

Prudential BSN Takaful Berhad
(Company No. 740651-H)
(Incorporated in Malaysia)

**Unaudited Condensed Interim
Financial Statements
For The Half-Year Ended
30 June 2015
(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)

Interim Financial Statement

Unaudited Condensed Statements of Financial Position as at 30 June 2015

	Note	← As at 30.06.2015 →			← As at 31.12.2014 →				
		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		16,985	-	-	16,985	16,769	-	-	16,769
Intangible assets		6,495	-	-	6,495	2,950	-	-	2,950
Investments	2	228,263	1,499,080	-	1,726,956	229,920	1,337,586	-	1,567,411
Deferred tax assets		68	-	218	286	13,393	-	204	13,597
Retakaful assets	3	-	7,296	3,095	10,391	-	8,419	6,457	14,876
Takaful receivables		-	-	116	116	-	-	38	38
Trade and other receivables		50,171	11,029	3,684	22,184	23,337	10,873	50	16,779
Tax recoverable		465	-	-	465	360	-	-	360
Qard receivable		-	-	-	-	-	-	-	-
Cash and bank balances		7,653	111,729	15,710	135,092	35,838	49,378	21,167	106,383
Total assets		310,100	1,629,134	22,823	1,918,970	322,567	1,406,256	27,916	1,739,163
Equity									
Share capital		58,824	-	-	58,824	58,824	-	-	58,824
Reserves		114,240	-	-	114,240	133,765	-	-	133,765
Total equity		173,064	-	-	173,064	192,589	-	-	192,589
Liabilities									
Participants' fund	4	-	1,497,604	5,237	1,502,454	-	1,322,546	4,503	1,326,954
Takaful contract liabilities	5	-	60,837	11,014	71,851	-	43,644	13,059	56,703
Provision for wakalah fees		26,462	-	-	26,462	27,184	-	-	27,184
Takaful payables		-	3,985	1,256	5,241	-	9,907	1,405	11,312
Trade and other payables		110,574	55,363	4,197	127,434	102,794	21,060	8,089	114,462
Qard payable		-	-	-	-	-	-	-	-
Taxation		-	5,497	1,119	6,616	-	4,352	860	5,212
Deferred tax liabilities		-	5,848	-	5,848	-	4,747	-	4,747
Total liabilities		137,036	1,629,134	22,823	1,745,906	129,978	1,406,256	27,916	1,546,574
Total equity and liabilities		310,100	1,629,134	22,823	1,918,970	322,567	1,406,256	27,916	1,739,163

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached.

Prudential BSN Takaful Berhad

(Company No. 740651-H)

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Interim Financial Statement

Unaudited Condensed Statements of Profit or Loss and Other Comprehensive Income for the period ended 30 June 2015

	← 30.06.2015 →				← 30.06.2014 →			
	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	205,349	584,505	3,859	611,368	169,946	486,173	4,254	507,463
Wakalah fee income	199,568	-	-	-	167,276	-	-	-
Gross contributions	-	555,973	3,568	576,764	-	465,905	4,008	484,279
Contributions ceded to retakaful	-	(13,602)	(403)	(14,005)	-	(10,927)	(225)	(11,152)
Increase in unearned contribution reserves	-	-	(697)	(697)	-	-	(846)	(846)
Net earned contributions	-	542,371	2,468	562,062	-	454,978	2,937	472,281
Investment income	5,781	28,532	291	34,604	2,670	20,268	246	23,184
Realised gains and losses	(97)	364	-	267	(63)	12,377	-	12,314
Fair value gains and losses	2,223	13,768	-	15,999	(1,255)	(3,557)	-	(4,812)
Other operating income	42,918	1,061	-	1,260	32,128	124	214	439
Other income	50,825	43,725	291	52,130	33,480	29,212	460	31,125
Gross benefits and claims paid	-	(167,994)	(3,641)	(171,635)	-	(139,666)	(4,327)	(144,073)
Claims ceded to retakaful	-	14,295	3,702	17,997	-	5,184	3,631	8,895
Gross change to contract liabilities	-	(17,193)	(620)	(17,813)	-	(14,118)	2,604	(11,434)
Change in contract liabilities ceded to retakaful	-	(5,204)	-	(5,204)	-	61	(1,445)	(1,464)
Net benefits and claims	-	(176,096)	(559)	(176,655)	-	(148,539)	463	(148,076)
Wakalah fee expense	-	(198,406)	(1,162)	-	-	(165,801)	(1,475)	-
Management expenses	(115,106)	-	-	(115,106)	(86,291)	-	-	(86,291)
Commission paid	(129,663)	-	-	(129,663)	(104,629)	-	-	(104,629)
Risk management charge expense	-	(30,285)	-	-	-	(21,979)	-	-
Decrease/(increase) in provision for wakalah fees	722	-	-	722	46	-	-	46
Other operating expenses	(39)	(10,395)	(58)	(15,580)	(23)	(4,495)	(2)	(8,838)
Other expenses	(244,086)	(239,086)	(1,220)	(259,627)	(190,897)	(192,275)	(1,477)	(199,712)

