



Prudential BSN Takaful Berhad

(Company No. 740651-H)
(Incorporated in Malaysia)

**Unaudited Condensed Interim
Financial Statements
For The Half-Year Ended
30 June 2014
(in Ringgit Malaysia)**

Prudential BSN Takaful Berhad

(Company No. 740651-H)
(Incorporated in Malaysia)

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Prudential BSN Takaful Berhad

(Company No. 740651-H)

(Incorporated in Malaysia)

Unaudited Condensed Statements of Financial Position as at 30 June 2014

	Note	← As at 30.06.2014 →				← As at 31.12.2013 →			
		Takaful Operator RM'000	Family Takaful Fund RM'000	General Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	General Takaful Fund RM'000	Company RM'000
Assets									
Property and equipment		17,365	-	-	17,365	17,543	-	-	17,543
Investments	2	205,776	1,187,755	-	1,393,531	158,075	1,093,914	-	1,251,989
Deferred tax assets		11,687	-	-	11,687	11,379	-	321	11,700
Retakaful assets	3	-	29,445	1,265	30,710	-	24,085	2,823	26,908
Takaful receivables		-	-	1,996	1,996	-	-	78	78
Trade and other receivables		7,732	45,974	15	14,385	42,537	7,851	108	13,800
Tax recoverable		8,127	-	-	8,127	1,826	-	-	1,826
Qard receivable		267	-	-	-	267	-	-	-
Cash and bank balances		60,642	29,173	15,481	105,296	49,526	27,630	17,758	94,914
Total assets		311,596	1,292,347	18,757	1,583,097	281,153	1,153,480	21,088	1,418,758
Equity									
Share capital		58,824	-	-	58,824	58,824	-	-	58,824
Reserves		121,606	-	(267)	121,339	114,763	-	(267)	114,496
Total equity		180,430	-	(267)	180,163	173,587	-	(267)	173,320
Liabilities									
Participants' fund	4	-	1,220,160	3,844	1,224,004	-	1,073,375	1,993	1,075,368
Takaful contract liabilities	5	-	35,987	6,982	42,969	-	21,869	8,853	30,722
Provision for wakalah fees		22,438	-	-	22,438	22,484	-	-	22,484
Takaful payables		-	16,311	942	17,253	-	12,168	1,825	13,993
Trade and other payables		108,728	10,877	6,444	86,713	85,082	38,946	8,083	95,415
Qard payable		-	-	267	-	-	-	267	-
Taxation		-	2,645	545	3,190	-	461	334	795
Deferred tax liabilities		-	6,367	-	6,367	-	6,661	-	6,661
Total liabilities		131,166	1,292,347	19,024	1,402,934	107,566	1,153,480	21,355	1,245,438
Total equity and liabilities		311,596	1,292,347	18,757	1,583,097	281,153	1,153,480	21,088	1,418,758

The accompanying notes on pages 6 to 21 form an integral part of the financial statements.

Prudential BSN Takaful Berhad

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Unaudited Condensed Statements of Profit or Loss and Other Comprehensive Income for the period ended 30 June 2014

	← 30.06.2014 →				← 30.06.2013 →			
	Takaful Operator RM'000	Family Takaful Fund RM'000	General Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	General Takaful Fund RM'000	Company RM'000
Operating revenue	169,946	486,173	4,254	507,463	154,348	443,443	3,462	460,267
Wakalah fee income	167,276	-	-	-	152,748	-	-	-
Gross contributions	-	465,905	4,008	484,279	-	426,378	3,214	441,354
Contributions ceded to retakaful	-	(10,927)	(225)	(11,152)	-	(6,651)	(630)	(7,281)
Increase in unearned contribution reserves	-	-	(846)	(846)	-	-	(596)	(596)
Net earned contributions	-	454,978	2,937	472,281	-	419,727	1,988	433,477
Investment income	2,670	20,268	246	23,184	1,600	17,065	248	18,913
Realised gains and losses	(63)	12,377	-	12,314	82	6,566	-	6,648
Fair value gains and losses	(1,255)	(3,557)	-	(4,812)	(14)	10,647	(35)	10,256
Other operating income	32,128	124	214	439	33,108	-	6	(5,794)
Other income	33,480	29,212	460	31,125	34,776	34,278	219	30,023
Gross benefits and claims paid	-	(139,666)	(4,327)	(144,073)	-	(107,474)	(363)	(107,837)
Claims ceded to retakaful	-	5,184	3,631	8,895	-	3,550	80	3,630
Gross change to contract liabilities	-	(14,118)	2,604	(11,434)	-	(9,868)	-	(9,868)
Change in contract liabilities ceded to retakaful	-	61	(1,445)	(1,464)	-	(273)	-	(273)
Net benefits and claims	-	(148,539)	463	(148,076)	-	(114,065)	(283)	(114,348)
Wakalah fee expense	-	(165,801)	(1,475)	-	-	(151,573)	(1,175)	-
Management expenses	(86,291)	-	-	(86,291)	(70,623)	-	-	(70,623)
Commission paid	(104,629)	-	-	(104,629)	(95,934)	-	-	(95,934)
Risk management charge expense	-	(21,979)	-	-	-	(27,229)	(8)	-
Decrease/(increase) in provision for wakalah fees	46	-	-	46	(132)	-	-	(132)
Other operating expenses	(23)	(4,495)	(2)	(8,838)	(2)	(4,158)	-	(4,245)
Other expenses	(190,897)	(192,275)	(1,477)	(199,712)	(166,691)	(182,960)	(1,183)	(170,934)

