Financial Statements

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The Group's subsidiary companies are Cagamas Berhad ("Cagamas"), Cagamas Global P.L.C. ("CGP"), Cagamas Global Sukuk Berhad ("CGS"), Cagamas MBS Berhad ("CMBS"), Cagamas SRP Berhad ("CSRP"), Cagamas MGP Berhad ("CMGP") and Cagamas SME Berhad ("CSME").

The principal activities of Cagamas consist of the purchases of mortgage loans, personal loans and hire purchase and leasing debts from primary lenders approved by Cagamas and the issuance of bonds and notes to finance the purchases. Cagamas also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing and funded by issuance of Sukuk. Cagamas Group consist of Cagamas and its subsidiary companies which are Cagamas Global P.L.C. ("CGP") and Cagamas Global Sukuk Berhad ("CGS");

- CGP is a conventional fund raising vehicle incorporated in Labuan. Its main principal activities is to undertake the issuance of bonds and notes in foreign currency.
- CGS is an Islamic fund raising vehicle. Its main principal activities is to undertake the issuance of Sukuk in foreign currency. CGS commenced its business on 25 September 2015.

The principal activities of CMBS consist of purchases of mortgage assets and Islamic mortgage assets from the Government of Malaysia ("GOM") and issuance of residential mortgage-backed securities ("RMBS") and Islamic residential mortgage-backed securities ("IRMBS") to finance the purchases.

The principal activities of CSRP are the provision of mortgage guarantee and mortgage indemnity business and other form of credit protection in relation to Skim Rumah Pertamaku (My First Home Scheme) ("SRP") and Skim Perumahan Belia (Youth Housing Scheme) ("SPB") initiated by the GOM.

The principal activities of CMGP were the provision of mortgage guarantee and mortgage indemnity business and other form of credit protection. CMGP has remained dormant since 1 January 2014.

The principal activities of CSME were the purchase of Small and Medium Enterprise ("SME") loans and the undertaking of structured product transactions via cash or synthetic securitisations or combination of both and issuance of bonds to finance the purchase. CSME has remained dormant since 10 October 2012.

There were no other significant changes in the nature of these activities during the financial year, other than declared above.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	**436,543**	**16,696**

DIVIDEND

The dividends paid by the Company since 31 December 2014 were as follows:

	RM'000
In respect of the financial year ended 31 December 2015,	
– a first interim dividend of 15 sen per share on 150,000,000 ordinary shares paid on 30 April 2015	22,500
– a second interim dividend of 5 sen per share on 150,000,000 ordinary shares paid on 16 November 2015	7,500
	30,000

The Directors now recommend the payment of a first interim dividend of 15 sen per share on 150,000,000 ordinary shares amounting to RM22,500,000 for the financial year ended 31 December 2016, which is subject to approval of member at the forthcoming Annual General Meeting of the Company.

SHARE CAPITAL

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

RESERVES AND PROVISIONS

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

RATING PROFILE OF THE BONDS AND SUKUK

RAM Rating Services Berhad ("RAM") assigned a rating of AAA/P1 to the bonds, notes and Sukuk issued by the Group. Malaysian Rating Corporation Berhad ("MARC") has assigned ratings of AAA/AAA_{ID} and $MARC\text{-}1/MARC\text{-}1_{ID}$ to bonds, notes and Sukuk issued by the Group. Moody's Investors Service has also assigned a rating of A3 as Cagamas Group's long term local and foreign currency issuer rating. In addition, RAM and MARC have assigned ratings of AAA and $AAA/AAA_{ID}/AAA_{IS}$ respectively to the assets-backed Fixed Rate Serial Bonds and Sukuk Musyarakah issuance.

In addition, RAM and Moody's have maintained the ratings of gA2(s) and A3 respectively to the USD2.5 billion multicurrency Medium Term Note ("EMTN") programme and USD2.5 billion multicurrency Sukuk programme issued by its sub-subsidiaries.

RELATED PARTY TRANSACTIONS

The Company's related party transactions are disclosed in Note 36 to the financial statements.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The Directors who have held office during the financial year since the date of the last report are as follows:

Dato' Ooi Sang Kuang (Chairman)
Tan Sri Dato' Sri Tay Ah Lek
Cheah Tek Kuang
Datuk George Ratilal
Marzunisham bin Omar (resigned on 1.5.2015)
Datuk Abdul Farid bin Alias
YM Tengku Dato' Zafrul bin Tengku Abdul Aziz (resigned on 17.3.2015)
Datuk Azizan bin Haji Abd Rahman (appointed on 1.6.2015)
Dato' Lee Kok Kwan (appointed on 1.6.2015)

In accordance with Articles 19.13 and 19.14 of the Company's Articles of Association, Datuk George Ratilal retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Articles 19.10 of the Company's Articles of Association, Datuk Azizan bin Haji Abd Rahman and Dato' Lee Kok Kwan who vacate office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Tan Sri Dato' Sri Tay Ah Lek who retires pursuant to Section 129(6) of the Companies Act, 1965, offers himself for re-appointment as a Director of the Company.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Group and the Company is a party, being arrangements with the object or objects of enabling the Directors of the Group and the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Group and the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration as disclosed in Note 33 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the register of Directors' shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares or options over shares in the Company or shares, options over shares and debentures of its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there is no bad debts to be written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and the Company had been written down to an amount which they might be expected so to realise.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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

(a) which would render the amounts to be written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

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

(a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

No contingent or other liability 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 affect the ability of the Group and the Company to meet its obligations when they fall due.

At this date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading or inappropriate.

In the opinion of the Directors:

(a) the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

AUDITORS

Our auditor, PricewaterhouseCoopers, has expressed their willingness to continue in office.

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

DATO' OOI SANG KUANG
CHAIRMAN

TAN SRI DATO' SRI TAY AH LEK
DIRECTOR

STATEMENTS OF FINANCIAL POSITION
As At 31 December 2015

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
ASSETS					
Cash and short-term funds	5	**476,649**	892,044	**614**	14,160
Deposits and placements with financial institutions	6	**292,618**	12,114	**1,314**	862
Derivative financial instruments	7	**678,847**	68,518	**–**	–
AFS investment securities	8	**3,328,113**	2,932,264	**–**	–
Amount due from counterparties	9	**10,970,979**	6,540,219	**–**	–
Islamic financing assets	10	**5,581,449**	6,541,190	**–**	–
Mortgage assets					
– Conventional	11	**9,354,336**	10,189,845	**–**	–
– Islamic	12	**9,618,608**	10,176,230	**–**	–
Hire purchase assets					
– Conventional		**4**	4	**–**	–
– Islamic	13	**4,105**	7,268	**–**	–
Other assets	14	**22,495**	25,375	**–**	–
Property and equipment	15	**2,968**	3,216	**–**	–
Intangible assets	16	**7,728**	8,200	**–**	–
Deferred taxation	17	**7,931**	9,890	**–**	–
Deferred financing fees		**–**	1,163	**–**	–
Tax recoverable		**–**	207	**–**	207
Investment in subsidiaries	18	**–**	–	**4,181,628**	4,181,628
Investment in structured entity	19	**–***	–*	**–***	–*
TOTAL ASSETS		**40,346,830**	37,407,747	**4,183,556**	4,196,857
LIABILITIES					
Unsecured bearer bonds and notes	20	**17,994,724**	13,291,643	**–**	–
Sukuk	21	**11,944,033**	13,261,704	**–**	–
Derivative financial instruments	7	**35,240**	32,743	**–**	–
RMBS	22	**2,143,475**	2,464,529	**–**	–
IRMBS	23	**2,075,548**	2,594,171	**–**	–
Deposits and placements of financial institutions		**–**	30,003	**–**	–
Deferred guarantee fee income		**2,887**	2,431	**–**	–
Deferred Wakalah fee income		**4,930**	2,937	**–**	–
Deferred taxation	17	**482,807**	464,384	**2**	7
Provision for taxation		**29,179**	61,342	**8**	–
Other liabilities	24	**69,432**	68,598	**–**	–
TOTAL LIABILITIES		**34,782,255**	32,274,485	**10**	7
Share capital	25	**150,000**	150,000	**150,000**	150,000
Reserves	26	**5,414,575**	4,983,262	**4,033,546**	4,046,850
SHAREHOLDERS' FUNDS		**5,564,575**	5,133,262	**4,183,546**	4,196,850
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		**40,346,830**	37,407,747	**4,183,556**	4,196,857
NET TANGIBLE ASSETS PER SHARE (RM)	27	**37.05**	34.17	**27.89**	27.98

* Denotes RM2

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

INCOME STATEMENTS
For The Financial Year Ended 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Interest income	28	**1,142,600**	1,060,873	**262**	65
Interest expense	29	**(721,065)**	(657,978)	**–**	–
Income from Islamic operations	47	**231,631**	258,117	**–**	–
Non-interest (expense)/income	30	**(28,916)**	(7,152)	**16,500**	39,665
		624,250	653,860	**16,762**	39,730
Discretionary bonus fee		**–**	(58,273)	**–**	–
Administration and general expenses		**(26,753)**	(19,174)	**(1)**	(1)
Personnel costs		**(26,442)**	(23,070)	**–**	–
OPERATING PROFIT		**571,055**	553,343	**16,761**	39,729
Allowance for impairment losses	31	**(12,784)**	(6,860)	**–**	–
PROFIT BEFORE TAXATION AND ZAKAT	32	**558,271**	546,483	**16,761**	39,729
Zakat		**(2,777)**	(4,112)	**–**	–
Taxation	34	**(118,951)**	(151,145)	**(65)**	12
PROFIT FOR THE FINANCIAL YEAR		**436,543***	391,226*	**16,696**	39,741
EARNINGS PER SHARE (SEN)	27	**291.03**	260.82	**11.13**	26.49
DIVIDEND PER SHARE (SEN)	35			**20.00**	20.00

* As set out in Note 48 to the financial statements, profit for the financial year of the Group includes profit from CMBS of RM173,806,000 (2014: RM137,167,000) that may be subject to a discretionary bonus fee to the GOM after full settlement of the RMBS/IRMBS.

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

STATEMENTS OF COMPREHENSIVE INCOME
For The Financial Year Ended 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Profit for the financial year		**436,543**	391,226	**16,696**	39,741
Other comprehensive (loss)/income:					
Items that may be subsequently reclassified to profit or loss					
AFS investment securities					
– Net gain/(loss) on fair value changes before taxation		**467**	(3,689)	**–**	–
– Deferred taxation		**(325)**	959	**–**	–
Cash flow hedge					
– Net gain on cash flow hedge before taxation		**32,252**	13,332	**–**	–
– Deferred taxation		**(7,624)**	(3,333)	**–**	–
Other comprehensive income for the financial year, net of taxation		**24,770**	7,269	**–**	–
Total comprehensive income for the financial year		**461,313**	398,495	**16,696**	39,741

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

STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2015

Group	Note	Issued and fully paid ordinary shares of RM1 each	Non-distributable							
		Share capital RM'000	Share premium relief reserve RM'000	Reverse acquisition relief reserve RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Other reserves* RM'000	Total equity RM'000
Balance as at 1 January 2015		150,000	3,831,628	(3,831,628)	(16,895)	(8,690)	–	2,851,375	2,157,472	5,133,262
Profit for the financial year		–	–	–	–	–	–	262,737	173,806	436,543
Other comprehensive income		–	–	–	142	24,628	–		–	24,770
Total comprehensive income for the financial year		–	–	–	142	24,628	–	262,737	173,806	461,313
Transfer to regulatory reserve		–	–	–	–	–	189,647	(189,647)	–	–
First interim dividends in respect of the financial year ended 31 December 2015	35	–	–	–	–	–	–	(22,500)	–	(22,500)
Second interim dividends in respect of the financial year ended 31 December 2015	35	–	–	–	–	–	–	(7,500)	–	(7,500)
Balance as at 31 December 2015	25 & 26	150,000	3,831,628	(3,831,628)	(16,753)	15,938	189,647	2,894,465	2,331,278	5,564,575

* As set out in Note 48 to the financial statements, other reserves relate to retained profits of CMBS that may be subject to a discretionary bonus fee to the GOM after the full settlement of the RMBS/IRMBS.

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

STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2015 (Continued)

Group	Note	Issued and fully paid ordinary shares of RM1 each	Non-distributable							
		Share capital RM'000	Share premium relief reserve RM'000	Reverse acquisition relief reserve RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Other reserves* RM'000	Total equity RM'000
Balance as at 1 January 2014		150,000	3,831,628	(3,831,628)	(14,165)	(18,689)	–	2,627,316	2,020,305	4,764,767
Profit for the financial year		–	–	–	–	–	–	254,059	137,167	391,226
Other comprehensive (loss)/income		–	–	–	(2,730)	9,999	–	–	–	7,269
Total comprehensive (loss)/income for the financial year		–	–	–	(2,730)	9,999	–	254,059	137,167	398,495
First interim dividends in respect of the financial year ended 31 December 2014	35	–	–	–	–	–	–	(22,500)	–	(22,500)
Second interim dividends in respect of the financial year ended 31 December 2014	35	–	–	–	–	–	–	(7,500)	–	(7,500)
Balance as at 31 December 2014	25 & 26	150,000	3,831,628	(3,831,628)	(16,895)	(8,690)	–	2,851,375	2,157,472	5,133,262

* As set out in Note 48 to the financial statements, other reserves relate to retained profits of CMBS that may be subject to a discretionary bonus fee to the GOM after the full settlement of the RMBS/IRMBS.

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

STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2015

		Issued and fully paid ordinary shares of RM1 each	Non-distributable		
Company	**Note**	**Share capital RM'000**	**Share premium relief reserve RM'000**	**Retained profits RM'000**	**Total equity RM'000**
Balance as at 1 January 2015		**150,000**	**3,831,628**	**215,222**	**4,196,850**
Profit for the financial year		**–**	**–**	**16,696**	**16,696**
Total comprehensive income for the financial year		**–**	**–**	**16,696**	**16,696**
First interim dividends in respect of financial year ended 31 December 2015	35	**–**	**–**	**(22,500)**	**(22,500)**
Second interim dividends in respect of financial year ended 31 December 2015	35	**–**	**–**	**(7,500)**	**(7,500)**
Balance as at 31 December 2015	25 & 26	**150,000**	**3,831,628**	**201,918**	**4,183,546**
Balance as at 1 January 2014		150,000	3,831,628	205,481	4,187,109
Profit for the financial year		–	–	39,741	39,741
Total comprehensive income for the financial year		–	–	39,741	39,741
First interim dividends in respect of financial year ended 31 December 2014	35	–	–	(22,500)	(22,500)
Second interim dividends in respect of financial year ended 31 December 2014	35	–	–	(7,500)	(7,500)
Balance as at 31 December 2014	25 & 26	150,000	3,831,628	215,222	4,196,850

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

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
OPERATING ACTIVITIES					
Profit for the financial year		**436,543**	391,226	**16,696**	39,741
Adjustments for investment items and items not involving the movement of cash and cash equivalents:					
Unrealised forex on bonds issued in foreign currency		**369**	–	**–**	–
Amortisation of premium less accretion of discount on AFS investment securities		**(9,393)**	(8,242)	**–**	–
Accretion of discount on:					
Mortgage assets					
– Conventional		**(240,615)**	(278,517)	**–**	–
– Islamic		**(173,232)**	(194,309)	**–**	–
Hire purchase assets					
– Islamic		**(182)**	(290)	**–**	–
Interest income		**(869,541)**	(735,489)	**–**	–
Income from Islamic operations		**(673,148)**	(724,748)	**–**	–
Interest expense		**611,649**	658,149	**–**	–
Profit attributable to Sukuk holders		**626,629**	685,086	**–**	–
Guarantee fee income		**–**	1	**–**	–
Wakalah fee income		**(1,046)**	(553)	**–**	–
Kafalah expense		**(9)**	–	**–**	–
Depreciation of property and equipment		**1,090**	1,069	**–**	–
Amortisation of intangible assets		**1,506**	1,916	**–**	–
Gain on disposal of:					
– Property and equipment		**1**	–	**–**	–
– AFS investment securities		**(3,568)**	(1,657)	**–**	–
Allowance for impairment losses on mortgage assets and hire purchase assets and Islamic mortgage assets and Islamic hire purchase assets		**12,784**	6,860	**–**	–
Adjustment on fair value gains on derivatives		**571,227**	54,013	**–**	–
Loss on foreign exchange		**(573,365)**	(54,101)	**–**	–
Taxation		**118,951**	151,144	**65**	(12)
Zakat		**2,777**	4,112	**–**	–
Operating (loss)/profit before working capital changes		**(160,573)**	(44,330)	**16,761**	39,729

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

STATEMENTS OF CASH FLOWS
For The Financial Year Ended 31 December 2015 (Continued)