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Interim Financial Statement

Unaudited Condensed Statements of Profit or Loss and Other Comprehensive Income for the period ended 30 June 2015 - Cont

	← 30.06.2015 →				← 30.06.2014 →			
	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	-	170,914	980	-	-	143,376	2,383	-
Tax expense attributable to participants	-	(1,991)	(246)	(2,237)	-	(1,890)	(532)	(2,422)
Surplus distributed to participants	-	-	-	-	-	-	-	-
Net surplus attributable to participants	-	(168,923)	(734)	(169,366)	-	(141,486)	(1,851)	(143,337)
Profit before zakat and taxation	6,307	-	-	6,307	9,859	-	-	9,859
Zakat	(329)	-	-	(329)	(243)	-	-	(243)
Tax expense	(25,503)	-	-	(25,503)	(2,773)	-	-	(2,773)
Net profit and total comprehensive income for the period/year	(19,525)	-	-	(19,525)	6,843	-	-	6,843

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached.

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Interim Financial Statement

Unaudited Condensed Statement of Changes In Equity for the period ended 30 June 2015

	← Non-distributable →		← Distributable →				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 2014	58,824	41,176	73,587	-	(267)	73,320	173,320
Total comprehensive income for the year	-	-	19,002	-	267	19,269	19,269
At 31 December 2014/1 January 2015	58,824	41,176	92,589	-	-	92,589	192,589
Total comprehensive income for the period	-	-	(19,525)	-	-	(19,525)	(19,525)
At 30 June 2015	58,824	41,176	73,064	-	-	73,064	173,064

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached.

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Interim Financial Statement Unaudited Condensed Statement of cash flows for the period ended 30 June 2015

	30.6.2015 RM'000	31.12.2014 RM'000
Cash flows from operating activities		
Profit before zakat and taxation	6,307	36,761
Adjustments for:		
Depreciation	2,368	3,746
Investment income	(34,604)	(31,981)
Gain on disposal of investments	(267)	(24,295)
Fair value losses/(gains) on investments	(15,999)	23,016
Property and equipment written off	-	-
Gain on disposal of property and equipment	-	(193)
Increase/(decrease) in provision for wakalah fees	(722)	4,700
Profit/(loss) from operations before changes in operating assets and liabilities	(42,917)	11,754
Tax paid	(12,028)	(19,881)
Increase in general takaful fund	734	2,510
Increase in family takaful fund	174,766	249,076
Decrease in retakaful assets	4,485	12,032
(Increase)/ decrease in takaful receivables	(78)	40
(Increase)/ decrease in trade and other receivables	(4,362)	4,344
Increase in takaful contract liabilities	15,148	25,981
Decrease in takaful payables	(6,071)	(2,681)
Increase in trade and other payables	14,107	19,047
Net cash generated from operating activities	143,784	302,222
Cash flows from investing activities		
Investment income received	34,333	29,338
Proceeds from disposal of property and equipment	-	225
Purchase of property and equipment	(6,129)	(6,173)
Proceeds from disposal of investments	70,127	404,957
Purchase of investments	(213,406)	(719,100)
Net cash used in investing activities	(115,075)	(290,753)
Net increase in cash and cash equivalents	28,709	11,469
Cash and cash equivalents at the beginning of year	106,383	94,914
Cash and cash equivalents at the end of year	135,092	106,383
Cash and cash equivalents comprise (Note 10):		
Cash and bank balances		
- Takaful operator	7,653	35,838
- Family takaful fund	111,729	49,378
- General takaful fund	15,710	21,167
	135,092	106,383

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached.

