Company No.

731530	M

HSBC AMANAH TAKAFUL (MALAYSIA) BERHAD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS FOR THE YEAR

ENDED 31 DECEMBER 2015

HSBC Amanah Takaful (Malaysia) Berhad

(Company No.731530-M)
(Incorporated in Malaysia)

Directors' report for the year ended 31 December 2015

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2015.

Principal activities

The Company is principally engaged in managing of General Takaful and Family Takaful businesses. There has been no significant change in the nature of these activities during the financial year.

Results

	RM'000
Profit for the year attributable to owners of the Company	11,885

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

Dividend

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

Directors of the Company

Directors who served since the date of the last report are:

Datuk Haron bin Siraj
Kasim bin Zakaria
Harpal Karlcut (resigned on 2 May 2015)
Sazaliza bin Zainuddin
Lim Eng Seong
Ian Keith Moore (appointed on 29 April 2015)
K . Vithyatharan A/L V Karunakaran (appointed on 6 May 2015)

Company No.731530-M

Directors' interests in shares

The interests and deemed interests in the ordinary shares and options over shares of the Company and of its related corporations of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	Balance at 1.1.2015/ Date of appointment	Bought	Sold	Balance at 31.12.2015
HSBC Holdings plc				
Oridnary shares of USD0.50				
Lim Eng Seong	32,182	7,295	-	39,477
Ian Keith Moore	11,728	645	-	12,373

	Number of ordinary shares			
	Shares held at1.1.2015	Shares issued during the year	Shares Vested during the year	Shares held at 31.12.2015
HSBC Holdings plc				
HSBC Share Plan				
Lim Eng Seong	10,847	6,928	(4,083)	13,692

None of the other Directors holding office at 31 December 2015 had any interest in the ordinary shares and options over shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements to which the Company is a party during and at the end of the financial year which had the objective of enabling the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except for:

(i) Directors who were granted the option to subscribe for shares in the ultimate holding company, HSBC Holdings plc, under Executive/Savings-Related Share Option Schemes at prices and terms as determined by the schemes, and

(ii) Directors who were conditionally awarded shares of the ultimate holding company, HSBC Holdings plc, under its Restricted Share Plan/HSBC Share Plan.

Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Corporate governance

The Company complied with all the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under BNM/RH/GL/004-1: Guidelines on Directorship for Takaful Operators and BNM/RH/GL/003-2 Prudential Framework of Corporate Governance for Insurers issued by Bank Negara Malaysia, and the principles of Shariah.

Corporate governance (continued)

Risk Management Framework

The primary objective of the Company's risk management framework is to protect the Company from events that hinder the sustainable achievement of financial performance objectives. The framework covers identified risks to which the Company is exposed namely takaful risk, operational risk, market risk, credit risk, liquidity risk and other industry specific risks. Management recognises the critical importance of having efficient and effective risk management systems in place.The Company has established a risk management function with clear terms of reference from the Board of Directors, its committees and associated executive management committees. This is supplemented by a clear organisation structure with documented delegated authorities and responsibilities to Executive Management Committees and senior managers. The Shariah Committee is entrusted by the Board to ensure that the Company's operations and products offered are in accordance with the Shariah. All matters which require the Shariah Committee opinion and decision are deliberated by the Shariah Committee members at Shariah Committee meetings with the attendance of the Management and representatives from the Shariah Department.

(i) Risk governance framework

The Risk Management Committee is a delegated function of the Board of Directors and consist of members of the Board and Senior Management of the Company. The objective of the Risk Management Committee is to oversee the Company's management objectives in managing the risks and that the risk management process is functioning properly. Two committees report to the Risk Management Committee, these are Asset and Liability Committee and Risk Committee. The scope and responsibilities of these two committees are described below.

a) Asset and Liability Committee

The Asset and Liability Committee ("ALCO") consists of Senior Management of the Company and is responsible for asset liability management. The Company establishes target asset portfolios for each of its participants' risk funds and its Takaful Operator's fund, taking into account yield, duration, market risk, liquidity needs, asset concentration and credit quality. The estimates and assumptions used in determining amounts and timing of future cash flows, to or on behalf of participants for takaful liabilities that are based on projections of in-force certificates block and new business are regularly re-evaluated. Many of these estimates and assumptions are inherently subjective and could impact the Company's ability to achieve its asset/liability management goals and objectives. The goal of the investments process is to achieve the target level of investment return with minimum volatility by actively managing the Company's assets. The ALCO will review on a quarterly basis the investment results and monitor performance against the Company's documented investment policy.

The Market and Liquidity Risk Committee of HSBC Insurance (Asia Pacific) Holdings Limited reviews and approves target portfolios on a periodic basis and establishes investment guidelines and limits, and provides oversight of the asset liability management process.

Corporate governance (continued)

Risk Management Framework (continued)

(i) Risk governance framework (continued)

b) Risk Committee

The objective of the Risk Committee is to assist the Risk Management Committee in overseeing the management of risks faced by the business. The committee oversees the enterprise-wide risk management framework, receives reports from the subsidiary risk meetings/forums, reviews the Company's risk management policies and practices and the links between risk categories, and ensures there is an effective framework which enables risks to be assessed and managed in a manner that appropriately balances risk and reward. The Risk Committee's responsibilities extend to all risks to which the Insurance business is exposed, including Takaful Risk, Market Risk, Credit Risk, Operational Risk, Compliance and Reputational Risk.

Other statutory information

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts;

ii) all current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise; and

iii) there is adequate provision for incurred claims, including Incurred But Not Reported ("IBNR") claims.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Company misleading, or

v) that would render the provision for incurred claims, including IBNR, inadequate to any substantial extent.

Company No.731530-M

Other statutory information (continued)

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

i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 December 2015 has not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The accounts for the financial year ended 31 December 2015 has been audited by PricewaterhouseCoopers ("PwC"). A resolution to re-appoint PwC as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

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

....

Kasim bin Zakaria

....

K . Vithyatharan A/L V Karunakaran

Kuala Lumpur, Malaysia

Date: 16 March 2016

HSBC Amanah Takaful (Malaysia) Berhad

(Company No. 731530-M)
(Incorporated in Malaysia)

Statement of financial position as at 31 December 2015

	Note	31.12.2015 Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
Assets					
Plant and equipment	3	360	-	-	360
Intangible assets	4	17,840	-	-	17,840
Investment assets	5	144,872	50,113	952,046	1,147,031
Retakaful assets	6	-	43,158	39,391	82,549
Current tax assets		5,475	-	-	2,825
Financing receivables, excluding takaful receivables	7	45,211	792	7,251	38,174
Takaful receivables	8	-	7,513	5,460	12,973
Deferred tax assets	9	2,258	408	836	3,502
Cash and cash equivalents	10	3,074	4,549	43,604	51,227
Total assets		219,090	106,533	1,048,588	1,356,481
Shareholders' equity					
Share capital	11	100,000	-	-	100,000
Retained earnings	11	18,467	-	-	18,467
Available-for-sale assets fair value reserves	11	(128)	-	-	(128)
Total equity		118,339	-	-	118,339
Liabilities					
Takaful contract liabilities	12	-	94,288	1,012,782	1,107,070
Expense reserves	13	50,644	-	-	50,644
Takaful payables	14	1,515	4,518	12,965	18,998
Other payables	15	21,592	7,727	20,191	34,430
Current tax liabilities		-	-	2,650	-
Deferred tax liabilities	9	-	-	-	-
Amount due to shareholders	16	27,000	-	-	27,000
Total liabilities		100,751	106,533	1,048,588	1,238,142
Total equity and liabilities		219,090	106,533	1,048,588	1,356,481

Company No.731530-M

Statement of financial position as at 31 December 2015
(continued)

	Note	/----------31.12.2014---------- Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000 /
Assets					
Plant and equipment	3	510	-	-	510
Intangible assets	4	11,995	-	-	11,995
Investment assets	5	133,890	45,228	880,008	1,059,126
Retakaful assets	6	-	41,844	36,374	78,218
Current tax assets		5,734	-	-	3,691
Financing receivables, excluding takaful receivables	7	42,858	397	6,404	38,066
Takaful receivables	8	-	6,226	29,362	35,588
Deferred tax assets	9	-	20	536	-
Cash and cash equivalents	10	10,083	2,727	52,930	65,740
Total assets		205,070	96,442	1,005,614	1,292,934
Shareholders' equity					
Share capital	11	100,000	-	-	100,000
Retained earnings	11	6,582	-	-	6,582
Available-for-sale assets fair value reserves	11	(227)	-	-	(227)
Total equity		106,355	-	-	106,355
Liabilities					
Takaful contract liabilities	12	-	91,699	954,733	1,046,432
Expense reserves	13	50,574	-	-	50,574
Takaful payables	14	2,355	2,770	31,225	36,350
Other payables	15	16,546	1,973	17,613	24,539
Current tax liabilities		-	-	2,043	-
Deferred tax liabilities	9	2,240	-	-	1,684
Amount due to shareholders	16	27,000	-	-	27,000
Total liabilities		98,715	96,442	1,005,614	1,186,579
Total equity and liabilities		205,070	96,442	1,005,614	1,292,934

The accompanying Notes on pages 15 to 114 form an integral part of the financial statements.

HSBC Amanah Takaful (Malaysia) Berhad

(Company No. 731530-M)
(Incorporated in Malaysia)

Statement of profit or loss and other comprehensive income for the year ended 31 December 2015

	Note	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
		/----------31.12.2015----------			/
Operating revenue	18	68,493	56,774	229,770	296,957
Takaful Operator income		71,525	-	-	-
Gross contributions	19	-	54,930	205,451	260,381
Contributions ceded to retakaful	19	-	(5,852)	(30,175)	(36,027)
Changes in unearned contribution reserves	19	-	(1,356)	-	(1,356)
Net earned contributions		-	47,722	175,276	222,998
Gross benefits and claims paid		-	(19,114)	(136,590)	(155,704)
Claims ceded to retakaful		-	9,293	24,538	33,831
Gross changes in claims liabilities		-	962	1,766	2,728
Changes in claims liabilities ceded to retakaful		-	3,636	(1,199)	2,437
Net benefits and claims		-	(5,223)	(111,485)	(116,708)
Investment income	20	7,147	1,844	24,319	36,576
Realised loss		(605)	-	(110)	(715)
Fee and commission income	21	5,133	-	2,013	2,061
(Reversal of)/allowance for impairment		-	(836)	41	(794)
Other income		11,675	1,008	26,263	37,128
Wakalah fees		-	(31,168)	(30,178)	-
Commission paid		(20,358)	-	-	(20,358)
Expense reserves		(70)	-	-	(70)
Fair value losses (unrealised)		-	-	(3,918)	(3,918)
Management expenses	22	(46,739)	-	-	(46,739)
Other expenses		(980)	(791)	(2,932)	(1,973)
Other expenses		(68,147)	(31,959)	(37,028)	(73,058)

Company No.731530-M

Statement of profit or loss and other comprehensive income for the year ended 31 December 2015 (continued)

		31.12.2015			
	Note	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
Total profit for the year/Net underwriting surplus from operations		15,053	11,548	53,026	69,448
Surplus attributable to participants' risk fund		-	(5,082)	(4,762)	(9,844)
Surplus attributable to Takaful Operator		-	(5,082)	(5,097)	-
Net surplus retained in takaful funds		-	(1,129)	(42,845)	(43,974)
Profit/surplus before zakat and taxation		15,053	255	322	15,630
Zakat		(333)	-	-	(333)
Taxation	23	(2,835)	(255)	(322)	(3,412)
Profit for the year attributable to owners of the Company		11,885	-	-	11,885
Other comprehensive income/(expenses)					
Fair value of available-for-sale financial assets					
- (Losses)/gains arising during the year		132	41	(200)	(27)
Tax effect thereon		(33)	(10)	16	(27)
Other comprehensive income attributable to Takaful Operator/change in participants' liabilities		-	(31)	184	153
Total other comprehensive income for the year		99	-	-	99
Total comprehensive income for the year attributable to owners of the Company		11,984	-	-	11,984

The accompanying Notes on pages 15 to 114 form an integral part of the financial statements.

Company No.731530-M

Statement of profit or loss and other comprehensive income for the year ended 31 December 2015 (continued)

		/--------31.12.2014--------/			
	Note	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
Operating revenue	18	87,575	62,394	278,647	350,393
Takaful Operator income		85,504	-	-	-
Gross contributions	19	-	60,819	263,840	324,659
Contributions ceded to retakaful	19	-	(9,031)	(40,537)	(49,568)
Changes in unearned contribution reserves	19	-	(2,474)	-	(2,474)
Net earned contributions		-	49,314	223,303	272,617
Gross benefits and claims paid		-	(11,875)	(134,939)	(146,814)
Claims ceded to retakaful		-	4,493	23,485	27,978
Gross changes in claims liabilities		-	(17,584)	(4,128)	(21,712)
Changes in claims liabilities ceded to retakaful		-	10,003	3,749	13,752
Net benefits and claims		-	(14,963)	(111,833)	(126,796)
Investment income	20	6,460	1,575	14,807	25,734
Realised gains		-	-	2,969	2,969
Fee and commission income	21	4,551	-	1,155	1,381
Reversal of impairment		-	-	42	42
Other income		11,011	1,575	18,973	30,126
Wakalah fees		-	(34,022)	(47,093)	-
Commission paid		(25,794)	-	-	(25,794)
Expense reserves		(14,646)	-	-	(14,646)
Fair value losses (unrealised)		-	-	(9,129)	(9,129)
Management expenses	22	(43,963)	-	-	(43,963)
Impairment of receivable		-	(93)	-	(93)
Other expenses		(1,360)	(1,610)	(806)	(3,776)
Other expenses		(85,763)	(35,725)	(57,028)	(95,968)

Company No.731530-M

Statement of profit or loss and other comprehensive income for the year ended 31 December 2015 (continued)

	Note	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
		/---31.12.2014---			/
Total profit for the year/Net underwriting surplus from operations		10,752	201	73,415	79,979
Surplus attributable to participants' risk fund		-	-	(3,449)	(3,449)
Surplus attributable to Takaful Operator		-	-	(4,389)	-
Net surplus retained in takaful funds		-	(201)	(66,080)	(66,281)
Surplus/(deficit) before zakat and taxation		10,752	-	(503)	10,249
Zakat		(476)	-	-	(476)
Taxation	23	(6,611)	-	503	(6,108)
Profit for the year attributable to owners of the Company		3,665	-	-	3,665
Other comprehensive income/(expenses)					
Fair value of available-for-sale financial assets					
- (Losses)/gains arising during the year		(85)	(70)	1,515	1,360
Tax effect thereon		21	17	(121)	(83)
Other comprehensive income attributable to Takaful Operator/change in participants' liabilities		-	53	(1,394)	(1,341)
Total other comprehensive income for the year		(64)	-	-	(64)
Total comprehensive income for the year attributable to owners of the Company		3,601	-	-	3,601

The accompanying Notes on pages 15 to 114 form an integral part of the financial statements.

HSBC Amanah Takaful (Malaysia) Berhad

(Company No. 731530-M)
(Incorporated in Malaysia)

Statement of changes in equity for the year ended 31 December 2015

	/----- *Non-distributable*	-----/	*Distributable*	
	Share capital RM'000	Available-for-sale financial assets ("AFS") fair value reserves RM'000	(Accumulated losses)/ Retained earnings RM'000	Total RM'000
At 1 January 2014	100,000	(163)	2,917	102,754
Fair value of AFS financial assets	-	(64)	-	(64)
Total other comprehensive income for the year	-	(64)	-	(64)
Profit for the year	-	-	3,665	3,665
Total comprehensive income for the year	-	(64)	3,665	3,601
At 31 December 2014/1 January 2015	100,000	(227)	6,582	106,355
Fair value of AFS financial assets	-	99	-	99
Total other comprehensive income for the year	-	99	-	99
Profit for the year	-	-	11,885	11,885
Total comprehensive income for the year	-	99	11,885	11,984
At 31 December 2015	100,000	(128)	18,467	118,339
	Note 11.1	Note 11.2	Note 11.3	

The accompanying Notes on pages 15 to 114 form an integral part of the financial statements.