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Increase in amount due from counterparties		**(4,404,892)**	(2,698,875)	**–**	–
Decrease/(increase) in Islamic financing assets		**947,889**	(427,205)	**–**	–
Decrease in mortgage assets					
– Conventional		**1,080,573**	1,106,591	**–**	–
– Islamic		**706,894**	642,442	**–**	–
Decrease in hire purchase assets					
– Islamic		**1,798**	2,062	**–**	–
Decrease/(increase) in other assets		**3,472**	(91)	**208**	–
Increase in unsecured bearer bonds and notes		**4,681,962**	1,764,939	**–**	–
Decrease in Sukuk		**(1,299,313)**	(138,000)	**–**	–
Decrease in					
– RMBS		**(320,000)**	(725,000)	**–**	–
– IRMBS		**(515,000)**	(270,000)	**–**	–
(Decrease)/increase in deposits and placements of financial institutions		**(30,003)**	30,000	**–**	–
Increase in derivatives		**(529,229)**	(41,588)	**–**	–
(Decrease)/increase in other liabilities		**(11,563)**	798	**–**	–
Cash generated from/(utilised) in from operations		**152,015**	(798,257)	**16,969**	39,729
Profit received from Islamic assets		**720,350**	738,175	**–**	–
Guarantee fee paid		**–**	–	**–**	–
Wakalah fee paid		**–**	(221)	**–**	–
Fee income received		**3,530**	3,310	**–**	–
Interest received		**863,082**	721,843	**–**	–
Interest paid		**(725,501)**	(681,930)	**–**	–
Profit paid for derivatives		**(20,322)**	–	**–**	–
Profit attributable to Sukuk holders		**(651,075)**	(689,525)	**–**	–
Payment of					
– Zakat		**(4,112)**	(2,029)	**–**	–
– Taxation		**(124,989)**	(191,331)	**(63)**	(29)
Net cash generated from/(utilised in) from operating activities		**212,978**	(899,965)	**16,906**	39,700

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

STATEMENTS OF CASH FLOWS
For The Financial Year Ended 31 December 2015 (Continued)

		Group		Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
INVESTING ACTIVITIES					
Purchase of AFS investment securities		**(2,248,691)**	(1,087,805)	**–**	–
Sale of AFS investment securities		**1,872,043**	749,206	**–**	–
Purchase of:					
– Property and equipment		**(842)**	(266)	**–**	–
– Intangible assets		**(1,034)**	(245)	**–**	–
Income received from AFS investment securities		**24,746**	26,096	**–**	–
Income received from Islamic debt securities		**35,909**	31,481	**–**	–
Net cash utilised in investing activities		**(317,869)**	(281,533)	**–**	–
FINANCING ACTIVITIES					
Dividends paid to shareholders		**(30,000)**	(30,000)	**(30,000)**	(30,000)
Capital injection of investment in a subsidiary		**–**	–	**–**	(100,000)
Capital reduction of investment in a subsidiary		**–**	–	**–**	104,035
Net cash utilised in financing activities		**(30,000)**	(30,000)	**(30,000)**	(25,965)
Net (decrease)/increase in cash and cash equivalents		**(134,891)**	(1,211,498)	**(13,094)**	13,735
Cash and cash equivalents as at 1 January		**904,158**	2,115,656	**15,022**	1,287
Cash and cash equivalents as at 31 December		**769,267**	904,158	**1,928**	15,022
Analysis of cash and cash equivalents as at 31 December:					
Cash and short-term funds	5	**476,649**	892,044	**614**	14,160
Deposits and placements with financial institutions	6	**292,618**	12,114	**1,314**	862
		769,267	904,158	**1,928**	15,022

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

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The principal activitiy of the Company is investment holding.

The Group's subsidiary companies are Cagamas Berhad ("Cagamas"), Cagamas Global P.L.C. ("CGP") and Cagamas Global Sukuk Berhad ("CGS"), Cagamas MBS Berhad ("CMBS"), Cagamas SRP Berhad ("CSRP"), Cagamas MGP Berhad ("CMGP") and Cagamas SME Berhad ("CSME").

The principal activities of Cagamas consist of the purchases of mortgage loans, personal loans and hire purchase and leasing debts from primary lenders approved by Cagamas and the issuance of bonds and notes to finance the purchases. Cagamas also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing and funded by issuance of Sukuk. Cagamas Group consist of Cagamas and its subsidiary companies which are Cagamas Global P.L.C. ("CGP") and Cagamas Global Sukuk Berhad ("CGS");

- CGP is a conventional fund raising vehicle incorporated in Labuan. Its main principal activities is to undertake the issuance of bonds and notes in foreign currency.

- CGS is an Islamic fund raising vehicle. Its main principal activities is to undertake the issuance of Sukuk in foreign currency. CGS commenced its business on 25 September 2015.

The principal activities of CMBS consist of the purchases of mortgage assets and Islamic mortgage assets from the Government of Malaysia ("GOM") and issuance of residential mortgage-backed securities ("RMBS") and Islamic residential mortgage-backed securities ("IRMBS") to finance the purchases.

The principal activities of CSRP are the provision of mortgage guarantee and mortgage indemnity business and other form of credit protection in relation to Skim Rumah Pertamaku (My First Home Scheme) ("SRP") and Skim Perumahan Belia (Youth Housing Scheme) ("SPB") initiated by the GOM.

The principal activities of CMGP were the provision of mortgage guarantee and mortgage indemnity business and other form of credit protection. CMGP has remained dormant since 1 January 2014.

The principal activities of CSME were the purchase of Small and Medium Enterprise ("SME") loans and the undertaking of structured product transactions via cash or synthetic securitisations or combination of both and issuance of bonds to finance the purchase. CSME has remained dormant since 10 October 2012.

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

The address of the registered office and principal place of business is Level 32, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

The financial statements of the Group and the Company have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3 to the financial statements.

(a) Standards, amendments to published standards and interpretations that are effective:

The new accounting standards, amendments and improvements to published standards and interpretation that are effective for the Group's and the Company's financial year beginning on or after 1 January 2015 are as follows:

- Annual Improvements to MFRSs 2010 – 2012 Cycle
- Annual Improvements to MFRSs 2011 – 2013 Cycle
- Amendments to MFRS 119 "Defined Benefit Plans: Employees Contributions"

The adoption of the Annual Improvements to MFRSs 2010 – 2012 Cycle has required additional disclosures about the aggregation of segments. Other than that, the adoption of these amendments did not have any impact on the current or any prior year and are not likely to affect future periods.

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

The Group and the Company will apply the new standards, amendments to standards and interpretation in the following periods:

(i) Financial year beginning on/after 1 January 2018

- MFRS 15 "Revenue from contracts with customers" 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 standard replaces MFRS 118 "Revenue" and related interpretations.

  The adoption of MFRS 15 may result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS 15.

- MFRS 9 "Financial Instruments" will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.

  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 contractual 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

The Group and the Company will apply the new standards, amendments to standards and interpretation in the following periods (continued):

(i) Financial year beginning on/after 1 January 2018 (continued)

- MFRS 9 "Financial Instruments" will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014 (continued).

  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 income statement, unless this creates an accounting mismatch.

  There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

  The adoption of MFRS 9 may result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS 9.

2.2 Economic entities in the Group

Subsidiaries

The Group financial statements consolidate the financial statements of the Company and all its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In 2008, the restructuring of the Group involving a share swap of the Company with Cagamas has been accounted for as a reverse acquistion under FRS 3 "Business Combination".

Under reverse acquisition accounting, the Company recognised a share premium relief reserve to record the excess of investment fair value over share capital. In the consolidated financial statements, a reverse acquisition relief reserve is created to set off against the share premium relief reserve.

Subsidiaries are consolidated using the purchase method of accounting except for certain business combination which were accounted for using the merger method as follows:

- subsidiaries that were consolidated prior to 1 April 2002 in accordance with Malaysian Accounting Standard 2 "Accounting for Acquisitions and Mergers", the generally accepted accounting principles prevailing at that time;
- business combinations consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 that meet the conditions of a merger as set out in FRS 122_{2004} "Business Combinations";
- internal group reorganisations, as defined in MFRS 122, consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 where:
  – the ultimate shareholders remain the same, and the rights of each such shareholder, relative to the others, are unchanged; and
  – the minorities' share of net assets of the Group is not altered by the transfer.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group (continued)

Subsidiaries (continued)

- business combinations involving entities or businesses under common control with arrangement dates on/after 1 January 2006.

The Group has taken advantage of the exemption provided by MFRS 1, MFRS 3 and FRS 122_{2004} to apply these Standards prospectively. Accordingly, business combinations entered into prior to the respective dates have not been restated to comply with these Standards.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Intragroup transactions, balances and unrealised gains in transactions between group of companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary companies, and is recognised in the consolidated income statement.

2.3 Structured entity

A structured entity is an entity where the voting rights are not the dominant factor in deciding who controls the entity, such as when any voting rights are related to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity normally has restricted activities, a narrow or well-defined objective, very little equity and is financed by multiple contractually linked instruments, such as securitisation vehicles, asset-backed financings and some investment funds.

The Group has set up BNM Sukuk Berhad ("BNM-Sukuk") as structured entity for the purpose of facilitation of BNM's management of the Islamic banking sector's liquidity respectively.

The Group consolidates any entity that it controls and control is evidenced by all three of the following:

(a) The Group has power over the entity, which is described as having exisitng rights that give the current ability to direct the relevant activities, i.e. the activities that most significantly affect the entity's returns;

(b) The Group has exposure, or rights, to variable returns from its involvement with the entity; and

(c) The Group has the ability to use its power over the entity to affect the amount of its returns.

The Group has not consolidated BNM Sukuk as it does not have control over the entity. The Group merely acts as a facilitator for the issuance of Sukuk BNM Ijarah to finance the purchase of beneficial interest of land and building from BNM and thereafter, to lease back the same land and building to BNM or for the issuance of Sukuk BNM Murabahah via issuance of Trust Certificates to evidence investors beneficial interest over commodity assets and its profits, arising from the sale of commodity assets to BNM.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Amount due from counterparties and Islamic financing assets

Note 1 to the financial statements describes the principal activities of the Group and the Company, which are inter alia, the purchases of mortgage loans, personal loans and hire purchase and leasing debts. These activities are also set out in the object clauses of the Memorandum of Association of the subsidiaries.

As at the statement of financial position date, amount due from counterparties/Islamic financing assets in respect of mortgage loans, personal loans and hire purchase and leasing debts are stated at their unpaid principal balances due to the Group. Interest/profit income on amount due from counterparties/Islamic financing assets is recognised on an accrual basis and computed at the respective interest/profit rates based on monthly rest.

2.5 Mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets

Mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets are acquired by the Group from the originators at fair values. The originator acts as servicer and remits the principal and interest/profit income from the assets to the Group at specified intervals as agreed by both parties.

As at the statement of financial position date, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets acquired are stated at their unpaid principal balances due to the Group and adjusted for unaccreted discount. Interest/profit income on the assets are recognised on an accrual basis and computed at the respective interest/profit rates based on monthly rest. The discount arising from the difference between the purchase price and book value of the mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets acquired is accreted to the income statement over the expected remaining life of the assets using the internal rate of return method.

2.6 AFS investment securities

AFS investment securities are securities that are acquired and held for yield or capital growth and are usually held for an indefinite period of time, which may be sold in response to market conditions.

Purchases of investments are recognised on the date the Group contracts to purchase the investment. Investments are derecognised when the Group has contracted to sell the investment and transferred substantially all risks and rewards of ownership.

AFS investment securities are carried at fair value on the statement of financial position with cumulative fair value changes reflected under AFS reserve in equity, and recognised in the income statement when the investment securities are disposed of, collected or otherwise sold, or when the securities are determined to be impaired. The fair value of the AFS investment securities is derived from market indicative quotes or observable market prices at the reporting date.

The realised gains or losses on derecognition of AFS investment securities, which are derived based on the difference between the proceeds received and the carrying value of the securities plus any cumulative unrealised gains or losses arising from changes in fair value previously recognised in equity, are credited or charged to the current year's income statement.

See accounting policy on impairment of financial assets in Note 2.9 (a) to the financial statements.

Interest/profit income from AFS investment securities is recognised using the effective interest/profit income rate method. The amortisation of premium and accretion of discount on AFS investment securities are recognised as interest/profit income using the effective yield method.

2.7 Investment in subsidiaries and structured entities

Investment in subsidiaries and structured entities are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Note 2.9 to the financial statements describes the Group's accounting policy on impairment of assets and Note 3 details out the critical accounting estimates and assumptions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight line basis to write off the cost of the assets over their estimated useful lives, with the exception of work-in-progress which is not depreciated. Depreciation rates for each category of property and equipment are summarised as follows:

Office equipment	20 – 25%
Furniture and fittings	10%
Motor vehicles	20%

Subsequent costs are included in the asset's carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

At each statement of financial position date, the Group 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. See accounting policy on impairment of non-financial assets is reflected in Note 2.9 (b) to the financial statements.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the income statement.

2.9 Impairment of assets

(a) Financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Where a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off are recognised in the income statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of assets (continued)

(a) Financial assets (continued)

(ii) Assets classified as AFS

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised, is removed from equity and recognised in the income statement. If, in the subsequent period, the fair value of a debt instrument classified as AFS investment securities increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

(b) Non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The impairment loss is charged to the income statement, unless it reverses a previous revaluation in which it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement.

2.10 Income recognition on mortgage assets and hire purchase/Islamic mortgage assets and Islamic hire purchase and guarantees

Interest income for conventional assets and profit income on Islamic assets are recognised using the effective interest/profit rate method. Accretion of discount is recognised using the internal rate of return method. Guarantee fee and wakalah fee income are recognised as income when the fees are received in full, based on the straight line method.

2.11 Premium and discount on unsecured bearer bonds and notes/Sukuk

Premium on unsecured bearer bonds and notes/Sukuk represents the excess of the issue price over the redemption value of the bonds and notes/Sukuk are accreted to the income statement over the life of the bonds and notes/Sukuk on an effective yield basis. Where the redemption value exceeds the issue price of the bonds and notes/Sukuk, the difference, being the discount is amortised to the income statement over the life of the bonds and notes/Sukuk on an effective yield basis.

2.12 Current and deferred tax

Current tax expense represents taxation at the current rate based on taxable profit earned during the financial year.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash and bank balances and deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

2.15 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision maker. The chief operating decision maker is the person or group that allocated resources and assesses the performance of the operating segments of the Group. The Group has determined that the Chief Executive Officer of a subsidiary company, Cagamas Berhad to be the chief operating decision maker.

2.16 Derivative financial instruments and hedge accounting

Derivatives financial instruments consist of interest rate swaps ("IRS"), Islamic profit rate swaps ("IPRS") and cross currency swap ("CCS") and Islamic cross currency swap ("ICCS"). Derivatives financial instruments are used by the Group to hedge the issuance of its debt securities/Sukuk from potential movements in interest rate, profit rate or foreign currency exposure. Further details of the derivatives financial instruments are disclosed in Note 7 to the financial statements.

Fair value of derivatives financial instruments is recognised at inception on the statement of financial position, and subsequent changes in fair value as a result of fluctuation in market interest rates, profit rates or foreign currency exposure are recorded as derivative assets (favourable) or derivative liabilities (unfavourable).

For derivatives that are not designated as hedging instruments, losses and gains from the changes in fair value are taken to the income statement.

For derivatives that are designated as hedging instruments, the method of recognising fair value gain or loss depends on the type of hedge.

To apply hedge accounting, the Group documents at the inception the relationship between the hedging instrument and hedged item, including the risk management objective for undertaking various hedge transactions and methods used to assess the effectiveness of the hedge.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, on whether the derivative is highly effective in offsetting changes in the fair value or cash flows of the hedged items.

Cash flow hedge

The effective portion of changes in the fair value of a derivative designated and qualifying as a hedge of future cash flows is recognised directly in the cash flow hedge reserve, and taken to the income statement in the periods when the hedged item affects gain or loss. The ineffective portion of the gain or loss is recognised immediately in the income statement under "Non-interest income".

When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the cash flow hedge reserve remains until the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in the cash flow hedge reserve is recognised immediately in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group and the Company expect a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured as the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risk specific to obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Zakat

Zakat or "alms giving" is mandatory for all muslims who possesses to minimum nisab.

The Group recognises its obligations towards the payment of zakat on business. Zakat for the current period is recognised when the Group has a current zakat obligation as a result of a zakat assessment. The amount of zakat expenses shall be assessed when the Group has been in operations for at least 12 months, i.e. for the period known as haul.

Zakat rates enacted or substantively enacted by the statement of financial position date are used to determine the zakat expense. The rate of zakat on business, as determined by National Fatwa Council for the financial year is 2.5% (2014: 2.5%) of the zakat base. The zakat base of the Group is determined based on the profit before taxation of Cagamas after deducting dividend income and certain non-operating income and expenses. Zakat on business is calculated by multiplying the zakat rate with zakat base. The amount of zakat assessed is recognised as an expense in the financial year in which it is incurred.

2.19 Employee benefit

(a) Short-term employee benefits

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

(b) Defined contributions plans

The Group contributes to the Employees' Provident Fund ("EPF"), the national defined contribution plan. The contributions to EPF are charged to the income statement in the financial year to which they relate to. Once the contributions have been paid, the Group has no further payment obligations in the future. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Intangible assets

(a) Computer software

Acquired computer software and computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.