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Unaudited Condensed Statements of Profit or Loss and Other Comprehensive Income for the period ended 30 June 2014

(continued)

	← 30.06.2014 →				← 30.06.2013 →			
	Takaful Operator RM'000	Family Takaful Fund RM'000	General Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	General Takaful Fund RM'000	Company RM'000
Surplus attributable to participants before taxation	-	143,376	2,383	-	-	156,980	741	-
Tax expense attributable to participants	-	(1,890)	(532)	(2,422)	-	(1,909)	(170)	(2,079)
Surplus distributed to participants	-	-	-	-	1,000	(1,000)	-	-
Net surplus attributable to participants	-	(141,486)	(1,851)	(143,337)	-	(154,071)	(571)	(154,300)
Profit before zakat and taxation	9,859	-	-	9,859	21,833	-	-	21,833
Zakat	(243)	-	-	(243)	(355)	-	-	(335)
Tax expense	(2,773)	-	-	(2,773)	(7,072)	-	-	(7,072)
Net profit and total comprehensive income for the period/year	6,843	-	-	6,843	14,426	-	-	14,426

The accompanying notes on pages 6 to 21 form an integral part of the financial statements.

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Unaudited Condensed Statement of Changes In Equity for the period ended 30 June 2014

	← <i>Non-distributable</i> →		← <i>Distributable</i> →				Total equity RM'000
	Share capital RM'000	Share premium RM'000	Takaful Operator RM'000	Retained earnings/(Accumulated losses)		Company RM'000	
			Takaful Fund RM'000	Family Takaful Fund RM'000	General Takaful Fund RM'000		
At 1 January 2013	58,824	41,176	45,044	-	-	45,044	145,044
Total comprehensive income for the year	-	-	28,543	-	(267)	28,276	28,276
At 31 December 2013/1 January 2014	58,824	41,176	73,587	-	(267)	73,320	173,320
Total comprehensive income for the period	-	-	6,843	-	-	6,843	6,843
At 30 June 2014	58,824	41,176	80,430	-	(267)	80,163	180,163

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Unaudited Condensed Statement of cash flows for the period ended 30 June 2014

	30.06.2014 RM'000	31.12.2013 RM'000
Cash flows from operating activities		
Profit before zakat and taxation	9,859	40,976
Adjustments for:		
Depreciation	1,861	2,551
Investment income	(23,184)	(24,854)
Gain on disposal of investments	(12,314)	(10,525)
Fair value losses/(gains) on investments	4,812	(20,440)
Property and equipment written off	-	36
Decrease in provision for wakalah fees	(46)	(572)
Loss from operations before changes in operating assets and liabilities	(19,012)	(12,828)
Tax paid	(9,382)	(19,131)
Increase/(decrease) in General Takaful Fund	2,383	(2,314)
Increase in Family Takaful Fund	148,675	323,574
Increase in retakaful assets	(3,802)	(12,356)
(Increase)/decrease in takaful receivables	(1,918)	242
Increase in trade and other receivables	(961)	(4,619)
Increase in takaful contract liabilities	12,247	1,438
Increase in takaful payables	3,260	5,784
(Decrease)/increase in trade and other payables	(8,945)	14,315
Net cash generated from operating activities	<u>122,545</u>	<u>294,105</u>
Cash flows from investing activities		
Investment income	23,560	24,854
Purchase of property and equipment	(1,683)	(6,049)
Proceeds from disposal of investments	224,515	367,988
Purchase of investments	(358,555)	(639,523)
Net cash used in investing activities	<u>(112,163)</u>	<u>(252,730)</u>
Net increase in cash and cash equivalents	10,382	41,375
Cash and cash equivalents at the beginning of year	<u>94,914</u>	<u>53,539</u>
Cash and cash equivalents at the end of period/year	<u><u>105,296</u></u>	<u><u>94,914</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances		
- Takaful Operator	60,642	49,526
- Family Takaful Fund	29,173	27,630
- General Takaful Fund	15,481	17,758
	<u>105,296</u>	<u>94,914</u>