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Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 (“MFRS 134”) Interim Financial Reporting

1. Basis of preparation

Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards, the requirements of Companies Act, 1965, Islamic Financial Services Act, 2013, Takaful Guidelines/Circulars issued by Bank Negara Malaysia (“BNM”) and the Principles of Shariah.

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 2014.

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 2014. 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 2014.

2. Investments

	Takaful Operator RM’000	Family Takaful Fund RM’000	Company RM’000
30.06.2015			
Malaysian government investment issue	6,441	173,780	180,221
Islamic debts securities	209,669	650,818	860,487
Equity securities	-	580,011	580,011
Unit and property trust funds	-	24,216	24,216
Deposits with financial institutions	11,766	70,255	82,021
Investment-linked funds	387	-	-
	228,263	1,499,080	1,726,956
31.12.2014			
Malaysian government investment issue	6,308	161,123	167,431
Islamic debts securities	210,711	560,518	771,229
Equity securities	-	528,427	528,427
Unit and property trust funds	-	17,780	17,780
Deposits with financial institutions	12,806	69,738	82,544
Investment-linked funds	95	-	-
	229,920	1,337,586	1,567,411

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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
30.06.2015			
Loans and receivables ("L&R")			
- Deposits with financial institutions	11,766	70,255	82,021
Fair value through profit or loss ("FVTPL")			
- Held-for-trading			
Malaysian government investment issue	6,441	173,780	180,221
Islamic debts securities	209,669	650,818	860,487
Equity securities	-	580,011	580,011
Unit and property trust funds	-	24,216	24,216
Investment-linked funds	387	-	-
	<u>216,497</u>	<u>1,428,825</u>	<u>1,644,935</u>
	<u>228,263</u>	<u>1,499,080</u>	<u>1,726,956</u>
31.12.2014			
Loans and receivables ("L&R")			
- Deposits with financial institutions	12,806	69,738	82,544
Fair value through profit or loss ("FVTPL")			
- Held-for-trading			
Malaysian government investment issue	6,308	161,123	167,431
Islamic debts securities	210,711	560,518	771,229
Equity securities	-	528,427	528,427
Unit and property trust funds	-	17,780	17,780
Investment-linked funds	95	-	-
	<u>217,114</u>	<u>1,267,848</u>	<u>1,484,867</u>
	<u>229,920</u>	<u>1,337,586</u>	<u>1,567,411</u>

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2. Investments (Continued)

(b) Carrying values of financial investments

Company	L&R RM'000	Family Takaful Fund RM'000	Company RM'000
At 1 January 2014	64,150	1,187,839	1,251,989
Purchases	18,394	700,706	771,229
Maturities/disposals	-	(380,662)	(380,662)
Fair value gains recorded in profit or loss	-	(23,016)	(23,016)
At 31 December 2014/1 January 2015	82,544	1,484,867	1,567,411
Purchases	-	213,406	213,406
Maturities/disposals	(523)	(69,337)	(69,860)
Fair value losses recorded in profit or loss	-	15,999	15,999
At 30 June 2015	82,021	1,644,935	1,726,956

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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:

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Company										
2015										
Malaysian government investment issue	-	180,221	-	180,221	-	-	-	-	180,221	180,221
Islamic debt securities	-	860,487	-	860,487	-	-	-	-	860,487	860,487
Equity securities	580,011	-	-	580,011	-	-	-	-	580,011	580,011
Unit and property trust funds	24,216	-	-	24,216	-	-	-	-	24,216	24,216
	<u>604,227</u>	<u>1,040,708</u>	<u>-</u>	<u>1,644,935</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,644,935</u>	<u>1,644,935</u>
2014										
Malaysian government investment issue	-	167,431	-	167,431	-	-	-	-	167,431	167,431
Islamic debt securities	-	771,229	-	771,229	-	-	-	-	771,229	771,229
Equity securities	528,427	-	-	528,427	-	-	-	-	528,427	528,427
Unit and property trust funds	17,780	-	-	17,780	-	-	-	-	17,780	17,780
	<u>546,207</u>	<u>938,660</u>	<u>-</u>	<u>1,484,867</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,484,867</u>	<u>1,484,867</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. (2014: 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	← 30.06.2015 →			← 31.12.2014 →			
	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	375	-	375	280	-	280
Retakaful for takaful contract liabilities	5	6,921	3,095	10,016	8,139	6,457	14,596
		<u>7,296</u>	<u>3,095</u>	<u>10,391</u>	<u>8,419</u>	<u>6,457</u>	<u>14,876</u>