Costs associated with developing or maintaining computer software programmes are recognised when the costs are incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group, which will generate probable economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives, not exceeding a period of 3 years.

(b) Service rights to transaction administrator and administrator fees

Service rights to transaction administrator and administrator fees ("Service Rights") represents secured rights to receive expected future economic benefits by way of transaction administrator and administrator fees for Residential Mortgage-Backed Securities ("RMBS") and Islamic Residential Mortgage-Backed Securities ("IRMBS") issuances.

Service rights are recognised as intangible assets at cost and amortised using the straight line method over the tenure of RMBS and IRMBS.

Computer software and service rights are tested annually for 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. Computer software and service rights are carried at cost less accumulated amortisation and accumulated impairment losses. See accounting policy on impairment of non-financial assets in Note 2.9 (b) to the financial statements.

2.21 RMBS and IRMBS

RMBS and IRMBS were issued by the Group to fund the purchases of mortgage assets and Islamic mortgage assets from the GOM. As at the statement of financial position date, RMBS and IRMBS are stated at amortised costs.

Interest expense on RMBS and profit attributable to IRMBS are recognised using the effective yield method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Share capital

(a) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(b) Dividends to the shareholders of the Company

Dividends on ordinary shares are recognised as liabilities when declared before the statement of financial position date. A dividend proposed or declared after the statement of financial position date, but before the financial statements are authorised for issue, is not recognised as a liability at the statement of financial position date. Upon the dividend becoming payable, it will be accounted for as a liability.

2.23 Currency translations

(a) Functional and presentation currency

Items included in the financial statements of the Group and the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The financial statements are presented in Ringgit Malaysia, which is the Group's and Company's functional and presentation currency.

(b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2.24 Financial instruments

(a) Description

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity, a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable, or an equity instrument of another entity.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial instruments with another entity under conditions that are potentially unfavourable.

(b) Fair value estimation for disclosure purposes

Please refer to Note 43 for the detailed methods and assumptions needed to estimate the fair value for each type of financial instruments.

In assessing fair value of other financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Quoted market prices or dealer quotes for the specific or similar instruments are used for long term debt. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine the fair value for the remaining financial instruments. In particular, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Contingent liabilities and contingent assets

The Group and the Company do not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

The Group and the Company do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company.

2.26 Deferred financing fees

Deferred financing fees consist of expenses incurred in relation to the Sukuk issuance. Upon Sukuk issuance, deferred financing fees will be deducted from the carrying amount of the Sukuk and amortised using the effective profit rate method.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and exercise of judgement by management in the process of applying the Group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the asset and liability within the next financial year are outlined below.

(a) Fair value of derivatives and AFS investment securities

The estimates and assumptions considered most likely to have an impact on the Group's results and financial positions are those relating to the fair valuation of derivatives and unquoted AFS investment securities for which valuation models are used. The Group has exercised its judgement to select the appropriate valuation techniques for these instruments. However, changes in the assumptions made and market factors used could affect the reported fair values.

(b) Impairment of mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets

The Group makes allowances for losses on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets based on assessment of recoverability. Whilst management is guided by the requirement of the MFRS 139, management makes judgement on the future and other key factors in respect of the recovery of the assets. Among the factors considered are the net realisable value of the underlying collateral value and the capacity to generate sufficient cash flows to service the assets.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(c) Accretion of discount on mortgage assets and hire purchase assets

Assumptions are used to estimate cash flow projections of the principal balance outstanding of the mortgage assets and hire purchase assets acquired by the Group and the Company for the purposes of determining accretion of discount. The estimate is determined based on the historical repayment and redemption trend of the borrowers of the mortgage assets and hire purchase assets. Changes in these assumptions could impact the amount recognised as accretion of discount.

(d) Securitisation and structured entities

The Group incorporates its structured entities primarily for the purpose of asset securitisation transactions. The Group does not consolidate its structured entities that it does not control. When assessing whether the Group has to consolidate a structured entity, the Group evaluates a range of factors to determine control, including whether it is exposed, or has rights, to variable returns from its involvement with the structured entity and has the ability to affect those returns through its power over the structured entity.

(e) Discretionary bonus fee

The discretionary bonus fee to be paid to GOM is determined by CMBS by reference to guidelines, criteria and performance indicators deemed appropriate by CMBS. This is based on the performance by the GOM in discharging its servicing responsibilities until the point where the RMBS/IRMBS have been fully redeemed and all obligations and liabilities of CMBS in respect of the RMBS/IRMBS have been discharged.

4 RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk management is an integral part of the Group's business and operations. It encompasses identification, measurement, analysing, controlling, monitoring and reporting of risks on an enterprise-wide basis.

In recent years, the Group has streamlined risk management according to its business activities, and enhanced key controls to ensure effectiveness of risk management and its independence from risk taking activities.

The Group will continue to develop its human resources, review existing processes and introduce new approaches in line with best practices in risk management. It is the Group's aim to create strong risk awareness amongst both its front-line and back office staff, where risks are systematically managed and the levels of risk taking are closely aligned to the risk appetite and risk-reward requirements set by the Board of Directors.

4.1 Risk management structure

The Board of Directors has ultimate responsibility for management of risks associated with the Group's operations and activities. The Board of Directors sets the risk appetite and tolerance level that are consistent with the Group's overall business objectives and desired risk profile. The Board of Directors also reviews and approves all significant risk management policies and risk exposures.

The Board Risk Committee assists the Board of Directors by ensuring that there is effective oversight and development of strategies, policies and infrastructure to manage the Group's risks.

Management is responsible for the implementation of the policies laid down by the Board of Directors by ensuring that there are adequate and effective operational procedures, internal controls and systems for identifying, measuring, analysing, controlling, monitoring and reporting of risks.

The Risk Management and Compliance Department is independent of other departments involved in risk-taking activities. It is responsible for reporting risk exposures independently to the Board Risk Committee and coordinating the management of risks on an enterprise-wide basis.

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.2 Credit risk management

Credit risk is the possibility that a borrower or counterparty fails to fulfil its financial obligations when they fall due. Credit risk arises in the form of on-statement of financial position items such as lending and investments, as well as in the form of off-statement of financial position items such as guarantees and treasury hedging activities.

The Group manages its credit risk by screening borrowers and counterparties, stipulates prudent eligibility criteria and conducts due diligence on loans and financing to be purchased. The Group has in place an internal rating system which sets out the maximum credit limit permissible for each category of rating. The credit limits are reviewed periodically and are determined based on a combination of external ratings, internal credit assessment and business requirements. All credit exposures are monitored on a regular basis and non-compliance is independently reported to Management and the Board of Directors for immediate remedy.

Credit risk is also mitigated via underlying assets which comprise of mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets.

4.3 Market risk management

Market risk is the potential loss arising from adverse movements of market prices and rates. The market risk exposure is limited to interest/profit rate risk and foreign exchange rates only as the Group is not engaged in any equity, foreign exchange or commodity trading activities.

The Group controls its market risk exposure by imposing threshold limits. The limits are set based on the Group's risk appetite and the risk-return relationship. These limits are regularly reviewed and monitored. The Group has an Asset Liability Management system which provides tools such as duration gap analysis, interest/profit sensitivity analysis and income simulation under different scenarios to monitor the interest/profit rate risk.

The Group also uses derivative instruments such as interest rate swaps, profit rate swaps and cross currency swaps to manage and hedge market risk exposures against fluctuations in the interest rates, profit rates and foreign currency exchange rates.

4.4 Liquidity risk management

Liquidity risk arises when the Group and the Company do not have sufficient funds to meet its financial obligations when they fall due.

The Group mitigates its liquidity risk by matching the timing of purchases of loans and debts with issuance of debt securities or Sukuk. The Group plans its cash flow positions and monitors closely every business transaction to ensure that available funds are sufficient to meet business requirements at all times. In addition, the Group sets aside considerable reserve liquidity to meet any unexpected shortfall in cash flow or adverse economic conditions in the financial market.

The Group's liquidity management process, as carried out within the subsidiary and monitored by related departments, includes:

(a) Managing cash flow mismatch and liquidity gap limits which involves assessing all of the Group's cash inflows against its cash outflows to identify the potential for any net cash shortfalls and the ability of the Group to meet its cash obligations when they fall due;

(b) Matching funding of loan purchases against its expected cash flows, duration and tenure of the funding;

(c) Monitoring the liquidity ratios of the Group against internal requirements; and

(d) Managing the concentration and profile of funding by diversification of funding sources.

5 CASH AND SHORT-TERM FUNDS

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and balance with banks and other financial institutions	**47,045**	49,174	**15**	14
Money at call and deposits and placements maturing within one month	**350,017**	832,719	**599**	14,146
Mudharabah money at call and deposits and placements maturing within one month	**79,587**	10,151	**–**	–
	476,649	892,044	**614**	14,160

6 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Licensed banks	**292,618**	12,114	**1,314**	862

7 DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments used by the Group to hedge against its interest/profit rate exposure and foreign currency exposure are IRS, IPRS and CCS.

IRS/IPRS are used by the Group to hedge against its interest/profit rate exposure arising from the following transactions:

(i) Issuance of fixed rate bonds/Sukuk to fund floating rate asset purchases

The Group pays the floating rate receipts from its floating rate asset purchases to the swap counterparties and receives fixed rate interest/profit in return. This fixed rate interest/profit will then be utilised to pay coupon on the fixed rate bonds/Sukuk issued. Hence, the Group is protected from adverse movements in interest rate.

(ii) Issuance of short duration bonds/Sukuk to fund long-term fixed asset

The Group will issue short duration bonds/Sukuk and enter into swap transaction to receive floating rate interest from and pay fixed rate interest to the swap counterparty. Upon receiving instalment from assets, the Group pays fixed rate interest to swap counterparty and receive floating rate interest to pay to the bondholders/Sukukholders.

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CCS is also used by the Group to hedge against foreign currency exposure arising from the issuance of foreign currency bonds/Sukuk to fund assets in functional currency. Illustration of the transaction as follows:

(i) At inception, the Group will swap the proceeds from the foreign currency bonds/Sukuk to the functional currency at the pre-agreed exchange rate with CCS counterparty.

(ii) In the interim, the Group will receive interest payment in foreign currency from the CCS counterparty and remit the same to the foreign currency bonds/Sukuk holders for coupon payment. Simultaneously, the Group pays interest to the CCS counterparty in functional currency using instalment received from asset purchases.

(iii) On maturity, the Group will pay principal in functional currency at the same pre-agreed exchange rate to the CCS counterparty and receive amount of principal in foreign currency equal to the principal of foreign currency bonds/Sukuk which will then be used to redeem the bonds/Sukuk. The Group's foreign currency exposures are from Renminbi ("CNY"), Hong Kong Dollar ("HKD"), US Dollar ("USD") and Singapore Dollar ("SGD").

The objective when using any derivative instrument is to ensure that the risk and reward profile of any transaction is optimised. The intention is to only use derivatives to create economically effective hedges. However, because of the specific requirements of MFRS 139 to achieve hedge accounting, not all economic hedges are accounted for as accounting hedges, either because natural accounting offsets are expected or because achieving hedge accounting would be especially onerous.

(a) Cash flow hedges

The Group has designated a number of derivative financial instruments as cash flow hedges during the financial year. The total fair value of derivatives included within cash flow hedges at 31 December 2015 was RM640.1 million (2014: RM35.8 million).

(b) Fair value hedges

The Group does not designate any derivatives as fair value hedges.

(c) Net investment hedges

The Group does not designate any derivatives as net investment hedges.

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The table below summarises the derivative financial instruments entered into by the Group.

	2015			2014		
Group	**Contract/ Notional amount RM'000**	**Assets RM'000**	**Liabilities RM'000**	**Contract/ Notional amount RM'000**	**Assets RM'000**	**Liabilities RM'000**
Derivatives designated as cash flow hedges:						
IRS/IPRS						
One year to three years	**1,175,000**	**2,192**	**(15,879)**	500,000	6,108	–
Three years to five years	**–**	**–**	**–**	300,000	–	(18,014)
More than five years	**570,000**	**–**	**(17,979)**	110,000	–	(14,455)
	1,745,000	**2,192**	**(33,858)**	910,000	6,108	(32,469)
CCS						
Maturing within one year	**500,294**	**799**	**–**	–	–	–
One year to three years	**2,162,000**	**222,521**	**(1,382)**	780,000	–	(274)
Three years to five years	**1,725,000**	**449,864**	**–**	2,147,000	62,410	–
	4,387,294	**673,184**	**(1,382)**	2,927,000	62,410	(274)
Derivatives not designated as cash flow hedges:						
IPRS						
One year to three years	**500,000**	**3,471**	**–**	–	–	–
	500,000	**3,471**	**–**	–	–	–
	6,632,294	**678,847**	**(35,240)**	3,837,000	68,518	(32,743)

8 AFS INVESTMENT SECURITIES

	Group 2015 RM'000	Group 2014 RM'000
At fair value:		
Malaysian Government securities	**368,474**	390,125
Private debt securities	**602,455**	404,763
Government investment issues	**514,722**	436,899
Islamic private debt securities	**1,053,875**	745,552
Quasi Government debt securities	**90,795**	207,391
Islamic quasi Government debt securities	**697,793**	679,066
Islamic negotiable instrument of deposits	**–**	49,730
Malaysian treasury bills	**–**	18,738
	3,328,113	2,932,264

The maturity structure of AFS investment securities are as follows:

	Group 2015 RM'000	Group 2014 RM'000
Maturing within one year	**884,849**	666,849
One year to three years	**948,553**	1,196,301
Three years to five years	**420,071**	551,128
More than five years	**1,074,640**	517,986
	3,328,113	2,932,264

9 AMOUNT DUE FROM COUNTERPARTIES

	Group 2015 RM'000	Group 2014 RM'000
Relating to:		
Mortgage loans	**9,821,901**	5,246,165
Hire purchase and leasing debts	**297,815**	445,794
Personal loans	**851,263**	848,260
	10,970,979	6,540,219

The maturity structure of amount due from counterparties are as follows:

	Group 2015 RM'000	Group 2014 RM'000
Maturing within one year	**1,051,156**	178,104
One year to three years	**7,183,539**	4,210,177
Three years to five years	**1,781,284**	2,151,938
More than five years	**995,000**	–
	10,970,979	6,540,219

10 ISLAMIC FINANCING ASSETS

	Group 2015 RM'000	Group 2014 RM'000
Relating to:		
Islamic house financing	**3,439,157**	2,515,704
Islamic hire purchase financing	**1,078,722**	2,834,163
Islamic personal financing	**1,063,570**	1,191,323
	5,581,449	6,541,190

The maturity structure of Islamic financing assets are as follows:

	Group 2015 RM'000	Group 2014 RM'000
Maturing within one year	**1,237,569**	2,082,915
One year to three years	**3,385,075**	4,319,542
Three years to five years	**524,092**	138,733
More than five years	**434,713**	–
	5,581,449	6,541,190

11 MORTGAGE ASSETS – CONVENTIONAL

	Group 2015 RM'000	Group 2014 RM'000
Purchase without recourse ("PWOR")	**9,354,336**	10,189,845

The maturity structure of mortgage assets – conventional are as follows:

	Group 2015 RM'000	Group 2014 RM'000
Maturing within one year	**1,518,481**	1,551,951
One year to three years	**2,030,201**	2,114,268
Three years to five years	**1,863,117**	1,947,204
More than five years	**5,503,964**	6,379,263
	10,915,763	11,992,686
Less:		
Unaccreted discount	**(1,503,842)**	(1,744,457)
Allowance for impairment losses	**(57,585)**	(58,384)
	9,354,336	10,189,845

12 MORTGAGE ASSETS – ISLAMIC

	Group 2015 RM'000	Group 2014 RM'000
PWOR	**9,618,608**	10,176,230

The maturity structure of mortgage assets – Islamic are as follows:

	2015 RM'000	2014 RM'000
Maturing within one year	**1,042,955**	1,051,294
One year to three years	**1,461,485**	1,459,623
Three years to five years	**1,476,040**	1,474,638
More than five years	**7,023,398**	7,744,163
	11,003,878	11,729,718
Less:		
Unaccreted discount	**(1,334,072)**	(1,507,304)
Allowance for impairment losses	**(51,198)**	(46,184)
	9,618,608	10,176,230

13 HIRE PURCHASE ASSETS – ISLAMIC

	Group 2015 RM'000	Group 2014 RM'000
PWOR	**4,105**	7,268

The maturity structure of hire purchase assets – Islamic are as follows:

	2015 RM'000	2014 RM'000
Maturing within one year	**2,872**	4,511
One year to three years	**1,397**	2,990
Three years to five years	**–**	114
	4,269	7,615
Less:		
Unaccreted discount	**(94)**	(277)
Allowance for impairment losses	**(70)**	(70)
	4,105	7,268

