

Prudential BSN Takaful Berhad

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

**Unaudited Condensed Interim
Financial Statements
For The Half-Year Ended
30 June 2016
(in Ringgit Malaysia)**

Prudential BSN Takaful Berhad
Company No. 740651

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Prudential BSN Takaful Berhad
Company No. 740651

Interim Financial Statement
Unaudited Condensed Statements of Financial Position as at 30 June 2016

	Note	← As at 30.06.2016 →				← As at 31.12.2015 →			
		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		18,510	-	-	18,510	14,595	-	-	14,595
Intangible assets		17,931	-	-	17,931	14,106	-	-	14,106
Investments	2	182,684	1,874,768	-	2,056,232	192,066	1,715,643	-	1,906,901
Deferred tax assets		391	-	127	518	882	-	125	1,007
Retakaful assets	3	-	8,254	575	8,829	-	8,736	557	9,293
Takaful receivables		-	-	112	112	-	-	3,805	3,805
Trade and other receivables		108,143	13,843	70	22,462	140,919	13,318	134	20,794
Tax recoverable		25,758	-	-	25,758	12,072	-	-	12,072
Cash and bank balances		21,738	97,506	22,031	141,275	19,872	125,966	16,559	162,397
Total assets		375,155	1,994,371	22,915	2,291,627	394,512	1,863,663	21,180	2,144,970
Equity									
Share capital		58,824	-	-	58,824	58,824	-	-	58,824
Reserves		136,753	-	-	136,753	143,962	-	-	143,962
Total equity		195,577	-	-	195,577	202,786	-	-	202,786
Liabilities									
Participants' fund	4	-	1,780,057	7,500	1,786,337	-	1,635,908	7,015	1,642,115
Takaful contract liabilities	5	-	67,619	10,518	78,137	-	70,122	9,191	79,313
Provision for wakalah fees		30,666	-	-	30,666	29,731	-	-	29,731
Takaful payables		-	11,329	1,376	12,705	-	5,684	1,425	7,109
Trade and other payables		148,912	125,748	2,973	178,039	161,995	142,992	3,121	174,531
Taxation		-	3,913	548	4,461	-	2,364	428	2,792
Deferred tax liabilities		-	5,705	-	5,705	-	6,593	-	6,593
Total liabilities		179,578	1,994,371	22,915	2,096,050	191,726	1,863,663	21,180	1,942,184
Total equity and liabilities		375,155	1,994,371	22,915	2,291,627	394,512	1,863,663	21,180	2,144,970

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached.

Prudential BSN Takaful Berhad
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Interim Financial Statement

Unaudited Condensed Statements of Profit or Loss and Other Comprehensive Income for the period ended 30 June 2016

	← 30.06.2016 →				← 30.06.2015 (Restated) →			
	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	298,670	690,819	4,281	698,688	258,041	602,028	3,859	611,377
Wakalah fee income	294,650	-	-	-	252,260	-	-	-
Gross contributions	-	652,899	3,945	656,412	-	573,496	3,568	576,773
Contributions ceded to retakaful	-	(16,757)	(860)	(17,617)	-	(13,602)	(403)	(14,005)
Increase in unearned contribution reserves	-	-	(1,040)	(1,040)	-	-	(697)	(697)
Net earned contributions	294,650	636,142	2,045	637,755	252,260	559,894	2,468	562,071
Investment income	4,020	37,920	336	42,276	5,781	28,532	291	34,604
Realised gains and losses	(578)	(64)	-	(642)	(97)	364	-	267
Fair value gains and losses	2,247	(11,087)	-	(8,840)	2,223	13,768	-	15,991
Other operating income	80	259	-	339	-	1,248	-	1,260
Other income	5,769	27,028	336	33,133	7,907	43,912	291	52,122
Gross benefits and claims incurred	-	(237,735)	(256)	(237,991)	-	(167,994)	(3,641)	(171,635)
Claims ceded to retakaful	-	11,001	17	11,018	-	14,295	3,702	17,997
Gross change to contract liabilities	-	2,503	(289)	2,214	-	(17,193)	(620)	(17,813)
Change in contract liabilities ceded to retakaful	-	(457)	19	(438)	-	(5,204)	-	(5,204)
Net benefits and claims	-	(224,688)	(509)	(225,197)	-	(176,096)	(559)	(176,655)
Wakalah fee expense	-	(293,389)	(1,261)	-	-	(251,098)	(1,162)	-
Management expenses	(138,698)	-	-	(138,698)	(115,106)	-	-	(115,106)
Commission paid	(155,767)	-	-	(155,767)	(129,663)	-	-	(129,663)
(Increase)/decrease in provision for wakalah fees	(935)	-	-	(935)	722	-	-	722
Other operating expenses	(10,168)	(1,166)	(7)	(11,341)	(9,813)	(5,698)	(58)	(15,581)
Other expenses	(305,568)	(294,555)	(1,268)	(306,741)	(253,860)	(256,796)	(1,220)	(259,628)

