated surplus	(2,010)	(3,400)
		<u>(63,888)</u>	<u>172,069</u>
	<u>General Takaful</u>		
	Gross change in contract liabilities		
	- Movement in provision for outstanding claims	1,781	13,572
	- Movement in unallocated surplus	(12,688)	(2,465)
		<u>(10,907)</u>	<u>11,107</u>
		<u>(74,795)</u>	<u>183,176</u>
	(d) Change in contract liabilities ceded to retakaful operators		
	<u>Family Takaful</u>		
	Change in contract liabilities ceded to retakaful operators		
	- Movement in actuarial liabilities	3,075	(71,900)
	- Movement in claims liabilities	451	2,350
		<u>3,526</u>	<u>(69,550)</u>
	<u>General Takaful</u>		
	Change in contract liabilities ceded to retakaful operators		
	- Movement in provision for outstanding claims	5,745	(688)
		<u>9,271</u>	<u>(70,238)</u>

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23 MANAGEMENT EXPENSES

	<u>2013</u>	<u>2012</u>
	RM'000	RM'000
<u>Shareholders' fund/Company</u>		
Staff salaries and bonus	19,886	14,269
Defined contribution plan	2,862	2,206
Other staff costs	223	388
	<u>22,971</u>	<u>16,863</u>
Auditors' remuneration:		
- current financial year	369	396
- under provision in prior financial years	18	92
Directors' fees and other emoluments:		
- current financial year	666	262
- over provision in prior financial years	-	(138)
Shariah committee remuneration:		
- fees	168	197
Amortisation of intangible assets	1,739	2,040
Depreciation of property and equipment	48	56
Write off of property and equipment	27	-
Third party administrator fee	2,244	1,661
Printing and stationery	501	483
Advertising and promotion expenses	16,823	11,740
Professional fees	2,882	2,187
Electronic data processing expenses	4,379	3,231
PIDM levy	395	327
Other expenses	4,949	3,488
	<u>58,179</u>	<u>42,885</u>

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer ("CEO") of the Company during the financial year amounted to RM794,400 (2012: RM634,324).

Included in staff costs are the remuneration for key management personnel, which is disclosed in Note 28.



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24 OTHER OPERATING EXPENSES

	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>2013</u>				
Provision for expense liability	7,659	-	-	7,659
Sharing of investment income to Shareholders' fund	-	-	1,403	-
Others	682	1,684	6,675	9,041
	<u>8,341</u>	<u>1,684</u>	<u>8,078</u>	<u>16,700</u>
<u>2012</u>				
Provision for expense liability	1,045	-	-	1,045
Sharing of investment income to Shareholders' fund	-	-	3,057	-
Others	4,828	1,634	5,562	12,024
	<u>5,873</u>	<u>1,634</u>	<u>8,619</u>	<u>13,069</u>

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25 TAXATION

	2013				2012			
	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
Tax expense on the profit for the financial year								
Income tax:								
Current financial year	6,832	4,669	356	11,857	5,023	7,266	1,998	14,287
(Over)/under provision in prior financial years	(1,240)	(418)	(1,287)	(2,945)	(1,112)	(155)	23	(1,244)
	<u>5,592</u>	<u>4,251</u>	<u>(931)</u>	<u>8,912</u>	<u>3,911</u>	<u>7,111</u>	<u>2,021</u>	<u>13,043</u>
Deferred tax (Note 11):								
Relating to origination and reversal of temporary differences	458	2,581	12	3,119	(5,097)	1,179	(1,203)	(4,544)
	<u>6,050</u>	<u>6,832</u>	<u>(919)</u>	<u>12,031</u>	<u>(1,186)</u>	<u>8,290</u>	<u>818</u>	<u>8,499</u>

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25 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>2013</u>	<u>Company</u> <u>2012</u>
	RM'000	RM'000
Profit before taxation attributable to Shareholders' fund	15,276	22,634
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	3,819	5,659
Income not subject to tax	(84)	(5,647)
Expenses not deductible for tax purposes	3,623	491
Tax expense attributable to participants	5,913	9,108
Overprovision in prior financial years	(1,240)	(1,112)
Tax expense for the financial year	<u>12,031</u>	<u>8,499</u>

26 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 investment-linked funds as follows:

STATEMENT OF FINANCIAL POSITION

	<u>2013</u>	<u>2012</u>
	RM'000	RM'000
<b>ASSETS</b>		
Fair value through profit or loss financial assets	14,228	43,067
Financing and receivables	1,215	3,113
Other receivables	420	3
Cash and bank balances	82	166
	<u>15,945</u>	<u>46,349</u>
<b>LIABILITIES</b>		
Other liabilities	7	410
Deferred tax liabilities	73	89
Current tax liabilities	89	208
	<u>169</u>	<u>707</u>
<b>NET ASSET VALUE</b>	<u>15,776</u>	<u>45,642</u>

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26 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 investment-linked funds as follows: (continued)

STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<u>2013</u> RM'000	<u>2012</u> RM'000
REPRESENTED BY:		
CERTIFICATEHOLDERS' ACCOUNT		
At beginning of the financial year	45,642	188,754
Net creation of units	1,218	1,011
Net cancellation of units	(33,070)	(149,197)
Surplus for the financial year after taxation	1,986	5,074
At end of the financial year	<u>15,776</u>	<u>45,642</u>

STATEMENT OF INCOME AND EXPENDITURE

Net fair value gains	1,734	4,800
Investment income	638	428
Other operating income	-	508
Other operating expenses	(222)	(243)
Surplus before taxation	<u>2,150</u>	<u>5,493</u>
Taxation:		
- current tax	(180)	(618)
- deferred tax	16	199
Surplus for the financial year after taxation	<u>1,986</u>	<u>5,074</u>

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27 SEGMENTAL INFORMATION ON CASH FLOWS

	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>2013</u>				
Cash flows from:				
Operating activities	1,883	4,001	12,405	18,289
Investing activities	(289)	-	-	(289)
	<u>1,594</u>	<u>4,001</u>	<u>12,405</u>	<u>18,000</u>
Net increase in cash and cash equivalents				
Cash and cash equivalents:				
At beginning of the financial year	4,259	4,024	11,858	20,141
At end of the financial year	<u>5,853</u>	<u>8,025</u>	<u>24,263</u>	<u>38,141</u>
<u>2012</u>				
Cash flows from:				
Operating activities	1,705	2,197	(20,130)	(16,228)
Investing activities	(896)	-	-	(896)
	<u>809</u>	<u>2,197</u>	<u>(20,130)</u>	<u>(17,124)</u>
Net increase/(decrease) in cash and cash equivalents				
Cash and cash equivalents:				
At beginning of the financial year	3,450	1,827	31,988	37,265
At end of the financial year	<u>4,259</u>	<u>4,024</u>	<u>11,858</u>	<u>20,141</u>