14 OTHER ASSETS

	Group 2015 RM'000	Group 2014 RM'000
Compensation receivable from originator on mortgage assets	**15,475**	19,422
Staff loans and financing	**4,419**	3,550
Deposits	**918**	803
Prepayments	**1,412**	1,404
Prepaid mortgage guarantee fee	**1**	1
Prepaid wakalah fee	**–**	37
Other receivables	**270**	158
	22,495	25,375

15 PROPERTY AND EQUIPMENT

Group	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Cost				
As at 1 January 2015	**4,170**	**4,591**	**627**	**9,388**
Additions	**766**	**76**	**–**	**842**
Disposals	**(102)**	**–**	**–**	**(102)**
As at 31 December 2015	**4,834**	**4,667**	**627**	**10,128**
Accumulated depreciation				
As at 1 January 2015	**(3,210)**	**(2,652)**	**(310)**	**(6,172)**
Charge for the financial year	**(506)**	**(460)**	**(124)**	**(1,090)**
Disposals	**102**	**–**	**–**	**102**
As at 31 December 2015	**(3,614)**	**(3,112)**	**(434)**	**(7,160)**
Net book value as at 31 December 2015	**1,220**	**1,555**	**193**	**2,968**
Cost				
As at 1 January 2014	4,680	4,567	627	9,874
Additions	243	24	–	267
Disposals	(753)	–	–	(753)
As at 31 December 2014	4,170	4,591	627	9,388
Accumulated depreciation				
As at 1 January 2014	(3,472)	(2,198)	(185)	(5,855)
Charge for the financial year	(490)	(454)	(125)	(1,069)
Disposals	752	–	–	752
As at 31 December 2014	(3,210)	(2,652)	(310)	(6,172)
Net book value as at 31 December 2014	960	1,939	317	3,216

16 INTANGIBLE ASSETS

Group	Service rights RM'000	Computer software RM'000	Computer software licenses RM'000	Total RM'000
Cost				
As at 1 January 2015	**16,712**	**12,047**	**3,798**	**32,557**
Additions	**–**	**–**	**1,034**	**1,034**
As at 31 December 2015	**16,712**	**12,047**	**4,832**	**33,591**
Accumulated amortisation				
As at 1 January 2015	**(11,118)**	**(11,637)**	**(1,602)**	**(24,357)**
Charge for the financial year	**(564)**	**(306)**	**(636)**	**(1,506)**
As at 31 December 2015	**(11,682)**	**(11,943)**	**(2,238)**	**(25,863)**
Net book value as at 31 December 2015	**5,030**	**104**	**2,594**	**7,728**
Cost				
As at 1 January 2014	16,717	12,041	3,558	32,316
Additions	–	6	240	246
Reversal	(5)	–	–	(5)
As at 31 December 2014	16,712	12,047	3,798	32,557
Accumulated amortisation				
As at 1 January 2014	(10,078)	(11,267)	(1,098)	(22,443)
Charge for the financial year	(1,042)	(370)	(504)	(1,916)
Reversal	2	–	–	2
As at 31 December 2014	(11,118)	(11,637)	(1,602)	(24,357)
Net book value as at 31 December 2014	5,594	410	2,196	8,200

Service rights are amortised on a straight line basis over the tenure of RMBS/IRMBS. The remaining amortisation period of the intangible assets ranges from 5 to 12 years (2014: 6 to 13 years).

17 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes that relates to the same tax authority. The following amounts, determined after appropriate offsetting, are shown on the statement of financial position.

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deferred tax assets (before offsetting)	**7,931**	9,890	**–**	–
Deferred tax liabilities (before offsetting)	**(482,807)**	(464,384)	**(2)**	(7)
Deferred tax liabilities	**(474,876)**	(454,494)	**(2)**	(7)

The movements of deferred tax are as follows:

	Group 2015	Group 2014	Company 2015	Company 2014
As at 1 January	**(454,494)**	(507,596)	**(7)**	–
Debit to income statement (Note 34)	**(12,433)**	55,475	**5**	(7)
Credit to other comprehensive income	**(7,949)**	(2,373)	**–**	–
As at 31 December	**(474,876)**	(454,494)	**(2)**	(7)

The movements in deferred tax assets and liabilities of the Group during the financial year comprise the following:

Group	**As at 1 January RM'000**	**Recognised to income statement RM'000**	**Recognised to reserves RM'000**	**As at 31 December RM'000**
2015				
Deferred tax assets				
Revaluation reserves of AFS investment securities	**5,629**	**–**	**(325)**	**5,304**
Unrealised losses on revaluation of derivatives financial instruments under cash flow hedge accounting	**2,897**	**–**	**(2,897)**	**–**
Provisions	**545**	**482**	**–**	**1,027**
Temporary difference relating to guarantee/Wakalah fees	**819**	**781**	**–**	**1,600**
	9,890	**1,263**	**(3,222)**	**7,931**

17 DEFERRED TAXATION (CONTINUED)

Group	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
2015				
Deferred tax liabilities				
Accelerated tax depreciation	**(1,316)**	**424**	**–**	**(892)**
Unaccreted discount on mortgage assets	**(462,528)**	**(13,050)**	**–**	**(475,578)**
Temporary difference relating to accrued interest on deposits and placements	**(540)**	**(1,070)**	**–**	**(1,610)**
Unrealised losses on revaluation of derivatives	**–**	**–**	**(4,727)**	**(4,727)**
	(464,384)	**(13,696)**	**(4,727)**	**(482,807)**
2014				
Deferred tax assets				
Revaluation reserves of AFS investment securities	4,759	–	870	5,629
Unrealised losses on revaluation of derivatives financial instruments under cash flow hedge accounting	6,230	–	(3,333)	2,897
Provisions	644	(99)	–	545
Temporary difference relating to guarantee/Wakalah fees	417	402	–	819
	12,050	303	(2,463)	9,890

17 DEFERRED TAXATION (CONTINUED)

Group	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
2014				
Deferred tax liabilities				
Accelerated tax depreciation	(1,666)	350	–	(1,316)
Unaccreted discount on mortgage assets	(517,652)	55,124	–	(462,528)
Deferred tax arising from acquisition of JV company	(118)	28	90	–
Temporary difference relating to accrued interest on deposits and placements	(210)	(330)	–	(540)
	(519,646)	55,172	90	(464,384)

Company	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
2015				
Deferred tax liabilities				
Temporary difference relating to interest receivables on deposits and placements	**(7)**	**5**	**–**	**(2)**
2014				
Deferred tax liabilities				
Temporary difference relating to interest receivables on deposits and placements	–	(7)	–	(7)

18 INVESTMENT IN SUBSIDIARIES

	Company 2015 RM'000	Company 2014 RM'000
Unquoted shares at cost	**4,181,628**	4,181,628

18 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries of the Company are as follows:

Name	Principal activities	Direct and indirect interest in equity held by the Company 2015 %	2014 %
Cagamas	Purchases of mortgage loans, personal loans and hire purchases and leasing debts from primary lenders approved by Cagamas and the issuance of bonds and notes to finance these purchases. Cagamas also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing and funded by issuance of Sukuk.	**100**	100
Cagamas Global P.L.C.*	Undertake the issuance of bonds and notes in foreign currency. Cagamas Global P.L.C. is a wholly-owned subsidiary of Cagamas.	**100**	100
Cagamas Global Sukuk Berhad*	Undertake the issuance of Sukuk in foreign currency. It commenced its business on 25 September 2015. Cagamas Global Sukuk Berhad is a wholly-owned subsidiary of Cagamas.	**100**	100
CMBS	Purchases of mortgage assets and Islamic mortgage assets from the GOM and issuance of RMBS and IRMBS to finance the purchases.	**100**	100
CSRP	Provision of mortgage guarantee and mortgage indemnity business and other form of credit protection in relation to Skim Rumah Pertamaku (My First Home Scheme) ("SRP") and Skim Perumahan Belia (Youth Housing Scheme) ("SPB").	**100**	100
CMGP	Provision of mortgage guarantee and mortgage indemnity business and other form of credit protection. CMGP has remained dormant since 1 January 2014.	**100**	100
CSME	Purchase of Small and Medium Enterprise ("SME") loans and/or structured product transactions via cash and synthetic securitisation or combination of both and issuance of bonds to finance the purchase. CSME has remained dormant since 10 October 2012.	**100**	100

* Indirect interest via investment in Cagamas Berhad

19 INVESTMENT IN STRUCTURED ENTITY

	Company	
	2015 **RM'000**	**2014** **RM'000**
Unquoted shares at cost	**–***	–*

* Denotes RM2.

The structured entity of the Company is as follows:

		Direct and Indirect Interest in equity held by the Company	
		2015 **%**	**2014** **%**
Name	**Principal activities**		
BNM Sukuk	Undertake the issuance of Islamic securities investment namely BNM Sukuk Ijarah based on Syariah principles to finance the purchase of the beneficial interest of land and building from BNM and, thereafter to lease back the same land and building to BNM for the contractual period which is similar to the tenure of the BNM Sukuk Ijarah, and BNM Sukuk Murabahah based on Syariah principles via the issuance of Trust Certificates to evidence investors' beneficial interest over commodity assets and its profit, arising from the sale of commodity assets to BNM. The Company has redeemed the last tranche of its Trust Certificate of BNM Sukuk Murabahah on 25 August 2015.	**100**	100

The results and net assets of BNM Sukuk was not consolidated as the Group does not have control over the entity. The Group merely acts as a facilitator for the issuance of Sukuk BNM Ijarah to finance the purchase of beneficial interest of land and building from BNM and thereafter, to lease back the same land and building to BNM, and BNM Sukuk Murabahah based on Syariah principles via the issuance of Trust Certificates. The Group has no power to direct the activities of the entity and has no exposure or rights to the returns for its involvement with the entity. The Group also has no power to affect the amounts of these returns.

20 UNSECURED BEARER BONDS AND NOTES

Group		Year of maturity	2015 Amount outstanding RM'000	2015 Effective interest rate %	2014 Amount outstanding RM'000	2014 Effective interest rate %
(a)	Floating rate notes	2016	**180,000**	**3.500**	180,000	3.500
	Add: Interest payable		**2,855**		2,520	
			182,855		182,520	
(b)	Conventional commercial papers	2016	**300,000**	**3.760**	–	–
	Add: Interest payable		**1,143**		–	
			301,143		–	
(c)	Medium-term notes					
		2015	**–**	**–**	690,000	3.350 – 5.300
		2016	**1,735,000**	**3.470 – 4.930**	1,590,000	3.470 – 4.930
		2017	**3,864,123**	**2.370 – 4.640**	3,423,445	3.500 – 4.640
		2018	**4,287,241**	**1.880 – 5.710**	901,213	1.880 – 5.710
		2019	**2,991,750**	**2.745 – 5.280**	2,594,800	3.745 – 5.280
		2020	**540,000**	**4.100 – 6.000**	495,000	4.100 – 6.000
		2021	**315,000**	**4.150 – 5.380**	315,000	4.150 – 5.380
		2022	**485,000**	**3.900 – 4.650**	465,000	3.900 – 4.480
		2023	**525,000**	**4.250 – 6.050**	525,000	4.250 – 6.050
		2024	**430,000**	**4.000 – 5.520**	430,000	4.000 – 5.520
		2025	**640,000**	**4.550 – 4.850**	415,000	4.550 – 4.650
		2026	**10,000**	**4.410**	10,000	4.410
		2027	**275,000**	**4.140 – 4.900**	25,000	4.140 – 4.170
		2028	**890,000**	**4.750 – 6.500**	890,000	4.750 – 6.500
		2029	**245,000**	**5.500 – 5.750**	245,000	5.500 – 5.750
		2035	**160,000**	**5.070**	–	–
			17,393,114		13,014,458	
	Add: Interest Payable		**128,882**		103,517	
	Less: Deferred financing fees		**(7,255)**		(8,852)	
	Unamortised discount		**(4,015)**		–	
			17,510,726		13,109,123	
			17,994,724		13,291,643	

20 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

The maturity structure of unsecured bearer bonds and notes are as follows:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Maturing within one year	**2,340,625**	793,287
One year to three years	**8,147,349**	5,188,636
Three years to five years	**3,531,750**	3,494,720
More than five years	**3,975,000**	3,815,000
	17,994,724	13,291,643

(a) Floating rate notes

Bonds with variable coupon plus a spread redeemable at par on the due dates.

(b) Commercial paper

Commercial paper are short term instruments with maturities ranging from 1 to 12 months and were issued at a discount or at par (coupon-bearing).

(c) Short-term notes and medium-term notes

The short-term notes and medium-term notes are redeemable at par on the due dates, unless previously redeemed, together with the accrued interest where applicable.

Included in medium term notes are medium-term notes issued in foreign currency ("EMTN"). The EMTN are issued by CGP, and are unconditionally and irrevocably guaranteed by Cagamas. The unsecured bearer bonds and notes outstanding at financial year ended that are not in the functional currencies of the Group are as follows:

	Group	
	2015	**2014**
	RM'000	**RM'000**
CNY	**986,794**	846,547
HKD	**555,600**	452,538
USD	**2,576,862**	1,749,384
SGD	**610,561**	–
	4,729,817	3,048,469

21 SUKUK

Group	Year of maturity	2015 Amount outstanding RM'000	2015 Effective profit rate %	2014 Amount outstanding RM'000	2014 Effective profit rate %
(a) Islamic medium-term notes	2015	**–**	**3.092 – 5.300**	2,725,000	3.092 – 5.300
	2016	**2,494,625**	**3.400 – 4.930**	2,000,000	3.400 – 4.930
	2017	**1,930,000**	**3.500 – 4.050**	1,930,000	3.500 – 4.050
	2018	**1,143,067**	**3.600 – 5.800**	645,000	3.600 – 5.800
	2019	**412,000**	**3.750 – 5.280**	412,000	3.750 – 5.280
	2020	**1,180,000**	**4.150 – 6.000**	680,000	4.150 – 6.000
	2021	**245,000**	**4.150 – 5.380**	245,000	4.150 – 5.380
	2022	**460,000**	**3.900 – 4.480**	25,000	3.900 – 4.480
	2023	**995,000**	**4.250 – 6.350**	995,000	4.250 – 6.350
	2024	**315,000**	**4.000 – 5.520**	315,000	4.000 – 5.520
	2025	**455,000**	**4.550 – 4.650**	455,000	4.550 – 4.650
	2026	**20,000**	**4.410 – 4.920**	20,000	4.410 – 4.920
	2027	**15,000**	**4.140**	15,000	4.140
	2028	**1,080,000**	**4.750 – 6.500**	1,080,000	4.750 – 6.500
	2029	**180,000**	**5.500 – 5.750**	180,000	5.500 – 5.750
	2033	**675,000**	**5.000**	675,000	5.000
		11,599,692		12,397,000	
Add: Profit payable		**113,041**		131,174	
Less: Deferred financing fee		**(2,348)**		–	
		11,710,385		12,528,174	
(b) Islamic variable medium-term notes	2015	**–**		500,000	
	2016	**230,000**		230,000	
Add: Profit payable		**3,648**		3,530	
		233,648		733,530	
		11,944,033		13,261,704	

21 SUKUK (CONTINUED)

The maturity structure of the Sukuk are as follows:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Maturing within one year	**2,838,966**	3,359,704
One year to three years	**3,073,067**	4,160,000
Three years to five years	**1,592,000**	1,057,000
More than five years	**4,440,000**	4,685,000
	11,944,033	13,261,704

(a) Islamic medium-term notes

Islamic medium-term notes are long term papers issued by the Group based on various Islamic principles including Sukuk ALIm and variable rate Sukuk Murabahah. These Sukuk have tenures of more than 1 year and carry a profit rate which is determined at the point of issuance. Profit on these Sukuk is paid half-yearly and quarterly depending on issuance.

(b) Islamic variable medium-term notes

Islamic variable medium-term notes are long term papers issued by the Group based on various Islamic principles including Sukuk ALIm and variable rate Sukuk Murabahah. These Sukuk have tenures of more than 1 year and carry a profit rate which is determined at the point of issuance. Profit on these Sukuk is paid half-yearly and quarterly depending on issuance.

Included in Islamic medium term notes are Islamic medium term-notes issued in foreign currency ("Islamic EMTN"). The Islamic EMTN are issued by CGS, and are unconditionally and irrevocably guaranteed by Cagamas in accordance with the terms of the relevant undertaking. The Sukuk outstanding at financial year ended that are not in the functional currencies of the Group are as follows:

	Group	
	2015	**2014**
	RM'000	**RM'000**
SGD	**495,083**	–

22 RMBS

Group	Year of maturity	2015 Amount outstanding RM'000	2015 Effective interest rate %	2014 Amount outstanding RM'000	2014 Effective interest rate %
RMBS	2015	**–**	**–**	320,000	5.10
	2017	**870,000**	**4.52–5.34**	870,000	4.52–5.34
	2019	**260,000**	**4.70**	260,000	4.70
	2020	**385,000**	**5.65**	385,000	5.65
	2022	**250,000**	**4.90**	250,000	4.90
	2025	**265,000**	**5.92**	265,000	5.92
	2027	**105,000**	**5.08**	105,000	5.08
		2,135,000		2,455,000	
Add: Interest payable		**8,475**		9,529	
		2,143,475		2,464,529	

The maturity structure of the RMBS are as follows:

	Group 2015 RM'000	Group 2014 RM'000
Maturing within one year	**8,475**	329,529
One year to three years	**870,000**	870,000
Three years to five years	**645,000**	260,000
More than five years	**620,000**	1,005,000
	2,143,475	2,464,529

The RMBS have the following features:

(a) The subsidiary has an option to redeem the RMBS partially subject to the terms and conditions of each transaction.