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Interim Financial Statement

Unaudited Condensed Statements of Profit or Loss and Other Comprehensive Income for the period ended 30 June 2016 - Cont

	← 30.06.2016 →				← 30.06.2015 (Restated) →			
	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	-	143,927	604	-	-	170,914	980	-
Tax expense attributable to participants	-	(661)	(119)	(780)	-	(1,991)	(246)	(2,237)
Surplus distributed to participants	-	-	-	-	-	-	-	-
Net surplus attributable to participants	-	(143,266)	(485)	(143,319)	-	(168,923)	(734)	(169,366)
(Loss)/Profit before zakat and taxation	(5,149)	-	-	(5,149)	6,307	-	-	6,307
Zakat	(821)	-	-	(821)	(329)	-	-	(329)
Tax expense	(1,239)	-	-	(1,239)	(25,503)	-	-	(25,503)
Net loss and total comprehensive income for the period/year	(7,209)	-	-	(7,209)	(19,525)	-	-	(19,525)

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 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 2016

	← <i>Non-distributable</i> →		← <i>Distributable</i> → Retained earnings/(Accumulated losses)				
	Share capital RM'000	Share premium RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	General Takaful Fund RM'000	Company RM'000	
At 1 January 2015	58,824	41,176	92,589	-	-	92,589	192,589
Total comprehensive income for the year	-	-	10,197	-	-	10,197	10,197
At 31 December 2015/1 January 2016	58,824	41,176	102,786	-	-	102,786	202,786
Total comprehensive income for the period	-	-	(7,209)	-	-	(7,209)	(7,209)
At 30 June 2016	58,824	41,176	95,577	-	-	95,577	195,577

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 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 2016

	30.06.2015	31.12.2015
	RM'000	RM'000
Cash flows from operating activities		
(Loss)/Profit before zakat and taxation	(5,149)	41,259
Adjustments for:		
Depreciation	4,372	5,559
Investment income	(42,276)	(45,620)
Realised (gain)/loss on disposal of investments	(642)	736
Fair value losses/(gains) on investments	8,840	(22,274)
Gain on disposal of property and equipment	-	(2)
Increase in provision for wakalah fees	935	2,547
Loss from operations before changes in operating assets and liabilities	(33,920)	(17,795)
Tax paid	(15,615)	(33,411)
Increase in general takaful fund	485	2,512
Increase in family takaful fund	143,737	312,649
Decrease in retakaful assets	464	5,583
Decrease/(Increase) in takaful receivables	3,693	(3,767)
Increase in trade and other receivables	(908)	(2,205)
(Decrease)/Increase in takaful contract liabilities	(1,176)	22,610
Increase/(Decrease) in takaful payables	5,596	(4,203)
Increase in trade and other payables	4,647	62,722
Net cash generated from operating activities	<u>107,003</u>	<u>344,695</u>
Cash flows from investing activities		
Investment income received	41,516	43,810
Proceeds from disposal of property and equipment	-	3
Purchase of property and equipment	(12,112)	(14,542)
Proceeds from disposal of investments	127,673	178,597
Purchase of investments	(285,202)	(496,549)
Net cash used in investing activities	<u>(128,125)</u>	<u>(288,681)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(21,122)</u>	<u>56,014</u>
Cash and cash equivalents at beginning of year	<u>162,397</u>	<u>106,383</u>
Cash and cash equivalents at end of year	<u>141,275</u>	<u>162,397</u>
Cash and cash equivalents comprise:		
Cash and bank balances		
- Takaful operator	21,738	19,872
- Family takaful fund	97,506	125,966
- General takaful fund	22,031	16,559
	<u>141,275</u>	<u>162,397</u>