The accompanying notes on pages 6 to 21 form an integral part of the financial statements.

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Notes to the financial statements

1. Basis of preparation

Statement of compliance

The unaudited interim financial statements have been prepared in accordance with MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB"), IAS 34 *Interim Financial Reporting* issued by International Accounting Standards Board and Guidelines/Circulars issued by Bank Negara Malaysia ("BNM").

The accounting policies, methods of computation and presentation adopted for the interim financial statements are consistent with those adopted in the company's audited financial statements for the financial year ended 31 December 2013, except for the change in Zakat Computation methodology as disclosed in the note 9.

The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Company for the financial year ended 31 December 2013. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the year ended 31 December 2013.

2. Investments

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
30.06.2014			
Malaysian government investment issue	22,427	195,398	217,825
Islamic debts securities	167,009	440,533	607,542
Equity securities	-	482,804	482,804
Unit and property trust funds	-	15,390	15,390
Deposit with financial institutions	16,340	53,630	69,970
	205,776	1,187,755	1,393,531
31.12.2013			
Malaysian government investment issue	18,472	201,378	219,850
Islamic debts securities	114,493	402,515	517,008
Equity securities	-	436,667	436,667
Unit and property trust funds	-	14,314	14,314
Deposit with financial institutions	25,110	39,040	64,150
	158,075	1,093,914	1,251,989

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2. Investments (Continued)

(a) The Company's financial investments are summarised by categories as follows:

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
30.06.2014			
Loans and receivables ("L&R")			
Deposits with financial institutions	16,340	53,630	69,970
	<hr/>	<hr/>	<hr/>
Fair value through profit or loss ("FVTPL")			
- Held for trading			
Malaysian government investment issue	22,427	195,398	217,825
Islamic debt securities	167,009	440,533	607,542
Equity securities	-	482,804	482,804
Unit and property trust funds	-	15,390	15,390
	<hr/>	<hr/>	<hr/>
	189,436	1,134,125	1,323,561
	<hr/>	<hr/>	<hr/>
	205,776	1,187,755	1,393,531
	<hr/>	<hr/>	<hr/>
31.12.2013			
Loans and receivables ("L&R")			
Deposits with financial institutions	25,110	39,040	64,150
	<hr/>	<hr/>	<hr/>
Fair value through profit or loss ("FVTPL")			
- Held for trading			
Malaysian government investment issue	18,472	201,378	219,850
Islamic debt securities	114,493	402,515	517,008
Equity securities	-	436,667	436,667
Unit and property trust funds	-	14,314	14,314
	<hr/>	<hr/>	<hr/>
	132,965	1,054,874	1,187,839
	<hr/>	<hr/>	<hr/>
	158,075	1,093,914	1,251,989
	<hr/>	<hr/>	<hr/>

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2. Investments (Continued)

(b) Carrying values of financial investments

Company	L&R RM'000	FVTPL RM'000	Total RM'000
At 1 January 2013	151,888	797,600	949,488
Purchases	-	639,523	639,523
Maturities/disposals	(87,738)	(269,724)	(357,462)
Fair value gains recorded in profit or loss	-	20,440	20,440
At 31 December 2013/1 January 2014	64,150	1,187,839	1,251,989
Purchases	5,820	352,735	358,555
Disposals	-	(212,201)	(212,201)
Fair value losses recorded in profit or loss	-	(4,812)	(4,812)
At 30 June 2014	69,970	1,323,561	1,393,531