HSBC Amanah Takaful (Malaysia) Berhad

(Company No.731530-M)
(Incorporated in Malaysia)

Statement of cash flows for the year ended 31 December 2015

	Company	
	2015	**2014**
	RM'000	**RM'000**
Cash flows from operating activities		
Cash generated from operations (Note 24)	49,089	66,716
Income tax paid	(7,749)	(10,625)
Net cash from operating activities	41,340	56,091
Cash flows from investing activities		
Acquisition of plant and equipment	(11)	-
Acquisition of intangible assets	(10,015)	(3,546)
Acquisition of investments	(208,732)	(246,667)
Proceeds from disposal of investments	36,800	55,388
Proceeds from maturities of investments	79,447	75,000
Proceeds from disposal of plant and equipment	1	-
Profit from fixed deposits placed with licensed Islamic financial institutions	1,719	1,534
Profit from government guaranteed sukuk	8,877	7,480
Profit from government investment issues	4,273	3,426
Profit from corporate debt securities	18,886	17,653
Dividend received from quoted equity securities	12,902	5,930
Net cash used in investing activities	(55,853)	(83,802)
Net decrease in cash and cash equivalents	(14,513)	(27,711)
Cash and cash equivalents at 1 January	65,740	93,451
Cash and cash equivalents at 31 December	51,227	65,740

Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Note	**2015**	**2014**
		RM'000	**RM'000**
Fixed deposits with licensed Islamic financial institutions	10	3,010	51,440
Cash and bank balances	10	48,217	14,300
		51,227	65,740

The accompanying Notes on pages 15 to 114 form an integral part of the financial statements.

HSBC Amanah Takaful (Malaysia) Berhad

(Company No. 731530-M)
(Incorporated in Malaysia)

Notes to the financial statements

HSBC Amanah Takaful (Malaysia) Berhad is a public limited liability company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
8th - 9th Floor, North Tower
No. 2, Leboh Ampang
50100 Kuala Lumpur, Malaysia

Registered office
10th Floor, North Tower
No. 2, Leboh Ampang
50100 Kuala Lumpur, Malaysia

The Company is principally engaged in managing of General Takaful and Family Takaful businesses. There have been no significant changes in the nature of these activities during the financial year.

The immediate holding company is HSBC Insurance (Asia Pacific) Holdings Ltd., a company incorporated in Hong Kong. The ultimate holding company is HSBC Holdings plc, a company incorporated in the United Kingdom.

These financial statements were authorised by the Board of Directors on 16 March 2016.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and comply with requirements of the Companies Act, 1965 in Malaysia.

In preparing the Company's financial statements as a whole, the assets, liabilities, income and expenses of the Takaful fund are combined with those of the Takaful Operator. Interfund balances and transactions are eliminated in arriving at the Company's financial statements. The statements of financial position and the statements of profit or loss and other comprehensive income of the Takaful Operator, Family Takaful Fund and General Takaful Fund are supplementary financial information presented in accordance with the requirements of BNM, Islamic Financial Services Act 2013 in Malaysia to segregate assets, liabilities, income and expenses of Takaful funds from its own. The accounting policies adopted for the Takaful Operator and Takaful funds are uniform for transactions and events in similar circumstances.

1. Basis of preparation (continued)

(a) Statement of compliance

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.

(i) Standards, amendments to published standards and interpretations that are effective and applicable to the Company

The new accounting standards and amendments to published standards that are effective and applicable to the Company for the financial year beginning on 1 January 2015 are as follows:

- Annual improvement to MFRSs 2010-2012 Cycle
- Annual improvement to MFRSs 2011-2013 Cycle
- Amendments to MFRS 119 "Defined Benefits Plans: Employee Contributions"

The adoption of the new accounting standards, amendments and improvements to published standards did not have a material impact on the financial statements of the Company.

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective

The Company will apply these standards, amendments to published standards from:

a. Financial year beginning on/ after 1 January 2016:

- Amendments to MFRS 116 'Property, plant and equipment' and MFRS 138 'Intangible assets' clarify that the use of revenue-based methods to calculate the depreciation of an item of property, plant and equipment is not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
- The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

b. Financial year beginning on/ after 1 January 2018:

- MFRS 9 'Financial Instruments' will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

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

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch.

  MFRS 9 introduces an expected credit loss model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forwardlooking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

b. Financial year beginning on/ after 1 January 2018:

- MFRS 15 'Revenue from contracts with customers' replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

  Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The initial application of the above accounting standards, amendments and interpretation are not expected to have any material financial impacts to the current and prior year's financial statement of the Company upon their first adoption, except for MFRS 9.

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.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

1. Basis of preparation (continued)

(d) Use of estimates and judgments

The preparation of the financial statements in conformity with MFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 2(b) – Financial instruments
- Note 2(m) and (n) – Claims and contributions liabilities
- Note 2(p) – Expenses liability

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the reporting date, except for those that are measured at fair value that are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in other comprehensive income.

2. Significant accounting policies (continued)

(b) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Company categorises financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(b) Financing receivables, excluding takaful receivables

Financing receivables category comprises debt instruments that are not quoted in an active market (including fixed deposits with licensed financial institutions with maturities more than 3 months).

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective profit method.

(c) Available-for-sale financial assets

Available-for-sale category comprises investments in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Profit calculated for a debt instrument using the effective profit method is recognised in profit or loss.

(d) Takaful receivables

Takaful receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, takaful receivables are measured at amortised cost, using the effective profit method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(g) to the financial statements).

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards if ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. Significant accounting policies (continued)

(c) Plant and equipment

(i) Recognition and measurement

Plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bring the asset to working condition for its intended use.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is credited or charged to the income statement.

(ii) Subsequent costs

The cost of replacing component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

• Computer equipment	3 years
• Office equipment, fixtures and fittings	5-10 years
• Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

2. Significant accounting policies (continued)

(c) Plant and equipment (continued)

(iii) Depreciation (continued)

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Refer to accounting policy Note 2(g) on impairment of assets.

(d) Leased assets

Operating leases

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(e) Intangible assets

Intangible assets comprise computer software (including costs of software under development) and are stated at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised from the date that they are available for use. Software under development is not amortised until the assets are ready for its intended use.

Amortisation is recognised in profit or loss on a straight-line basis over the expected useful economic life of computer software of between 3 to 5 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, as appropriate.

2. Significant accounting policies (continued)

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Company in the management of their short term commitments.

(g) Impairment

(i) Financial assets, excluding takaful receivables

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective market rate of return. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

2. Significant accounting policies (continued)

(g) Impairment (continued)

(ii) Takaful receivables

Takaful receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal or profit or both for takaful receivables is past due for more than 90 days or 3 months for those individually assessed, as prescribed in the Guidelines on Financial Reporting for Takaful Operators issued by Bank Negara Malaysia.

Individual impairment allowances are made for any contributions including agents, brokers and retakaful balances, which remain outstanding for more than three (2014: three) months from the date on which they become receivable, and for all other debts, which are considered impaired.

(iii) Non-financial assets

The carrying amounts of other assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

2. Significant accounting policies (continued)

(g) Impairment (continued)

(iii) Non-financial assets (continued)

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(h) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(i) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Company's contribution to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

2. Significant accounting policies (continued)

(i) Employee benefits (continued)

(iii) Defined benefit plans

The Company participates in equity-settled and cash-settled share-based compensation plans for employees that are offered by the ultimate holding company, HSBC Holdings plc. The cost of share-based payment arrangements with employees is measured by reference to the fair value of equity instruments on the date they were granted, and recognised as an expense on a straight-line basis over the vesting periods, in profit or loss. The vesting period is the period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied.

(j) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(k) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for temporary differences that affect neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

2. Significant accounting policies (continued)

(k) Income taxes (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Takaful product classification

A takaful contract means an arrangement based on mutual assistance under which takaful participants agree to contribute to a common fund (General Risk Fund or Family Risk Fund) providing for mutual financial benefits payable to the takaful participants or their beneficiaries on the occurrence of pre-agreed events. Takaful risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified financial or non-financial variable. The Takaful Operator does not sell financial risk contracts.

Contracts where insignificant takaful risks are accepted by the Funds are classified as either investment contracts or service contracts. The Company defines Takaful risk to be significant when the ratio of the Takaful risk over the deposit component is not less than 110% of the deposit component at any point of the Takaful contract in force. Based on this definition, all Takaful contracts issued by the Company met the definition of Takaful contracts as at the date of this statement of financial position.

Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its lifetime, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

(m) General Takaful Fund

The General Takaful Fund is maintained in accordance with the requirements of IFSA and consists of accumulated surplus/deficit and actuarial reserves. Any actuarial deficit in the General Takaful Fund will be made good by the Takaful Operator via a Qard. Surplus distributable in each financial year is distributed in accordance with the terms and conditions prescribed by the surplus distribution policy, endorsed or notified by the Shariah Committee and Board of Directors.

The General Takaful underwriting results are determined for each class of business after taking into account retakaful, contribution liabilities, claims liabilities and wakalah fees.

2. Significant accounting policies (continued)

(m) General Takaful Fund (continued)

(i) Contribution income

Contribution for direct and co-takaful business is recognised in respect of risks assumed during the particular financial year as soon as the amount can be reliably measured, based on issuance of certificates, and in accordance with the principles of Shariah as advised by the Company's Shariah Committee. Contributions in respect of risks incepted before the reporting date for which certificates are issued subsequent to the end of reporting date are accrued for at the reporting date.

Inward retakaful contributions are accounted for upon notification by the ceding companies or upon receipt of the statement of accounts.

Outward retakaful contributions are recognised in the same financial year as the original certificate to which the retakaful relates.

(ii) General takaful contract liabilities recognition

General Takaful Fund's liabilities consist of claim liabilities and contribution liabilities are recognised when contracts are entered into and contributions are charged.

a) Claim liabilities

A liability for outstanding claims is recognised in respect of direct takaful business and co-takaful business. The claim liabilities are the best estimate together with related provision of risk margin for adverse deviation as well as expenses less retakaful recoveries, if any, to settle the present contractual obligations at the reporting date.

Provision for outstanding claims is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate claim costs cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and actuarial assumptions. The liability is not discounted for the time value of money and is derecognised when the contract expired, discharged or cancelled.

2. Significant accounting policies (continued)

(m) General Takaful Fund (continued)

(ii) General takaful contract liabilities recognition (continued)

a) Claim liabilities (continued)

As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from actual claims experience due to the level of uncertainty involved in projecting future claims experience based on past claims experience. These uncertainties arise from changes in underlying risks, changes in spread of risks, timing and amounts of claims settlement as well as uncertainties in the projection model and underlying assumptions. However, these uncertainties are partly addressed by holding the claim liabilities at 75% confidence level as per required by Bank Negara Malaysia ("BNM") Guideline, Guidelines on Valuation Basis for Liabilities of General Takaful Business.

b) Contribution liabilities

The unearned contribution reserves ("UCR") represent contributions received after wakalah fee deduction for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised in statement of profit and loss and other comprehensive income of the General Takaful Fund.

In determining the UCR at the reporting date, the most prevalent method, 1/365 method, is used. This is reduced by deductions as a corresponding percentage of accounted gross direct refundable business commissions but not exceeding limits specified by Bank Negara Malaysia Guideline.

At each reporting date, the Company reviews its unexpired risk reserve (inclusive of Fund Provision of Risk Margin for Adverse Deviation, "FPRAD") to determine whether there is any overall excess of expected claims over unearned contributions at portfolio level. This calculation uses current estimates of future contractual losses (taking into consideration current loss ratios) prior to taking account of the investment return expected to arise on assets relating to the relevant General Takaful technical provisions. If these estimates show that the carrying amount of the unearned contributions is insufficient to meet future liabilities, then the Company is required to hold the unexpired risk reserve (inclusive of Provision of Risk Margin for Adverse Deviation, "PRAD").

2. Significant accounting policies (continued)

(n) Family Takaful Fund

The Family Takaful Fund is maintained in accordance with the requirements of the IFSA and includes the amount attributable to participants.

The amount attributable to participants consists of the accumulated surplus attributable to the participants determined by an annual actuarial valuation of the Family Takaful Fund unallocated surplus, net asset value attributable to unitholders and other reserves, as applicable. The amount attributable to participants is distributed in accordance with the terms and conditions of the products as approved by the Shariah Committee of the Company. Any actuarial deficit in the Family Takaful Risk Fund will be made good by the Takaful Operator via a Qard. Surplus distributable to participants is determined after deducting claims/benefits paid and payable, retakaful, provisions, reserves, wakalah fees, as well as repayment of Qard, if any.

(i) Contribution income

Contribution is recognised when the amount can be reliably measured and in accordance with the principles of Shariah as advised by the Company's Shariah Committee. Contribution income from the Family Takaful fund is recognised as soon as the amount can be reliably measured. Initial contribution is recognised from inception date and subsequent contribution is recognised when due. At the end of the financial year, all due contributions are accounted for to the extent that they can be reliably measured.

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

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

2. Significant accounting policies (continued)

(n) Family Takaful Fund

(ii) Investment-linked business

Investment assets are classified as fair value through profit or loss ("FVTPL") and include collective investment schemes and structured investments. Fair value of equity and corporate debt securities are determined based on methods described in Note 2(b)(ii) to the financial statements.

Structured investments are investments where a substantial amount of the fund is invested in fixed income instruments issued by licensed financial institutions while the remaining amount is invested in instruments which are linked to the performance of one or more equity market prices and indices that introduce significant risks that will affect the performance of these instruments. Structured investments are carried at fair value. Unrealised gains and losses on revaluation of the aforesaid investments are taken to the investment-linked business' profit or loss.

The gain or loss arising from disposal of any of the aforesaid investments is the difference between net disposal proceeds and the carrying value of the investment. Gain or loss on disposals of investments are credited or charged to the investment-linked business' profit or loss.

(iii) Benefits, claims and expenses

Claims settled are charged to profit or loss, in the financial year in which the claims arise. A liability for outstanding claims is recognised when a claimable event occurs and/or the Takaful Operator is notified.

Gross outstanding claims is based on best estimate of the loss, which will eventually be payable on each unpaid claim, established by the management based on currently available information and past experience.

2. Significant accounting policies (continued)

(n) Family Takaful Fund (continued)

(iv) Provision for outstanding claims

A liability for outstanding claims is recognised when a claimable event occurs and/or the Takaful Operator is notified.

Claims and provisions for claims arising from Family Takaful certificates, including settlement costs less retakaful recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under Family Takaful certificates are recognised as follows:

(a) Maturity or other certificate benefit payments due on specified dates are treated as claims payable on the due dates.

(b) Death, surrender and other benefits without due dates are treated as claims payable on the date of receipt of intimation of death of the participant or occurrence of contingency covered.

(c) For group family business, provision is made for the cost of claims, together with related expenses.

These uncertainties arise from changes in underlying risks, changes in spread of risks, timing and amounts of claims settlement as well as uncertainties in the projection model and underlying assumptions.

(v) Family takaful liabilities and actuarial reserves

In carrying out the fiduciary duty, the Company must put in place sufficient measures to ensure sustainability of the Family Takaful Funds to meet takaful benefits for the full term. These measures include setting up of appropriate provisions for liabilities in the Family Takaful Funds, to ensure that adequate funds would be available to meet all contractual obligations and commitments as they fall due, with a reasonable level of certainty.

The Family Takaful liabilities are recognised when contracts are entered into and contributions are charged. These liabilities are measured by using a prospective actuarial valuation method, discounted at the appropriate risk discount rate as defined in the BNM Guidelines on Valuation Basis for Liabilities of Family Takaful Business.

2. Significant accounting policies (continued)

(n) Family Takaful Fund (continued)

(v) Family takaful liabilities and actuarial reserves (continued)

For products with a participant fund, the liabilities are valued by projecting future cash flows to ensure that all future obligations could be met without recourse to additional finance or capital support at any future time during the duration of each certificate. The cash flows for each certificate are projected on monthly intervals until the natural expiry of the certificates, and any negative cash flows at all future monthly intervals are zerorised. The cash flows include the monthly Tabarru', future benefits and netted of retakaful cessions.

For single contribution credit related products, the liabilities are determined as the sum of present value of future benefits and deducting the retakaful cessions.

The future cash flows are projected based on best estimate assumptions with the appropriate allowance for provision of adverse deviation from expected experience, and with due regard to recent experience.