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 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 following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

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1. Basis of preparation (continued)

Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Company plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016.
- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards that are effective for annual periods beginning on or after 1 January 2018.
- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 9.

MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 15.

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 2015.

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 2015. 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 2015.

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2. Investment Assets

30.6.2016	Shareholders' fund RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000
Malaysian government investment issue	3,355	209,260	-	212,615
Islamic debts securities	137,081	846,199	-	983,280
Equity securities	-	674,747	-	674,747
Unit and property trust funds	10,172	28,573	-	38,745
Deposits with financial institutions	30,856	115,989	-	146,845
Investment-linked funds	1,220	-	-	-
	<u>182,684</u>	<u>1,874,768</u>	<u>-</u>	<u>2,056,232</u>

31.12.2015	Shareholders' fund RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000
Malaysian government investment issue	6,323	199,561	-	205,884
Islamic debts securities	159,520	768,760	-	928,280
Equity securities	-	637,970	-	637,970
Unit and property trust funds	-	26,043	-	26,043
Deposits with financial institutions	25,415	83,309	-	108,724
Investment-linked funds	808	-	-	-
	<u>192,066</u>	<u>1,715,643</u>	<u>-</u>	<u>1,906,901</u>

(a) The funds' and Company's investment assets are summarised by categories as follows:

30.6.2016	Shareholders' fund RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000
Loans and receivables ("L&R")				
- Deposits with financial institutions	30,856	115,989	-	146,845
Fair value through profit or loss ("FVTPL")				
- Held-for-trading				
Malaysian government investment issue	3,355	209,260	-	212,615
Islamic debts securities	137,081	846,199	-	983,280
Equity securities	-	674,747	-	674,747
Unit and property trust funds	10,172	28,573	-	38,745
Investment-linked funds	1,220	-	-	-
	<u>151,828</u>	<u>1,758,779</u>	<u>-</u>	<u>1,909,387</u>
	<u>182,684</u>	<u>1,874,768</u>	<u>-</u>	<u>2,056,232</u>

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2. Investment Assets (continued)

(a) The funds' and Company's investment assets are summarised by categories as follows:
 (continued)

31.12.2015	Shareholders' fund RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000
Loans and receivables ("L&R")				
- Deposits with financial institutions	25,415	83,309	-	108,724
<hr/>				
Fair value through profit or loss ("FVTPL")				
- Held-for-trading				
Malaysian government investment issue	6,323	199,561	-	205,884
Islamic debts securities	159,520	768,760	-	928,280
Equity securities	-	637,970	-	637,970
Unit and property trust funds	-	26,043	-	26,043
Investment-linked funds	808	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	166,651	1,632,334	-	1,798,177
	<hr/>	<hr/>	<hr/>	<hr/>
	192,066	1,715,643	-	1,906,901
	<hr/>	<hr/>	<hr/>	<hr/>

(b) Carrying values of financial investments are as follows:

Company	L&R RM'000	FVTPL RM'000	Total RM'000
At 1 January 2015	82,544	1,484,867	1,567,411
Purchases	26,180	470,369	496,549
Maturities/disposals	-	(179,333)	(179,333)
Fair value gains recorded in profit or loss	-	22,274	22,274
At 31 December 2015/1 January 2016	<hr/>	<hr/>	<hr/>
	108,724	1,798,177	1,906,901
Purchases	38,121	247,723	285,844
Maturities/disposals	-	(127,673)	(127,673)
Fair value gains recorded in profit or loss	-	(8,840)	(8,840)
At 30 June 2016	<hr/>	<hr/>	<hr/>
	146,845	1,909,387	2,056,232
	<hr/>	<hr/>	<hr/>

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2. Investment Assets (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	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		
2016										
Malaysian government investment issue	-	212,615	-	212,615	-	-	-	-	212,615	212,615
Islamic debt securities	-	983,280	-	983,280	-	-	-	-	983,280	983,280
Equity securities	674,747	-	-	674,747	-	-	-	-	674,747	674,747
Unit and property trust funds	38,745	-	-	38,745	-	-	-	-	38,745	38,745
	<u>713,492</u>	<u>1,195,895</u>	<u>-</u>	<u>1,909,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,909,387</u>	<u>1,909,387</u>
2015										
Malaysian government investment issue	-	205,884	-	205,884	-	-	-	-	205,884	205,884
Islamic debt securities	-	928,280	-	928,280	-	-	-	-	928,280	928,280
Equity securities	637,970	-	-	637,970	-	-	-	-	637,970	637,970
Unit and property trust funds	26,043	-	-	26,043	-	-	-	-	26,043	26,043
	<u>664,013</u>	<u>1,134,164</u>	<u>-</u>	<u>1,798,177</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,798,177</u>	<u>1,798,177</u>

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2. Investment Assets (continued)

(c) Fair value of financial instruments

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. (2015: 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 asset

		← 30.06.2016 →			← 31.12.2015 →		
	Note	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	(18)	-	(18)	7	-	7
Retakaful for takaful contract liabilities	5	8,272	575	8,847	8,729	557	9,286
		<u>8,254</u>	<u>575</u>	<u>8,829</u>	<u>8,736</u>	<u>557</u>	<u>9,293</u>

4. Participants' fund

(i) Family takaful fund

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

		← 30.06.2016 →			← 31.12.2015 →		
		Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Actuarial liabilities		76,367	18	76,385	67,274	(7)	67,267
Seed money		1,220	-	1,220	808	-	808
Participants account		1,702,470	-	1,702,470	1,567,826	-	1,567,826
		<u>1,780,057</u>	<u>18</u>	<u>1,780,075</u>	<u>1,635,908</u>	<u>(7)</u>	<u>1,635,901</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:

	← 30.06.2016 →			← 31.12.2015 →		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Total Participants' fund						
At 1 January	1,635,894	(7)	1,635,887	1,322,546	(280)	1,322,266
Contribution received	652,899	(16,757)	636,142	1,205,170	(27,673)	1,177,497
Liabilities paid for death, maturities, surrenders, benefits and claims	(230,087)	11,001	(219,086)	(340,468)	21,554	(318,914)
Benefits and claims experience variation	(11,025)	5,781	(5,244)	(42,673)	6,392	(36,281)
Fees deducted	(294,296)	-	(294,296)	(536,705)	-	(536,705)
Credit of profit or change in unit-prices	26,769	-	26,769	55,391	-	55,391
Changes in assumptions (a)	2,329	-	2,329	7,554	-	7,554
Certificate movement	(2,183)	-	(2,183)	(3,262)	-	(3,262)
Other movements	418	-	418	6,731	-	6,731
Profit attributable to the takaful operator	-	-	-	(34,165)	-	(34,165)
Profit paid to participants	-	-	-	(630)	-	(630)
Taxation	(661)	-	(661)	(3,581)	-	(3,581)
At 30 June/31 December	<u>1,780,057</u>	<u>18</u>	<u>1,780,075</u>	<u>1,635,908</u>	<u>(7)</u>	<u>1,635,901</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)