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## SUN LIFE MALAYSIA TAKAFUL BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS

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#### 28 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 ("ACAP")	Malaysia	Penultimate holding company
Renggis Ventures Sdn Bhd ("RV")	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	Associate of the ultimate holding company and shareholder of the immediate holding company
CIMB Bank Berhad ("CIMB Bank")	Malaysia	Associate of the ultimate holding company
CIMB Wealth Advisor Berhad ("CWAB")	Malaysia	Associate of the ultimate holding company
CIMB Islamic Bank Berhad ("CIBB")	Malaysia	Associate of the ultimate holding company
Sun Life Malaysia Assurance Berhad ("SLMAB")	Malaysia	Fellow subsidiary and common shareholders
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 comprised of the Board of Directors and the Chief Executive Officer.

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28 **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 include shared services management fee and other transactions. These transactions were carried out on terms and conditions negotiated between the related parties.

	<u>2013</u> RM'000	<u>2012</u> RM'000
Contribution received from CIMB Bank	(172)	(184)
Contribution received from SLMAB	(56)	-
Profit income earned from deposits placed with CIBB	(2,560)	(1,801)
Shared services expenses paid/payable to SLMAB	29,434	17,950
Claims paid to SLMAB on retakaful inwards	-	169
Commissions paid to CIMB Bank and CWAB	12,722	11,079
Internal audit fees paid to CIMBG	106	255
Shariah fees paid to CIBB	114	89
Rental expenses paid to SLMAB	33	90
Institutional Integrity Unit ("IIU") fees paid to CIMBG	-	285
	<u>                    </u>	<u>                    </u>

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

	<u>2013</u> RM'000	<u>2012</u> RM'000
Bank balances with CIBB	35,509	12,553
Fixed and call deposits with CIBB	1,633	74,210
Money market placement with CIBB	54,134	30,246
Amount due from/(to) SLMAB *	1,929	(1,298)
	<u>                    </u>	<u>                    </u>

\* These related party balances are current, unsecured, non-profit bearing and payable within 12 months.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

## 28 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Key management personnel's remuneration

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

	<u>2013</u> RM'000	<u>2012</u> RM'000
Salaries	643	423
Defined contribution plan	130	74
Bonus	274	105
Fees and allowance	666	262
	<u>1,713</u>	<u>864</u>

The estimated cash value of benefits-in-kind provided to key management personnel of the Company amounted to RM21,371 (2012: RM32,154).

## 29 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 optimization of the risk and return profile of the Company.

The RMF involves an on-going process of identifying, evaluating, monitoring, managing 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 functions (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).



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To promote a consistent and rigorous approach to risk management, we have a set of formal risk management policies. These risk policies set out the risk management and control standards for the Company's operations. As our 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 objectives, policies and approach**

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

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

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

**(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 levels, review and assessment of 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.

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The Company’s ALM modelling is based on a projection of both assets and liabilities into the future. The Company monitors its asset and liability matching positions through monthly profit rate sensitivity tests and low risk government bond management. The Company’s investment policy requires that assets match as closely as possible with liabilities of the appropriate amount, type and duration to minimise ALM risk. It is a requirement of the policy to match the duration within a maximum deviation of one (1) year. At times this may either not be possible due to lack of availability of assets or not desirable if additional risk is required to make returns sufficient to meet policy owner guarantees.

30 **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 business 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, sharing best practices in the setting of lapse assumptions, product design requirements, experience monitoring which require management actions.

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 complete product cycle development process, financial analysis and pricing.

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30 TAKAFUL RISKS (CONTINUED)

(a) Family Takaful (continued)

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>2013</u>			
Mortgage	321,344	-	321,344
Endowment	16,627	-	16,627
Term	63,436	(4,442)	58,994
Others	7,107	-	7,107
Total	<u>408,514</u>	<u>(4,442)</u>	<u>404,072</u>
<u>2012</u>			
Mortgage	281,479	(80)	281,399
Endowment	46,590	-	46,590
Term	12,286	(1,287)	10,999
Others	7,264	-	7,264
Total	<u>347,619</u>	<u>(1,367)</u>	<u>346,252</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 and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

Assumptions used in the estimation of actuarial liabilities is set out in Note 2.3(b)(ii).

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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

30 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.

	<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>2013</u>					
Mortality/morbidity	+10	20,232	1,511	(269)	(201)
Expenses	+10	6,032	6,032	(6,032)	(4,524)
Lapse and surrender rates	+10	929	1,017	(812)	(609)
Discount rate	-1	4,701	2,732	(415)	(311)
<u>2012</u>					
Mortality/morbidity	+10	19,922	704	(263)	(197)
Expenses	+10	-	-	-	-
Lapse and surrender rates	-10	357	56	(25)	(19)
Discount rate	-1	2,151	672	(67)	(50)

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

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

## 30 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 the 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 (ie. provision for outstanding claims and unearned contributions reserve) by type of contracts.

	2013			2012		
	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000	<u>Gross</u> RM'000	<u>Re-</u> <u>takaful</u> RM'000	<u>Net</u> RM'000
Motor	13,722	(275)	13,447	26,917	(173)	26,744
Fire	15,550	(4,764)	10,786	7,300	(560)	6,740
Marine Cargo, Aviation Cargo and Transit	4	-	4	136	(26)	110
Personal Accident	19,927	(10,997)	8,930	14,664	(9,205)	5,459
Miscellaneous	2,492	(1,323)	1,169	3,000	(1,446)	1,554
	<u>51,695</u>	<u>(17,359)</u>	<u>34,336</u>	<u>52,017</u>	<u>(11,410)</u>	<u>40,607</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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30 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.

	<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>2013</u>					
ULRs for all business classes for all loss years	+10	15,047	11,894	(5,947)	(4,460)
ULRs for Motor Act class for all loss years	+20	8,921	8,710	(4,355)	(3,266)
ULRs for Personal Accident class for all loss years	+20	7,950	3,595	(1,798)	(1,348)
ULRs for Fire class for all loss years	+20	2,573	1,496	(748)	(561)

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30 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Sensitivities (continued)

	<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>2012</u>					
ULRs for all business classes for all loss years	+10	19,160	16,115	(8,058)	(6,043)
ULRs for Motor Act class for all loss years	+20	10,246	9,960	(4,980)	(3,735)
ULRs for Personal Accident class for all loss years	+20	7,967	2,755	(1,378)	(1,034)
ULRs for Fire class for all loss years	+20	840	712	(356)	(267)

\* Impact on equity reflects adjustments for tax, when 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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30 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each 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.