In addition to the liabilities set up on future benefits, a liability for outstanding claims which includes an estimate of the incurred claims that have not been reported to Takaful Operator is accounted for.

For liabilities of a 1-year Family Takaful certificate, the liabilities were the sum of the contribution liabilities and claim liabilities. For Group Term Takaful, the contribution liabilities were taken as the unearned Tabarru'. The claim liabilities comprises of an estimate of the incurred claims that have not been reported to the Takaful Operator, net of retakaful. For Group Hospitalization & Surgery, the contribution liabilities were calculated as the higher of the provision for unearned Tabarru' and the best estimate value of the provision for unexpired risk with provision of risk margin for adverse deviation. The claim liabilities were computed by using the Expected Claim Method, also known as Expected Loss Ratio Method. The ultimate loss ratio for each accident year was selected after giving considerations to the reported-to-date loss ratio as well as the prior accident year's ultimate loss ratio.

2. Significant accounting policies (continued)

(n) Family Takaful Fund (continued)

(v) Family takaful liabilities and actuarial reserves (continued)

Where certificate or extensions of a certificate are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

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

The valuation of takaful certificate liabilities is determined according to BNM Guidelines on Valuation Basis for Liabilities of Family Takaful Business. The Guidelines on Valuation Basis for Liabilities of Family Takaful Business meets the requirement of Liability Adequacy Test under MFRS 4.

As with all projections, there are elements of uncertainty and the projected liabilities may be different from actual benefits paid due to the significant level of uncertainty involved in the discount rate used as well as the lapse and mortality and morbidity assumptions.

(o) Retakaful

The Company enters into retakaful treaties in the normal course of business for the purpose of limiting its net loss potential and to reduce significantly the new business strain of the credit-related block of business. Retakaful arrangements do not relieve the Company from its obligations to participants. Retakaful contributions and claim recoveries are presented in profit or loss and statement of financial position on a gross basis.

The Company also assumes co-takaful risk in the normal course of business for its General Takaful contracts. Contributions and claims on assumed co-takaful are recognised as revenue or expenses in the same manner as they would be if the co-takaful were considered direct business, taking into account the product classification of the business undertaken.

Retakaful assets comprise of the retakaful share of contributions and claims obligations. The assets are subject to impairment test as described in Note 2(g) to the financial statements.

2. Significant accounting policies (continued)

(p) Expenses liability

The contract underlying takaful operations defines a unique relationship between Takaful Operator and participants of a takaful scheme. While the General and Family Takaful Funds are responsible to meet contractual benefits accorded to participants on the basis of mutual assistance amongst participants, the Company is expected to duly observe fundamental obligations towards participants, particularly in terms of adhering to Shariah principles and undertaking fiduciary duties to prudently manage the takaful funds as well as meet costs involved in managing the takaful business.

In carrying out the fiduciary duty, the Company must put in place sufficient measures to ensure that the Takaful Operator is able to support the takaful certificates for the full term.

The expenses liability of the Takaful Operator's fund consists of expenses liability of the General Takaful Fund and Family Takaful Fund which are computed by actuaries approved by BNM. The expense liabilities are released over the term of the Takaful certificate and recognised in the income statement.

(i) Expenses liability of General Takaful Fund

The expenses liability is reported at the higher of the aggregate of Unearned Wakalah Fee ("UWF") and Unexpired Expense Risk ("UER") together with related provision of risk margin for adverse deviation as at the end of the financial year.

Unearned Wakalah Fee Reserves

The UWF reserves represent the portion of wakalah fee income allocated for management expenses of General Takaful certificates that relate to the unexpired periods of certificates at the end of the financial year. The method used in computing UWF is consistent with the calculation of UCR.

2. Significant accounting policies (continued)

(p) Expenses liability (continued)

(i) Expenses liability of General Takaful Fund (continued)

Unexpired Expense Risk Reserve

The UER reserve is the estimated expenses costs to service all in-force certificates as well as to process all outstanding claims and future incurred losses as at valuation date. This reserve is estimated via a range of standard actuarial approaches. This reserve is then loaded with a provision of risk margin for adverse deviations. The final provision is called as Unexpired Expense Risk Reserve at 75% sufficiency.

(ii) Expenses liability of Family Takaful Fund

Expense liabilities are conducted separately in the Takaful Operator's fund. The method used to value expense liabilities is consistent with the method used to value takaful liabilities of the corresponding Family Takaful certificate.

For products with participant funds, the expense liabilities valued by projecting future cash flows to ensure that all future obligations could be met without recourse to additional finance or capital support at any future time during the duration of each certificate. The cash flows for each certificate, then discounted using the zero coupon curve of the government investment issues sukuk were projected on monthly intervals until the natural expiry of the certificates, and any negative cash flow arising at each monthly interval is zerorised.

For single contribution credit related products, the expense liabilities are determined as the sum of present value of future expenses, including any expected maintenance expense overruns, incurred by the Takaful Operator in managing the family fund.

Future expenses for Takaful Operator refer to expense, commissions and surrender benefit payout (if any). The income includes wakalah fees, surrender charges (if any), monthly service charges (if any), fund management charges (if any), investment income fees and surplus distribution from the Takaful fund (from products with participant fund).

2. Significant accounting policies (continued)

(p) Expenses liability (continued)

(ii) Expenses liability of Family Takaful Fund (continued)

Expected future maintenance expense overruns are considered in the expense liabilities by allocation of overruns to individual certificates. Based on management's forecast of new business volumes and expense levels from the Annual Operating Plan, the ratio of allocated maintenance expense forecast to the maintenance expense allowances based on long term best estimate expense assumptions are determined for each calendar year for the entire in-force and new business portfolio. The ratios were then applied to scale up expense projections for the current in-force business.

The future cash flows are projected based on best estimate assumptions with the appropriate allowance for provision of adverse deviation from expected experience, and with due regard to recent experience.

For expense arising from managing 1-year family takaful certificates, the liability for such expense comprises the provision for unearned wakalah fees and unexpired expense risks.

Where certificates or extensions of a certificate are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

(q) Other income

Investment income is recognised on a time proportion basis that takes into account the effective yield of the asset. Profits including the amount of amortisation of premium and accretion of discount are recognised on a time proportion basis taking into account the principal outstanding and the effective date over the period to maturity, when it is determined that such income will accrue to the Company.

Dividend income is recognised in the income statement when the right to receive payment is established.

Gain or loss arising on disposals of investments are credited or charged to the income statement.

2. Significant accounting policies (continued)

(r) Zakat

Zakat represents alms payable by the Company to comply with the Principles of Shariah and as approved by the Shariah Committee of the Company. Zakat is only provided for when obligation exists at the reporting date.

(s) Commission and acquisition costs

Commission and acquisition costs are borne by the Takaful Operator in the Company's profit or loss at an agreed percentage for each certificate underwritten. This is in accordance with the principles of wakalah as approved by the Shariah Committee and is as agreed between the participants and the Company.

Gross commission and agency expenses, which are costs directly incurred in securing contributions on takaful certificates, and income derived from retakaful companies in the course of ceding contributions to retakaful, are charged to profit or loss in the period in which they are incurred.

(t) Wakalah fee

The wakalah fee is an income to the Takaful Operator and is charged to the General and Family Takaful Funds and correspondingly recognised as an expense in the respective funds' profit or loss at an agreed percentage for each takaful certificate underwritten. This is in accordance with the principles of wakalah as approved by the Shariah Committee and is agreed between the participants and the Company.

Commission, acquisition costs and management expenses of the General and Family Takaful Funds are borne by the Takaful Operator and included as a component of wakalah fee income.

(u) Contingencies

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. Significant accounting policies (continued)

(v) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Company No.731530-M

3. Plant and equipment

Takaful Operator and Company

	Computer equipment RM'000	Motor vehicles RM'000	Office equipment, fixtures and fittings RM'000	Total RM'000
Cost				
At 1 January 2014/ 31 December 2014/ 1 January 2015/	1,310	4	1,256	2,570
Additions	-	7	4	11
Disposal	-	(4)	(71)	(75)
31 December 2015	1,310	7	1,189	2,506
Accumulated depreciation				
At 1 January 2014	1,164	4	655	1,823
Charge for the year	95	-	142	237
At 31 December 2014/ 1 January 2015	1,259	4	797	2,060
Charge for the year	32	1	128	161
Disposal	-	(4)	(71)	(75)
At 31 December 2015	1,291	1	854	2,146
Carrying amount				
At 31 December 2014	51	-	459	510
At 31 December 2015	19	6	335	360

4. Intangible assets

Takaful Operator and Company

	Development of computer software RM'000	Computer Software RM'000	Total RM'000
Cost			
At 1 January 2014	2,664	27,330	29,994
Additions	3,042	504	3,546
Reclassification	(4,769)	4,769	-
At 31 December 2014/1 January 2015	937	32,603	33,540
Additions	9,917	98	10,015
Reclassification	(4,962)	4,962	-
At 31 December 2015	5,892	37,663	43,555
Accumulated depreciation			
At 1 January 2014	-	17,848	17,848
Amortisation for the year	-	3,697	3,697
At 31 December 2014/1 January 2015	-	21,545	21,545
Amortisation for the year	-	4,170	4,170
At 31 December 2015	-	25,715	25,715
Carrying amount			
At 31 December 2014	937	11,058	11,995
At 31 December 2015	5,892	11,948	17,840

5. Investment assets

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
2015				
Available-for-sale financial assets				
Government investment issues	25,140	-	78,282	103,422
Government guaranteed sukuk	20,049	10,027	155,627	185,703
Corporate debt securities	99,683	40,086	226,060	365,829
Financial assets at fair value through profit or loss				
Government investment issues	-	-	10,148	10,148
Government guaranteed sukuk	-	-	53,597	53,597
Corporate debt securities	-	-	75,437	75,437
Collective investment schemes	-	-	340,157	340,157
Quoted equity securities	-	-	12,738	12,738
	144,872	50,113	952,046	1,147,031
2014				
Available-for-sale financial assets				
Government investment issues	19,832	-	77,689	97,521
Government guaranteed sukuk	-	15,066	155,453	170,519
Corporate debt securities	114,058	30,162	223,297	367,517
Financial assets at fair value through profit or loss				
Government guaranteed sukuk	-	-	43,823	43,823
Corporate debt securities	-	-	45,655	45,655
Collective investment schemes	-	-	305,620	305,620
Structured investments	-	-	16,387	16,387
Quoted equity securities	-	-	12,084	12,084
	133,890	45,228	880,008	1,059,126

5. Investment assets (continued)

(a) Carrying values of investment assets

Investment assets are carried at fair value. Investment assets are categorised as either available-for-sale financial assets ("AFS") or financial assets at fair value through profit or loss ("FVTPL").

	AFS RM'000	FVTPL RM'000	Total RM'000
At 1 January 2014	615,748	335,605	951,353
Purchases	95,031	151,636	246,667
Maturities	(75,000)	-	(75,000)
Disposals	(730)	(54,658)	(55,388)
Fair value gains recorded in profit or loss	-	(9,129)	(9,129)
AFS reserves	1,360	-	1,360
(Amortisation)/accretion adjustment	(852)	115	(737)
At 31 December 2014/1 January 2015	635,557	423,569	1,059,126
Purchases	80,181	128,551	208,732
Maturities	(60,000)	(19,447)	(79,447)
Disposals	-	(36,800)	(36,800)
Fair value loss recorded in profit or loss	-	(3,918)	(3,918)
AFS reserves	(27)	-	(27)
(Amortisation)/accretion adjustment	(757)	122	(635)
At 31 December 2015	654,954	492,077	1,147,031

(b) Fair values of investment assets

The fair value of investment assets is determined by reference to market closing prices in an active market at reporting date.

5. Investment assets (continued)

(c) The following investment assets mature after twelve months:

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
2015				
Available-for-sale financial Assets	89,786	15,050	429,902	534,738
Financial assets at fair value through profit or loss	-	-	139,182	139,182
	89,786	15,050	569,084	673,920
2014				
Available-for-sale financial Assets	114,882	25,118	425,511	565,511
Financial assets at fair value through profit or loss	-	-	89,478	89,478
	114,882	25,118	514,989	654,989

6. Retakaful assets

	Note	2015 RM'000	2014 RM'000
General Takaful Fund	12(a)	43,158	41,844
Family Takaful Fund	12(b)	39,391	36,374
Company		82,549	78,218

7. Financing receivables, excluding takaful receivables

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
2015				
Profit due and accrued	1,516	393	6,305	8,214
Fixed deposits with licensed Islamic financial institutions with maturities of more than 3 months				
- Licensed bank in Malaysia	27,000	-	-	27,000
Other receivables	2,151	399	410	2,960
Amount due from:				
Shareholder Fund	-	-	536	-
General Takaful Fund	5,528	-	-	-
Family Takaful Fund	9,016	-	-	-
	45,211	792	7,251	38,174
2014				
Profit due and accrued	1,497	394	5,915	7,806
Fixed deposits with licensed Islamic financial institutions with maturities of more than 3 months				
- Licensed bank in Malaysia	27,000	-	-	27,000
Other receivables	2,768	3	489	3,260
Amount due from:				
General Takaful Fund	984	-	-	-
Family Takaful Fund	10,609	-	-	-
	42,858	397	6,404	38,066

The fixed deposits with maturities of more than 3 months placed with a licensed Islamic bank that are held with related parties amounted to RM27,000,000 (2014: RM27,000,000).

Company No.731530-M

8. Takaful receivables

	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
2015			
Due contributions including agents/ brokers and co-insurers balances	697	1	698
Due from retakaful companies and cedants	6,816	5,459	12,275
	7,513	5,460	12,973
Offsetting financial assets and financial liabilities			
Gross amounts of recognised financial assets	7,513	29,666	37,179
Less:			
Gross amounts of recognised financial liabilities set off in the statement of financial position	-	24,206	24,206
Net amounts of financial assets presented in the statement of financial position	7,513	5,460	12,973
2014			
Due contributions including agents/ brokers and co-insurers balances	2,905	10,432	13,337
Due from retakaful companies and cedants	3,321	18,930	22,251
	6,226	29,362	35,588
Offsetting financial assets and financial liabilities			
Gross amounts of recognised financial assets	6,226	29,362	35,588
Less:			
Gross amounts of recognised financial liabilities set off in the statement of financial position	-	-	-
Net amounts of financial assets presented in the statement of financial position	6,226	29,362	35,588

There are no financial assets subjected to an enforceable master netting arrangement or similar agreement and financial instruments received as collateral, nor any cash collateral pledged or received as at 31 December 2015 (2014: nil).

9. Deferred tax assets/(liabilities)

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

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
At 1 January 2014	(2,256)	3	(124)	(2,377)
Charged/(credited) to income statement:				
Plant and equipment	(5)	-	-	(5)
Investment assets	-	-	781	781
	(5)	-	781	776
Charged/(credited) to other comprehensive income :				
Investment Assets	21	17	(121)	(83)
At 31 December 2014/ 1 January 2015	(2,240)	20	536	(1,684)
Charged/(credited) to income statement:				
Plant and equipment	505	-	-	505
Investment assets	222	55	284	561
Financing receivable		343	-	343
Expenses reserves	2,973	-	-	2,973
Other payable	831	-	-	831
	4,531	398	284	5,213
Charged/(credited) to other comprehensive income :				
Investment assets	(33)	(10)	16	(27)
At 31 December 2015	2,258	408	836	3,502

9. Deferred tax assets/(liabilities) (continued)

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

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
2015				
Subject to income tax:				
Deferred tax assets:(before offsetting)				
Investment assets	265	65	836	1,166
Financing receivables	-	343	-	343
Expenses reserves	2,973	-	-	2,973
Other payables	831	-	-	831
	4,069	408	836	5,313
Offsetting	(1,811)	-	-	(1,811)
Deferred tax assets after offsetting	2,258	408	836	3,502
Deferred tax liabilities: (before offsetting)				
Plant and equipments	(1,811)	-	-	(1,811)
Offsetting	1,811	-	-	1,811
Deferred tax liabilities after offsetting	-	-	-	-
2014				
Presented after appropriate offsetting as follows:				
Deferred tax assets				
Investment assets	76	20	536	632
Offsetting	(76)	-	-	(632)
Deferred tax assets after offsetting	-	20	536	-
Deferred tax liabilities (before offsetting)				
Plant and Equipment	(2,316)	-	-	(2,316)
Offsetting	76	-	-	632
Deferred tax liabilities after offsetting	(2,240)	-	-	(1,684)

10. Cash and cash equivalents

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
2015				
Cash and bank balances	3,074	4,549	40,594	48,217
Fixed deposits with licensed Islamic financial institutions with maturities of less than 3 months				
- Licensed bank in Malaysia	-	-	3,010	3,010
	3,074	4,549	43,604	51,227
2014				
Cash and bank balances	3,083	67	11,150	14,300
Fixed deposits with licensed Islamic financial institutions with maturities of less than 3 months				
- Licensed bank in Malaysia	7,000	2,660	41,780	51,440
	10,083	2,727	52,930	65,740

The fixed deposits with maturities of less than 3 months placed with a licensed Islamic bank that are held with related parties is NIL (2014: RM48,500,000).