Participants' fund at end of the period/year comprise the following:

(ii) General takaful fund

	← 30.06.2016 →			← 31.12.2015 →		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Participants account	7,500	-	7,500	7,015	-	7,015
	<u>7,500</u>	<u>-</u>	<u>7,500</u>	<u>7,015</u>	<u>-</u>	<u>7,015</u>

(iii) Company

Actuarial liabilities	76,367	18	76,385	67,274	(7)	67,267
Participants account	1,709,970	-	1,709,970	1,574,841	-	1,574,841
	<u>1,786,337</u>	<u>18</u>	<u>1,786,355</u>	<u>1,642,115</u>	<u>(7)</u>	<u>1,642,108</u>

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5. Takaful contract liabilities

(a) Family takaful fund

	← 30.06.2016 →			← 31.12.2015 →		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Provision for claims reported by participants	52,842	(8,272)	44,570	57,277	(8,729)	48,548
Provision by IBNR	14,777	-	14,777	12,845	-	12,845
Provision for outstanding claims	<u>67,619</u>	<u>(8,272)</u>	<u>59,347</u>	<u>70,122</u>	<u>(8,729)</u>	<u>61,393</u>
At 1 January	70,122	(8,729)	61,393	43,644	(8,139)	35,505
Claims incurred during the period/year	233,300	(10,544)	222,756	362,234	(22,144)	340,090
Claims paid during the period/year	(237,735)	11,001	(226,734)	(340,468)	21,554	(318,914)
Increase/(decrease) in IBNR	1,932	-	1,932	4,712	-	4,712
At 30 June/31 December	<u>67,619</u>	<u>(8,272)</u>	<u>59,347</u>	<u>70,122</u>	<u>(8,729)</u>	<u>61,393</u>

(b) General takaful fund

	← 30.06.2016 →			← 31.12.2015 →		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Provision for claims reported by participants	1,092	(411)	681	1,023	(411)	612
Provision by IBNR	699	(157)	542	480	(138)	342
Provision for outstanding claims	<u>1,791</u>	<u>(568)</u>	<u>1,223</u>	<u>1,503</u>	<u>(549)</u>	<u>954</u>
Provision for unearned contributions	8,727	(7)	8,720	7,688	(8)	7,680
	<u>10,518</u>	<u>(575)</u>	<u>9,943</u>	<u>9,191</u>	<u>(557)</u>	<u>8,634</u>

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5. Takaful contract liabilities (continued)

(b) General takaful fund (continued)

(i) Provision for outstanding claims

	← 30.06.2016 →			← 31.12.2015 →		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January	1,503	(549)	954	7,867	(6,447)	1,420
Claims incurred in the current accident year	827	(75)	752	617	(56)	561
Adjustment to claims incurred in prior accident years due to changes in assumptions	(283)	39	(244)	(2,788)	2,394	(394)
Claims paid during the period/year	(256)	17	(239)	(4,193)	3,560	(633)
At 30 June/31 December	<u>1,791</u>	<u>(568)</u>	<u>1,223</u>	<u>1,503</u>	<u>(549)</u>	<u>954</u>

(ii) Provision for unearned contribution

	← 30.06.2016 →			← 31.12.2015 →		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January	7,688	(8)	7,680	5,192	(10)	5,182
Contributions written in the period/year	3,945	(860)	3,085	8,072	(678)	7,394
Contributions earned during the period/year	(2,906)	861	(2,045)	(5,576)	680	(4,896)
At 30 June/31 December	<u>8,727</u>	<u>(7)</u>	<u>8,720</u>	<u>7,688</u>	<u>(8)</u>	<u>7,680</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