Gross General Takaful claims liabilities for 31 December 2013

<u>Gross claims incurred</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</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	3,851	77,169	81,866	88,551	11,983	9,012	11,692	17,009	
One year later	18,141	64,286	101,362	70,263	5,967	8,521	9,532		
Two years later	7,276	55,373	98,189	59,942	4,031	7,618			
Three years later	8,620	60,815	93,678	54,893	3,921				
Four years later	9,645	58,837	89,896	50,617					
Five years later	8,919	50,829	84,509						
Six years later	8,118	50,467							
Seven years later	8,019								
Current estimate of cumulative claims incurred	8,019	50,467	84,509	50,617	3,921	7,618	9,532	17,009	231,692



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30 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Gross General Takaful claims liabilities for 31 December 2013 (continued)

<u>Gross claims paid</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</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	(776)	(12,034)	(22,122)	(14,656)	(860)	(1,940)	(1,333)	(2,934)	
One year later	(4,376)	(31,197)	(52,867)	(37,580)	(3,220)	(3,366)	(2,549)		
Two years later	(5,537)	(36,918)	(71,621)	(40,654)	(3,330)	(3,699)			
Three years later	(6,259)	(44,579)	(76,230)	(41,358)	(3,351)				
Four years later	(7,861)	(46,957)	(77,408)	(41,493)					
Five years later	(7,863)	(47,383)	(77,764)						
Six years later	(7,883)	(47,871)							
Seven years later	(7,893)								
Cumulative payments to-date	(7,893)	(47,871)	(77,764)	(41,493)	(3,351)	(3,699)	(2,549)	(2,934)	(187,554)
Gross General Takaful claims liabilities	126	2,596	6,745	9,124	570	3,919	6,983	14,075	44,138

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30 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Gross General Takaful claims liabilities for 31 December 2012

<u>Gross claims incurred</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>
	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	3,851	77,169	81,866	88,551	11,983	9,012	11,692	
One year later	18,141	64,286	101,362	70,263	5,967	8,521		
Two years later	7,276	55,373	98,189	59,942	4,031			
Three years later	8,620	60,815	93,678	54,893				
Four years later	9,645	58,837	89,896					
Five years later	8,919	50,829						
Six years later	8,118							
Current estimate of cumulative claims incurred	<u>8,118</u>	<u>50,829</u>	<u>89,896</u>	<u>54,893</u>	<u>4,031</u>	<u>8,521</u>	<u>11,692</u>	<u>227,980</u>

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30 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Gross General Takaful claims liabilities for 31 December 2012 (continued)

<u>Gross claims paid</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>
	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	(776)	(12,034)	(22,122)	(14,656)	(860)	(1,940)	(1,333)	
One year later	(4,376)	(31,197)	(52,867)	(37,580)	(3,220)	(3,366)		
Two years later	(5,537)	(36,918)	(71,621)	(40,654)	(3,330)			
Three years later	(6,259)	(44,579)	(76,230)	(41,358)				
Four years later	(7,861)	(46,957)	(77,408)					
Five years later	(7,863)	(47,383)						
Six years later	(7,883)							
Cumulative payments to-date	(7,883)	(47,383)	(77,408)	(41,358)	(3,330)	(3,366)	(1,333)	(182,061)
Gross General Takaful claims liabilities	235	3,446	12,488	13,535	701	5,155	10,359	45,919

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SUN LIFE MALAYSIA TAKAFUL BERHAD  
(formerly known as CIMB Aviva Takaful Berhad)  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

30 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Net General Takaful claims liabilities for 31 December 2013

<u>Net claims incurred</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</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	3,851	55,964	63,095	40,371	3,302	4,272	4,852	9,219	
One year later	7,118	55,113	68,384	36,699	3,063	3,477	4,783		
Two years later	6,507	50,913	70,865	39,268	2,198	3,501			
Three years later	7,261	56,532	68,238	36,473	2,072				
Four years later	8,196	55,449	66,871	29,827					
Five years later	7,429	47,453	61,457						
Six years later	6,723	46,989							
Seven years later	6,637								
Current estimate of cumulative claims incurred	<u>6,637</u>	<u>46,989</u>	<u>61,457</u>	<u>29,827</u>	<u>2,072</u>	<u>3,501</u>	<u>4,783</u>	<u>9,219</u>	<u>164,485</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

30 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Net General Takaful claims liabilities for 31 December 2013 (continued)

<u>Net claims paid</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</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	(776)	(11,627)	(16,749)	(11,562)	(509)	(891)	(757)	(1,957)	
One year later	(4,079)	(29,516)	(38,729)	(20,312)	(1,741)	(1,474)	(1,626)		
Two years later	(5,214)	(35,212)	(49,607)	(23,202)	(1,762)	(1,720)			
Three years later	(5,937)	(42,071)	(53,828)	(23,861)	(1,765)				
Four years later	(6,667)	(43,810)	(54,727)	(23,990)					
Five years later	(6,496)	(44,092)	(55,061)						
Six years later	(6,507)	(44,510)							
Seven years later	(6,515)								
Cumulative payments to-date	(6,515)	(44,510)	(55,061)	(23,990)	(1,765)	(1,720)	(1,626)	(1,957)	(137,144)
Net General Takaful claims liabilities	122	2,479	6,396	5,837	307	1,781	3,157	7,262	27,341

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NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

30 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Net General Takaful claims liabilities for 31 December 2012

<u>Net claims incurred</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>
	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	3,851	55,964	63,095	40,371	3,302	4,272	4,852	
One year later	7,118	55,113	68,384	36,699	3,063	3,477		
Two years later	6,507	50,913	70,865	39,268	2,198			
Three years later	7,261	56,532	68,238	36,473				
Four years later	8,196	55,449	66,871					
Five years later	7,429	47,453						
Six years later	6,723							
Current estimate of cumulative claims incurred	<u>6,723</u>	<u>47,453</u>	<u>66,871</u>	<u>36,473</u>	<u>2,198</u>	<u>3,477</u>	<u>4,852</u>	<u>168,047</u>