11. Capital and reserves

Takaful Operator and Company

11.1 Share capital

	2015		2014	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Authorised:				
Ordinary shares of RM50 Each				
At 1 January/31 December	3,000	150,000	3,000	150,000
Issued and fully paid:				
Ordinary shares of RM50 Each				
At 1 January/31 December	2,000	100,000	2,000	100,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

11. Capital and reserves (continued)

11.2 Fair value reserves

The fair value reserves comprise the cumulative net change in the fair value of available-for-sale financial assets net of tax until the investments are derecognised or impaired.

11.3 Retained earnings

The Company may distribute single tier exempt dividend to its shareholders out of its retained earnings. Pursuant to Section 60(1) of the IFSA, the Company is required to obtain Bank Negara Malaysia's written approval prior to declaring or paying any dividend with effect from financial year beginning 1 January 2014.

Pursuant to the RBC Framework for Takaful Operator, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

12. Takaful contract liabilities

	Note	Gross RM'000	Retakaful RM'000	Net RM'000
2015				
General Takaful Fund	12(a)	94,288	(43,158)	51,130
Family Takaful Fund	12(b)	1,012,782	(39,391)	973,391
Company		1,107,070	(82,549)	1,024,521
2014				
General Takaful Fund	12(a)	91,699	(41,844)	49,855
Family Takaful Fund	12(b)	954,733	(36,374)	918,359
Company		1,046,432	(78,218)	968,214

Company No.731530-M

12. Takaful contract liabilities (continued)

(a) General Takaful Fund

	Note	Gross RM'000	Retakaful RM'000	Net RM'000
2015				
Provision for claims reported by participants		38,728	(30,997)	7,731
Provision for IBNR		27,851	(11,256)	16,595
Provision for outstanding claims	(i)	66,579	(42,253)	24,326
Provision for unearned contributions	(ii)	18,801	(905)	17,896
Participants' funds	(iii)	8,908	-	8,908
		94,288	(43,158)	51,130
2014				
Provision for claims reported by participants		44,215	(33,485)	10,730
Provision for IBNR		23,327	(5,132)	18,195
Provision for outstanding claims	(i)	67,542	(38,617)	28,925
Provision for unearned contributions	(ii)	19,767	(3,227)	16,540
Participants' funds	(iii)	4,390	-	4,390
		91,699	(41,844)	49,855

(i) Provision for outstanding claims

	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2015	67,542	(38,617)	28,925
Claims incurred in the current year	18,151	(12,928)	5,223
Claims paid during the year	(19,114)	9,292	(9,822)
At 31 December 2015	66,579	(42,253)	24,326
At 1 January 2014	49,958	(28,614)	21,344
Claims incurred in the current year	29,459	(14,496)	14,963
Claims paid during the year	(11,875)	4,493	(7,382)
At 31 December 2014	67,542	(38,617)	28,925

12. Takaful contract liabilities (continued)

(ii) Provision for unearned contributions

	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2015	19,768	(3,227)	16,541
Contributions written in the year (Note 19)	54,930	(5,852)	49,078
Contributions earned during the year	(55,897)	8,174	(47,723)
At 31 December 2015	18,801	(905)	17,896
At 1 January 2014	16,707	(2,641)	14,066
Contributions written in the year (Note 19)	60,819	(9,031)	51,788
Contributions earned during the year	(57,759)	8,445	(49,314)
At 31 December 2014	19,767	(3,227)	16,540

(iii) Participants' fund

	2015 RM'000	2014 RM'000
Unallocated surplus	2,577	1,526
AFS reserves	(31)	(62)
Revenue account accumulated surplus	6,362	2,926
	8,908	4,390
Unallocated surplus		
At 1 January	1,526	1,354
Transfer from surplus	1,129	-
Retained surplus	(78)	201
Unrecoverable surplus	-	(29)
At 31 December	2,577	1,526
AFS reserves		
At 1 January	62	(9)
Decrease in reserves	(93)	(53)
At 31 December	(31)	(62)

12. Takaful contract liabilities (continued)

(a) General Takaful Fund (continued)

(iii) Participants' fund (continued)

	2015 RM'000	2014 RM'000
Revenue account accumulated surplus		
At 1 January	2,926	10,023
Surplus for the year	6,211	-
Profit paid to participants	(1,229)	(6,700)
Transfer to unallocated surplus	(1,129)	-
Transfer to donation payable account	-	(379)
Transfer to withholding tax	(417)	(47)
Unrecoverable surplus	-	29
At 31 December	6,362	2,926

(a) Family Takaful Fund

	Note	Gross RM'000	Retakaful RM'000	Net RM'000
2015				
Provision for outstanding claims	(i)	12,446	(11,028)	1,418
Participants' funds	(ii)	1,000,336	(28,363)	971,973
		1,012,782	(39,391)	973,391
2014				
Provision for outstanding claims	(i)	14,212	(12,228)	1,984
Participants' funds	(ii)	940,521	(24,146)	916,375
		954,733	(36,374)	918,359

(i) Provision for outstanding claims

	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2015	14,212	(12,228)	1,984
Claims incurred during the year	73,977	(23,338)	50,639
Claims paid during the year	(75,743)	24,538	(51,205)
At 31 December 2015	12,446	(11,028)	1,418
At 1 January 2014	10,084	(8,479)	1,605
Claims incurred during the year	74,330	(27,234)	47,096
Claims paid during the year	(70,202)	23,485	(46,717)
At 31 December 2014	14,212	(12,228)	1,984

Company No.731530-M

12. Takaful contract liabilities (continued)

(b) Family Takaful Fund (continued)

(ii) Participants' fund

	Gross RM'000	Retakaful RM'000	Net RM'000
31.12.2015			
Actuarial reserves	246,146	(28,363)	217,783
Unallocated surplus	52,918	-	52,918
AFS reserve	(3,742)	-	(3,742)
Net asset value attributable to participants	363,568	-	363,568
Net asset value attributable to unitholders	341,446	-	341,446
	1,000,336	(28,363)	971,973
At 1 January 2015	940,521	(24,146)	916,375
Contributions received	95,870	-	95,870
Liabilities paid for death, maturities, surrenders, benefits and claims	(51,205)	-	(51,205)
Benefits and claims experience variation	567	-	567
Fees deducted	(22,028)	-	(22,028)
Investment income	11,510	-	11,510
Retakaful reserve credit	4,217	(4,217)	-
Profit paid to participants	(87)	-	(87)
Net asset value attributable to unitholders	18,541	-	18,541
Surplus attributable to Takaful Operator	(5,097)	-	(5,097)
Write back of impairment	41	-	41
AFS reserve	(184)	-	(184)
Deferred tax on fair value gains	(93)	-	(93)
Investment income distribution	11,516	-	11,516
Transfer surplus distribution to participants	(3,449)	-	(3,449)
Others	(304)	-	(304)
At 31 December 2015	1,000,336	(28,363)	971,973

12. Takaful contract liabilities (continued)

(b) Family Takaful Fund (continued)

(ii) Participants' fund

	Gross RM'000	Retakaful RM'000	Net RM'000
31.12.2014			
Actuarial reserves	231,552	(24,146)	207,406
Unallocated surplus	36,957	-	36,957
AFS reserve	(3,558)	-	(3,558)
Net asset value attributable to participants	352,665	-	352,665
Net asset value attributable to unitholders	322,905	-	322,905
	940,521	(24,146)	916,375
At 1 January 2014	833,671	(19,017)	814,654
Contributions received	146,301	-	146,301
Liabilities paid for death, maturities, surrenders, benefits and claims	(46,717)	-	(46,717)
Benefits and claims experience variation	(379)	-	(379)
Fees deducted	(37,763)	-	(37,763)
Investment income	9,551	-	9,551
Retakaful reserve credit	5,129	(5,129)	-
Profit paid to participants	(286)	-	(286)
Net asset value attributable to unitholders	1,778	-	1,778
Surplus attributable to Takaful Operator	(4,389)	-	(4,389)
Write back of impairment	42	-	42
AFS reserve	1,394	-	1,394
Deferred tax on fair value gains	146	-	146
Investment income distribution	35,122	-	35,122
Transfer surplus distribution to participants	(4,966)	-	(4,966)
Others	1,887	-	1,887
At 31 December 2014	940,521	(24,146)	916,375

13. Expense reserves

	Takaful Operator and Company	
	2015 RM'000	2014 RM'000
At 1 January	50,574	36,019
Provision for the year, net	70	14,650
Release of provision for investment linked fund	-	(95)
At 31 December	50,644	50,574

14. Takaful payables

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
2015				
Due to agents and intermediaries	1,515	-	2,731	4,246
Due to retakaful companies and cedants	-	4,518	10,234	14,752
	1,515	4,518	12,965	18,998
Offsetting financial assets and financial liabilities				
Gross amounts of recognised financial liabilities	1,515	4,518	37,171	43,204
Less:				
Gross amounts of recognised financial assets set off in the statement of financial position	-	-	24,206	24,206
Net amounts of financial assets presented in the statement of financial position	1,515	4,518	12,965	18,998
2014				
Due to agents and intermediaries	2,355	-	-	2,355
Due to retakaful companies and cedants	-	2,770	31,225	33,995
	2,355	2,770	31,225	36,350
Offsetting financial assets and financial liabilities				
Gross amounts of recognised financial liabilities	2,355	2,770	31,225	36,350
Less:				
Gross amounts of recognised financial assets set off in the statement of financial position	-	-	-	-
Net amounts of financial assets presented in the statement of financial position	2,355	2,770	31,225	36,350

The carrying amounts disclosed above approximate fair values at the reporting date. All amounts are repayable within one year.

There are no financial liabilities subjected to an enforceable master netting arrangement or similar agreement and financial instruments received as collateral, nor any cash collateral pledged or received as at 31 December 2015 (2014: nil).

Company No.731530-M

15. Other payables

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
2015				
Accrued expenses	6,782	-	-	6,782
Due to:				
Takaful Operator	-	5,528	9,016	-
Investment linked fund	536	-	-	-
Immediate holding company	278	-	-	278
Related companies	10,617	-	-	10,617
Profit payable to Profit Sharing Investment Account (Note 16)	1,269	-	-	1,269
Others	2,110	2,199	11,175	15,484
	21,592	7,727	20,191	34,430

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
2014				
Accrued expenses	8,217	-	-	8,217
Due to:				
Takaful Operator	-	984	10,609	-
Immediate holding company	358	-	-	358
Related companies	5,627	-	-	5,627
Profit payable to Profit Sharing Investment Account (Note 16)	837	-	-	837
Others	1,507	989	7,004	9,500
	16,546	1,973	17,613	24,539

Included in Other Payables is zakat payable of RM377,000 (2014: RM819,000). The method of zakat payable is based on net assets of the Company as approved by the Shariah Committee.

The carrying amounts disclosed above approximate fair values at the reporting date. All amounts are repayable within one year.

16. Amount due to shareholders

	Takaful Operator and Company	
	2015	2014
	RM'000	RM'000
Amount due to shareholders	27,000	27,000

In 2010, the Company entered into a Mudharabah Agreement with its shareholders to set up a subordinated Profit Sharing Investment Account ("PSIA") whereby the shareholders contributed a total of RM20,000,000 into the PSIA and are entitled to share the profits from the underlying investment.

In 2013, the Company extended the tenure of the existing RM20,000,000 to 31 December 2019 and placed an additional RM7,000,000 with a similar maturity date.

The Mudharabah contribution amount due to the shareholders is as follows:

	2015	2014
	RM'000	RM'000
Takaful Operator and Company		
HSBC Insurance (Asia Pacific) Holdings Limited	13,230	13,230
JAB Capital Berhad	8,370	8,370
Lembaga Kumpulan Wang Simpanan Pekerja	5,400	5,400
	27,000	27,000

The amount due to shareholders subject to profit rate of 3.05% - 3.15% (2014: 3.05% - 3.15%), is unsecured and repayable within 4 years.

The profit payable to PSIA is as disclosed in Note 15 to the financial statements.

17. Employee benefits

(a) Equity-based compensation

The Company participated in the following cash-settled share compensation plans operated by the HSBC Group for the acquisition of HSBC Holdings plc shares.

17. Employee benefits (continued)

(a) Equity-based compensation (continued)

(i) Savings-Related Share Option Schemes

The Savings-Related Share Option Schemes are all employees share plans under which eligible HSBC employees are granted options to acquire HSBC Holdings ordinary shares. Employees may make monthly contributions up to £250 over a period of one, three or five years which may be used to exercise the options; alternatively the employee may elect to have the savings repaid in cash. The options are exercisable within three months following the first anniversary of the commencement of a one-year savings contract or within six months following either the third or the fifth anniversary of the commencement of three-year or five-year savings contracts. The exercise price is set at a discount of up to 20 percent to the market value of the ordinary shares at the date of grant. The cost of the awards is amortised over the vesting period.

Movement in the number of share options held by employees is as follows:

	2015		2014	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
At 1 January	8,739	6.62	8,739	6.62
Granted in the year	-	-	-	-
Forfeited/lapsed in the year	(8,739)	-	-	-
Exercised during the year	-	-	-	-
At 31 December	-	-	8,739	6.62
Options vested at 31 December	-		-	

	2015 RM'000	2014 RM'000
Compensation cost recognised during the year	4	8

17. Employee benefits (continued)

(a) Equity-based compensation (continued)

(ii) Group Share Option Plan/Executive Share Option Scheme

The HSBC Holdings Group Share Option Plan, and previously the HSBC Holdings Executive Share Option Scheme, are discretionary share incentive plans under which HSBC employees, based on performance criteria and potential, are granted options to acquire HSBC Holdings ordinary shares. The exercise price of options granted under the Group Share Option Plan is the higher of the average market value of the ordinary shares on the five business days prior to the grant of the option or the market value of the ordinary shares on the date of grant of the option. The exercise price of options granted under the Executive Share Option Scheme was the market value of the ordinary shares on the business day prior to the grant of the option. They are normally exercisable between the third and tenth anniversary of the date of grant. The cost of the awards is amortised over the vesting period.

Movement in the number of share options held by employees is as follows:

	2015		2014	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
At 1 January	-	-	9,181	6.60
Granted in the year	-	-	-	-
Forfeited/lapsed in the year	-	-	(9,181)	6.60
At 31 December	-	-	-	-
Options vested at 31 December	-		9,181	

	2015 RM'000	2014 RM'000
Compensation cost recognised during the year	-	-

17. Employee benefits (continued)

(a) Equity-based compensation (continued)

(iii) Restricted Share Plan

The HSBC Holdings Restricted Share Plan is intended to align the interests of executives with those of shareholders by linking executive awards to the creation of superior shareholder value. This is achieved by focusing on predetermined targets. The cost of the conditional awards is recognised through an annual charge based on the likely level of vesting of shares, apportioned over the period of service to which the award relates.

	2015 Number	2014 Number
At 1 January	3,836	3,979
Additions during the year	594	1,858
Forfeited/lapsed in the year	(3,922)	(2,001)
At 31 December	508	3,836

	2015 RM'000	2014 RM'000
Compensation cost recognised during the year	-	60

The weighted average purchase price for all shares purchased by the Company for awards under the Restricted Share Plan is £5.98 (2014: £6.47). The closing price of the HSBC shares at 31 December 2015 was £5.36 (2014: £6.09). The weighted average remaining vesting period as at 31 December 2015 was 0.86 years (2014: 1.51 years).