	← 30.06.2016 →			← 31.12.2015 →		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Provision for claims reported by participants	53,934	(8,683)	45,251	58,300	(9,140)	49,160
Provision by IBNR	15,476	(157)	15,319	13,325	(138)	13,187
Provision for outstanding claims	69,410	(8,840)	60,570	71,625	(9,278)	62,347
Provision for unearned contributions	8,727	(7)	8,720	7,688	(8)	7,680
	<u>78,137</u>	<u>(8,847)</u>	<u>69,290</u>	<u>79,313</u>	<u>(9,286)</u>	<u>70,027</u>

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6. Comparative figures

The Company has made the following restatement in the financial statements for better clarity and consistency.

(a) Statements of profit or loss and other comprehensive income

Further elaboration of wakalah fee with the resulting changes in presentation as follows:

	← 30.06.2015 (As restated) →				← 30.06.2015 (As previously stated) →			
	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	258,041	602,028	3,859	611,377	205,439	584,505	3,859	611,368
Wakalah fee income	252,260	-	-	-	199,568	-	-	-
Gross contributions	-	573,496	3,568	576,773	-	555,973	3,568	576,764
Net earned contributions	252,260	559,894	2,468	562,071	-	542,371	2,468	562,062
Fair value gains and losses	2,223	13,768	-	15,991	2,223	13,768	-	15,999
Other operating income	-	1,248	-	1,260	42,918	1,061	-	1,260
Wakalah fee expenses	-	(251,098)	(1,162)	-	-	(198,406)	(1,162)	-
Risk management charge expense	-	-	-	-	-	(30,285)	-	-
Other operating expenses	(9,813)	(5,698)	(58)	(15,581)	(39)	(10,395)	(58)	(15,580)

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7. Investment-linked business

Interim statements of financial position as at 30 June 2016

	30.06.2016	31.12.2015
	RM'000	RM'000
Assets		
Investments	814,930	767,788
Income due and accrued	2,821	2,917
Amount due from family takaful fund	65,862	73,734
Cash and bank balances	466	191
Total Investment-linked business assets	<u>884,079</u>	<u>844,630</u>
Liabilities		
Other payables	10,748	1,625
Taxation	354	194
Amount due to takaful operator	32,895	33,175
Deferred tax liabilities	4,792	7,394
Total Investment-linked business liabilities	<u>48,789</u>	<u>42,388</u>
Net asset value of funds	<u>835,290</u>	<u>802,242</u>
Represented by:		
Unit holders' account	<u>835,290</u>	<u>802,242</u>

Interim statements of profit or loss and other comprehensive income for the period ended 30 June 2016

	30.06.2016	30.06.2015
	RM'000	RM'000
Investment income	11,250	10,106
Realised gains	992	564
Fair value gains and losses	(32,518)	5,280
Investment management fees	(5,144)	(4,569)
Other operating income	44	-
Investment and other (loss)/income before taxation	<u>(25,376)</u>	<u>11,381</u>
Tax expense	2,440	(243)
Investment and other (loss)/income after taxation	<u>(22,936)</u>	<u>11,138</u>

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8. 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 2016, as prescribed under the RBCT is provided below:

	30.06.2016
	RM'000
Eligible Tier 1 Capital	
Share capital	58,824
Share premium	41,176
Reserves, including retained earnings	196,825
	<u>296,825</u>
Tier 2 Capital	
Eligible reserves	<u>-</u>
Amounts deducted from capital	23,115
Valuation Surplus not recognised	30,049
Total capital available	<u><u>243,661</u></u>

9. 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.

10. 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.

11. 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.

12. Change in estimates

Since the end of the previous audited annual financial statements for the financial year ended 31 December 2015, there were no material change in the basis used for the estimates.

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13. Debt and equities securities

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

14. Dividends

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

15. 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.

16. Changes in the composition of the Company

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

17. Taxation

The impact of the changes in taxation for the takaful industry as announced by the authorities in 2015, 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 2016.