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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 2013 (CONTINUED)

30 TAKAFUL RISKS (CONTINUED)

(b) General Takaful (continued)

Claims development table (continued)

Net General Takaful claims liabilities for 31 December 2012 (continued)

<u>Net claims paid</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>
	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	(776)	(11,627)	(16,749)	(11,562)	(509)	(891)	(757)	
One year later	(4,079)	(29,516)	(38,729)	(20,312)	(1,741)	(1,474)		
Two years later	(5,214)	(35,212)	(49,607)	(23,202)	(1,762)			
Three years later	(5,937)	(42,071)	(53,828)	(23,861)				
Four years later	(6,667)	(43,810)	(54,727)					
Five years later	(6,496)	(44,092)						
Six years later	(6,507)							
Cumulative payments to-date	(6,507)	(44,092)	(54,727)	(23,861)	(1,762)	(1,474)	(757)	(133,180)
Net General Takaful claims liabilities	216	3,361	12,144	12,612	436	2,003	4,095	34,867

## SUN LIFE MALAYSIA TAKAFUL BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

## 31 FINANCIAL RISKS

Credit risk

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 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 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.

The method used in monitoring the credit risk of Sukuk did not change from the previous financial year.

Credit exposure

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

	Shareholders' fund	General Takaful fund	Family Takaful fund	Investment- linked fund	Company
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2013</u>					
<u>Financing and receivables</u>					
Fixed and call deposits	93,345	39,828	96,386	1,215	230,774
Accrued profit	45	50	161	-	256
<u>FVTPL - designated upon initial recognition</u>					
Unquoted Sukuk	-	-	-	4,071	598
Quoted equity securities *	5,959	-	24,916	10,120	36,657
Accrued profit	-	-	-	37	37
<u>Available-for-sale financial assets</u>					
Government Investment Issues	-	15,011	129,100	-	144,111
Unquoted Sukuk	46,626	8,878	124,642	-	180,146
Investments in investment-linked funds *	7,811	-	-	-	7,811
Accrued profit	405	270	3,079	-	3,754



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## 31 FINANCIAL RISKS

Credit risk (continued)Credit exposure (continued)

	Shareholders' fund	General Takaful fund	Family Takaful fund	Investment- linked fund	Company
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2013 (continued)</u>					
Takaful receivables	-	2,443	15,962	-	18,405
Retakaful assets	-	17,359	8,588	-	25,947
Other receivables	33,065	78	1,285	420	3,477
Cash and bank balances	5,853	8,025	24,181	82	38,141
	<u>193,109</u>	<u>91,942</u>	<u>428,300</u>	<u>15,945</u>	<u>690,114</u>
<u>2012</u>					
<u>Financing and receivables</u>					
Fixed and call deposits	116,916	35,851	57,375	3,113	213,255
Accrued profit	136	56	58	-	250
<u>FVTPL - designated upon initial recognition</u>					
Unquoted Sukuk	-	-	-	3,825	3,825
Quoted equity securities *	-	-	9,455	8,966	18,421
Structured investment	-	-	-	30,246	30,246
Accrued profit	-	-	-	30	30
<u>Available-for-sale financial assets</u>					
Government Investment Issues	12,588	9,078	133,763	-	155,429
Unquoted Sukuk	24,908	6,760	108,028	-	139,696
Investments in investment-linked funds *	7,286	-	-	-	7,286
Accrued profit	228	210	2,904	-	3,342
Takaful receivables	-	4,570	4,814	-	9,384
Retakaful assets	-	11,410	5,062	-	16,472
Other receivables	13,850	232	722	3	677
Cash and bank balances	4,259	4,024	11,692	166	20,141
	<u>180,171</u>	<u>72,191</u>	<u>333,873</u>	<u>46,349</u>	<u>618,454</u>

\* Not subject to credit risk

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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 2013 (CONTINUED)

#### 31 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure (continued)

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 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 certificateholders 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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**SUN LIFE MALAYSIA TAKAFUL BERHAD**

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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

31 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

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

<u>Shareholders' fund</u>	<u>Neither past due nor impaired</u>					<u>Not subject to credit risk</u>	<u>Past due but not impaired</u>	<u>Past due and impaired</u>	<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>2013</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	-	13,029	-	-	33,597	-	-	-	46,626
Investment-linked funds	-	-	-	-	-	7,811	-	-	7,811
Accrued profit	-	154	-	-	251	-	-	-	405
<u>FVTPL financial assets</u>									
Quoted equity securities	-	-	-	-	-	5,959	-	-	5,959
<u>Financing and receivables</u>									
Fixed and call deposits	65,457	27,888	-	-	-	-	-	-	93,345
Accrued profit	21	24	-	-	-	-	-	-	45
Other receivables	-	-	-	-	33,065	-	-	-	33,065
Cash and bank balances	5,853	-	-	-	-	-	-	-	5,853
	<u>71,331</u>	<u>41,095</u>	<u>-</u>	<u>-</u>	<u>66,913</u>	<u>13,770</u>	<u>-</u>	<u>-</u>	<u>193,109</u>

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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

31 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

<u>Shareholders' fund</u>	<u>Neither past due nor impaired</u>					<u>Not subject to credit risk</u>	<u>Past due but not impaired</u>	<u>Past due and impaired</u>	<u>Total</u>
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>				
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>2012</u>									
<u>AFS financial assets</u>									
Government Investment Issues	-	-	-	-	12,588	-	-	-	12,588
Unquoted Sukuk	-	-	-	-	24,908	-	-	-	24,908
Investment-linked funds	-	-	-	-	-	7,286	-	-	7,286
Accrued profit	-	-	-	-	228	-	-	-	228
<u>Financing and receivables</u>									
Fixed and call deposits	50,869	65,356	691	-	-	-	-	-	116,916
Accrued profit	51	83	2	-	-	-	-	-	136
Other receivables	-	-	-	-	13,850	-	-	-	13,850
Cash and bank balances	4,259	-	-	-	-	-	-	-	4,259
	<u>55,179</u>	<u>65,439</u>	<u>693</u>	<u>-</u>	<u>51,574</u>	<u>7,286</u>	<u>-</u>	<u>-</u>	<u>180,171</u>

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**

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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