17. Employee benefits (continued)

(a) Equity-based compensation (continued)

(iv) Performance Share Award

HSBC Holdings ordinary shares and deferred cash are awarded to senior executives, with corporate performance conditions and will be released to the individual after three years, provided participants remain continuously employed within the HSBC Group. Additional awards are made during the three-year life of the award. These represent the equivalent value of dividends reinvested in shares. At the end of three years, the original Award together with the Additional Share Awards (added to the original award) will be released. The cost of the awards is recognised through an annual charge based on the cost of the shares purchased, apportioned over a period of three years to which the award relates.

	2015 Number	2014 Number
At 1 January	9,427	-
Additions during the year	364	9,427
Exercised	-	-
Forfeited/lapsed in the year	(5,599)	-
At 31 December	4,192	9,427

	2015 RM'000	2014 RM'000
Compensation cost recognised during the year	12	179

The weighted average purchase price for all shares purchased by the Company for awards under the Performance Share Award is £6.82 (2014 : £6.82). The closing price of the HSBC shares at 31 December 2015 was £5.36 (2014 : £6.09). The weighted average remaining vesting period as at 31 December 2015 was 0.92 years (2014 : 1.92).

17. Employee benefits (continued)

(a) Equity-based compensation (continued)

(v) Savings-Related Share Match Schemes

The Savings-Related Share Match Schemes was first introduced in Malaysia in 2014. Eligible employee are granted option to equire HSBC Holdings ordinary shares. Shares are purchased in the market each quarter up to the maximum value of £250 or the equivalent in local currency over a period of one year. Matching awards are added at a ratio of one free share for every three purchased. Matching awards vest subject to continued employment and the retention of the purchased shares for a maximum period of two years and nine months.

	2015		2014	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
At 1 January	-	-	-	-
Granted in the year	1,579	6.03	-	-
Forfeited/lapsed in the year	(168)	6.03	-	-
At 31 December	1,411	6.03	-	-
Options vested at 31 December	-		-	

	2015 RM'000	2014 RM'000
Compensation cost recognised during the year	4	-

The weighted average purchase price for all shares purchased by the Company for awards under the Performance Share Award is £5.79 (2014 : nil). The closing price of the HSBC shares at 31 December 2015 was £5.36 (2014 : £6.09). The weighted average remaining vesting period as at 31 December 2015 was 1.75 years (2014 : nil).

Company No.731530-M

18. Operating revenue

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
2015				
Gross contributions (Note 19)	-	54,930	205,451	260,381
Investment income (Note 21)	7,147	1,844	24,319	36,576
Wakalah fees	61,346	-	-	-
	68,493	56,774	229,770	296,957
2014				
Gross contributions (Note 19)	-	60,819	263,840	324,659
Investment income (Note 21)	6,460	1,575	14,807	25,734
Wakalah fees	81,115	-	-	-
	87,575	62,394	278,647	350,393

19. Net earned contributions

	2015 RM'000	2014 RM'000
Gross contributions		
General Takaful Fund	54,930	60,819
Family Takaful Fund	205,451	263,840
	260,381	324,659
Changes in unearned contribution reserves	966	(3,060)
Changes in contribution refund reserve	(912)	(886)
	260,435	320,713
Contributions ceded to retakaful		
General Takaful Fund	(5,852)	(9,031)
Family Takaful Fund	(30,175)	(40,537)
Changes in unearned contribution reserves	(2,322)	586
	(38,349)	(48,982)
	222,086	271,731
By line of business:		
General Takaful Fund	46,810	48,428
Family Takaful Fund	175,276	223,303
	222,086	271,731

Company No.731530-M

20. Investment income

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
2015				
Profit from government guaranteed sukuk	365	573	7,939	8,877
Profit from government investment issues	817	-	3,456	4,273
Profit from corporate debt securities	4,466	1,383	13,037	18,886
Profit from fixed deposits with licensed Islamic financial institutions	235	183	1,301	1,719
Dividend from quoted equity securities	-	-	12,902	12,902
Investment income/(expense) sharing				
- Takaful Operator	1,578	-	(1,578)	-
- Participants	-	-	(12,519)	(12,519)
Accretion/(amortisation) of government guaranteed sukuk	(18)	(67)	614	529
Accretion/(amortisation) of government investment issues	25	-	(159)	(134)
Amortisation of corporate debt securities	(321)	(228)	(481)	(1,030)
Investment expenses/(income)	-	-	(193)	3,073
	7,147	1,844	24,319	36,576
2014				
Profit from government guaranteed sukuk	111	389	6,980	7,480
Profit from government investment issues	295	51	3,080	3,426
Profit from corporate debt securities	4,716	1,198	11,739	17,653
Profit from fixed deposits with licensed Islamic financial institutions	212	180	1,142	1,534
Dividend from quoted equity securities	-	-	5,930	5,930
Investment income/(expense) sharing				
- Takaful Operator	1,475	-	(1,475)	-
- Participants	-	-	(12,121)	(12,121)
Accretion/(amortisation) of government guaranteed sukuk	1	(30)	566	537
Accretion/(amortisation) of government investment issues	19	(6)	(151)	(138)
Amortisation of corporate debt securities	(369)	(207)	(560)	(1,136)
Investment expenses/(income)	-	-	(323)	2,569
	6,460	1,575	14,807	25,734

21. Fee and commission income

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
2015				
Participant fund administration and investment management services	5,133	-	-	48
Retakaful commission income	-	-	2,013	2,013
Fee and commission income related to takaful contracts	5,133	-	2,013	2,061
2014				
Participant fund administration and investment management services	4,551	-	-	226
Retakaful commission income	-	-	1,155	1,155
Fee and commission income related to takaful contracts	4,551	-	1,155	1,381

22. Management expenses

	Takaful Operator and Company 2015 RM'000	Takaful Operator and Company 2014 RM'000
Personnel expenses		
Contributions to defined contribution plans	2,769	2,519
Salaries and bonus	16,695	15,052
Shariah Committee fee	221	151
Others	2,347	1,727
	22,032	19,449
Auditor remuneration		
Statutory audit fees	216	230
Other services	9	8
Amortisation of intangible assets	4,170	3,697
Depreciation of plant and equipment	162	237
Directors' fees	250	150
Information technology costs	3,159	3,264
Marketing and research	2,414	2,394
Printing and stationery	1,804	796
Professional and consultancy	8,275	6,187
Postage and stamp duties	13	19
Rental of office premises	2,578	1,778
Utilities, assessment and maintenance	113	1,308
Others	1,544	4,446
	46,739	43,963

23. Income tax expense

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
2015				
Current tax expense				
- Current	6,295	653	606	7,554
- Underprovision in prior year	1,071	-	-	1,071
Deferred tax expense (Note 9)	(4,531)	(398)	(284)	(5,213)
	2,835	255	322	3,412
2014				
Current tax expense				
- Current	7,641	-	278	7,919
- Overprovision in prior year	(1,035)	-	-	(1,035)
Deferred tax expense (Note 9)	5	-	(781)	(776)
	6,611	-	(503)	6,108

The income tax for the Takaful Operator and General Takaful Fund is calculated based on the standard corporate tax rate of 25% (2014: 25%) of the estimated assessable profit for the financial year. The income tax for the Family Takaful Fund is calculated based on tax rate of 8% (2014: 8%) of the assessable investment income net of allowable deductions for the financial year.

Reconciliation of effective tax expense

	2015 RM'000	2014 RM'000
Profit before taxation	15,630	10,249
Taxation at Malaysian statutory tax rate 25% (2014: 25%)	3,907	2,562
Income not subject to tax	(7,428)	(168)
Expenses not deductible for tax purposes	9,538	5,252
Tax expense/(income) attributable to participants	577	(503)
Previously unrecognised deductible temporary difference	(4,253)	-
Under/(over) provision in prior year	1,071	(1,035)
Total tax expenses	3,412	6,108

24. Cash flows from operating activities

	Company	
	2015	2014
	RM'000	RM'000
Profit before zakat and taxation	15,630	10,752
Profit from government guaranteed sukuk	(8,877)	(7,480)
Profit from government investment issues	(4,273)	(3,426)
Profit from corporate debt securities	(18,886)	(17,653)
Profit from fixed deposits with licensed Islamic financial institutions	(1,719)	(1,534)
Dividend income from equity securities	(12,902)	(5,930)
Increase in takaful contract liabilities	(4,272)	24,772
Non-cash items		
Amortisation of intangible assets	4,170	3,697
Increase in impairment of receivables	794	51
Depreciation of plant and equipment	162	237
Gain from disposal of plant and equipment	1	-
Fair value movement of investments	3,917	9,129
Net amortisation of investments	636	737
Provision for expense reserves	70	14,646
Changes in working capital:		
Decrease/(increase) in receivables	18,226	(104)
Decrease in payables	(3,665)	(39,736)
Increase in participants' fund	65,724	105,390
Profit paid to participants	(1,316)	(6,986)
Donation to approved charity organisations	-	(379)
Increase in retakaful assets	(4,331)	(19,467)
Cash generated from operating activities	49,089	66,716

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

25. Financial instruments

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss ("FVTPL") - Held for trading ("HFT");
(c) Available-for-sale financial assets ("AFS");
(d) Financial liabilities measured at amortised cost ("FL").

	Carrying Amount RM'000	L&R/ (FL) RM'000	FVTPL -HFT RM'000	AFS RM'000
2015				
Financial assets				
Takaful Operator				
Investment assets	144,872	-	-	144,872
Financing receivables, excluding takaful receivables	45,211	45,211	-	-
Cash and cash equivalents	3,074	3,074	-	-
General Takaful Fund				
Investment assets	50,113	-	-	50,113
Financing receivables, excluding takaful receivables	792	792	-	-
Retakaful assets	43,158	43,158	-	-
Takaful receivables	7,513	7,513	-	-
Cash and cash equivalents	4,549	4,549	-	-
Family Takaful Fund				
Investment assets	952,046	-	492,077	459,969
Financing receivables, excluding takaful receivables	7,251	7,251	-	-
Retakaful assets	43,158	43,158	-	-
Takaful receivables	5,460	5,460	-	-
Cash and cash equivalents	43,604	43,604	-	-
Company				
Investment assets	1,147,031	-	492,077	654,954
Financing receivables, excluding takaful receivables	38,175	38,175	-	-
Retakaful assets	82,549	82,549	-	-
Takaful receivables	12,973	12,973	-	-
Cash and cash equivalents	51,227	51,227	-	-

25. Financial instruments (continued)

25.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R/ (FL) RM'000
2015		
Financial liabilities		
Takaful Operator		
Takaful payables	(1,515)	(1,515)
Other payables	(21,592)	(21,592)
Amount due to shareholders	(27,000)	(27,000)
General Takaful Fund		
Takaful contract liabilities	(94,288)	(94,288)
Takaful payables	(4,518)	(4,518)
Other payables	(7,727)	(7,727)
Family Takaful Fund		
Takaful contract liabilities	(1,012,782)	(1,012,782)
Takaful payables	(12,965)	(12,965)
Other payables	(20,191)	(20,191)
Company		
Takaful contract liabilities	(1,107,070)	(1,107,070)
Takaful payables	(18,998)	(18,998)
Other payables	(34,430)	(34,430)
Amount due to shareholders	(27,000)	(27,000)

Company No.731530-M

25. Financial instruments (continued)

25.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL -HFT RM'000	AFS RM'000
2014				
Financial assets				
Takaful Operator				
Investment assets	133,890	-	-	133,890
Financing receivables, excluding takaful receivables	42,858	42,858	-	-
Cash and cash equivalents	10,083	10,083	-	-
General Takaful Fund				
Investment assets	45,228	-	-	45,228
Financing receivables, excluding takaful receivables	397	397	-	-
Retakaful assets	41,844	41,844	-	-
Takaful receivables	6,226	6,226	-	-
Cash and cash equivalents	2,727	2,727	-	-
Family Takaful Fund				
Investment assets	880,008	-	423,569	456,439
Financing receivables, excluding takaful receivables	6,404	6,404	-	-
Retakaful assets	36,374	36,374	-	-
Takaful receivables	29,362	29,362	-	-
Cash and cash equivalents	52,930	52,930	-	-
Company				
Investment assets	1,059,126	-	423,569	635,557
Financing receivables, excluding takaful receivables	38,066	38,066	-	-
Retakaful assets	78,218	78,218	-	-
Takaful receivables	35,588	35,588	-	-
Cash and cash equivalents	65,740	65,740	-	-

25. Financial instruments (continued)

25.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R/ (FL) RM'000
2014		
Financial liabilities		
Takaful Operator		
Takaful payables	(2,355)	(2,355)
Other payables	(16,546)	(16,546)
Amount due to shareholders	(27,000)	(27,000)
General Takaful Fund		
Takaful contract liabilities	(91,699)	(91,699)
Takaful payables	(2,770)	(2,770)
Other payables	(1,973)	(1,973)
Family Takaful Fund		
Takaful contract liabilities	(954,733)	(954,733)
Takaful payables	(31,225)	(31,225)
Other payables	(17,613)	(17,613)
Company		
Takaful contract liabilities	(1,046,432)	(1,046,432)
Takaful payables	(36,350)	(36,350)
Other payables	(24,539)	(24,539)
Amount due to shareholders	(27,000)	(27,000)

25. Financial instruments (continued)

25.2 Net gains and losses arising from financial instruments

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
2015				
Net gains/(losses) on:				
Financing receivables	234	(652)	3,355	2,937
Fair value through profit or loss	-	-	8,749	8,749
Available-for-sale financial assets	7,012	1,691	10,057	18,761
	7,246	1,039	22,161	30,447
2014				
Net gains/(losses) on:				
Financing receivables	212	87	2,339	2,638
Fair value through profit or loss	-	-	(487)	(487)
Available-for-sale financial assets	6,184	1,342	9,386	16,912
	6,396	1,429	11,238	19,063

25.3 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

25.4 Credit risk

The Company's portfolio of debt securities, and to a lesser extent short-term and other investments, are subject to credit risk. This risk is defined as the potential loss in market value resulting from adverse changes in a borrower's ability to repay the debt.

The Company's objective is to earn competitive relative returns by investing in a diversified portfolio of securities. Management has an investment credit risk policy in place. Limits are established to manage credit quality and concentration risk.

Company No.731530-M

25. Financial instruments (continued)

25.4 Credit risk (continued)

The Company also has takaful receivables and other receivables amounts subject to credit risk. Among the most significant of these are retakaful recoveries. To mitigate the risk of counterparties not paying the amount due, the Company has established certain business and financial guidelines for retakaful approval, incorporating ratings by major agencies and considering currently available market information. The Company also periodically reviews the financial stability of retakaful operators from public and other sources and the settlement trend of amounts due from retakaful companies.

Exposure to credit risk and credit quality

The table below shows the maximum exposure to credit risk for the components on the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
2015				
AFS				
Government investment issues	25,140	-	78,282	103,422
Government guaranteed sukuk	20,049	10,027	155,627	185,703
Corporate debt securities	99,683	40,086	226,060	365,829
FVTPL				
Government investment issues	-	-	10,148	10,148
Government guaranteed sukuk	-	-	53,597	53,597
Corporate debt securities	-	-	75,437	75,437
Collective investment schemes	-	-	340,157	340,157
L&R				
Fixed deposits with licensed Islamic financial institutions	27,000	-	-	27,000
Financing receivables, excluding takaful receivables	18,211	792	7,251	11,175
Retakaful assets	-	43,158	39,391	82,549
Takaful receivables	-	7,513	5,460	7,514
Cash and bank balances	3,074	4,549	43,604	51,227
	193,157	106,125	1,035,014	1,313,758

25. Financial instruments (continued)

25.4 Credit risk (continued)

Exposure to credit risk and credit quality (continued)

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
2014				
AFS				
Government investment issues	19,832	-	77,689	97,521
Government guaranteed sukuk	-	15,066	155,453	170,519
Corporate debt securities	114,058	30,162	223,297	367,517
FVTPL				
Government guaranteed sukuk	-	-	43,823	43,823
Corporate debt securities	-	-	45,655	45,655
Collective investment schemes	-	-	305,620	305,620
Structured investments	-	-	16,387	16,387
L&R				
Fixed deposits with licensed Islamic financial institutions	34,000	2,660	41,780	78,440
Financing receivables, excluding takaful receivables	15,858	397	6,404	11,066
Retakaful assets	-	41,844	36,374	78,218
Takaful receivables	-	6,226	29,362	35,588
Cash and bank balances	3,083	67	11,150	14,300
	186,831	96,462	992,994	1,264,654

Company No.731530-M

25. Financial instruments (continued)

25.4 Credit risk (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to Rating Agency of Malaysia ("RAM") and MARC credit rating of counter parties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

(i) Takaful Operator

	AAA	AA	A	BBB	Not-rated	Total
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
AFS						
Government investment issues	-	-	-	-	25,140*	25,140
Government debt securities	-	-	-	-	20,049*	20,049
Corporate debt securities	84,933	14,750	-	-	-	99,683
L&R						
Fixed deposits with licensed Islamic financial institutions	27,000	-	-	-	-	27,000
Financing receivables, excluding takaful receivables	-	-	-	-	18,211	18,211
Cash and bank balances	3,074	-	-	-	-	3,074
2014						
AFS						
Government investment issues	-	-	-	-	19,832*	19,832
Corporate debt securities	114,058	-	-	-	-	114,058
L&R						
Fixed deposits with licensed Islamic financial institutions	34,000	-	-	-	-	34,000
Financing receivables, excluding takaful receivables	-	-	-	-	15,858	15,858
Cash and bank balances	3,083	-	-	-	-	3,083

* Government issued/guaranteed securities are not rated by RAM or MARC but instead rated A- based on Malaysia sovereign rating accorded by Standard & Poor's.