(b) The RMBS's interest is payable quarterly in arrears.

(c) The RMBS are constituted by a Trust Deed made between CMBS and the Trustee, to act for the benefit of the RMBS holders.

(d) The RMBS constitute direct, unconditional, unsubordinated and secured obligations of CMBS and rank pari passu without discrimination, preference or priority among themselves, but are subject to payments preferred under law and the Issue Documents.

(e) The RMBS are issued on a limited recourse basis. Holders of the RMBS will be limited in their recourse to the underlying mortgage assets, the related collections and the proceeds from the enforcement of other securities related to the mortgage assets.

23 IRMBS

Group	Year of maturity	2015 Amount outstanding RM'000	2015 Effective profit rate %	2014 Amount outstanding RM'000	2014 Effective profit rate %
IRMBS	2015	–	–	515,000	4.71
	2017	**810,000**	**3.90-5.01**	810,000	3.90-5.01
	2019	**245,000**	**4.02**	245,000	4.02
	2020	**400,000**	**5.27**	400,000	5.27
	2022	**320,000**	**4.17**	320,000	4.17
	2027	**290,000**	**4.34**	290,000	4.34
		2,065,000		2,580,000	
Add: Profit attributable		**10,548**		14,171	
		2,075,548		2,594,171	

The maturity structure of the IRMBS are as follows:

	Group 2015 RM'000	Group 2014 RM'000
Maturing within one year	**10,548**	529,171
One year to three years	**810,000**	810,000
Three years to five years	**645,000**	245,000
More than five years	**610,000**	1,010,000
	2,075,548	2,594,171

The IRMBS have the following features:

(a) The subsidiary has an option to redeem the IRMBS partially subject to the terms and conditions of each transaction.

(b) The IRMBS's profit is distributable quarterly in arrears.

(c) The IRMBS are constituted by a Trust Deed made between CMBS and the Trustee, to act for the benefit of the IRMBS holders.

(d) The IRMBS constitute direct, unconditional, unsubordinated and secured obligations of CMBS and rank pari passu without discrimination, preference or priority among themselves, but are subject to payments preferred under law and the Issue Documents.

(e) The IRMBS are issued on a limited recourse basis. Holders of the IRMBS will be limited in their recourse to the underlying Islamic mortgage assets, the related collections and the proceeds from the enforcement of other securities related to the Islamic mortgage assets.

24 OTHER LIABILITIES

	Group 2015 RM'000	Group 2014 RM'000
Provision for zakat	**2,777**	4,112
Amount due to Government	**46,239**	48,859
Other payables and accruals	**20,416**	15,627
	69,432	68,598

25 SHARE CAPITAL

	Group and Company			
	2015		2014	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares of RM1 each:				
Authorised:				
As at 1 January/31 December	**500,000**	**500,000**	500,000	500,000
Issued and fully paid:				
As at 1 January/31 December	**150,000**	**150,000**	150,000	150,000

26 RESERVES

(a) AFS reserves

This amount represents the unrealised fair value gains or losses on AFS investment securities, net of taxation.

(b) Cash flow hedge reserves

This amount represents the effective portion of changes in fair value on derivatives designated and qualifying as hedge of future cash flows, net of taxation.

(c) Regulatory Reserve

The Group have adopted the BNM Guidelines on Classification and Impairment Provisions for Loans/Financing –- Maintenance of Regulatory Reserves which is effective on 31 December 2015 on voluntary basis. The policy document requires banking institution to maintain, in aggregate, collective impairment provisions and regulatory reserves of no less than 1.2% of the total outstanding loans/financing, net of individual impairment provisions.

27 NET TANGIBLE ASSETS AND EARNINGS PER SHARE

The net tangible assets per share is calculated by dividing the net tangible assets of RM5,556,847,000 of the Group and RM4,183,546,000 of the Company respectively (2014: RM5,125,062,000 and RM4,196,850,000 for the Group and the Company respectively) by 150,000,000 ordinary shares of the Group and the Company in issue.

Basic and diluted earnings per share is calculated by dividing the profit for the financial year of RM436,543,000 of the Group and RM16,696,000 of the Company respectively (2014: RM391,226,000 of the Group and RM39,741,000 of the Company respectively) by 150,000,000 ordinary shares of the Group and the Company in issue. For the diluted earnings per share calculation, no adjustment has been made to weighted number of ordinary shares in issue as there are no dilutive potential ordinary shares.

28 INTEREST INCOME

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Amount due from counterparties	**332,109**	177,076	**–**	–
Mortgage assets	**205**	475,035	**–**	–
Hire purchase assets	**442,821**	(70)	**–**	–
Compensation from mortgage assets	**101**	134	**–**	–
Mortgage assets repurchased	**518**	640	**–**	–
AFS investment securities	**99,384**	82,674	**–**	–
Deposits and placements with financial institutions	**26,830**	46,283	**262**	65
	901,968	781,772	**262**	65
Accretion of discount less amortisation of premium (net)	**240,632**	279,101	**–**	–
	1,142,600	1,060,873	**262**	65

29 INTEREST EXPENSE

	Group	
	2015 RM'000	2014 RM'000
Floating rate notes	**7,321**	6,300
Medium-term notes	**586,682**	500,082
RMBS	**124,779**	151,280
Deposits and placements of financial institutions	**895**	316
Commercial paper	**1,388**	–
	721,065	657,978

30 NON-INTEREST (EXPENSE)/INCOME

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Realised net loss on derivatives	**(33,761)**	(12,372)	**–**	–
Gain on disposal of AFS investment securities	**3,544**	1,657	**–**	–
Gain on disposal of property and equipment	**(1)**	–	**–**	–
Guarantee fee income	**473**	350	**–**	–
Reclassification adjustments on fair value gains, transfer from equity	**571,227**	54,013	**–**	–
Loss on foreign exchange	**(573,403)**	(54,101)	**–**	–
Dividend income	**–**	–	**16,500**	39,665
Other non-operating income	**3,005**	3,301	**–**	–
	(28,916)	(7,152)	**16,500**	39,665

31 ALLOWANCE FOR IMPAIRMENT LOSSES

	Group	
	2015	**2014**
	RM'000	**RM'000**
Allowance for impairment losses	**12,784**	6,860

32 PROFIT BEFORE TAXATION AND ZAKAT

The following items have been charged/(credited) in arriving at profit before taxation and zakat:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors' remuneration (Note 33)	**1,200**	1,244	**–***	–*
Rental of premises	**2,601**	2,148	**–**	–
Hire of equipment	**392**	228	**–**	–
Auditor's remuneration				
– Audit fees	**318**	300	**–***	–*
– Non-audit fees	**37**	507	**–**	–
Depreciation of property and equipment	**1,090**	1,069	**–**	–
Amortisation of intangible assets	**1,506**	1,916	**–**	–
Servicers fees	**4,230**	4,465	**–**	–
Discretionary bonus fee	**–**	58,273	**–**	–
Repairs and maintenance	**2,147**	1,663	**–**	–
Donations and sponsorship	**1,317**	(99)	**–**	–
Corporate expenses	**1,823**	1,494	**–**	–
Travelling expenses	**716**	176	**–**	–
Allowance for impairment losses losses	**12,784**	6,860	**–**	–
Gain on disposal of property and equipment	**(1)**	–	**–**	–
Personnel costs:				
– Salary and allowances	**11,847**	10,956	**–**	–
– Bonus	**6,068**	6,059	**–**	–
– Overtime	**61**	54	**–**	–
– EPF and SOCSO	**3,790**	2,881	**–**	–
– Insurance	**490**	433	**–**	–

* Directors' remuneration of RM498,842 (2014: RM501,000) and auditor's remuneration of RM34,200, which include audit fee of RM28,790 and non-audit fee of RM5,410 (2014: RM34,179, comprising RM28,769 and RM5,410 respectively) for the Company in the financial year were borne by Cagamas Berhad.

33 DIRECTORS' REMUNERATION

The Directors of the Company who have held office during the financial year are as follows:

Non-Executive Directors

Dato' Ooi Sang Kuang (Chairman)
Tan Sri Dato' Sri Tay Ah Lek
Cheah Tek Kuang
Datuk George Ratilal
Marzunisham bin Omar (resigned on 1.5.2015)
Datuk Abdul Farid bin Alias
YM Tengku Dato' Zafrul bin Tengku Abdul Aziz (resigned on 17.3.2015)
Datuk Azizan bin Haji Abd Rahman (appointed on 1.6.2015)
Dato' Lee Kok Kwan (appointed 1.6.2015)

The aggregate amount of emoluments received by the Directors of the Group and the Company during the financial year is as follows:

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Fees	**802**	833	**350**	360
Other remuneration	**398**	411	**148**	141
	1,200	1,244	**498**	501

34 TAXATION

(a) Tax charge for the financial year

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Malaysian income tax:				
– Current tax	**106,518**	206,620	**70**	(19)
– Deferred taxation (Note 17)	**12,433**	(55,475)	**(5)**	7
	118,951	151,145	**65**	(12)
Current tax:				
– Current year	**106,379**	210,857	**70**	11
– Under/(over) provision in prior year	**139**	(4,237)	**–**	(30)
Deferred taxation:				
– Origination and reversal of temporary differences (Note 17)	**12,433**	(55,475)	**(5)**	7
	118,951	151,145	**65**	(12)

34 TAXATION (CONTINUED)

(b) Reconciliation of income tax expense

The tax on the Group's and the Company's profit before taxation and zakat differs from the theoretical amount that would arise using the statutory income tax rate of Malaysia as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before taxation and zakat	**558,271**	546,483	**16,761**	39,729
Tax calculated at Malaysian tax rate of 25% (2014: 25%)	**139,568**	136,621	**4,190**	9,932
Expenses not deductible for tax purposes	**427**	15,096	**–**	2
Income not subject to tax	**–**	–	**(4,125)**	(9,916)
Under/(over) provision in prior year	**139**	(4,237)	**–**	(30)
Deferred tax effect of change in tax rate	**(19,869)**	–	**–**	–
Deduction arising from zakat contribution	**(694)**	(507)	**–**	–
Under/(over) provision of deferred taxation	**–**	4,191	**–**	–
Different tax rate in Labuan	**(735)**	(19)	**–**	–
Loss not subject to tax	**250**	–	**–**	–
Others	**(135)**	–	**–**	–
	118,951	151,145	**65**	(12)

35 DIVIDENDS

Dividends paid and approved are as follows:

	Company			
	2015		2014	
	Per share Sen	Total amount RM'000	Per share Sen	Total amount RM'000
First interim dividend paid	**15.00**	**22,500**	15.00	22,500
Second interim dividend paid	**5.00**	**7,500**	5.00	7,500
	20.00	**30,000**	20.00	30,000

36 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

The related parties and their relationships with the Group and the Company are as follows:

Related parties	Relationships
Cagamas	Subsidiary
CGP	Subsidiary of Cagamas
CGS	Subsidiary of Cagamas
CMBS	Subsidiary
CSRP	Subsidiary
CMGP	Subsidiary
CSME	Subsidiary
Bank Negara Malaysia ("BNM")	Other related party
BNM Sukuk	Structured entity
Government of Malaysia ("GOM")	Servicer of subsidiaries
Key management personnel	Other related party
Entities in which key management personnel have control	Other related party

BNM is regarded as a related party on the basis of having significant influence over the Group and the Company.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel of the Company include all the Directors of the Group, certain members of senior management and their close family members.

Entities in which key management personnel have control are defined as entities that are controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel.

(b) Significant related party transactions and balances

Most of the transactions involving mortgage loans, personal loans, hire purchase and leasing debts and Islamic financing facilities as well as issuance of unsecured debt securities and Sukuk are transacted with the shareholders of the Group. These transactions have been disclosed on the statement of financial position and income statement of the Group.

36 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Significant related party transactions and balances (continued)

Set out below are significant related party transactions and balances at the Group.

	Group
	Other related party RM'000
2015	
Expenses	
FAST* and RENTAS** charges	**31**
Servicers fees	**4,230**
Amount due from/(to)	
BNM current accounts	**27**
Reimbursement of operating expenses	**18**
Servicers fees	**(996)**
2014	
Expenses	
FAST* and RENTAS** charges	49
Discretionary bonus fee	58,273
Servicers fees	4,465
Amount due from/(to)	
BNM current accounts	26
Reimbursement of operating expenses	23
Servicers fees	(1,022)

* Denotes Fully Automated System for Issuing and Tendering ("FAST")
** Denotes Real-Time Electronic Transfer of Funds and Securities ("RENTAS")

36 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Significant related party transactions and balances (continued)

The Group's key management personnel received remuneration for services rendered during the financial year. The total compensation paid to the Group's key management personnel was RM5,337,904 (2014: RM5,945,529).

The total remuneration paid to the Directors is disclosed in Note 33 to the financial statements.

(c) Transaction with the GOM and its related parties

As BNM has significant influence over the Group and the Company, the GOM and entities controlled, jointly controlled or has significant influence by the GOM are related parties of the Group and the Company.

The Group enters into transactions with many of these entities to purchase mortgage loans, personal loans and hire purchase and leasing debts and to issue bonds and notes to finance the purchase as part of its normal operations. The Group also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing funded by issuance of Sukuk.

37 CAPITAL COMMITMENTS

	Group	
	2015	**2014**
	RM'000	**RM'000**
Capital expenditure:		
Authorised and contracted for	**4,908**	–
Authorised but not contracted for	**2,002**	7,613
	6,910	7,613
Analysed as follows:		
Equipments	**2,510**	113
Computer equipments	**4,400**	7,500
	6,910	7,613

38 LEASE COMMITMENTS

The Group has lease commitments in respect of rented premise and hired equipment, all of which are classified as operating leases. A summary of the long-term commitments are as follows:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Maturing within one year	**3,502**	2,974
One year to three years	**3,797**	5,338
Three years to five years	**85**	567
	7,384	8,879

39 INTEREST/PROFIT RATE RISK

Cash flow interest/profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest/profit rates. Fair value interest/profit rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest/profit rates. The Group takes on the exposure of the effects of fluctuations in the prevailing levels of market interest/profit rates on both its fair value and cash flow risks. Interest/profit margin may increase as a result of such changes but may reduce or create losses in the event that an unexpected movement in the market interest/ profit rates arise.

The following tables summarise the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The carrying amounts of derivative financial instruments, which are principally used to reduce the Group's exposure to interest/profit rate movements, are included in "other assets" and "other liabilities" under the heading "non-interest bearing".

The tables also represent a static position which provides an indication of the potential impact on the Group's statement of financial position through gap analysis of the interest/profit rate sensitive assets, liabilities and off-statement of financial position items by time bands. A positive interest/profit rate sensitivity gap exists when more interest/profit sensitive assets than interest/ profit sensitive liabilities reprice or mature during a given time period. Similarly, a negative interest/profit rate sensitivity gap exists when more interest/profit sensitive liabilities than interest/profit sensitive assets reprice or mature during a given time period. Any negative interest/profit rate sensitivity gap is to be funded by the Group's shareholders' funds, unsecured bearer bonds and notes or Sukuk or money market borrowings.

For decision-making purposes, the Group manages their exposure to interest/profit rate risk. The Group sets limits on the sensitivity of the Group's forecasted net interest income/profit income at risk to projected changes in interest/profit rates. The Group also undertakes duration analysis before deciding on the size and tenure of the debt securities/Sukuk to be issued to ensure that the Group's assets and liabilities are closely matched within the tolerance limit set by the Board of Directors.

39 INTEREST/PROFIT RATE RISK (CONTINUED)

Group 2015	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
Financial assets						
Cash and short-term funds	429,674	–	–	–	46,975	476,649
Deposits and placements with financial institutions	256,280	36,338	–	–	–	292,618
AFS investment securities	832,422	920,817	500,234	1,074,640	–	3,328,113
Amount due from counterparties	1,051,156	7,183,539	1,781,284	955,000	–	10,970,979
Islamic financing assets	1,237,569	3,385,075	524,092	434,713	–	5,581,449
Mortgage assets:						
– Conventional	1,518,481	2,030,201	1,863,117	5,503,964	(1,561,427)	9,354,336^1
– Islamic	1,042,955	1,461,485	1,476,040	7,023,398	(1,385,270)	9,618,608^2
Hire purchase assets:						
– Conventional	5	–	–	–	(1)	4^3
– Islamic	2,872	1,397	–	–	(164)	4,105^4
Other assets	4,879	4,897	3,195	6,922	700,076	719,969
	6,376,293	15,023,749	6,147,962	14,998,637	(2,199,811)	40,346,830
Financial liabilities						
Unsecured bearer bonds and notes	2,340,625	8,147,349	3,531,750	3,975,000	–	17,994,724
Sukuk	2,838,966	3,073,067	1,592,000	4,440,000	–	11,944,033
RMBS	8,475	870,000	645,000	620,000	–	2,143,475
IRMBS	10,548	810,000	645,000	610,000	–	2,075,548
Other liabilities	–	–	–	–	624,475	624,475
	5,198,614	12,900,416	6,413,750	9,645,000	624,475	34,782,255
Interest/profit sensitivity gap	1,177,679	2,123,333	(265,788)	5,353,637		
Cumulative gap	1,177,679	3,301,012	3,035,224	8,388,861		

^1 Includes impairment losses on conventional mortgage assets of RM57,584,563.
^2 Includes impairment losses on Islamic mortgage assets of RM51,198,037.
^3 Includes impairment losses on conventional hire purchase assets of RM1,204.
^4 Includes impairment losses on Islamic hire purchase assets of RM70,197.