31 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

<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>2013</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	1,003	2,996	-	-	4,879	-	-	-	8,878
Government Investment Issues	-	-	-	-	15,011	-	-	-	15,011
Accrued profit	20	24	-	-	226	-	-	-	270
<u>Financing and receivables</u>									
Fixed and call deposits	39,828	-	-	-	-	-	-	-	39,828
Accrued profit	50	-	-	-	-	-	-	-	50
Takaful receivables	-	-	-	-	2,121	-	322	100	2,543
Other receivables	-	-	-	-	78	-	-	-	78
Retakaful assets	-	-	-	-	17,359	-	-	-	17,359
Cash and bank balances	6,576	-	-	-	1,449	-	-	-	8,025
Allowance for impairment losses	-	-	-	-	-	-	-	(100)	(100)
	<u>47,477</u>	<u>3,020</u>	<u>-</u>	<u>-</u>	<u>41,123</u>	<u>-</u>	<u>322</u>	<u>-</u>	<u>91,942</u>

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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

31 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

<u>General Takaful fund</u>	<u>Neither past due nor impaired</u>					<u>Not subject to credit risk</u>	<u>Past due but not impaired</u>	<u>Past due and impaired</u>	<u>Total</u>
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not rated</u>				
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>2012</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	2,550	4,210	-	-	-	-	-	-	6,760
Government Investment Issues	-	-	-	-	9,078	-	-	-	9,078
Accrued profit	50	42	-	-	118	-	-	-	210
<u>Financing and receivables</u>									
Fixed and call deposits	35,851	-	-	-	-	-	-	-	35,851
Accrued profit	56	-	-	-	-	-	-	-	56
Takaful receivables	-	-	-	-	3,620	-	950	10,536	15,106
Other receivables	-	-	-	-	232	-	-	-	232
Retakaful assets	-	-	-	-	11,410	-	-	-	11,410
Cash and bank balances	1,786	-	36	-	2,202	-	-	-	4,024
Allowance for impairment losses	-	-	-	-	-	-	-	(10,536)	(10,536)
	<u>40,293</u>	<u>4,252</u>	<u>36</u>	<u>-</u>	<u>26,660</u>	<u>-</u>	<u>950</u>	<u>-</u>	<u>72,191</u>

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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

31 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>2013</u>										
<u>AFS financial assets</u>										
Unquoted Sukuk	9,955	32,048	-	-	82,639	-	-	-	-	124,642
Government Investment Issues	-	-	-	-	129,100	-	-	-	-	129,100
Accrued profit	155	492	-	-	2,432	-	-	-	-	3,079
<u>FVTPL financial assets</u>										
Unquoted Sukuk	-	-	-	-	-	-	4,071	-	-	4,071
Quoted equity securities	-	-	-	-	-	24,916	10,120	-	-	35,036
Accrued interest	-	-	-	-	-	-	37	-	-	37
<u>Financing and receivables</u>										
Fixed and call deposits	54,755	41,631	-	-	-	-	1,215	-	-	97,601
Accrued profit	44	117	-	-	-	-	-	-	-	161
Takaful receivables	-	-	-	-	15,962	-	-	-	-	15,962
Retakaful assets	-	8,516	-	-	72	-	-	-	-	8,588
Other receivables	-	-	-	-	1,285	-	420	-	-	1,705
Cash and bank balances	23,093	382	-	-	706	-	82	-	-	24,263
	<u>88,002</u>	<u>83,186</u>	<u>-</u>	<u>-</u>	<u>232,196</u>	<u>24,916</u>	<u>15,945</u>	<u>-</u>	<u>-</u>	<u>444,245</u>

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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

31 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>2012</u>										
<u>AFS financial assets</u>										
Unquoted Sukuk	20,904	3,116	-	-	84,008	-	-	-	-	108,028
Government Investment Issues	-	-	-	-	133,763	-	-	-	-	133,763
Accrued profit	379	2	-	-	2,523	-	-	-	-	2,904
<u>FVTPL financial assets</u>										
Unquoted Sukuk	-	-	-	-	-	-	3,825	-	-	3,825
Quoted equity securities	-	-	-	-	-	9,455	8,966	-	-	18,421
Structured investment	-	-	-	-	-	-	30,246	-	-	30,246
Accrued interest	-	-	-	-	-	-	30	-	-	30
<u>Financing and receivables</u>										
Fixed and call deposits	35,246	22,129	-	-	-	-	3,113	-	-	60,488
Accrued profit	7	51	-	-	-	-	-	-	-	58
Takaful receivables	-	-	-	-	4,814	-	-	-	-	4,814
Retakaful assets	-	4,940	-	-	122	-	-	-	-	5,062
Other receivables	-	-	-	-	722	-	3	-	-	725
Cash and bank balances	11,141	-	-	-	551	-	166	-	-	11,858
	<u>67,677</u>	<u>30,238</u>	<u>-</u>	<u>-</u>	<u>226,503</u>	<u>9,455</u>	<u>46,349</u>	<u>-</u>	<u>-</u>	<u>380,222</u>



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**SUN LIFE MALAYSIA TAKAFUL BERHAD**

(formerly known as CIMB Aviva Takaful Berhad)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

31 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>2013</u>										
<u>AFS financial assets</u>										
Unquoted Sukuk	10,958	48,073	-	-	121,115	-	-	-	-	180,146
Government Investment Issues	-	-	-	-	144,111	-	-	-	-	144,111
Investment-linked funds	-	-	-	-	-	7,811	-	-	-	7,811
Accrued profit	175	670	-	-	2,909	-	-	-	-	3,754
<u>FVTPL financial assets</u>										
Unquoted Sukuk	-	-	-	-	-	-	598	-	-	598
Quoted equity securities	-	-	-	-	-	30,875	5,782	-	-	36,657
Accrued interest	-	-	-	-	-	-	37	-	-	37
<u>Financing and receivables</u>										
Fixed and call deposits	160,040	69,519	-	-	-	-	1,215	-	-	230,774
Accrued profit	115	141	-	-	-	-	-	-	-	256
Takaful receivables	-	-	-	-	18,083	-	-	322	100	18,505
Retakaful assets	-	8,516	-	-	17,431	-	-	-	-	25,947
Other receivables	-	-	-	-	3,057	-	420	-	-	3,477
Cash and bank balances	35,522	382	-	-	2,155	-	82	-	-	38,141
Allowance for impairment losses	-	-	-	-	-	-	-	-	(100)	(100)
	<u>206,810</u>	<u>127,301</u>	<u>-</u>	<u>-</u>	<u>308,861</u>	<u>38,686</u>	<u>8,134</u>	<u>322</u>	<u>-</u>	<u>690,114</u>

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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 2013 (CONTINUED)**