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2. Investments (continued)

(c) Fair value of financial instruments

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

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position:

Company	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
2014										
Malaysian government investment issue	-	217,825	-	217,825	-	-	-	-	217,825	217,825
Islamic debt securities	-	607,542	-	607,542	-	-	-	-	607,542	607,542
Equity securities	482,804	-	-	482,804	-	-	-	-	482,804	482,804
Unit and property trust funds	15,390	-	-	15,390	-	-	-	-	15,390	15,390
	<u>498,194</u>	<u>825,367</u>		<u>1,323,561</u>					<u>1,323,561</u>	<u>1,323,561</u>
2013										
Malaysian government investment issue	-	219,850	-	219,850	-	-	-	-	219,850	219,850
Islamic debt securities	-	517,008	-	517,008	-	-	-	-	517,008	517,008
Equity securities	433,954	2,713	-	436,667	-	-	-	-	436,667	436,667
Unit and property trust funds	14,314	-	-	14,314	-	-	-	-	14,314	14,314
	<u>448,268</u>	<u>739,571</u>		<u>1,187,839</u>					<u>1,187,839</u>	<u>1,187,839</u>

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2. Investment (continued)

(c) Fair value of financial instruments (continued)

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial period. (2013: no transfer in either directions)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

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3. Retakaful assets

	Note	← 30.06.2014 →			← 31.12.2013 →		
		Family Takaful Fund RM'000	General Takaful Fund RM'000	Company RM'000	Family Takaful Fund RM'000	General Takaful Fund RM'000	Company RM'000
Retakaful for actuarial liabilities	4	26,107	-	26,107	20,808	-	20,808
Retakaful for takaful contract liabilities	5	3,338	1,265	4,603	3,277	2,823	6,100
		<u>29,445</u>	<u>1,265</u>	<u>30,710</u>	<u>24,085</u>	<u>2,823</u>	<u>26,908</u>

4. Participants' fund

(i) Family Takaful Fund

Family takaful fund at end of the period comprise the following:

	← 30.06.2014 →			← 31.12.2013 →		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Actuarial liabilities	78,592	(26,107)	52,485	68,796	(20,808)	47,988
Participants account	1,141,568	-	1,141,568	1,004,579	-	1,004,579
	<u>1,220,160</u>	<u>(26,107)</u>	<u>1,194,053</u>	<u>1,073,375</u>	<u>(20,808)</u>	<u>1,052,567</u>

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4. Participants' fund (continued)

(i) Family Takaful Fund (continued)

The family takaful contract liabilities and its movements are analysed as follows:

	← 30.06.2014 →			← 31.12.2013 →		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Total Participants' fund						
At 1 January	1,073,375	(20,808)	1,052,567	764,381	(12,530)	751,851
Contribution received	465,905	(10,927)	454,978	876,635	(18,843)	857,792
Liabilities paid for death, maturities, surrenders benefits and claims	(139,666)	5,184	(134,482)	(240,602)	6,808	(233,794)
Benefits and claims experience variation	(18,998)	444	(18,554)	(16,303)	3,757	(12,546)
Fees deducted	(192,151)	-	(192,151)	(370,000)	-	(370,000)
Credit of interest or change in unit prices	29,088	-	29,088	50,745	-	50,745
Changes in assumptions (a)	313	-	313	(1,819)	-	(1,819)
Certificate movement	153	-	153	4,570	-	4,570
Other movements	4,031	-	4,031	7,980	-	7,980
Taxation	(1,890)	-	(1,890)	(2,212)	-	(2,212)
At 30 June/31 December	<u>1,220,160</u>	<u>(26,107)</u>	<u>1,194,053</u>	<u>1,073,375</u>	<u>(20,808)</u>	<u>1,052,567</u>

(a) Changes in assumptions include change in assumption for mortality, morbidity, persistency and discount rate to comply with the latest guidelines on valuation basis.

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4. Participants' fund (continued)

(i) Family Takaful Fund (continued)

Valuation of family takaful contract liabilities

The liability for family takaful contracts is based on current assumptions, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The mortality and morbidity assumptions are based on retakaful operators' tables which reflect historical experiences, adjusted when appropriate to reflect the unique risk exposure, product characteristics, target markets, own claims severity and frequency experiences.