39 INTEREST/PROFIT RATE RISK (CONTINUED)

Group 2014	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
Financial assets						
Cash and short-term funds	842,926	–	–	–	49,118	892,044
Deposits and placements with financial institutions	12,114	–	–	–	–	12,114
AFS investment securities	666,849	1,196,301	551,128	517,986	–	2,932,264
Amount due from counterparties	178,104	4,210,177	2,151,938	–	–	6,540,219
Islamic financing assets	2,082,915	4,319,542	138,733	–	–	6,541,190
Mortgage assets:						
– Conventional	1,551,951	2,114,268	1,947,204	6,379,263	(1,802,841)	10,189,845^1
– Islamic	1,051,294	1,459,623	1,474,638	7,744,163	(1,553,488)	10,176,230^2
Hire purchase assets:						
– Conventional	5	–	–	–	(1)	4^3
– Islamic	4,511	2,990	114	–	(347)	7,268^4
Other assets	5,487	5,998	3,948	7,538	77,299	100,270
	6,396,156	13,308,899	6,267,703	14,648,950	(3,230,260)	37,391,448
Financial liabilities						
Unsecured bearer bonds and notes	793,287	5,188,636	3,494,720	3,815,000	–	13,291,643
Sukuk	3,359,704	4,160,000	1,057,000	4,685,000	–	13,261,704
RMBS	329,529	870,000	260,000	1,005,000	–	2,464,529
IRMBS	529,171	810,000	245,000	1,010,000	–	2,594,171
Deposits and placements of financial institutions	30,003	–	–	–	–	30,003
Other liabilities	–	–	–	–	120,869	120,869
	5,041,694	11,028,636	5,056,720	10,515,000	120,869	31,762,919
Interest/profit sensitivity gap	1,354,462	2,280,263	1,210,983	4,133,950		
Cumulative gap	1,354,462	3,634,725	4,845,708	8,979,658		

^1 Includes impairment losses on conventional mortgage assets of RM58,664,115.
^2 Includes impairment losses on Islamic mortgage assets of RM42,760,404.
^3 Includes impairment losses on conventional hire purchase assets of RM1,204.
^4 Includes impairment losses on Islamic hire purchase assets of RM66,518.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39 INTEREST/PROFIT RATE RISK (CONTINUED)

The table below summarises the sensitivity of the Group's financial instruments to interest/profit rates movements. The analysis is based on the assumptions that interest/profit will fluctuate by 100 basis points, with all other variables held constant.

Group	**–100 basis points RM'000**	**+100 basis points RM'000**
2015		
AFS reserves	**97,671**	**(83,043)**
Derivatives financial instruments	**43,008**	**(38,723)**
PWR (floating rate)	**36,464**	**(32,724)**
Unsecured bonds and rates (floating rate)	**(2,174)**	**2,097**
Taxation effects on the above at tax rate of 25%	**(43,742)**	**40,384**
Effect on shareholders' funds	**131,227**	**(112,009)**
As percentage of shareholders' funds	**2.4%**	**–2.0%**
2014		
AFS reserves	78,790	(74,720)
Derivatives financial instruments	(29,602)	28,062
Taxation effects on the above at tax rate of 25%	(12,296)	11,664
Effect on shareholders' funds	36,892	(34,994)
As percentage of shareholders' funds	0.7%	–0.7%

40 CREDIT RISK

40.1 Credit risk concentration

The Group's counterparties are mainly the GOM, financial institutions and individuals in Malaysia. The financial institutions are governed by the Financial Services Act ("FSA"), 2013 and the Islamic Financial Services Act ("IFSA"), 2013 and are subject to periodic review by the BNM. The following tables summarise the Group's maximum exposure to credit risk by counterparty or customer or the industry in which they are engaged as at the statement of financial position date.

Industrial analysis based on its industrial distribution

Group 2015	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Derivative financial instruments RM'000	AFS investment securities RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets – Conventional RM'000	Mortgage assets – Islamic RM'000	Hire purchase assets – Conventional RM'000	Hire purchase assets – Islamic RM'000	Other assets RM'000	Total RM'000
Government bodies	27	–	–	1,335,249	–	–	–	–	–	–	15,606	1,350,882
Quasi Government bodies	–	–	–	53,977	–	–	–	–	–	–	–	53,977
Financial institutions:												
– Commercial banks	376,502	292,618	678,847	354,935	10,193,946	4,600,101	–	–	–	–	–	16,496,949
– Investment banks	100,120	–	–	–	–	–	–	–	–	–	–	100,120
Communication, electricity, gas and water	–	–	–	80,276	–	–	–	–	–	–	–	80,276
Transportation	–	–	–	252,782	–	–	–	–	–	–	–	252,782
Leasing	–	–	–	–	297,815	–	–	–	–	–	–	297,815
Consumers	–	–	–	–	–	–	9,354,336	9,618,608	4	4,105	14,801	18,991,854
Construction	–	–	–	126,466	–	–	–	–	–	–	–	126,466
Corporate	–	–		–	479,218	981,348	–	–	–	–	–	1,460,566
Others	–	–	–	1,124,428	–	–	–	–	–	–	10,715	1,135,143
Total	476,649	292,618	678,847	3,328,113	10,970,979	5,581,449	9,354,336	9,618,608	4	4,105	41,122	40,346,830

40 CREDIT RISK (CONTINUED)

40.1 Credit risk concentration (continued)

Industrial analysis based on its industrial distribution (continued)

Group 2014	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Derivative financial instruments RM'000	AFS investment securities RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets – Conventional RM'000	Mortgage assets – Islamic RM'000	Hire purchase assets – Conventional RM'000	Hire purchase assets – Islamic RM'000	Other assets RM'000	Total RM'000
Government bodies	27	–	–	1,339,297	–	–	–	–	–	–	19,445	1,358,769
Quasi Government bodies	–	–	–	39,092	–	–	–	–	–	–	–	39,092
Financial institutions:												
– Commercial banks	878,105	12,114	68,518	210,979	6,094,425	5,534,165	–	–	–	–	–	12,798,306
– Investment banks	13,912	–	–	–	–	–	–	–	–	–	–	13,912
Communication, electricity, gas and water	–	–	–	80,488	–	–	–	–	–	–	–	80,488
Transportation	–	–	–	263,255	–	–	–	–	–	–	–	263,255
Leasing	–	–	–	–	445,794	–	–	–	–	–	–	445,794
Consumers	–	–	–	–	–	–	10,189,845	10,176,230	4	7,268	7,919	20,381,266
Corporate	–	–		–	–	1,007,025	–	–	–	–	–	1,007,025
Others	–	–	–	999,153	–	–	–	–	–	–	6,743	1,005,896
Total	892,044	12,114	68,518	2,932,264	6,540,219	6,541,190	10,189,845	10,176,230	4	7,268	34,107	37,393,803

40 CREDIT RISK (CONTINUED)

40.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets

All amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets are categorised as either:

– neither past due nor impaired; or
– past due but not individually impaired.

The impairment allowance is assessed on a pool of financial assets which are not individually impaired.

Credit risk loans comprise amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets which are due more than 90 days. The coverage ratio is calculated in reference to total impairment allowance and the carrying value (before impairment) of credit risk loans.

Group 2015	Neither past due nor impaired RM'000	Past due but not individually impaired* RM'000	Total RM'000	Impairment allowance RM'000	Total carrying value RM'000	Credit risk loan RM'000	Coverage ratio %
Amount due from counterparties	**10,970,979**	**–**	**10,970,979**	**–**	**10,970,979**	**–**	
Islamic financing assets	**5,581,449**	**–**	**5,581,449**	**–**	**5,581,449**	**–**	
Mortgage assets:							
– Conventional	**9,284,756**	**127,165**	**9,411,921**	**57,585**	**9,354,336**	**127,165**	**45**
– Islamic	**9,564,070**	**105,736**	**9,669,806**	**51,198**	**9,618,608**	**105,736**	**48**
Hire purchase assets:							
– Conventional	**1**	**4**	**5**	**1**	**4**	**4**	**25**
– Islamic	**3,985**	**190**	**4,175**	**70**	**4,105**	**190**	**37**
	35,405,240	**233,095**	**35,638,335**	**108,854**	**35,529,481**	**233,095**	
2014							
Amount due from counterparties	6,540,219	–	6,540,219	–	6,540,219	–	–
Islamic financing assets	6,541,190	–	6,541,190	–	6,541,190	–	–
Mortgage assets:							
– Conventional	10,141,920	106,309	10,248,229	58,384	10,189,845	106,309	55
– Islamic	10,141,542	80,872	10,222,414	46,184	10,176,230	80,872	57
Hire purchase assets:							
– Conventional	1	4	5	1	4	4	25
– Islamic	7,153	185	7,338	70	7,268	185	38
	33,372,025	187,370	33,559,395	104,639	33,454,756	187,370	

* These assets have been provided for under collective assessment

40 CREDIT RISK (CONTINUED)

40.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets (continued)

Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets neither past due nor individually impaired are as below:

	2015		2014	
Group	**Strong RM'000**	**Total RM'000**	**Strong RM'000**	**Total RM'000**
Amount due from counterparties	**10,970,979**	**10,970,979**	6,540,219	6,540,219
Islamic financing assets	**5,581,449**	**5,581,449**	6,541,190	6,541,190
Mortgage assets:				
– Conventional	**9,284,756**	**9,284,756**	10,141,920	10,141,920
– Islamic	**9,564,070**	**9,564,070**	10,141,542	10,141,542
Hire purchase assets:				
– Conventional	**1**	**1**	1	1
– Islamic	**3,985**	**3,985**	7,153	7,153
	35,405,240	**35,405,240**	33,372,025	33,372,025

For the purpose of analysis of credit risk quality, the following internal measures of credit quality have been used:

Strong – there is a very high likelihood that the asset being recovered in full. This comprise amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets.

An aging analysis of mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets that are past due but not individually impaired is set out below:

Group	**91 to 120 days RM'000**	**121 to 150 days RM'000**	**151 to 180 days RM'000**	**Over 180 days RM'000**	**Total RM'000**
2015					
Mortgage assets:					
– Conventional	**10,474**	**7,370**	**8,272**	**101,049**	**127,165**
– Islamic	**9,214**	**7,257**	**6,481**	**82,784**	**105,736**
Hire purchase assets:					
– Conventional	**–**	**–**	**–**	**4**	**4**
– Islamic	**–**	**–**	**–**	**190**	**190**
	19,688	**14,627**	**14,753**	**184,027**	**233,095**
2014					
Mortgage assets:					
– Conventional	9,598	7,027	6,499	83,185	106,309
– Islamic	9,414	6,752	6,611	58,095	80,872
Hire purchase assets:					
– Conventional	–	–	–	4	4
– Islamic	1	–	–	184	185
	19,013	13,779	13,110	141,468	187,370

40 CREDIT RISK (CONTINUED)

40.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/ Islamic mortgage assets and Islamic hire purchase assets (continued)

For the purpose of this analysis, an asset is considered past due and included above when payment due under strict contractual terms is received late or missed. The amount included is either the entire financial assets, not just the payment, of both principal and interest, overdue on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets. This may result from administrative delays on the side of the borrower leading to assets being past due but not impaired. Therefore, loans and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary.

The impairment allowance on such loans is calculated on a collective, not individual basis as this reflects homogeneous nature of the assets, which allows statistical techniques to be used, rather than individual assessments.

For the financial year ended 31 December 2015, the Group has deemed it impracticable to disclose the financial effect of collateral for its mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets.

The movement in impairment allowance are as follows:

Group **2015**	**As a 1 January RM'000**	**Allowance made RM'000**	**Allowance written-off RM'000**	**As at 31 Desember RM'000**
Mortgage assets:				
– Conventional	**58,384**	**4,318**	**(5,117)**	**57,585**
– Islamic	**46,184**	**8,466**	**(3,452)**	**51,198**
Hire purchase assets:				
– Conventional	**1**	**–**	**–**	**1**
– Islamic	**70**	**–**	**–**	**70**
	104,639	**12,784**	**(8,569)**	**108,854**
2014				
Mortgage assets:				
– Conventional	58,665	2,286	(2,567)	58,384
– Islamic	42,761	4,571	(1,148)	46,184
Hire purchase assets:				
– Conventional	1	–	–	1
– Islamic	67	3	–	70
	101,494	6,860	(3,715)	104,639

40 CREDIT RISK (CONTINUED)

40.3 AFS investment securities

AFS investment securities are measured on fair value basis. The Group uses the rating by external rating agencies, mainly RAM and MARC. The table below presents an analysis of AFS investment securities external ratings:

Group	Investment grade			
2015	**GOM RM'000**	**AAA RM'000**	**AA1 to AA2/ AA+ to AA RM'000**	**Total RM'000**
Malaysian Government securities	**368,474**	**–**	**–**	**368,474**
Government investment issues	**514,722**	**–**	**–**	**514,722**
Private debt securities	**–**	**260,616**	**341,839**	**602,455**
Islamic private debt securities	**55,652**	**842,546**	**155,677**	**1,053,875**
Quasi Government debt securities	**90,795**	**–**	**–**	**90,795**
Islamic quasi Government debt securities	**643,815**	**53,977**	**–**	**697,792**
Total	**1,673,458**	**1,157,139**	**497,516**	**3,328,113**
2014				
Malaysian Government securities	390,125	–	–	390,125
Government investment issues	436,899	–	–	436,899
Private debt securities	–	167,517	237,246	404,763
Islamic private debt securities	35,695	709,857	–	745,552
Islamic negotiable instrument of deposits	–	49,730	–	49,730
Quasi Government debt securities	207,391	–	–	207,391
Islamic quasi Government debt securities	639,974	39,092	–	679,066
Malaysian Islamic Treasury bills	18,738	–	–	18,738
Total	1,728,822	966,196	237,246	2,932,264

None of these assets are impaired nor past due but not impaired.

40 CREDIT RISK (CONTINUED)

40.4 Offsetting financial instruments

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

Group	Gross amount of recognised financial liabilities RM'000	Gross amount of recognised financial assets set off in the statement of financial position RM'000	Net amount of financial liabilities presented in the statement of financial position RM'000	Related amounts not set off in the statement of financial position		Net amount RM'000
				Financial instrument RM'000	Cash collateral placed RM'000	
2015						
Derivatives financial liabilities	**(35,240)**	**–**	**(35,240)**	**–**	**16,600**	**(18,640)**
2014						
Derivatives financial liabilities	(32,743)	–	(32,743)	–	23,190	(9,553)

41 LIQUIDITY RISK

41.1 Funding approach

Sources of liquidity are regularly reviewed to maintain a wide diversification of debt portfolios. This involves managing market access in order to widen sources of funding to avoid over dependence on a single funding source as well as to minimise cost of funding.

41.2 Liquidity pool

The Group's liquidity pool comprised the following cash and unencumbered assets:

	Cash and short term funds with licensed financial institutions RM'000	Derivative financial instruments RM'000	AFS investment securities RM'000	Mortgage assets RM'000	Islamic mortgage assets RM'000	Other available liquidity RM'000	Total RM'000
2015	**769,267**	**678,847**	**3,328,113**	**9,354,336**	**9,618,608**	**16,578,176**	**40,327,347**
2014	904,158	68,518	2,932,264	10,189,845	10,176,230	13,113,221	37,384,236

41 LIQUIDITY RISK (CONTINUED)

41.3 Contractual maturity of financial liabilities

The table below presents the cash flows payable by the Group under financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are contractual undiscounted cash flow, whereas the Group manages the liquidity risk based on a different basis, which does not result in a significantly different analysis.