31 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>2012</u>										
<u>AFS financial assets</u>										
Unquoted Sukuk	23,454	7,326	-	-	108,916	-	-	-	-	139,696
Government Investment Issues	-	-	-	-	155,429	-	-	-	-	155,429
Investment-linked funds	-	-	-	-	-	7,286	-	-	-	7,286
Accrued profit	429	44	-	-	2,869	-	-	-	-	3,342
<u>FVTPL financial assets</u>										
Unquoted Sukuk	-	-	-	-	-	-	3,825	-	-	3,825
Quoted equity securities	-	-	-	-	-	9,455	8,966	-	-	18,421
Structured investment	-	-	-	-	-	-	30,246	-	-	30,246
Accrued interest	-	-	-	-	-	-	30	-	-	30
<u>Financing and receivables</u>										
Fixed and call deposits	121,966	87,485	691	-	-	-	3,113	-	-	213,255
Accrued profit	114	134	2	-	-	-	-	-	-	250
Takaful receivables	-	-	-	-	8,434	-	-	950	10,536	19,920
Retakaful assets	-	4,940	-	-	11,532	-	-	-	-	16,472
Other receivables	-	-	-	-	674	-	3	-	-	677
Cash and bank balances	17,186	-	36	-	2,753	-	166	-	-	20,141
Allowance for impairment losses	-	-	-	-	-	-	-	-	(10,536)	(10,536)
	<u>163,149</u>	<u>99,929</u>	<u>729</u>	<u>-</u>	<u>290,607</u>	<u>16,741</u>	<u>46,349</u>	<u>950</u>	<u>-</u>	<u>618,454</u>

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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 2013 (CONTINUED)**

31 FINANCIAL RISKS (CONTINUED)

Credit risk (continued)

Aged analysis of financial assets past due but not impaired

<u>General Takaful fund/Company</u>	< 90 days RM'000	> 90 days RM'000	Total RM'000
<u>2013</u>			
Takaful receivables	124	198	322
	<u>          </u>	<u>          </u>	<u>          </u>
<u>2012</u>			
Takaful receivables	264	686	950
	<u>          </u>	<u>          </u>	<u>          </u>

Impaired Takaful receivables

At 31 December 2013, there are impaired Takaful receivables of RM0.1 million (2012: RM10.536 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 any past due or impaired assets.

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

	<u>2013</u>			<u>2012</u>		
	<u>General Takaful fund RM'000</u>	<u>Family Takaful fund RM'000</u>	<u>Company RM'000</u>	<u>General Takaful fund RM'000</u>	<u>Family Takaful fund RM'000</u>	<u>Company RM'000</u>
As at 1 January	10,536	-	10,536	17,250	18,526	35,776
Writeback during the financial year (Note 21)	(1,515)	-	(1,515)	(6,714)	(2,943)	(9,657)
Write off against Takaful receivables	(8,921)	-	(8,921)	-	(15,583)	(15,583)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
As at 31 December	100	-	100	10,536	-	10,536
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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## SUN LIFE MALAYSIA TAKAFUL BERHAD

(formerly known as CIMB Aviva Takaful Berhad)

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

#### 31 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 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.

##### Maturity profiles

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

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

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

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**  
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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	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>2013</u>								
<u>AFS financial assets</u>								
Unquoted Sukuk	46,626	1,966	3,931	14,496	42,823	-	-	63,216
Investment-linked funds	7,811	-	-	-	-	-	7,811	7,811
Accrued profit	405	405	-	-	-	-	-	405
<u>FVTPL financial assets</u>								
Quoted equity securities	5,959	-	-	-	-	-	5,959	5,959
<u>Financing and receivables</u>								
Fixed and call deposits	93,345	93,406	-	-	-	-	-	93,406
Accrued profit	45	45	-	-	-	-	-	45
Other receivables	33,065	33,065	-	-	-	-	-	33,065
Cash and bank balances	5,853	5,853	-	-	-	-	-	5,853
Total financial assets	<u>193,109</u>	<u>134,740</u>	<u>3,931</u>	<u>14,496</u>	<u>42,823</u>	<u>-</u>	<u>13,770</u>	<u>209,760</u>
Other payables	14,514	14,514	-	-	-	-	-	14,514
Expense liabilities	12,262	12,262	-	-	-	-	-	12,262
Total financial liabilities	<u>26,776</u>	<u>26,776</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,776</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	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>2012</u>								
<u>AFS financial assets</u>								
Government Investment Issues	12,588	12,600	-	-	-	-	-	12,600
Unquoted Sukuk	24,908	959	1,917	1,917	30,360	-	-	35,153
Investment-linked funds	7,286	-	-	-	-	-	7,286	7,286
Accrued profit	228	228	-	-	-	-	-	228
<u>Financing and receivables</u>								
Fixed and call deposits	116,916	116,983	-	-	-	-	-	116,983
Accrued profit	136	136	-	-	-	-	-	136
Other receivables	13,850	13,850	-	-	-	-	-	13,850
Cash and bank balances	4,259	4,259	-	-	-	-	-	4,259
Total financial assets	<u>180,171</u>	<u>149,015</u>	<u>1,917</u>	<u>1,917</u>	<u>30,360</u>	<u>-</u>	<u>7,286</u>	<u>190,495</u>
Other payables	18,990	18,990	-	-	-	-	-	18,990
Expense liabilities	4,603	4,603	-	-	-	-	-	4,603
Total financial liabilities	<u>23,593</u>	<u>23,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,593</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	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>2013</u>								
<u>AFS financial assets</u>								
Unquoted Sukuk	8,878	377	755	1,735	8,458	-	-	11,325
Government Investment Issues	15,011	5,345	10,185	-	-	-	-	15,530
Accrued profit	270	270	-	-	-	-	-	270
<u>Financing and receivables</u>								
Fixed and call deposits	39,828	39,850	-	-	-	-	-	39,850
Accrued profit	50	50	-	-	-	-	-	50
Takaful receivables	2,443	2,443	-	-	-	-	-	2,443
Other receivables	78	78	-	-	-	-	-	78
Retakaful assets	16,797	11,834	671	3,100	1,192	-	-	16,797
Cash and bank balances	8,025	8,025	-	-	-	-	-	8,025
Total financial assets	<u>91,380</u>	<u>68,272</u>	<u>11,611</u>	<u>4,835</u>	<u>9,650</u>	-	-	<u>94,368</u>
Takaful contract liabilities	59,291	46,250	1,762	8,146	3,133	-	-	59,291
Takaful payables	3,274	3,274	-	-	-	-	-	3,274
Other payables	20,946	20,946	-	-	-	-	-	20,946
Total financial liabilities	<u>83,511</u>	<u>70,470</u>	<u>1,762</u>	<u>8,146</u>	<u>3,133</u>	-	-	<u>83,511</u>