4. Participants' fund

(i) Family Takaful Fund

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

	← 30.06.2015 →			← 31.12.2014 →		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Actuarial liabilities	62,384	(375)	62,009	56,524	(280)	56,244
Seed money	387	-	387	95	-	95
Participants account	1,434,833	-	1,434,833	1,265,927	-	1,265,927
	<u>1,497,604</u>	<u>(375)</u>	<u>1,497,229</u>	<u>1,322,546</u>	<u>(280)</u>	<u>1,322,266</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:

	← 30.06.2015 →			← 31.12.2014 →		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Total Participants' fund						
At 1 January	1,322,546	(280)	1,322,266	1,073,375	(20,808)	1,052,567
Contribution received	555,973	(13,602)	542,371	1,018,081	(41,685)	976,396
Liabilities paid for death, maturities, surrenders, benefits and claims	(167,994)	14,295	(153,699)	(311,185)	36,870	(274,315)
Benefits and claims experience Variation	(37,900)	(788)	(38,688)	(51,723)	25,343	(26,380)
Fees deducted	(236,772)	-	(236,772)	(416,906)	-	(416,906)
Credit of profit or change in unit-prices	42,664	-	42,664	20,123	-	20,123
Changes in assumptions (a)	8,253	-	8,253	(526)	-	(526)
Certificate movement	5,013	-	5,013	12,304	-	12,304
Other movements	7,812	-	7,812	(2,311)	-	(2,311)
Profit attributable to the takaful operator	-	-	-	(14,300)	-	(14,300)
Profit paid to participants	-	-	-	(300)	-	(300)
Taxation	(1,991)	-	(1,991)	(4,086)	-	(4,086)
At 30 June/31 December	<u>1,497,604</u>	<u>(375)</u>	<u>1,497,229</u>	<u>1,322,546</u>	<u>(280)</u>	<u>1,322,266</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:

	← 30.06.2015 →		← 31.12.2014 →
	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000
Participants account	5,237	-	5,237
	<u>5,237</u>		<u>5,237</u>

(iii) Company

	← 30.06.2015 →		← 31.12.2014 →
	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000
Actuarial liabilities	62,384	(375)	62,009
Participants account	1,440,070	-	1,440,070
	<u>1,502,454</u>	<u>(375)</u>	<u>1,502,079</u>

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5. Takaful contract liabilities

(a) Family Takaful Fund

	← 30.06.2015 →			← 31.12.2014 →		
	Retakaful			Retakaful		
	Gross RM'000	(Note 3) RM'000	Net RM'000	Gross RM'000	(Note 3) RM'000	Net RM'000
Provision for claims reported by participants	51,882	(2,935)	48,947	35,511	(8,139)	27,372
Provision for IBNR	8,955	-	8,955	8,133	-	8,133
Provision for outstanding claims	<u>60,837</u>	<u>(2,935)</u>	<u>57,902</u>	<u>43,644</u>	<u>(8,139)</u>	<u>35,505</u>
At 1 January	43,644	(8,139)	35,505	21,869	(3,277)	18,592
Claims incurred during the period/year	184,365	19,499	203,864	329,306	(41,732)	287,574
Claims paid during the period/year	(167,994)	(14,295)	(182,289)	(311,185)	36,870	(274,315)
Increase/(decrease) in IBNR	822	-	822	3,654	-	3,654
At 30 June/31 December	<u>60,837</u>	<u>(2,935)</u>	<u>57,902</u>	<u>43,644</u>	<u>(8,139)</u>	<u>35,505</u>

(b) General Takaful Fund

	← 30.06.2015 →			← 31.12.2014 →		
	Retakaful			Retakaful		
	Gross RM'000	(Note 3) RM'000	Net RM'000	Gross RM'000	(Note 3) RM'000	Net RM'000
Provision for claims reported by participants	1,434	(417)	1,017	1,017	(417)	600
Provision for IBNR	3,697	(2,673)	1,024	6,850	(6,030)	820
Provision for outstanding claims	<u>5,131</u>	<u>(3,090)</u>	<u>2,041</u>	<u>7,867</u>	<u>(6,447)</u>	<u>1,420</u>
Provision for unearned contribution	5,883	(5)	5,878	5,192	(10)	5,182
	<u>11,014</u>	<u>(3,095)</u>	<u>7,919</u>	<u>13,059</u>	<u>(6,457)</u>	<u>6,602</u>