Group	On demand up to one month RM'000	One to three months RM'000	Three to twelve months RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2015						
Financial liabilities						
Unsecured bearer bonds and notes	**73,168**	**608,240**	**2,230,592**	**13,307,385**	**5,069,540**	**21,288,925**
Sukuk	**44,908**	**175,525**	**2,671,253**	**6,016,729**	**–**	**8,908,415**
RMBS	**–**	**27,274**	**81,970**	**1,805,075**	**755,740**	**2,670,059**
IRMBS	**–**	**23,186**	**69,814**	**1,685,550**	**711,574**	**2,490,124**
Unexpired financial guarantee contracts	**14,801**	**–**	**–**	**–**	**–**	**14,801**
Other liabilities	**258**	**–**	**–**	**–**	**46,239**	**46,497**
	133,135	**834,225**	**5,053,629**	**22,814,739**	**6,583,093**	**35,418,821**
Assets held for managing liquidity risk	**1,009,463**	**803,787**	**4,626,179**	**20,783,344**	**18,340,836**	**45,563,609**
2014						
Financial liabilities						
Unsecured bearer bonds and notes	78,919	60,925	1,090,765	10,224,967	4,835,805	16,291,381
Sukuk	27,428	842,322	2,887,807	6,552,029	6,255,921	16,565,507
RMBS	–	31,146	414,687	1,474,070	1,195,990	3,115,893
IRMBS	–	29,234	596,877	1,366,711	1,153,413	3,146,235
Unexpired financial guarantee contracts	7,918	–	–	–	–	7,918
Other liabilities	194	–	–	–	48,859	49,053
	114,459	963,627	4,990,136	19,617,777	13,489,988	39,175,987
Assets held for managing liquidity risk	1,287,867	1,548,295	4,428,283	18,360,522	18,493,417	44,118,384

41 LIQUIDITY RISK (CONTINUED)

41.4 Derivative liabilities

The Group's derivatives comprise IRS, IPRS and CCS entered by a subsidiary, Cagamas, for which net cash flows are exchanged for hedging purposes. The derivatives held by Cagamas is settled on a net basis.

The following table analyses the subsidiary's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. Contractual maturities are assessed to be essential for an understanding of all derivatives. The amounts disclosed in the table below are the contractual undiscounted cash flows.

Group	On demand up to one month RM'000	One to three months RM'000	Three to twelve months RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2015						
Derivatives held for hedging						
– IRS/IPRS	**–**	**(4,446)**	**(3,392)**	**(26,076)**	**(20,621)**	**(54,535)**
– CCS	**823**	**1,174**	**(45,182)**	**557,536**	**–**	**514,351**
Derivatives not held for hedging						
– IPRS	**–**	**(150)**	**(151)**	**(300)**	**–**	**(601)**
2014						
Derivatives held for hedging						
– IRS/IPRS	–	(2,988)	(1,762)	(18,436)	(6,515)	(29,701)
– CCS	–	2,091	(36,420)	(72,295)	–	(106,624)

42 FOREIGN EXCHANGE RISK

The Group is exposed to PWR asset, unsecured bonds and notes and Sukuk denominated in currencies other than the functional currencies of the Group.

The Group hedge 100% of its foreign currency denominated unsecured bonds and notes and Sukuk. The Group takes minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group manages its exposure to foreign exchange currencies at each entity level.

42 FOREIGN EXCHANGE RISK (CONTINUED)

42.1 Exposure to foreign currency risk

Group	CNY RM'000	HKD RM'000	USD RM'000	SGD RM'000
2015				
Derivatives financial instruments	**–**	**567,089**	**2,679,599**	**1,117,065**
Amount due to counterparties	**990,676**	**–**	**–**	**–**
	990,676	**567,089**	**2,679,599**	**1,117,065**
Unsecured bonds and notes	**986,794**	**555,600**	**2,576,862**	**610,561**
Sukuk	**–**	**–**	**–**	**495,083**
Derivatives financial instruments	**2,828**	**–**	**–**	**–**
	989,622	**555,600**	**2,576,862**	**1,105,644**
2014				
Derivatives financial instruments	–	460,426	1,762,059	–
Amount due to counterparties	852,454	–	–	–
	852,454	460,426	1,762,059	–
Unsecured bonds and notes	846,547	452,538	1,749,384	–
Derivatives financial instruments	3,636	–	–	–
	850,183	452,538	1,749,384	–

42.2 Currency risk sensitivity analysis

A 1% weakening of the Ringgit Malaysia against the following currencies as at the date of statement of financial position would have increased equity and profit for the financial year as summarises in table below. The sensitivity analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The sensitivity analysis assumes that all other variable, in particular interest/profit rates, remained constant and ignores any impact of CCS.

	2015		2014	
Group	Equity RM'000	Profit RM'000	Equity RM'000	Profit RM'000
CNY	**4**	**14**	3	4
HKD	**(5,556)**	**(95)**	(4,525)	(13)
USD	**(25,805)**	**(580)**	(17,545)	(30)
SGD	**(11,088)**	**(64)**	–	–
	(42,445)	**(725)**	(22,067)	(39)

43 FAIR VALUE OF FINANCIAL INSTRUMENTS

43.1 Fair value of financial instruments carried at fair value

Financial instruments comprise financial assets, financial liabilities and off-statement of financial position financial instruments. Fair value is 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 information presented herein represents the estimates of fair values as at the date of the statement of financial position.

The face value of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year is assumed to approximate their fair values.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest/profit rates relative to their terms. The extent to which instruments are favourable or unfavourable and the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair value of the AFS investment securities is derived from market indicative quotes or observable market prices at the date of the statement of financial position.

The estimated fair value of the IRS, IPRS and CCS are based on the estimated cash flows discounted using the market interest/profit rate, taking into account the effect of the entity’s net exposure to the credit risk of that counterparty at the statement of financial position date.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

– Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

– Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

43 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

43.1 Fair value of financial instruments carried at fair value (continued)

Group

2015	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
AFS investment securities	**–**	**3,328,113**	**–**	**3,328,113**
Derivative financial instruments	**–**	**678,847**	**–**	**678,847**
Liabilities				
Derivative financial instruments	**–**	**35,240**	**–**	**35,240**
2014				
Assets				
AFS investment securities	–	2,932,264	–	2,932,264
Derivative financial instruments	–	68,518	–	68,518
Liabilities				
Derivative financial instruments	–	32,743	–	32,743

43.2 Fair value of financial instruments carried at other than fair value

The following methods and assumptions were used to estimate the fair value of financial instruments as at the statement of financial position date:

(a) Cash and short-term funds and deposits and placements with licensed financial institutions

The carrying amount of cash and short-term funds and deposits and placements with licensed financial institutions are used as reasonable estimate of fair values as the maturity is less than or equal to a month.

(b) Other financial assets

Other financial assets include other debtors and deposits. The fair value of other financial assets is estimated at their carrying amount due to short tenure of less than one year.

(c) Other financial liabilities

Other financial liabilities include creditors and accruals. The fair value of other financial liabilities is estimated at their carrying amount due to short tenure of less than one year.

43 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Fair value of financial instruments carried at other than fair value (continued)

The estimated fair values of the Group's financial instruments approximated their carrying values in the statement of financial position except for the following:

Group	2015 Carrying value RM'000	2015 Fair value RM'000	2014 Carrying value RM'000	2014 Fair value RM'000
Financial assets				
Amount due from counterparties	**10,970,980**	**10,594,275**	6,540,219	6,281,970
Islamic financing assets	**5,581,449**	**5,504,046**	6,541,190	6,417,928
Mortgage assets:				
– Conventional	**9,354,336**	**10,315,306**	10,189,845	10,281,064
– Islamic	**9,618,608**	**10,589,290**	10,176,230	10,238,431
Hire purchase assets:				
– Conventional	**4**	**4**	4	4
– Islamic	**4,105**	**4,171**	7,268	7,309
	35,529,482	**37,007,092**	33,454,756	33,226,706
Financial liabilities				
Unsecured bearer bonds and notes	**17,994,724**	**18,276,359**	13,291,643	13,588,064
Sukuk	**11,944,033**	**12,254,959**	13,261,704	13,703,954
RMBS	**2,143,475**	**2,196,805**	2,464,529	2,528,864
IRMBS	**2,075,548**	**2,095,335**	2,594,171	2,622,456
	34,157,780	**34,823,458**	31,612,047	32,443,338

The fair value of the fixed rate assets portfolio of amount due from counterparties is based on the present value of estimated future cash flows discounted at the prevailing market rates of loans with similar credit risk and maturities at the statement of financial position date and is therefore within Level 3 of the fair value hierarchy. The fair value of the floating rate assets portfolio of amount due from counterparties is based on their carrying amount as the re-pricing date of the floating rate assets is not greater than 6 months.

The fair value of the Islamic financing assets is based on the present value of estimated future cash flows discounted at the prevailing market rates of financing with similar credit risk and maturities at the statement of financial position date and is therefore within Level 3 of the fair value hierarchy.

The fair value of the mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets are derived at using the present value of future cash flows discounted based on the mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets market yield to maturity at the statement of financial position date and, is therefore within Level 3 of the fair value hierarchy.

The fair value of the unsecured bearer bonds and notes, Sukuk, RMBS and IRMBS are derived at using the present value of future cash flows discounted based on the coupon rate at the statement of financial position date and, is therefore within Level 3 of the fair value hierarchy.

44 SEGMENT REPORTING

The Chief Executive Officer (the chief operating decision maker) of Cagamas makes strategic decisions and allocation of resources centrally on behalf of the Group. The Group has determined the following operating segments based on reports reviewed by the chief operating decision maker in making its strategic decisions:

(a) PWR

Under the PWR scheme, the Group purchases the mortgage loans, personal loans, hire purchase and leasing debts and Islamic financing facilities such as home financing, hire purchase financing and personal financing from the primary lenders approved by the Group. The loans and financing are acquired with recourse to the primary lenders should the loans and financing fail to comply with agreed prudential eligibility criteria.

(b) PWOR

Under the PWOR scheme, the Group purchases the mortgage assets and hire purchase assets from counterparty on an outright basis for the remaining tenure of the respective assets purchased. The purchases are made without recourse to counterparty, other than certain warranties to be provided by the seller pertaining to the quality of the assets.

(c) Mortgage guarantee

Under the mortgage guarantee scheme, the Group derives its income by providing financial guarantee protection for a fee. Upfront guarantee and Wakalah fees received from the financial guarantee contracts are deferred and amortised to the income statement over the term of the guarantee contracts.

In each reporting segments, income is derived by seeking investments to maximise returns. These returns consist of interest/profit and gains on the appreciation in the value of investments.

There were no changes in the reportable segments during the financial year.

44 SEGMENT REPORTING (CONTINUED)

Group	PWR RM'000	PWOR RM'000	Mortgage guarantee RM'000	Total RM'000
2015				
External revenue	**598,610**	**1,209,339**	**9,500**	**1,817,449**
External interest/profit expense	**(474,957)**	**(771,222)**	**–**	**(1,246,179)**
Profit from operations	**63,252**	**485,668**	**9,351**	**558,271**
Zakat	**(1,600)**	**(1,177)**	**–**	**(2,777)**
Taxation	**(15,110)**	**(101,483)**	**(2,357)**	**(118,951)**
Profit after taxation and zakat by segment	**46,542**	**383,008**	**6,993**	**436,543**
Segment assets	**18,353,539**	**21,765,733**	**227,558**	**40,346,830**
Segment liabilities	**17,536,509**	**17,235,586**	**10,160**	**34,782,255**
Other information:				
Capital expenditure	**467**	**375**	**–**	**842**
Depreciation and amortisation	**1,440**	**1,156**	**–**	**2,596**
2014				
External revenue	461,806	1,309,660	8,563	1,780,029
External interest/profit expense	(376,494)	(845,175)	–	(1,221,669)
Profit from operations	76,660	461,392	8,432	546,484
Zakat	(2,868)	(1,244)	–	(4,112)
Taxation	(18,870)	(130,128)	(2,147)	(151,145)
Profit after taxation and zakat by segment	54,922	330,020	6,285	391,227
Segment assets	13,936,061	23,254,975	216,711	37,407,747
Segment liabilities	9,372,093	22,896,108	6,284	32,274,485
Other information:				
Capital expenditure	243	271	–	514
Depreciation and amortisation	506	2,479	–	2,985

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

45 ANALYSIS OF GROUP'S FINANCIAL POSITION AND PERFORMANCE

ASSETS AND LIABILITIES

2015	The Company and Cagamas RM'000	CMBS RM'000	CSRP RM'000	CMGP RM'000	Consolidation adjustments RM'000	Total RM'000
ASSETS						
Cash and short-term funds	244,525	219,149	12,947	28	–	476,649
Deposits and placements with financial institutions	1,314	254,967	36,337	–	–	292,618
Derivative financial instruments	678,847	–	–	–	–	678,847
AFS investment securities	1,793,617	1,358,151	176,345	–	–	3,328,113
Amounts due from counterparties	10,970,979	–	–	–	–	10,970,979
Islamic financing assets	5,581,449	–	–	–	–	5,581,449
Mortgage assets:						
– Conventional	6,781,767	2,572,569	–	–	–	9,354,336
– Islamic	7,006,642	2,611,966	–	–	–	9,618,608
Hire purchase assets:						
– Conventional	4	–	–	–	–	4
– Islamic	4,105	–	–	–	–	4,105
Amount due from a related company	559	–	–	–	(559)	–
Other assets	9,163	13,330	–	–	–	22,493
Property and equipment	2,968	–	–	–	–	2,968
Intangible assets	7,728	–	–	–	–	7,728
Deferred taxation	5,647	384	1,902	–	–	7,933
Tax recoverable	–	–	–	–	–	–
Investment in subsidiaries	4,181,628	–	–	–	(4,181,628)	–
TOTAL ASSETS	37,270,942	7,030,516	227,531	28	(4,182,187)	40,346,830
LIABILITIES						
Unsecured bearer bonds and notes	17,994,724	–	–	–	–	17,994,724
Sukuk	11,944,033	–	–	–	–	11,944,033
Derivative financial instruments	35,240	–	–	–	–	35,240
RMBS	–	2,143,475	–	–	–	2,143,475
IRMBS	–	2,075,548	–	–	–	2,075,548
Deposits and placements of financial institutions	–	–	–	–	–	
Deferred guarantee fee income	–	–	2,887	–	–	2,887
Deferred Wakalah fee income	–	–	4,930	–	–	4,930
Deferred taxation	5,677	476,858	272	–	–	482,807
Provision for taxation	23,486	3,878	1,815	–	–	29,179
Other liabilities	69,039	138	252	6	(3)	69,432
Amount due to a related company	–	557	–	–	(557)	–
TOTAL LIABILITIES	30,072,199	4,700,454	10,156	6	(560)	34,782,255

45 ANALYSIS OF GROUP'S FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

ASSETS AND LIABILITIES (CONTINUED)

2014	The Company and Cagamas RM'000	CMBS RM'000	CSRP RM'000	CMGP RM'000	Consolidation adjustments RM'000	Total RM'000
ASSETS						
Cash and short-term funds	110,519	663,272	117,909	344	–	892,044
Deposits and placements with financial institutions	862	5,091	6,161	–	–	12,114
Derivative financial instruments	68,518	–	–	–	–	68,518
AFS investment securities	1,546,684	1,294,395	91,185	–	–	2,932,264
Amounts due from counterparties	6,540,219	–	–	–	–	6,540,219
Islamic financing assets	6,541,190	–	–	–	–	6,541,190
Mortgage assets:						
– Conventional	7,296,732	2,893,113	–	–	–	10,189,845
– Islamic	7,326,436	2,849,794	–	–	–	10,176,230
Hire purchase assets:						
– Conventional	4	–	–	–	–	4
– Islamic	7,268	–	–	–	–	7,268
Amount due from a related company	607	–	–	–	(607)	–
Other assets	10,059	16,479	–	–	–	26,538
Property and equipment	3,216	–	–	–	–	3,216
Intangible assets	8,200	–	–	–	–	8,200
Deferred taxation	7,568	1,210	1,112	–	–	9,890
Tax recoverable	207	–	–	–	–	207
Investment in subsidiaries	4,181,628	–	–	–	(4,181,628)	–
TOTAL ASSETS	33,649,917	7,723,354	216,367	344	(4,182,235)	37,407,747
LIABILITIES						
Unsecured bearer bonds and notes	13,291,643	–	–	–	–	13,291,643
Sukuk	13,261,704	–	–	–	–	13,261,704
Derivative financial instruments	32,743	–	–	–	–	32,743
RMBS	–	2,464,529	–	–	–	2,464,529
IRMBS	–	2,594,171	–	–	–	2,594,171
Deposits and placements of financial institutions	30,003	–	–	–	–	30,003
Deferred guarantee fee income	–	–	2,431	–	–	2,431
Deferred Wakalah fee income	–	–	2,937	–	–	2,937
Deferred taxation	1,339	463,020	25	–	–	464,384
Provision for taxation	13,554	47,091	460	237	–	61,342
Other liabilities	68,308	96	87	107	–	68,598
Amount due to a related company	–	607	–	–	(607)	–
TOTAL LIABILITIES	26,699,294	5,569,514	5,940	344	(607)	32,274,485