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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 2013 (CONTINUED)**

31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	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>2012</u>								
<u>AFS financial assets</u>								
Unquoted Sukuk	6,760	349	698	4,291	2,714	-	-	8,052
Government Investment Issues	9,078	4,248	5,026	-	-	-	-	9,274
Accrued profit	210	210	-	-	-	-	-	210
<u>Financing and receivables</u>								
Fixed and call deposits	35,851	35,876	-	-	-	-	-	35,876
Accrued profit	56	56	-	-	-	-	-	56
Takaful receivables	4,570	4,570	-	-	-	-	-	4,570
Other receivables	232	232	-	-	-	-	-	232
Retakaful assets	11,052	9,217	1,282	530	23	-	-	11,052
Cash and bank balances	4,024	4,024	-	-	-	-	-	4,024
Total financial assets	71,833	58,782	7,006	4,821	2,737	-	-	73,346
<u>Takaful contract liabilities</u>								
Takaful contract liabilities	48,384	40,762	5,326	2,201	95	-	-	48,384
Takaful payables	9,389	9,389	-	-	-	-	-	9,389
Other payables	5,117	5,117	-	-	-	-	-	5,117
Total financial liabilities	62,890	55,268	5,326	2,201	95	-	-	62,890



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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	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	Investment- linked fund RM'000	Total RM'000
<u>Family Takaful fund</u>									
<u>2013</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	124,642	5,948	13,373	24,251	105,610	60,212	-	-	209,394
Government Investment Issues	129,100	19,960	9,531	88,966	35,355	-	-	-	153,812
Accrued profit	3,079	3,079	-	-	-	-	-	-	3,079
<u>FVTPL financial assets</u>									
Unquoted Sukuk	4,071	-	-	-	-	-	-	4,071	4,071
Quoted equity securities	35,036	-	-	-	-	-	24,916	10,120	35,036
Accrued interest	37	-	-	-	-	-	-	37	37
<u>Financing and receivables</u>									
Fixed and call deposits	97,601	96,496	-	-	-	-	-	1,215	97,711
Accrued profit	161	161	-	-	-	-	-	-	161
Takaful receivables	15,962	15,962	-	-	-	-	-	-	15,962
Retakaful assets	8,588	4,481	611	535	1,909	1,052	-	-	8,588
Other receivables	1,705	1,285	-	-	-	-	-	420	1,705
Cash and bank balances	24,263	24,181	-	-	-	-	-	82	24,263
Total financial assets	<u>444,245</u>	<u>171,553</u>	<u>23,515</u>	<u>113,752</u>	<u>142,874</u>	<u>61,264</u>	<u>24,916</u>	<u>15,945</u>	<u>553,819</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	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	Investment- linked fund RM'000	Total RM'000
<u>Family Takaful fund</u>									
<u>2013</u> (continued)									
Takaful contract liabilities	420,677	33,256	50,612	44,344	158,278	87,232	11,448	15,776	400,946
Takaful payables	11,722	11,722	-	-	-	-	-	-	11,722
Other payables	13,898	13,891	-	-	-	-	-	7	13,898
Total financial liabilities	<u>446,297</u>	<u>58,869</u>	<u>50,612</u>	<u>44,344</u>	<u>158,278</u>	<u>87,232</u>	<u>11,448</u>	<u>15,783</u>	<u>426,566</u>

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**SUN LIFE MALAYSIA TAKAFUL BERHAD**

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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	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	Investment- linked fund RM'000	Total RM'000
<u>Family Takaful fund</u>									
<u>2012</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	108,028	4,814	9,629	12,430	101,056	56,274	-	-	184,203
Government Investment Issues	133,763	6,397	24,778	9,531	119,556	-	-	-	160,262
Accrued profit	2,904	2,904	-	-	-	-	-	-	2,904
<u>FVTPL financial assets</u>									
Unquoted Sukuk	3,825	-	-	-	-	-	-	3,825	3,825
Quoted equity securities	18,421	-	-	-	-	-	9,455	8,966	18,421
Structured investment	30,246	-	-	-	-	-	-	30,246	30,246
Accrued interest	30	-	-	-	-	-	-	30	30
<u>Financing and receivables</u>									
Fixed and call deposits	60,488	57,396	-	-	-	-	-	3,113	60,509
Accrued profit	58	58	-	-	-	-	-	-	58
Takaful receivables	4,814	4,814	-	-	-	-	-	-	4,814
Retakaful assets	5,062	3,771	145	137	585	424	-	-	5,062
Other receivables	725	722	-	-	-	-	-	3	725
Cash and bank balances	11,858	11,692	-	-	-	-	-	166	11,858
<b>Total financial assets</b>	<b>380,222</b>	<b>92,568</b>	<b>34,552</b>	<b>22,098</b>	<b>221,197</b>	<b>56,698</b>	<b>9,455</b>	<b>46,349</b>	<b>482,917</b>

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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	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	Investment- linked fund RM'000	Total RM'000
<u>Family Takaful fund</u>									
<u>2012</u> (continued)									
Takaful contract liabilities	356,789	20,505	32,476	30,734	130,757	94,677	10,225	45,642	365,016
Takaful payables	2,391	2,391	-	-	-	-	-	-	2,391
Other payables	12,534	12,124	-	-	-	-	-	410	12,534
Total financial liabilities	<u>371,714</u>	<u>35,020</u>	<u>32,476</u>	<u>30,734</u>	<u>130,757</u>	<u>94,677</u>	<u>10,225</u>	<u>46,052</u>	<u>379,941</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

31 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>2013</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	180,146	8,291	18,059	40,482	156,891	60,212	-	-	283,935
Government Investment Issues	144,111	25,305	19,716	88,966	35,355	-	-	-	169,342
Investment-linked funds	7,811	-	-	-	-	-	7,811	-	7,811
Accrued profit	3,754	3,754	-	-	-	-	-	-	3,754
<u>FVTPL financial assets</u>									
Unquoted Sukuk	598	-	-	-	-	-	-	598	598
Quoted equity securities	36,657	-	-	-	-	-	30,875	5,782	36,657
Accrued interest	37	-	-	-	-	-	-	37	37
<u>Financing and receivables</u>									
Fixed and call deposits	230,774	229,752	-	-	-	-	-	1,215	230,967
Accrued profit	256	256	-	-	-	-	-	-	256
Takaful receivables	18,405	18,405	-	-	-	-	-	-	18,405
Retakaful assets	25,385	16,315	1,282	3,635	3,101	1,052	-	-	25,385
Other receivables	3,477	3,057	-	-	-	-	-	420	3,477
Cash and bank balances	38,141	38,059	-	-	-	-	-	82	38,141
Total financial assets	689,552	343,194	39,057	133,083	195,347	61,264	38,686	8,134	818,765