Estimates are also made as to future investment income arising from the assets backing 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. Expenses are borne by the Takaful Operator and do not affect the Family Takaful Fund.

Lapse rate is based on the historical experience of lapses. Discount rate for liabilities accord a level of guarantee no less certain than that accorded by a Government Islamic Issue.

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4. Participants' fund (continued)

(ii) General Takaful Fund

Participants' fund at end of the period comprises the following:

	← 30.06.2014 →	← 31.12.2013 →				
	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000
Participants account	3,844	-	3,844	1,993	-	1,993

(iii) Company

	← 30.06.2014 →	← 31.12.2013 →				
	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000
Actuarial liabilities	78,592	(26,107)	52,485	68,796	(20,808)	47,988
Participants account	1,145,412	-	1,145,412	1,006,572	-	1,006,572
	<u>1,224,004</u>	<u>(26,107)</u>	<u>1,197,897</u>	<u>1,075,368</u>	<u>(20,808)</u>	<u>1,054,560</u>

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5. Takaful contract liabilities

(a) Family Takaful Fund

	← 30.06.2014 →			← 31.12.2013 →		
	Gross	Retakaful	Net	Gross	Retakaful	Net
	RM'000	(Note 3) RM'000	RM'000	RM'000	(Note 3) RM'000	RM'000
Provision for claims reported by participants	29,841	(3,338)	26,503	17,390	(3,277)	14,113
Provision for IBNR	6,146	-	6,146	4,479	-	4,479
Provision for outstanding claims	<u>35,987</u>	<u>(3,338)</u>	<u>32,649</u>	<u>21,869</u>	<u>(3,277)</u>	<u>18,592</u>
At 1 January	21,869	(3,277)	18,592	25,031	(984)	24,047
Claims incurred during the period/year	152,117	(5,245)	146,872	237,763	(9,101)	228,662
Claims paid during the period/year	(139,666)	5,184	(134,482)	(240,602)	6,808	(233,794)
Increase/(decrease) in IBNR	1,667	-	1,667	(323)	-	(323)
At 30 June/31 December	<u>35,987</u>	<u>(3,338)</u>	<u>32,649</u>	<u>21,869</u>	<u>(3,277)</u>	<u>18,592</u>

(b) General Takaful Fund

	← 30.06.2014 →			← 31.12.2013 →		
	Gross	Retakaful	Net	Gross	Retakaful	Net
	RM'000	(Note 3) RM'000	RM'000	RM'000	(Note 3) RM'000	RM'000
Provision for claims reported by participants	1,008	(437)	571	2,767	(1,534)	1,233
Provision for IBNR	1,261	(508)	753	2,106	(856)	1,250
Provision for outstanding claims	<u>2,269</u>	<u>(945)</u>	<u>1,324</u>	<u>4,873</u>	<u>(2,390)</u>	<u>2,483</u>
Provision for unearned contribution	4,713	(320)	4,393	3,980	(433)	3,547
	<u>6,982</u>	<u>(1,265)</u>	<u>5,717</u>	<u>8,853</u>	<u>(2,823)</u>	<u>6,030</u>

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5. Takaful contract liabilities (continued)

(b) General Takaful Fund (continued)

(i) Provision for outstanding claims

	← 30.06.2014 →	← 31.12.2013 →				
	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000
At 1 January	4,873	(2,390)	2,483	1,977	(797)	1,180
Claims incurred in the current accident year	722	(1,736)	(1,014)	3,824	(1,808)	2,016
Adjustment to claims incurred in prior accident years due to changes in assumptions	1,001	(450)	551	(280)	84	(196)
Claims paid during the period/year	(4,327)	3,631	(696)	(648)	131	(517)
At 30 June/31 December	<u>2,269</u>	<u>(945)</u>	<u>1,324</u>	<u>4,873</u>	<u>(2,390)</u>	<u>2,483</u>

(ii) Provision for unearned contributions

	← 30.06.2014 →	← 31.12.2013 →				
	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000
At 1 January	3,980	(433)	3,547	2,276	(241)	2,035
Contributions written in the period/year	4,008	(225)	3,783	6,535	(1,368)	5,167
Contributions earned during the period/year	(3,275)	338	(2,937)	(4,831)	1,176	(3,655)
At 30 June/31 December	<u>4,713</u>	<u>(320)</u>	<u>4,393</u>	<u>3,980</u>	<u>(433)</u>	<u>3,547</u>

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5. Takaful contract liabilities (continued)

(b) General Takaful Fund (continued)

(iii) Valuation of General takaful contract liabilities

For general takaful contracts, estimates have to be made for both the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the reporting date.