Company No.731530-M

25. Financial instruments (continued)

25.4 Credit risk (continued)

(i) General Takaful Fund

2015	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not-rated RM'000	Total RM'000
AFS						
Government guaranteed sukuk					10,027*	10,027
Corporate debt securities	40,086	-	-	-	-	40,086
L&R						
Fixed deposits with licensed Islamic financial institutions	-	-	-	-	-	-
Financing receivables, excluding takaful receivables	-	-	-	-	792	792
Retakaful assets	-	-	-	-	43,158	43,158
Takaful receivables	-	-	4,135	318	3,060	7,513
Cash and bank balances	4,549	-	-	-	-	4,549
2014						
AFS						
Government investment issues	-	-	-	-	15,066*	15,066
Corporate debt securities	30,162	-	-	-	-	30,162
L&R						
Fixed deposits with licensed Islamic financial institutions	2,660	-	-	-	-	2,660
Financing receivables, excluding takaful receivables	-	-	-	-	397	397
Retakaful assets	-	-	-	-	41,844	.41,844
Takaful receivables	-	-	-	-	6,226	6,226
Cash and bank balances	67	-	-	-	-	67

* Government issued/guaranteed securities are not rated by RAM or MARC but instead rated A- based on Malaysia sovereign rating accorded by Standard & Poor's.

Company No.731530-M

25. Financial instruments (continued)

25.4 Credit risk (continued)

(ii) Family Takaful Fund

2015	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not-rated RM'000	Total RM'000
AFS						
Government investment issues	-	-	-	-	78,282*	78,282
Government guaranteed sukuk	-	-	-	-	155,627*	155,627
Corporate debt securities	196,815	29,245	-	-	-	226,060
FVTPL						
Government investment issues	-	-	-	-	10,148*	10,148
Government guaranteed sukuk	-	-	-	-	53,597*	53,597
Corporate debt securities	75,437	-	-	-	-	75,437
Collective investment schemes	-	-	-	-	340,157**	340,157
Structured investments	-	-	-	-	-	-
L&R						
Fixed deposits with licensed Islamic financial institutions	-	-	-	-	-	-
Financing receivables, excluding takaful receivables	-	-	-	-	7,251	7,251
Retakaful assets	-	-	-	-	39,391	39,391
Takaful receivables	-	-	-	-	5,460	5,460
Cash and bank balances	43,604	-	-	-	-	43,604

* Government issued/guaranteed securities are not rated by RAM or MARC but instead rated A- based on Malaysia sovereign rating accorded by Standard & Poor's.

** Collective investment schemes are approved funds of Securities Commission of Malaysia

Company No.731530-M

25. Financial instruments (continued)

25.4 Credit risk (continued)

(iii) Family Takaful Fund (continued)

2014	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not-rated RM'000	Total RM'000
AFS						
Government investment issues	-	-	-	-	77,689*	77,689
Government guaranteed sukuk	-	-	-	-	155,453*	155,453
Corporate debt securities	223,297	-	-	-	-	223,297
FVTPL						
Government guaranteed sukuk	-	-	-	-	43,823*	43,823
Corporate debt securities	45,655	-	-	-	-	45,655
Collective investment schemes	-	-	-	-	305,620**	305,620
Structured investments	16,387	-	-	-	-	16,387
L&R						
Fixed deposits with licensed Islamic financial institutions	41,780	-	-	-	-	41,780
Financing receivables, excluding takaful receivables	-	-	-	-	6,404	6,404
Retakaful assets	-	-	-	-	36,374	36,374
Takaful receivables	-	-	-	-	29,362	29,362
Cash and bank balances	11,150	-	-	-	-	11,150

* Government issued/guaranteed securities are not rated by RAM or MARC but instead rated A- based on Malaysia sovereign rating accorded by Standard & Poor's.

** Collective investment schemes are approved funds of Securities Commission of Malaysia

25. Financial instruments (continued)

25.4 Credit risk (continued)

(iv) Company

2015	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not-rated RM'000	Total RM'000
AFS						
Government investment issues	-	-	-	-	103,422*	103,422
Government guaranteed sukuk	-	-	-	-	185,703*	185,703
Corporate debt securities	321,834	43,995	-	-	-	365,829
FVTPL						
Government investment issues	-	-	-	-	10,148*	10,148
Government guaranteed sukuk	-	-	-	-	53,597*	53,597
Corporate debt securities	75,437	-	-	-	-	75,437
Collective investment schemes	-	-	-	-	340,157**	340,157
Structured investments	-	-	-	-	-	-
L&R						
Fixed deposits with licensed Islamic financial institutions	27,000	-	-	-	-	27,000
Financing receivables, excluding takaful receivables	-	-	-	-	11,175	11,175
Retakaful assets	-	-	-	-	82,549	82,549
Takaful receivables	-	-	-	-	7,514	7,514
Cash and bank balances	51,227	-	-	-	-	51,227

* Government issued/guaranteed securities are not rated by RAM or MARC but instead rated A- based on Malaysia sovereign rating accorded by Standard & Poor's.

** Collective investment schemes are approved funds of Securities Commission of Malaysia

25. Financial instruments (continued)

25.4 Credit risk (continued)

(iv) Company (continued)

2014	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not-rated RM'000	Total RM'000
AFS						
Government investment issues	-	-	-	-	97,521*	97,521
Government guaranteed sukuk	-	-	-	-	170,519*	170,519
Corporate debt securities	367,517	-	-	-	-	367,517
FVTPL						
Government guaranteed sukuk	-	-	-	-	43,823*	43,823
Corporate debt securities	45,655	-	-	-	-	45,655
Collective investment schemes	-	-	-	-	305,620**	305,620
Structured investments	16,387	-	-	-	-	16,387
L&R						
Fixed deposits with licensed Islamic financial institutions	78,440	-	-	-	-	78,440
Financing receivables, excluding takaful receivables	-	-	-	-	11,066	11,066
Retakaful assetss	-	-	-	-	78,218	78,218
Takaful receivables	-	-	-	-	35,588	35,588
Cash and bank balances	14,300	-	-	-	-	14,300

* Government issued/guaranteed securities are not rated by RAM or MARC but instead rated A- based on Malaysia sovereign rating accorded by Standard & Poor's.

** Collective investment schemes are approved funds of Securities Commission of Malaysia

Company No.731530-M

25. Financial instruments (continued)

25.4 Credit risk (continued)

Impairment losses

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

(i) Takaful Operator

	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
2015				
AFS				
Government investment issues	25,140	-	-	25,140
Government guaranteed sukuk	20,049	-	-	20,049
Corporate debt securities	99,683	-	-	99,683
L&R				
Fixed deposits with licensed Islamic financial institutions	27,000	-	-	27,000
Financing receivables, excluding takaful receivables	18,211	-	-	18,211
Cash and bank balances	3,074	-	-	3,074
	193,157	-	-	193,157
2014				
AFS				
Government investment issues	19,832	-	-	19,832
Corporate debt securities	114,058	-	-	114,058
L&R				
Fixed deposits with licensed Islamic financial institutions	34,000	-	-	34,000
Financing receivables, excluding takaful receivables	15,858	-	-	15,858
Cash and bank balances	3,083	-	-	3,083
	186,831	-	-	186,831

Company No.731530-M

25. Financial instruments (continued)

25.4 Credit risk (continued)

Impairment losses (continued)

(ii) General Takaful Fund

	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
2015				
AFS				
Government guaranteed sukuk	10,027	-	-	10,027
Corporate debt securities	40,086	-	-	40,086
L&R				
Financing receivables, excluding takaful receivables	792	-	-	792
Retakaful assets	43,158	-	-	43,158
Takaful receivables	1,111	6,402	1,429	8,942
Cash and bank balances	4,549	-	-	4,549
	99,723	6,402	1,429	107,554
2014				
AFS				
Government investment issues	15,066	-	-	15,066
Corporate debt securities	30,162	-	-	30,162
L&R				
Fixed deposits with licensed Islamic financial institutions	2,660	-	-	2,660
Financing receivables, excluding takaful receivables	397	-	-	397
Retakaful assets	41,844	-	-	41,844
Takaful receivables	3,692	2,534	593	6,819
Cash and bank balances	67	-	-	67
	93,888	2,534	593	97,015

Company No.731530-M

25. Financial instruments (continued)

25.4 Credit risk (continued)

Impairment losses (continued)

(iii) Family Takaful Fund

	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
2015				
AFS				
Government investment issues	78,282	-	-	78,282
Government guaranteed sukuk	155,627	-	-	155,627
Corporate debt securities	226,060	-	-	226,060
FVTPL				
Government investment issues	10,148	-	-	10,148
Government guaranteed sukuk	53,597	-	-	53,597
Corporate debt securities	75,437	-	-	75,437
Collective investment schemes	340,157	-	-	340,157
L&R				
Financing receivables, excluding takaful receivables	7,251	-	-	7,251
Retakaful assets	39,391	-	-	39,391
Takaful receivables	-	5,460	4	5,464
Cash and bank balances	43,604	-	-	43,604
	1,029,554	5,460	4	1,035,018
2014				
AFS				
Government investment issues	77,689	-	-	77,689
Government guaranteed sukuk	155,453	-	-	155,453
Corporate debt securities	223,297	-	-	223,297
FVTPL				
Government guaranteed sukuk	43,823	-	-	43,823
Corporate debt securities	45,655	-	-	45,655
Collective investment schemes	305,620	-	-	305,620
Structured investments	16,387	-	-	16,387
L&R				
Fixed deposits with licensed Islamic financial institutions	41,780	-	-	41,780
Financing receivables, excluding takaful receivables	6,404	-	-	6,404
Retakaful assets	36,374	-	-	36,374
Takaful receivables	9,604	19,758	45	29,407
Cash and bank balances	11,150	-	-	11,150
	973,236	19,758	45	993,039

25. Financial instruments (continued)

25.4 Credit risk (continued)

Impairment losses (continued)

(iv) **Company**

	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
2015				
AFS				
Government investment issues	103,422	-	-	103,422
Government guaranteed sukuk	185,703	-	-	185,703
Corporate debt securities	365,829	-	-	365,829
FVTPL				
Government investment issues	10,148	-	-	10,148
Government guaranteed sukuk	53,597	-	-	53,597
Corporate debt securities	75,437	-	-	75,437
Collective investment schemes	340,157	-	-	340,157
L&R				
Fixed deposits with licensed Islamic financial institutions	27,000	-	-	27,000
Financing receivables, excluding takaful receivables	11,175	-	-	11,175
Retakaful assets	82,549	-	-	82,549
Takaful receivables	1,111	11,862	1,433	14,406
Cash and bank balances	51,227	-	-	51,227
	1,307,355	11,862	1,433	1,320,650
2014				
AFS				
Government investment issues	97,521	-	-	97,521
Government guaranteed sukuk	170,519	-	-	170,519
Corporate debt securities	367,517	-	-	367,517
FVTPL				
Government guaranteed sukuk	43,823	-	-	43,823
Corporate debt securities	45,655	-	-	45,655
Collective investment schemes	305,620	-	-	305,620
Structured investments	16,387	-	-	16,387
L&R				
Fixed deposits with licensed Islamic financial institutions	78,440	-	-	78,440
Financing receivables, excluding takaful receivables	11,066	-	-	11,066
Retakaful assets	78,218	-	-	78,218
Takaful receivables	13,296	22,292	638	36,226
Cash and bank balances	14,300	-	-	14,300
	1,242,362	22,292	638	1,265,292

25. Financial instruments (continued)

25.4 Credit risk (continued)

Impairment losses (continued)

The movement in the allowance for impairment losses of receivables during the financial year were:

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
At 1 January 2014	-	500	87	587
Impairment loss	-	93	-	93
Write back of impairment loss	-	-	(42)	(42)
At 31 December 2014/ 1 January 2015	-	593	45	638
Impairment loss	-	836	-	836
Writeback of impairment loss	-	-	(41)	(41)
At 31 December 2015	-	1,429	4	1,433

Aged analysis of financial assets past due but not impaired

	>90 days RM'000	>120 days RM'000	Total RM'000
2015			
Takaful receivables			
General Takaful Fund	204	6,198	6,402
Family Takaful Fund	1,257	4,203	5,460
Company	1,461	10,401	11,862
2014			
Takaful receivables			
General Takaful Fund	262	2,272	2,534
Family Takaful Fund	5,545	14,213	19,758
Company	5,807	16,485	22,292

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

25. Financial instruments (continued)

25.4 Credit risk (continued)

Impairment losses (continued)

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

At 31 December 2015, based on a collective assessment of receivables, there are impaired takaful receivables of RM797,000 (2014: RM539,000). There is an individual impairment loss of RM636,000 (2014: RM99,000) relating to the downgraded rating to B+ of one retakaful of which now-lifted winding up order during the financial year. For assets to be classified as impaired, contractual payments must be in arrears for more than three (3) months. No collateral is held as security for any past due or impaired assets. The Company records impairment of financing receivables and takaful receivables in separate impairment accounts.

25.5 Liquidity risk

The Company has to meet daily calls on its cash resources, notably from claims arising on its takaful contracts and early surrender of certificates for surrender value. There is therefore a risk that cash will not be available to settle liabilities when due at a reasonable cost. The Company manages this risk by monitoring and setting an appropriate level of operating funds to settle these liabilities. Investment portfolios are also structured with regards to the liquidity requirement of each underlying fund, and withdrawal fee applies to reduce unexpected cash requirements.

Company No.731530-M

25. Financial instruments (continued)

25.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the financial liabilities of the Company based on remaining undiscounted contractual obligations.