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5. Takaful contract liabilities (continued)

(b) General Takaful Fund (continued)

(i) Provision for outstanding claims

	← 30.06.2015 →			← 31.12.2014 →		
	Retakaful			Retakaful		
	Gross RM'000	(Note 3) RM'000	Net RM'000	Gross RM'000	(Note 3) RM'000	Net RM'000
At 1 January	7,867	(6,446)	1,421	4,873	(2,390)	2,483
Claims incurred in the current accident year	886	(250)	636	7,176	(6,543)	633
Adjustment to claims incurred in prior accident years due to changes in assumptions	19	(96)	(77)	(855)	231	(624)
Claims paid during the period/year	(3,641)	3,702	61	(3,327)	2,255	(1,072)
At 30 June/31 December	5,131	(3,090)	2,041	7,867	(6,447)	1,420

(ii) Provision for unearned contributions

	← 30.06.2015 →			← 31.12.2014 →		
	Retakaful			Retakaful		
	Gross RM'000	(Note 3) RM'000	Net RM'000	Gross RM'000	(Note 3) RM'000	Net RM'000
At 1 January	5,192	(10)	5,182	3,980	(433)	3,547
Contributions written in the period/year	3,568	(404)	3,164	7,978	(504)	7,474
Contributions earned during the period/year	(2,877)	409	(2,468)	(6,766)	927	(5,839)
At 30 June/31 December	5,883	(5)	5,878	5,192	(10)	5,182

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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

	← 30.06.2015 →		← 31.12.2014 →			
	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	53,316	(3,352)	49,964	36,528	(8,556)	27,972
Provisions for IBNR	12,652	(2,673)	9,979	14,983	(6,030)	8,953
Provisions for outstanding claims	65,968	(6,025)	59,943	51,511	(14,586)	36,925
Provisions for unearned contributions	5,883	(5)	5,878	5,192	(10)	5,182
	<u>71,851</u>	<u>(6,030)</u>	<u>65,821</u>	<u>56,703</u>	<u>(14,596)</u>	<u>42,107</u>

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6. Investment-linked business

Interim statements of financial position as at 30 June 2015

	30.06.2015 RM'000	30.12.2014 RM'000
Assets		
Investments	687,094	631,015
Income due and accrued	2,312	2,807
Amount due from Family Takaful Fund	21,684	24,056
Cash and bank balances	92	1,083
Total Investment-linked business assets	<u>711,182</u>	<u>658,961</u>
Liabilities		
Other payables	1,145	1,534
Taxation	2,612	2,537
Amount due to Takaful Operator	11,790	15,439
Deferred tax liabilities	5,592	5,169
Total Investment-linked business liabilities	<u>21,139</u>	<u>24,679</u>
Net asset value of funds	<u>690,043</u>	<u>634,282</u>
Represented by:		
Unitholders' account	<u>690,043</u>	<u>634,282</u>

Interim statements of profit or loss and other comprehensive income for the period ended 30 June 2015

	30.06.2015 RM'000	30.06.2014 RM'000
Investment income	10,106	8,366
Realised gains	564	12,286
Fair value gains and losses	5,280	(765)
Investment management fees	(4,569)	(3,538)
Other operating expenses	-	(1)
Investment and other income before taxation	<u>11,381</u>	<u>16,348</u>
Tax expense	(243)	(1,032)
Investment and other income after taxation	<u>11,138</u>	<u>15,316</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 2015, as prescribed under the RBCT is provided below:

	30.06.2015
	RM'000
Eligible Tier 1 Capital	
Share capital	58,824
Share premium	41,176
Reserves, including retained earnings	165,244
	<u>265,244</u>
Tier 2 Capital	
Eligible reserves	<u>-</u>
Amounts deducted from capital	6,780
Valuation Surplus not recognised	33,258
Total capital available	<u><u>225,206</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. Zakat Computation Methodology

This represents tithes payable by the Company to comply with the Principles of Shariah and as approved by the Shariah Committee of the Company. Total Zakat payable is calculated based on 2.5% of adjusted current assets method.

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 2014, 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.

16. Taxation

The impact of the changes in taxation for the takaful industry as announced by the authorities in 2014, was fully provided for in the interim financial statement. Wakalah fees income from family fund is not subject to tax while other fees income for shareholders' fund is fully taxed at 25% for the year of assessment 2015.