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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 2013 (CONTINUED)**

31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	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	Investment- linked fund RM'000	Total RM'000
<u>Company</u>									
<u>2013</u> (continued)									
Takaful contract liabilities	472,157	79,506	52,374	52,490	161,411	87,232	11,448	7,965	452,426
Takaful payables	14,996	14,996	-	-	-	-	-	-	14,996
Other payables	17,987	17,980	-	-	-	-	-	7	17,987
Expense liabilities	12,262	12,262	-	-	-	-	-	-	12,262
Total financial liabilities	<u>517,402</u>	<u>124,744</u>	<u>52,374</u>	<u>52,490</u>	<u>161,411</u>	<u>87,232</u>	<u>11,448</u>	<u>7,972</u>	<u>497,671</u>

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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 2013 (CONTINUED)**

31 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>2012</u>									
<u>AFS financial assets</u>									
Unquoted Sukuk	139,696	6,122	12,244	18,638	134,130	56,274	-	-	227,408
Government Investment Issues	155,429	23,245	29,804	9,531	119,556	-	-	-	182,136
Investment-linked funds	7,286	-	-	-	-	-	7,286	-	7,286
Accrued profit	3,342	3,342	-	-	-	-	-	-	3,342
<u>FVTPL financial assets</u>									
Unquoted Sukuk	3,825	-	-	-	-	-	-	3,825	3,825
Quoted equity securities	18,421	-	-	-	-	-	9,455	8,966	18,421
Structured investment	30,246	-	-	-	-	-	-	30,246	30,246
Accrued interest	30	-	-	-	-	-	-	30	30
<u>Financing and receivables</u>									
Fixed and call deposits	213,255	210,255	-	-	-	-	-	3,113	213,368
Accrued profit	250	250	-	-	-	-	-	-	250
Takaful receivables	9,384	9,384	-	-	-	-	-	-	9,384
Retakaful assets	16,114	12,988	1,427	667	608	424	-	-	16,114
Other receivables	677	674	-	-	-	-	-	3	677
Cash and bank balances	20,141	19,975	-	-	-	-	-	166	20,141
<b>Total financial assets</b>	<b>618,096</b>	<b>286,235</b>	<b>43,475</b>	<b>28,836</b>	<b>254,294</b>	<b>56,698</b>	<b>16,741</b>	<b>46,349</b>	<b>732,628</b>

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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

31 FINANCIAL RISKS (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

	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	Investment- linked fund RM'000	Total RM'000
<u>Company</u>									
<u>2012</u> (continued)									
Takaful contract liabilities	405,173	61,267	37,802	32,935	130,852	94,677	10,225	45,642	413,400
Takaful payables	11,780	11,780	-	-	-	-	-	-	11,780
Other payables	22,511	22,101	-	-	-	-	-	410	22,511
Expense liabilities	4,603	4,603	-	-	-	-	-	-	4,603
Total financial liabilities	<u>444,067</u>	<u>99,751</u>	<u>37,802</u>	<u>32,935</u>	<u>130,852</u>	<u>94,677</u>	<u>10,225</u>	<u>46,052</u>	<u>452,294</u>



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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 2013 (CONTINUED)

#### 31 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 certificateholders 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 appetite, the impact is monitored through economic capital measures.

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

##### (i) Profit rate risk

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

Variable rate instruments expose the Company to cash flows profit rate risk, whereas fixed rate instruments expose the Company to fair value profit rate risk.

The Company's profit rate risk policy requires management to manage the risk by maintaining an appropriate mix of variable and fixed rate instruments. The policy also requires management to manage the maturities of profit-bearing financial assets and liabilities. Variable rate instruments will be re-priced at intervals of not more than one (1) year. Profit on fixed rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The Company has no significant concentration of profit rate risk.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

31 **FINANCIAL RISKS (CONTINUED)**

Market risk (continued)

(i) Profit rate risk (continued)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of variable rate financial instruments) and equity (that reflects adjustments to profit before tax and re-valuing fixed rate AFS financial assets). 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>2013</u>	Impact on profit <u>before tax</u> RM'000	Impact on <u>equity</u> RM'000
<u>Change in variables</u>		
+ 100 basis points	-	(2,240)
- 100 basis points	-	2,428
	<u>          </u>	<u>          </u>
 <u>2012</u>		
<u>Change in variables</u>		
+ 100 basis points	-	(1,563)
- 100 basis points	-	1,726
	<u>          </u>	<u>          </u>

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, do not impact the profit before tax and equity of the Company.

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

## 31 FINANCIAL RISKS (CONTINUED)

Market risk (continued)(ii) Price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each 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 tax (due to changes in fair value of financial assets whose changes in fair values are recorded in profit or loss) and equity (that reflects adjustments to profit before tax and changes in fair value of AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

<u>2013</u>	Impact on profit <u>before tax</u> RM'000	Impact on <u>equity</u> RM'000
<u>Change in variables</u>		
Quoted equity securities:		
Decrease in share price by 40%	(2,384)	(1,788)
Investment-linked funds:		
Decrease in net asset value by 40%	-	(1,150)
	<u>          </u>	<u>          </u>
 <u>2012</u>		
<u>Change in variables</u>		
Investment-linked funds:		
Decrease in net asset value by 40%	-	(907)
	<u>          </u>	<u>          </u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

31 **FINANCIAL RISKS (CONTINUED)**

Market risk (continued)

(ii) Price risk (continued)

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 the Shareholders' fund's investments in Investment-linked funds which are classified as AFS financial assets. There is no impact to the Company's profit before tax as the impact of changes in price risk to the equities securities of the Family Takaful fund and Investment-linked funds is retained in the Takaful contract liabilities.

Operational risk

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

The Company has in place an operational risk policy ("the Policy") which outlines the approach in managing operational risks. From the governance perspective, the RMC and ERM monitor and oversee the implementation of the Policy to ensure that the risk management process is in place and functioning effectively.