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position's liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder, Bornheutter-Ferguson and Ultimate Loss Ratio methods.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgements are used to assess the extent to which past trends may not apply in future, for example, isolated occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, certificate features and claims handling procedures.

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5. Takaful contract liabilities (continued)

(c) Company

	← 30.06.2014 →	← 31.12.2013 →				
	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000
Provision for claims reported by participants	30,849	(3,775)	27,074	20,157	(4,811)	15,346
Provisions for IBNR	7,407	(508)	6,899	6,585	(856)	5,729
Provisions for outstanding claims	38,256	(4,283)	33,973	26,742	(5,667)	21,075
Provisions for unearned contributions	4,713	(320)	4,393	3,980	(433)	3,547
	<u>42,969</u>	<u>(4,603)</u>	<u>38,366</u>	<u>30,722</u>	<u>(6,100)</u>	<u>24,622</u>

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6. Investment-linked business

Interim statements of financial position as at 30 June 2014

	30.06.2014 RM'000	30.12.2013 RM'000
Assets		
Investments	582,656	505,881
Income due and accrued	1,166	2,151
Amount due from Family Takaful Fund	10,927	4,702
Cash and bank balances	50	24
Total Investment-linked business assets	<u>594,799</u>	<u>512,758</u>
Liabilities		
Other payables	7,730	1,528
Taxation	1,440	339
Amount due to Takaful Operator	10,288	4,253
Deferred tax liabilities	7,185	7,255
Total Investment-linked business liabilities	<u>26,643</u>	<u>13,375</u>
Net asset value of funds	<u>568,156</u>	<u>499,383</u>
Represented by:		
Unitholders' account	<u>568,156</u>	<u>499,383</u>

Interim statements of profit or loss and other comprehensive income for the period ended 30 June 2014

	30.06.2014 RM'000	30.06.2013 RM'000
Investment income	8,366	6,926
Realised gains	12,286	6,294
Fair value gains and losses	(765)	13,018
Investment management fees	(3,538)	(2,562)
Other operating expenses	(1)	1
Investment and other income before taxation	<u>16,348</u>	<u>23,677</u>
Tax expense	(1,032)	(1,096)
Investment and other income after taxation	<u>15,316</u>	<u>22,581</u>

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7. Regulatory Capital Requirement

The Risk Based Capital Framework for Takaful Operators (RBCT) came into effect from 1 January 2013. The capital structure of the company as at 30 June 2014, as prescribed under the RBCT is provided below:

	30.06.2014
	RM'000
Eligible Tier 1 Capital	
Share capital	58,824
Reserves, including retained earnings	175,301
	<u>234,125</u>
Tier 2 Capital	
Eligible reserves	<u>267</u>
Amounts deducted from capital	<u>(31,450)</u>
Total capital available	<u><u>202,942</u></u>

8. Seasonal or Cyclical Factors

The Company's business operations were not materially affected by any seasonal or cyclical factors during the interim period. However, the surplus of the Family and General Takaful funds (if any) will only be distributed at the financial year end upon recommendation by the Appointed Actuary and approval by the Board of Directors.

9. Change in Zakat Computation Methodology

During the interim period, the company revised the zakat computation methodology from net profit after tax method to adjusted growth method as per Malaysian Accounting Standard Board's Technical Release *i-1* (2006) with modification for computation of non-current asset. The Change was approved by the Shariah Committee for adoption.

10. Unusual items

There were no items of unusual nature and amount affecting assets, liabilities, equity, net income or cash flows for the interim financial period.

11. Change in estimates

Since the end of the previous audited annual financial statements for the financial year ended 31 December 2013, there were no material change in the basis used for the estimates.

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12. Debt and equities securities

There were no issuance, repurchase and repayment of debt, equity and securities by the company during the interim financial period.

13. Dividends

No dividend has been paid or declared by the company during the interim financial period.

14. Events after the interim period

There were no significant events after the interim financial period that have not been reflected in the financial statements for the interim period.

15. Changes in the composition of the Company

There was no change in the composition of the company during the interim financial period.