	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity RM'000	Total RM'000
2015							
(i) Takaful Operator							
Takaful payables	1,515	-	-	-	-	-	1,515
Other payables	21,592	-	-	-	-	-	21,592
Amount due to shareholders	-	-	27,000	-	-	-	27,000
Total liabilities	23,107	-	27,000	-	-	-	50,107
(ii) General Takaful Fund							
Takaful contract liabilities	37,992	53,918	2,409	-	-	(31)	94,288
Takaful payables	4,518	-	-	-	-	-	4,518
Other payables	7,227	-	-	-	-	-	7,214
Total liabilities	106,033	53,918	2,409	-	-	(31)	106,020
(iii) Family Takaful Fund							
Takaful contract liabilities	787,587	29,618	28,773	118,071	72,916	(3,742)	1,033,223
Takaful payables	12,965	-	-	-	-	-	12,965
Other payables	20,191	-	-	-	-	-	20,191
Total liabilities	820,743	29,618	28,773	118,071	72,916	(3,742)	1,066,379
(iv) Company							
Takaful contract liabilities	824,400	80,075	26,935	113,207	72,916	(3,773)	1,113,760
Takaful payables	18,998	-	-	-	-	-	18,998
Other payables	34,430	-	-	-	-	-	34,430
Amount due to shareholders	-	-	27,000	-	-	-	27,000
Total liabilities	877,828	80,075	53,935	113,207	72,916	(3,773)	1,194,188

Company No.731530-M

25. Financial instruments (continued)

25.5 Liquidity risk (continued)

Maturity analysis (continued)

	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity RM'000	Total RM'000
2014							
(i) Takaful Operator							
Takaful payables	2,355	-	-	-	-	-	2,355
Other payables	16,546	-	-	-	-	-	16,546
Amount due to shareholders	-	-	27,000	-	-	-	27,000
Total liabilities	18,901	-	27,000	-	-	-	45,901
(ii) General Takaful Fund							
Takaful contract liabilities	47,709	37,663	6,281	109		(62)	91,699
Takaful payables	2,770	-	-	-	-	-	2,770
Other payables	1,973	-	-	-	-	-	1,973
Total liabilities	96,442	37,663	6,281	109		(62)	96,442
(iii) Family Takaful Fund							
Takaful contract liabilities	742,331	29,457	26,623	104,035	62,378	(3,558)	961,266
Takaful payables	31,225	-	-	-	-	-	31,225
Other payables	17,613	-	-	-	-	-	17,613
Total liabilities	791,169	29,457	26,623	104,035	62,378	(3,558)	1,010,104
(iv) Company							
Takaful contract liabilities	794,499	64,480	29,330	98,681	62,378	(3,620)	1,045,748
Takaful payables	36,350	-	-	-	-	-	36,350
Other payables	24,539	-	-	-	-	-	24,539
Amount due to shareholders	-	-	27,000	-	-	-	27,000
Total liabilities	855,388	64,480	56,330	98,681	62,378	(3,620)	1,133,637

25. Financial instruments (continued)

25.6 Market risk

Market risk is the risk of loss in the valuation of the Company's investments due to adverse changes or volatility of prices in economic and financial markets. Market risk comprises of profit rate risk and price risk.

25.6.1 Profit rate risk

The Company is mainly exposed to profit rate risk arising from its holdings of debt securities. The Company calculates and monitors on a monthly basis its Present Value of Basis Point ("PVBP"), which measures the impact on asset and liability cash flows of a one basis point increase in profit rate and its utilisation of market risk limits set by the Company's Insurance Head Office, based on the Company's profile.

Currently, the Company invests and issues certificates in local currency only. The underlying equity and profit rate risk in investment-linked business is borne by the participant as the participants benefits are directly linked to the value of the fund's assets. The Company's market risk to this business is therefore limited to the extent that fee income from investment-linked business is based on the net asset value of the fund.

Exposure to profit rate risk

The profit rate profile of the Company's significant profit-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
2015				
Fixed rate instruments				
Financial assets	144,872	50,113	599,151	794,136
2014				
Fixed rate instruments				
Financial assets	133,890	45,228	545,917	725,035

25. Financial instruments (continued)

25.6 Market risk (continued)

25.6.1 Profit rate risk (continued)

Profit rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Company accounts for certain fixed rate financial assets at fair value through statement of profit or loss. Therefore, these financial assets are exposed to a risk of change in their fair value due to changes in profit rates.

The analysis below assumes that all other variables remain constant:

		Impact on equity/participants' funds		
	Change in variables	Takaful Fund RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000
2015				
Profit rate	+100bps	-	-	(9,365)
Profit rate	-100bps	-	-	10,356
2014				
Profit rate	+100bps	-	-	(7,251)
Profit rate	-100bps	-	-	8,157

25.6.2 Equity price risk

Equity price risk arises from the Company's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

The equity investment portfolio of the Company is exposed to movements in equity markets. The Company outsources its investment function of the equity investment portfolio to external fund manager. The Company manages its equity price risk by continuous monitoring of the exposure against policies set and agreed in the investment mandate. These policies include monitoring the portfolio's exposure against benchmark set and single security exposure of the portfolio against the limits set.

25. Financial instruments (continued)

25.6 Market risk (continued)

25.6.2 Other price risk (continued)

Equity price risk sensitivity analysis

This analysis assumes that all other variables remain constant and the Company's equity investments move in correlation with the FTSE Bursa Malaysia KLCI ("FBMKLCI").

A 10% strengthening in the FBMKLCI at the end of the reporting period would have increased participants' fund and equity by the amounts shown below. A 10% weakening in the FBMKLCI would have equal but opposite effect on participants' funds, equity and profit or loss respectively.

		Impact on equity/participants' funds		
	Change in variables	Takaful Fund RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000
2015				
Equity price	+10bps	-	-	34,631
Equity price	-10bps	-	-	(34,631)
2014				
Equity price	+10bps	-	-	31,770
Equity price	-10bps	-	-	(31,770)

25.7 Fair value information

The carrying amounts of takaful receivables, other receivables (excluding prepayments), cash and cash equivalents, takaful payables and other payables reasonably approximate fair values due to the relatively short term nature of these financial instruments.

Company No.731530-M

25. Financial instruments (continued)

25.7 Fair value information (continued)

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	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Takaful Operator										
Financial assets										
Government investment issues	-	25,140	-	25,140	-	-	-	-	25,140	25,140
Government guaranteed sukuk	-	20,049	-	20,049	-	-	-	-	20,049	20,049
Corporate debt securities	-	99,683	-	99,683	-	-	-	-	99,683	99,683
Financial liabilities										
Amount due to shareholders	-	-	-	-	-	-	(23,850)	(23,850)	(23,850)	(27,000)
General Takaful Fund										
Financial assets										
Government guaranteed sukuk	-	10,027	-	10,027	-	-	-	-	10,027	10,027
Corporate debt securities	-	40,086	-	40,086	-	-	-	-	40,086	40,086

Company No.731530-M

25. Financial instruments (continued)

25.7 Fair value information (continued)

2015	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	RM'000	RM'000
Family Takaful Fund										
Financial assets										
Quoted equity securities	12,738	-	-	12,738	-	-	-	-	12,738	12,738
Collective investment schemes	-	340,157	-	340,157	-	-	-	-	340,157	340,157
Government investment issues	-	88,430	-	88,430	-	-	-	-	88,430	88,430
Government guaranteed sukuk	-	209,224	-	209,224	-	-	-	-	209,224	209,224
Corporate debt securities	-	301,497	-	301,497	-	-	-	-	301,497	301,497
	12,738	939,308	-	952,046	-	-	-	-	952,046	952,046
Company										
Financial assets										
Quoted equity securities	12,738	-	-	12,738	-	-	-	-	12,738	12,738
Collective investment schemes	-	340,157	-	340,157	-	-	-	-	340,157	340,157
Government investment issues	-	113,570	-	113,570	-	-	-	-	113,570	113,570
Government guaranteed sukuk	-	239,300	-	239,300	-	-	-	-	239,300	239,300
Corporate debt securities	-	441,266	-	441,266	-	-	-	-	441,266	441,266
	12,738	1,134,293	-	1,147,031	-	-	-	-	1,147,031	1,147,031
Financial liabilities										
Amount due to shareholders	-	-	-	-	-	-	(23,850)	(23,850)	(23,850)	(27,000)

Company No.731530-M

25. Financial instruments (continued)

25.7 Fair value information (continued)

2014	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	RM'000	RM'000
Takaful Operator										
Financial assets										
Government investment issues	-	19,832	-	19,832	-	-	-	-	19,832	19,832
Corporate Debt securities	-	114,058	-	114,058	-	-	-	-	114,058	114,058
Financial liabilities										
Amount due to shareholders	-	-	-	-	-	-	(23,347)	(23,347)	(23,347)	(27,000)
General Takaful Fund										
Financial assets										
Government guaranteed sukuk	-	15,066	-	15,066	-	-	-	-	15,066	15,066
Corporate Debt securities	-	30,162	-	30,162	-	-	-	-	30,162	30,162

Company No.731530-M

25. Financial instruments (continued)

25.7 Fair value information (continued)

2014	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Family Takaful Fund										
Financial assets										
Quoted equity securities	12,084	-	-	12,084	-	-	-	-	12,084	12,084
Collective investment schemes	-	305,620	-	305,620	-	-	-	-	305,620	305,620
Structured investments	-	16,387	-	16,387	-	-	-	-	16,387	16,387
Government investment issues	-	77,689	-	77,689	-	-	-	-	77,689	77,689
Government guaranteed sukuk	-	199,276	-	199,276	-	-	-	-	199,276	199,276
Corporate debt securities	-	268,952	-	268,952	-	-	-	-	268,952	268,952
	12,084	867,924	-	880,008	-	-	-	-	880,008	880,008
Company										
Financial assets										
Quoted equity securities	12,084	-	-	12,084	-	-	-	-	12,084	12,084
Collective investment schemes	-	305,620	-	305,620	-	-	-	-	305,620	305,620
Structured investments	-	16,387	-	16,387	-	-	-	-	16,387	16,387
Government investment issues	-	97,521	-	97,521	-	-	-	-	97,521	97,521
Government guaranteed sukuk	-	214,342	-	214,342	-	-	-	-	214,342	214,342
Corporate debt securities	-	413,172	-	413,172	-	-	-	-	413,172	413,172
	12,084	1,047,042	-	1,059,126	-	-	-	-	1,059,126	1,059,126
Financial liabilities										
Amount due to shareholders	-	-	-	-	-	-	(23,347)	(23,347)	(23,347)	(27,000)

25. Financial instruments (continued)

25.7 Fair value information (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.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of expected future cash flows, discounted at the market rate of profit rate at the end of the reporting period.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2014: NIL).

Level 3 fair value

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

25. Financial instruments (continued)

25.7 Fair value information (continued)

Level 3 fair value (continued)

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and profit cash flows, discounted at the profit rate at the end of the reporting period as disclosed below:

Profit rates used to determine fair value

The profit rates used to discount estimated cash flows are as follows:

	Takaful Operator and Company	
	2015	2014
	%	%
Amount due to shareholders	3.15	3.06

26. Capital management

The objective of the Company's Capital Management Plan ("CMP") is to ensure that the Company has sufficient working capital including equity (share capital and retained reserves) to support planned business growth and to meet regulatory capital requirements established by the local regulator at all times in a prudent and efficient manner.

In order to achieve these objectives, the CMP sets out the optimal amount and mix of regulatory and working capital required to ensure that these objectives are met.

26. Capital management (continued)

The capital structure of the Company as at the date of the statement of financial position, consisting of all funds as prescribed under the Risk Based Capital Framework is provided below:

	2015 RM'000	2014 RM'000
Eligible Tier 1 Capital		
Share capital	100,000	100,000
Reserve, including retained earnings	18,466	6,582
Valuation surplus maintained in the takaful funds	50,417	39,156
Eligible Tier 2 Capital		
AFS fair value reserves	(719)	(663)
PSIA	21,600	27,000
Amount deducted from capital	(20,506)	(12,042)
Capital available	169,259	160,033
Total capital available	147,672	148,039

27. Takaful risk

The Company is exposed to the following risks in respect of its takaful operations:

27.1 Operational risk

Operational risk is the risk of loss from system failures, human error, fraud or other external events. The Company categorises these risks into four areas: people, process, system and external and has put in place internal controls, including, but not limited to segregation of duties, access controls, authorisation and reconciliation, adequate staff training and assessment on regulatory and operational matters and use of internal audit to mitigate those risks.

HSBC Group standards require the Company to identify its top 10 operational risks and management to report to the Risk Committee on actions taken to reduce those risks. Any operational incident with or without financial loss is reported for monitoring purpose and assessment of severity and remedial action.

27.2 Underwriting risk

A portion of the risks underwritten is ceded in order to protect exposures to losses and protect capital resources. Under the terms of these retakaful/reinsurance arrangements the retakaful operators/reinsurers agree to reimburse the ceded amount in the event of a claim. However, the Takaful Funds remain liable to its participants with respect to the risk ceded, if any retakaful operator/reinsurer fails to meet the obligations assumed. Proportional and non-proportional retakaful /reinsurance is availed in order to reduce net exposure through treaty and facultative reinsurance arrangements.

27. Takaful risk (continued)

27.3 Other risks

Further description of takaful risk in respect of General Takaful contracts and Family Takaful contracts is set out in the following paragraphs.

(a) General takaful contracts

The table below sets out the concentration of contributions of General Takaful contracts by type of contract.

	Gross RM'000	Retakaful RM'000	Net RM'000
2015			
Fire	40,725	(5,094)	35,631
Personal accident	10,619	9	10,628
Miscellaneous	2,022	(408)	1,614
Marine	1,564	(359)	1,205
	54,930	(5,852)	49,078
2014			
Fire	43,562	(7,428)	36,134
Personal accident	13,558	(562)	12,996
Miscellaneous	2,381	(676)	1,705
Marine	1,318	(365)	953
	60,819	(9,031)	51,788

Principal assumptions - estimation of General Takaful liabilities

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

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

Sensitivities

The General Takaful claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain other assumptions such as legislative changes or uncertainty in the estimation process.

27. Takaful risk (continued)

27.3 Other risks (continued)

(a) General Takaful contracts (continued)

Sensitivities (continued)

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and underwriting surplus. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on under-writing surplus RM'000
2015				
Fire loss ratio	1	6,499	1,965	(884)
Personal accident loss ratio	2	5,268	2,213	(996)
2014				
Fire loss ratio	3	5,093	2,662	(1,198)
Personal accident loss ratio	4	5,913	3,175	(1,429)

Sensitivity information will also vary according to current economic assumptions. The probability for 1% and 4% deterioration in outstanding loss ratio is 1 in 10 years, for fire and personal accident class respectively. Sensitivity analysis is not performed for miscellaneous and marine classes due to the relatively low value of contributions from these classes; changes in assumptions are not expected to materially impact gross and net liabilities and underwriting surplus.

Claims development table

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

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary for confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

Company No.731530-M

27. Takaful risk (continued)

27.3 Other risks (continued)

(a) General takaful contracts (continued)
Claims development table (continued)

Best Estimation for Gross General Takaful Certificate Liabilities for 2015

Accident year	Note	Prior to 2010 RM '000	2010 RM '000	2011 RM '000	2012 RM '000	2013 RM '000	2014 RM '000	2015 RM '000	Sub Total RM '000	Inward Treaty& MMIP RM '000	Total RM '000
At the end of accident year		11,035	11,866	21,862	12,852	36,929	24,291	14,623	14,623	-	14,623
One year later		9,704	10,781	21,493	12,575	41,481	26,917	-	26,917	-	26,917
Two year later		7,196	8,273	19,314	12,310	41,608	-	-	41,608	-	41,608
Three year later		7,768	8,645	18,579	13,031	-	-	-	13,031	-	13,031
Four year later		7,544	8,372	17,579	-	-	-	-	17,579	-	17,579
Five year later		7,112	7,994	-	-	-	-	-	7,994	-	7,994
Six year later		6,962	-	-	-	-	-	-	6,962	-	6,961
Seven year later		-	-	-	-	-	-	-	-	-	-
Current Estimate of cumulative claim incurred		6,962	7,994	17,579	13,031	41,608	26,917	14,623	128,714	-	128,714

Company No.731530-M

27. Takaful risk (continued)

27.3 Other risks (continued)

(a) **General takaful contracts (continued)**
Claims development table (continued)

Best Estimation for Gross General Takaful Certificate Liabilities for 2015

Accident year	Note	Prior to 2010 RM	2010 RM '000	2011 RM '000	2012 RM '000	2013 RM '000	2014 RM '000	2015 RM '000	Sub Total RM '000	Inward Treaty& MMIP RM '000	Total RM '000
At the end of accident year		4,835	3,670	7,841	3,795	3,559	3,195	2,456	2,456	-	2,456
One year later		6,080	7,965	8,449	8,154	10,215	11,520	-	11,520	-	11,520
Two year later		6,367	7,237	13,381	10,169	17,422	-	-	17,422	-	17,422
Three year later		6,961	7,237	13,385	11,290	-	-	-	11,290	-	11,290
Four year later		6,961	7,237	13,391	-	-	-	-	13,391	-	13,391
Five year later		6,962	7,240	-	-	-	-	-	7,240	-	7,240
Six year later		6,962	-	-	-	-	-	-	6,962	-	6,962
Seven year later		-	-	-	-	-	-	-	-	-	-
Cumulative payments to date		6,962	7,240	13,391	11,290	17,422	11,520	2,456	70,281	-	70,281
Gross general takaful cerificates liabilities											
Best estimate of Claims Liabilities (incl. ALAE)		1	754	4,188	1,741	24,186	15,397	12,166			58,433
Fund PRAD at 75%											8,146
Total											66,579

Company No.731530-M

27. Takaful risk (continued)

27.3 Other risks (continued)

(a) **General takaful contracts (continued)**
Claims development table (continued)

Best Estimation for Gross General Takaful Certificate Liabilities for 2015

Accident year	Note	Prior 2010 RM '000	2010 RM '000	2011 RM '000	2012 RM '000	2013 RM '000	2014 RM '000	2015 RM '000	Sub Total RM '000	Inward Treaty& MMIP RM '000	Total RM '000
At the end of accident year		5,534	8,048	7,399	11,570	15,232	18,019	10,003	10,003	-	10,003
One year later		6,883	7,312	6,234	10,400	13,246	12,929	-	12,929	-	12,929
Two year later		6,934	7,086	5,594	9,902	11,990	-	-	11,990	-	11,990
Three year later		7,598	6,933	5,121	9,014	-	-	-	9,014	-	9,014
Four year later		7,339	6,718	4,325	-	-	-	-	4,325	-	4,325
Five year later		6,931	6,361	-	-	-	-	-	6,361	-	6,361
Six year later		6,781	-	-	-	-	-	-	6,781	-	6,781
Seven year later		-	-	-	-	-	-	-	-	-	-
Current Estimate of cumulative claim incurred		6,781	6,361	4,325	9,014	11,990	12,929	10,003	61,403	-	61,403

Company No.731530-M

27. Takaful risk (continued)

27.3 Other risks (continued)

(a) General takaful contracts (continued)
Claims development table (continued)

Best Estimation for Gross General Takaful Certificate Liabilities for 2015

Accident year	Note	Prior 2010 RM '000	2010 RM '000	2011 RM '000	2012 RM '000	2013 RM '000	2014 RM '000	2015 RM '000	Sub Total RM '000	Inward Treaty& MMIP RM '000	Total RM '000
At the end of accident year		4,713	2,867	2,808	3,500	3,004	2,765	2,355	2,355	-	2,355
One year later		5,862	5,364	3,419	6,696	6,230	7,224	-	7,224	-	7,224
Two year later		6,128	6,031	3,880	8,028	9,049	-	-	9,049	-	9,049
Three year later		6,771	6,031	3,883	8,198	-	-	-	8,198	-	8,198
Four year later		6,771	6,075	3,889	-	-	-	-	3,889	-	3,889
Five year later		6,781	6,075	-	-	-	-	-	6,075	-	6,075
Six year later		6,781	-	-	-	-	-	-	6,781	-	6,781
Seven year later		-	-	-	-	-	-	-	-	-	-
Cumulative payments to date		6,781	6,075	3,889	8,198	9,049	7,224	2,355	43,571	-	43,571
Net general takaful cerificates liabilities											
Best estimate of Claims Liabilities (incl. ALAE)		1	287	436	815	2,941	5,705	7,648			17,833
Fund PRAD at 75%											6,493
Total											24,326

27. Takaful risk (continued)

(b) Family takaful contracts

The following gives details of the Company's main product categories:

	Gross RM'000	Retakaful RM'000	Net RM'000
2015			
Endowment	360,385	-	360,385
Mortgage	298,505	(28,363)	270,142
Investment-linked	341,446	-	341,446
Total family reserves	1,000,336	(28,363)	971,973
2014			
Endowment	345,354	-	345,354
Mortgage	272,262	(24,146)	248,116
Investment-linked	322,905	-	322,905
Total family reserves	940,521	(24,146)	916,375

All Family Takaful contract liabilities arise from Malaysia.

Principle assumptions - estimation of Family Takaful liabilities

Judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

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

- Mortality and morbidity rates
- Investment returns
- Expenses
- Lapse and surrender rates
- Discount rates

27. Takaful risk (continued)

(b) Family takaful contracts (continued)

A summary of key assumptions used for sensitivity analysis is as below:

	Mortality and morbidity rates %	Investment returns %	Expense %	Lapse and surrender rates %	Discount rate %
2015					
Endowment	+10% (ii)	+1.0%	+10%	+50%	-1.0%
Mortgage	+10% (ii)	+1.0%	+10%	+50%	-1.0%
Investment-linked	+10% (i)&(ii)	+1.0%	+10%	+50%	-1.0%
2014					
Endowment	+10% (ii)	+1.0%	+10%	+50%	-1.0%
Mortgage	+10% (ii)	+1.0%	+10%	+50%	-1.0%
Investment-linked	+10% (i)&(ii)	+1.0%	+10%	+50%	-1.0%

(i) 10% industry mortality and morbidity experience tables that were observed in Malaysia between year 1983 and 1988 and 90% retakaful rates.

(ii) 100% retakaful rates

Sensitivities

The analysis below is performed for reasonably possible movements in each of the key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and underwriting surplus. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on under-writing surplus RM'000
2015				
Mortality and morbidity	+10	18,177	3,236	(3,236)
Investment returns	+100bps	-	-	-
Expense*	+10	7,734	7,734	-
Lapse and surrender rates	+50	5,120	7,134	(7,134)
Discount rates	-100bps	19,699	18,276	(18,276)

27. Takaful risk (continued)

(b) Family takaful contracts (continued)

Sensitivities (continued)

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on under-writing surplus RM'000
2014				
Mortality and morbidity	+10	16,691	3,093	(3,093)
Investment returns	+100bps	7	6	(6)
Expense*	+10	7,331	7,331	0
Lapse and surrender rates	+50	4,715	6,782	(6,782)
Discount rates	-100bps	18,125	16,793	(16,793)

*This assumption applies on Operator Expense Liability in relation to family fund.

28. Capital and other commitments

	Takaful Operator and Company	
	2015 RM'000	2014 RM'000
Capital expenditure commitments		
Intangible assets		
Approved but not contracted for	8,052	12,024

29. Related parties

Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Company, and certain members of senior management of the Company.

The Company has related party relationship with its holding companies, related companies, Directors and key management personnel.

29. Related parties (continued)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under agreed terms and conditions. The significant related party transactions of the Company are as follows:

	2015 RM'000	2014 RM'000
Immediate holding company		
Profit expenses (PSIA)	(398)	(410)
Related companies		
Contribution income for Family Takaful	1,586	5,295
Contribution income for General Takaful	4,180	3,021
Claims expense for Family Takaful	(537)	(4,723)
Claims expense for General Takaful	(99)	(250)
Investment income	1,611	2,262
Fees and commission	(15,203)	(12,763)
Information technology costs and professional and consultancy fees	(4,086)	(4,618)
Rental and maintenance expenses	(2,453)	(2,797)
Shared cost for service centre and support service and administrative recharges	(7,605)	(3,563)
Profit expenses (PSIA)	(421)	(427)
Marketing allowance and campaigns	(1,336)	(1,124)

The significant outstanding balances of the Company as at 31 December 2015 with its related parties are as follows:

	2015 RM'000	2014 RM'000
Amount due from/(to):		
Structured investments	-	16,387
Fixed deposits with licensed financial institutions	27,000	75,500
Bank balances	47,991	14,287
Financing receivables	330	601
Amount due to shareholders	(28,269)	(27,837)
Other payables	(10,895)	(5,985)

Company No.731530-M

30. Key Management Personnel Compensation

The key management personnel compensations are as follows:

	Takaful Operator and Company	
	2015	2014
	RM'000	RM'000
Key management personnel		
Chief executive officer:		
Yahya Adnan Ahmad (appointed on 7 August 2015)		
Salary	295	-
Bonus	-	-
Contributions to defined contribution plans	59	-
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	52	-
Zainudin bin Ishak (resigned on 31 January 2015)		
Salary	55	652
Bonus	-	509
Contributions to defined contribution plans	12	218
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	28	122
Non-executive directors:		
Fees:		
Kasim bin Zakaria	50	50
Datuk Haron bin Siraj	50	50
K. Vithyatharan A/L V Karunakaran	33	-
Sazaliza bin Zainuddin	25	25
Shariah committee members		
Fees:		
En. Khairul Anuar Ahmad	20	20
En. Muhammad Ali Jinnah Ahmad	24	24
En. Muhamad Faisal Ashaari	20	20
Assoc. Prof. Dr. Md. Som Sujimon	20	20
Asst. Prof. Dr. Ghazali Jaapar	20	20
Other emoluments:		
En. Khairul Anuar Ahmad	7	13
En. Muhammad Ali Jinnah Ahmad	8	8
En. Muhamad Faisal Ashaari	7	12
Assoc. Prof. Dr. Md. Som Sujimon	6	5
Asst. Prof. Dr. Ghazali Jaapar	7	8
	798	1,776

30. Key Management Personnel Compensation (continued)

Key management personnel include the Company's Executive and Non-Executive Directors and are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. There are no transactions with key management personnel other than compensation.

31. Family Takaful Funds

Statement of financial position by fund

	Note	Family Takaful Fund RM'000	Investment-linked Funds RM'000	Total 2015 RM'000	Total 2014 RM'000
Assets					
Investment assets	5	611,889	340,157	952,046	880,008
Retakaful assets	6	39,391	-	39,391	36,374
Financing receivables, excluding takaful receivables	7	6,335	916	7,251	6,404
Takaful receivables	8	5,460	-	5,460	29,362
Deferred tax assets	9	232	604	836	536
Cash and cash equivalents	10	42,375	1,229	43,604	52,930
Total family takaful assets		705,682	342,906	1,048,588	1,005,614
Liabilities					
Takaful contract liabilities	12	671,175	341,607	1,012,782	954,733
Takaful payables	14	12,965	-	12,965	31,225
Other payables	15	20,369	(178)	20,191	17,613
Current tax liabilities		1,173	1,477	2,650	2,043
Total family takaful liabilities		705,682	342,906	1,048,588	1,005,614

31. Family Takaful Funds (continued)

Statement of profit or loss by fund

	Note	Family Takaful Fund RM'000	Investment-linked Funds RM'000	Total 2015 RM'000	Total 2014 RM'000
Gross contributions	19	126,045	79,406	205,451	263,840
Contributions ceded to retakaful	19	(30,175)	-	(30,175)	(40,537)
Net earned contributions		95,870	79,406	175,276	223,303
Gross benefits and claims paid		(75,744)	(60,847)	(136,590)	(134,939)
Claims ceded to retakaful		24,538	-	24,538	23,485
Gross changes in claims liabilities		1,766	-	1,766	(4,128)
Changes in claims liabilities ceded to retakaful		(1,199)	-	(1,199)	3,749
Net benefits and claims		(50,639)	(60,847)	(111,485)	(111,833)
Investment income	20	11,882	12,437	24,319	14,807
Realised gains and losses		(1,181)	1,070	(110)	2,969
Fee and commission income	21	2,013	-	2,013	1,155
Writeback of impairment of receivables		41	-	41	42
Other income		12,756	13,507	26,263	18,973
Wakalah fees		(22,028)	(8,150)	(30,178)	(47,093)
Fair value losses (unrealised)		808	(4,726)	(3,918)	(9,129)
Other expenses		(2,165)	(767)	(2,932)	(806)
Other expenses		(23,385)	(13,643)	(37,028)	(57,028)
Net underwriting surplus from operations		34,603	18,423	53,026	73,415
Surplus attributable to participants		(4,762)	-	(4,762)	(3,449)
Surplus attributable to Takaful Operator		(5,097)	-	(5,097)	(4,389)
Net surplus retained in takaful funds		(24,305)	(18,540)	(42,845)	(66,080)
Surplus/(deficit) before taxation		439	(117)	322	(503)

HSBC Amanah Takaful (Malaysia) Berhad

(Company No. 731530-M)
(Incorporated in Malaysia)

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 7 to 114 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the requirements of the Companies Act, 1965 in Malaysia and comply with the Principles of Shariah, so as to give a true and fair view of the financial position of the Company as at 31 December 2015 and of its financial performance and cash flows for the financial year then ended.

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

....

Kasim bin Zakaria

....

K. Vithyatharan A/L V Karunakaran

Kuala Lumpur,

Date: 16 March 2016

HSBC Amanah Takaful (Malaysia) Berhad

(Company No. 731530-M)
(Incorporated in Malaysia)

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Sanjeev Suresh** the officer primarily responsible for the financial management of HSBC Amanah Takaful (Malaysia) Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 7 to 114 are correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 16 March 2016.

....
Sanjeev Suresh

Before me:

PESURUHJAYA SUMPAH
W 703
MOHD FITRY ABDUL GHANI
MALAYSIA

NO: 58A, JALAN BUKIT RAJA
TAMAN SEPUTEH
58000 KUALA LUMPUR

HSBC Amanah Takaful (Malaysia) Berhad

(Company No. 731530-M)
(Incorporated in Malaysia)

Report of the Shariah Committee

In the name of Allah, the Beneficent, the Merciful

In compliance with the letter of appointment, we are required to submit the following report:

We have deliberated and confirmed on the principles and the contracts relating to the transactions and applications introduced by HSBC Amanah Takaful (Malaysia) Berhad ("the Company") for the period 1 January 2015 to 31 December 2015. We have also confirmed all the review done by internal audit and Shariah unit of the Company to form an opinion as to whether the Company has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

The management of the Company is responsible for ensuring that the financial institution conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on our observation via all information supplied to us on the operations of the Company and to report to you.

We have assessed the work carried out by the Shariah unit and internal audit of the Company which includes examining, on a test basis, each type of transaction, the relevant documentation and procedures adopted by the Company.

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

In our opinion:

1. the contracts, transactions and dealings entered into by the Company during the period 1 January 2015 to 31 December 2015 that we have observed are in compliance with the Shariah principles;

2. the allocation of the profit and charging of the losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;

3. all earnings that have been realised from sources by means prohibited by the Shariah principles have been considered for disposal to charitable;

4. all the Shariah review done by Shariah unit and internal audit had been supplied to us and we concluded that the findings of the Shariah reviews were satisfactory; and

5. the methodology of zakat calculation has been tabled to us and we found the methodology is in compliance with the Shariah principles.

Company No.731530-M

Report of the Shariah Committee
(continued)

We, the Shariah Committee of the Company do hereby confirm that in our opinion, the operations of the Company to the best of its effort for the year ended 31 December 2015 and to the best of our knowledge, have been conducted in conformity with the Shariah principles.

....

Muhammad Ali Jinnah bin Ahmad

....

Khairul Anuar Ahmad

Kuala Lumpur,

Date: 16 March 2016

Company No.731530-M

Report of the Shariah Committee
(continued)

SHARIAH COMMITTEE MEETINGS OF HSBC AMANAH TAKAFUL MALAYSIA BERHAD YEAR 2015

No	Month	No. of Meeting	Meeting Ref (Date)
1.	January	01 (15)	22 January 2015
2.	February	02 (15)	16 February 2015
3.	March	03 (15)	18 March 2015
4.	April	04 (15)	20 April 2015
5.	May	05 (15)	-
6.	June	06 (15)	8 June 2015
7.	June (Ad Hoc)	AdHoc (01/15)	29 June 2015
8.	August	08 (15)	27 August 2015
9.	September	09 (15)	21 September 2015
10.	October	10 (15)	22 October 2015
11.	November	11 (15)	23 November 2015
12.	December	12 (15)	14 December 2015
Total Number		**11**	

ATTENDANCE

The meeting attendances of the respective Shariah Committee Members are as follows:-

No.	Name	Attendance
1.	En. Khairul Anuar Ahmad	11/11
2.	En. Muhammad Ali Jinnah Ahmad	11/11
3.	En. Muhammad Faisal Ashaari	10/11
4.	Assoc. Prof. Dr. Md. Som Sujimon	10/11
5.	Asst. Prof. Dr. Ghazali Jaapar	10/11

pwc

Independent auditors' report to the members of HSBC Amanah Takaful (Malaysia) Berhad

(Company No. 731530-M)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of HSBC Amanah Takaful (Malaysia) Berhad, which comprise the statement of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 114.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Independent auditors' report to the members of HSBC Amanah Takaful (Malaysia) Berhad

(Company No. 731530-M)
(Incorporated in Malaysia)

Report on the Financial Statements (Continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

Other Matters

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SOO HOO KHOON YEAN
(No. 2682/10/17(J))
Chartered Accountant

Kuala Lumpur
16 March 2016