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

45 ANALYSIS OF GROUP'S FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

INCOME STATEMENT

2015	The Company and Cagamas RM'000	CMBS RM'000	CSRP RM'000	CMGP RM'000	Consolidation adjustments RM'000	Total RM'000
Interest income	883,990	250,369	8,240	1	–	1,142,600
Interest expense	(596,286)	(124,779)	–	–	–	(721,065)
Income from Islamic operations	143,207	90,511	786	–	(2,873)	231,631
Non-interest (expense)/income	(10,454)	–	473	23	(18,958)	(28,916)
	420,457	216,101	9,499	24	(21,831)	624,250
Administration and general expenses	(25,723)	(6,190)	(169)	(2)	5,331	(26,753)
Personnel costs	(26,442)	–	–	–	–	(26,442)
OPERATING PROFIT	368,292	209,911	9,330	22	(16,500)	571,055
Allowance for impairment losses	(8,122)	(4,662)	–	–	–	(12,784)
PROFIT BEFORE TAXATION AND ZAKAT	360,170	205,249	9,330	22	(16,500)	558,271
Zakat	(2,777)	–	–	–	–	(2,777)
Taxation	(85,151)	(31,443)	(2,357)	–	–	(118,951)
PROFIT FOR THE FINANCIAL YEAR	272,242	173,806	6,973	22	(16,500)	436,543

2014	The Company and Cagamas RM'000	CMBS RM'000	CSRP RM'000	CMGP RM'000	Consolidation adjustments RM'000	Total RM'000
Interest income	745,295	307,973	3,995	3,761	(151)	1,060,873
Interest expense	(506,698)	(151,280)	–	–	–	(657,978)
Income from Islamic operations	155,300	105,449	457	31	(3,120)	258,117
Non-interest income/(expense)	35,294	–	350	58	(42,854)	(7,152)
	429,191	262,142	4,802	3,850	(46,125)	653,860
Discretionary bonus fee	–	(58,273)	–	–	–	(58,273)
Administration and general expenses	(18,237)	(7,026)	(93)	(127)	6,309	(19,174)
Personnel costs	(23,070)	–	–	–	–	(23,070)
OPERATING PROFIT	387,884	196,843	4,709	3,723	(39,816)	553,343
Allowance for/write-back of impairment losses	(12,331)	5,471	–	–	–	(6,860)
PROFIT BEFORE TAXATION AND ZAKAT	375,553	202,314	4,709	3,723	(39,816)	546,483
Zakat	(4,112)	–	–	–	–	(4,112)
Taxation	(83,851)	(65,147)	(1,186)	(961)	–	(151,145)
PROFIT FOR THE FINANCIAL YEAR	287,590	137,167	3,523	2,762	(39,816)	391,226

46 CAPITAL ADEQUACY

The Group's and the Company's objectives when managing capital, which is a broader concept than the "equity" on the face of the statement of financial position, are:

(a) To align with industry best practices and benchmark set by the regulators;

(b) To safeguard the Group's and the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefit to other stakeholders; and

(c) To maintain a strong capital base to support the development of its business.

The Group and the Company are not subject to the BNM Guidelines on the Capital Adequacy Guidelines. However, disclosure of the capital adequacy ratios is made on a voluntary basis for information purposes.

Capital adequacy and the use of regulatory capital are monitored by the Group's and the Company's management, employing techniques based on the guidelines developed by the Basel Committee and as implemented by BNM, for supervisory purposes.

The regulatory capital comprise of two tiers:

(a) Tier I capital: share capital (net of any book values of treasury shares) and other reserves which comprise retained profits and reserves created by appropriations of retained profits; and

(b) Tier II capital: comprise collective impairment allowances on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets.

Common equity Tier I ("CET I") and Tier I capital ratios refer to the ratio of total Tier I capital to risk-weighted assets. Risk-weighted capital ratio ("RWCR") is the ratio of total capital to risk-weighted assets.

46.1 Regulatory capital

	Group	
	2015	2014
	%	%
Before deducting interim dividends*		
CET I capital ratio	**35.3**	39.2
Tier I capital ratio	**35.3**	39.2
Total capital ratio	**37.2**	39.9
After deducting interim dividends*		
CET I capital ratio	**35.1**	39.1
Tier I capital ratio	**35.1**	39.1
Total capital ratio	**37.1**	39.8

* *Refers to proposed interim dividends which are to be declared after the financial year.*

46 CAPITAL ADEQUACY (CONTINUED)

46.1 Regulatory capital (continued)

	Group 2015 RM'000	Group 2014 RM'000
Components of CET I, Tier I and Tier II capital:		
CET I/Tier I capital		
Paid-up share capital	**150,000**	150,000
Retained profits	**5,414,575**	5,008,847
	5,564,575	5,158,847
Deferred tax liabilities	**–**	454,494
Less : Collective allowance*	**(189,647)**	–
Total CET I/Tier I capital	**5,374,928**	5,613,341
Tier II capital		
Allowance for impairment losses	**108,854**	104,639
Add : Collective allowance*	**189,647**	–
Total Tier II capital	**298,501**	104,639
Total capital	**5,673,429**	5,717,980
The breakdown of risk-weighted assets by each major risk category is as follows:		
Credit risk	**13,921,244**	12,937,755
Operational risk	**1,325,732**	1,376,436
Total risk-weighted assets	**15,246,976**	14,314,191

* *Comprise qualifying regulatory reserves for non-impaired financing of Cagamas.*

46 CAPITAL ADEQUACY (CONTINUED)

46.2 Proforma regulatory capital excluding CMBS

	Group	
	2015**	**2014****
	%	**%**
Before deducting interim dividends*		
CET I capital ratio	**25.1**	25.1
Tier I capital ratio	**25.1**	25.1
Total capital ratio	**27.1**	25.7
After deducting interim dividends*		
CET I capital ratio	**24.9**	24.9
Tier I capital ratio	**24.9**	24.9
Total capital ratio	**26.9**	25.6

Components of CET I, Tier I and Tier II capital:

	RM'000	**RM'000**
CET I/Tier I capital		
Paid-up share capital	**150,000**	150,000
Retained profits	**3,083,297**	2,851,375
	3,233,297	3,001,375
Less :		
Deferred tax assets	**–**	(7,316)
Collective allowance***	**(189,647)**	–
Total CET I/Tier I capital	**3,043,650**	2,994,059
Tier II capital		
Allowance for impairment losses	**76,625**	72,471
Add : Collective allowance***	**189,647**	–
Total Tier II capital	**266,272**	72,471
Total capital	**3,309,922**	3,066,530

The breakdown of risk-weighted assets by each major risk category is as follows:

Credit risk	**12,332,168**	11,032,887
Operational risk	**855,149**	880,511
Total risk-weighted assets	**13,187,317**	11,913,398

* *Refers to proposed interim dividends which to be declared after the financial year.*
** *Excludes CMBS's risk-weighted assets and total capital.*
*** *Comprise qualifying regulatory reserves for non-impaired financing of Cagamas.*

47 ISLAMIC OPERATIONS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
ASSETS			
Cash and short-term funds	(a)	**167,078**	369,861
Deposits and placements with financial institutions	(b)	**185,305**	–
AFS investment securities	(c)	**506,219**	587,279
Derivative financial instruments		**4,270**	6,108
Financing assets	(d)	**5,581,449**	6,541,190
Mortgage assets	(e)	**9,612,146**	10,169,277
Hire purchase assets	(f)	**3,826**	6,438
Deferred taxation		**984**	379
Deferred financing fees		**–**	1,163
Other assets and prepayments		**289,338**	289,054
TOTAL ASSETS		**16,350,615**	17,970,749
LIABILITIES			
Sukuk	(g)	**11,944,033**	13,261,704
IRMBS	(h)	**2,075,548**	2,594,171
Deferred taxation		**225,446**	221,766
Deferred Wakalah fees		**4,930**	2,937
Provision for taxation		**2,069**	4,314
Other liabilities	(i)	**92,749**	51,642
TOTAL LIABILITIES		**14,344,775**	16,136,534
ISLAMIC OPERATIONS' FUNDS		**2,005,840**	1,834,215
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		**16,350,615**	17,970,749

47 ISLAMIC OPERATIONS (CONTINUED)

CONSOLIDATED INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
Total income attributable		**864,195**	943,203
Income attributable to the Sukuk holders	(j)	**(632,564)**	(685,086)
Total income attributable	(k)	**231,631**	258,117
Administration and general expenses		**(3,232)**	(2,825)
Allowance for impairment losses		**(8,466)**	(4,576)
PROFIT BEFORE TAXATION AND ZAKAT		**219,933**	250,716
Zakat		**(2,777)**	(4,112)
Taxation		**(48,638)**	(63,161)
PROFIT FOR THE FINANCIAL YEAR		**168,518**	183,443

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	2015 RM'000	2014 RM'000
Profit for the financial year	**168,518**	183,443
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
AFS investment securities		
– Net gain/(loss) on fair value changes before taxation	**1,556**	(854)
– Deferred taxation	**(389)**	213
Cash flow hedge		
– Net gain/(loss) on cash flow hedge before taxation	**2,167**	(1,214)
– Deferred taxation	**(227)**	304
Other comprehensive income/(loss) for the financial year, net of taxation	**3,107**	(1,551)
Total comprehensive income for the financial year	**171,625**	181,892

47 ISLAMIC OPERATIONS (CONTINUED)

CONSOLIDATED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Group	Allocated capital funds RM'000	AFS reserve RM'000	Cash flow hedge reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
Balance as at 1 January 2015	**294,159**	**(1,226)**	**4,556**	**–**	**1,536,726**	**1,834,215**
Profit for the financial year	**–**	**–**	**–**	**–**	**168,518**	**168,518**
Other comprehensive Income	**–**	**1,167**	**1,940**	**–**	**–**	**3,107**
Total comprehensive income for the financial year	**–**	**1,167**	**1,940**	**–**	**168,518**	**171,625**
Transfer to regulatory reserve during the financial year	**–**	**–**	**–**	**95,598**	**(95,598)**	**–**
Balance as at 31 December 2015	**294,159**	**(59)**	**6,496**	**95,598**	**1,609,646**	**2,005,840**
Balance as at 1 January 2014	294,159	(585)	5,466	–	1,354,229	1,653,269
Profit for the financial year	–	–	–	–	183,443	183,443
Other comprehensive Income	–	(641)	(910)	–	–	(1,551)
Total comprehensive income for the financial year	–	(641)	(910)	–	183,443	181,892
Return of capital	–	–	–	–	(946)	(946)
Balance as at 31 December 2014	294,159	(1,226)	4,556	–	1,536,726	1,834,215

47 ISLAMIC OPERATIONS (CONTINUED)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
OPERATING ACTIVITIES			
Profit for the financial year		**168,518**	183,443
Adjustments for investment items and items not involving the movement of cash and cash equivalents:			
Amortisation of premium less accretion of discount on:			
– AFS investment securities		**(4,179)**	(7,998)
– Mortgage assets		**(173,232)**	(193,640)
– Hire purchase assets		**(164)**	(226)
– Sukuk		**107**	–
Income from:			
– AFS investment securities		**(135,689)**	(147,881)
– Operations		**(537,459)**	(576,867)
Profit attributable to Sukuk holders		**627,800**	685,086
Gain on disposal of fixed asset		**(47)**	–
Allowance for impairment losses on mortgage assets and hire purchase assets		**6,918**	4,576
Wakalah fee income expense/(income)		**28**	(204)
Taxation		**43,994**	62,933
Zakat		**2,777**	4,112
Operating (loss)/profit before working capital changes		**(628)**	13,334
Decrease/(increase) in financing assets		**947,574**	(427,205)
Decrease in mortgage assets		**707,642**	639,677
Decrease in hire purchase assets		**1,229**	2,521
Decrease/(increase) in other assets and prepayments		**3,524**	(1,202)
Decrease in Sukuk		**(1,794,389)**	(408,000)
Increase in other liabilities		**34,510**	4,250
Cash utilised in generated from operating activities		**(100,538)**	(176,625)
Profit received from assets		**701,254**	735,992
Wakalah fee received		**1,993**	1,975
Profit paid to Sukuk holders		**(672,171)**	(689,527)
Payment of:			
Taxation		**(36,166)**	(38,540)
Zakat		**(4,112)**	(2,029)
Transfer of funds to conventional operations		**–**	(1,024)
Net cash utilised in from operations		**(109,740)**	(169,778)

47 ISLAMIC OPERATIONS (CONTINUED)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

	Note	2015 RM'000	2014 RM'000
INVESTING ACTIVITIES			
Purchase of AFS investment securities		**(500,247)**	(266,021)
Sale of AFS investment securities		**587,082**	283,307
Derivative financial instruments		**4,005**	(36)
Income received from AFS investment securities		**1,420**	1,207
Net cash generated from investing activities		**92,260**	18,457
Net decrease in cash and cash equivalents		**(17,480)**	(151,321)
Cash and cash equivalents as at 1 January		**369,863**	521,182
Cash and cash equivalents as at 31 December		**352,383**	369,861
Analysis of cash and cash equivalents:			
Cash and short-term funds	(a)	**167,078**	369,861
Deposits and placements with financial institutions	(b)	**185,305**	–
		352,383	369,861

	Group 2015 RM'000	2014 RM'000
(a) Cash and short-term funds		
Cash and bank balances with bank and other financial institutions	**81**	92
Mudharabah money at call and deposit placements maturing within one month	**166,997**	369,769
	167,078	369,861
(b) Deposits and placements with financial institutions		
Licensed banks	**185,305**	–

47 ISLAMIC OPERATIONS (CONTINUED)

(c) AFS investment securities

	Group 2015 RM'000	Group 2014 RM'000
At fair value:		
Government investment issues	**102,163**	217,342
Negotiable instrument of deposits	**–**	49,730
Quasi Government debt securities	**94,442**	93,033
Islamic debt securities	**309,614**	208,436
Malaysian treasury bills	**–**	18,738
	506,219	587,279

The maturity structure of AFS investment securities are as follows:

	Group 2015 RM'000	Group 2014 RM'000
Maturing within one year	**195,861**	260,492
One year to three years	**189,150**	210,186
Three years to five years	**40,397**	92,549
More than five years	**80,811**	24,052
	506,219	587,279

(d) Financing assets

	Group 2015 RM'000	Group 2014 RM'000
House financing	**3,439,157**	2,515,704
Hire purchase financing	**1,078,722**	2,834,163
Personal financing	**1,063,570**	1,191,323
	5,581,449	6,541,190

The maturity structure of financing assets are as follows:

	Group 2015 RM'000	Group 2014 RM'000
Maturing within one year	**1,237,569**	2,082,915
One year to three years	**3,385,075**	4,319,542
Three years to five years	**524,092**	138,733
More than five years	**434,713**	–
	5,581,449	6,541,190

47 ISLAMIC OPERATIONS (CONTINUED)

	Group 2015 RM'000	Group 2014 RM'000
(e) Mortgage assets		
PWOR	**9,612,146**	10,169,277
The maturity structure of mortgage assets are as follows:		
Maturing within one year	**1,044,318**	1,049,551
One year to three years	**1,459,450**	1,457,568
Three years to five years	**1,474,664**	1,472,877
More than five years	**7,021,590**	7,742,757
	11,000,022	11,722,753
Less:		
Unaccreted discount	**(1,334,072)**	(1,507,304)
Allowance for impairment losses	**(53,804)**	(46,172)
	9,612,146	10,169,277
(f) Hire purchase		
PWOR	**3,826**	6,438
The maturity structure of hire purchase assets are as follows:		
Maturing within one year	**2,573**	3,643
One year to three years	**1,397**	2,989
Three years to five years	**–**	114
	3,970	6,746
Less:		
Unaccreted discount	**(94)**	(258)
Allowance for impairment losses	**(50)**	(50)
	3,826	6,438

47 ISLAMIC OPERATIONS (CONTINUED)

	Group 2015 RM'000	Group 2014 RM'000
(g) Sukuk		
Medium-term notes	**11,944,033**	13,261,704
The maturity structure of Sukuk are as follows:		
Maturing within one year	**2,838,966**	3,359,704
One year to three years	**3,073,067**	4,160,000
Three years to five years	**1,592,000**	1,057,000
More than five years	**4,440,000**	4,685,000
	11,944,033	13,261,704
(h) IRMBS		
IRMBS	**2,075,548**	2,594,171
The maturity structure of the IRMBS are as follows:		
Maturing within one year	**10,548**	529,171
One year to three years	**810,000**	810,000
Three years to five years	**645,000**	245,000
More than five years	**610,000**	1,010,000
	2,075,548	2,594,171
(i) Other liabilities		
Zakat	**2,777**	4,112
Other payables	**89,972**	47,530
	92,749	51,642

47 ISLAMIC OPERATIONS (CONTINUED)

	Group 2015 RM'000	2014 RM'000
(j) Income attributable to the Sukuk holders		
Mortgage assets	**435,742**	464,876
Financing assets	**196,331**	219,563
Hire purchase assets	**435**	470
Deposits and placements of financial institutions	**56**	177
	632,564	685,086
Income attributable to the Sukuk holders analysed by concept:		
Bai Al-Dayn	**632,508**	684,909
Mudharabah	**56**	177
	632,564	685,086
(k) Total Net Income		
Income from:		
Mortgage assets	**174,570**	194,291
Hire purchase assets	**(48)**	99
Financing assets	**21,892**	19,266
AFS investment securities	**22,016**	25,659
Deposits and placements with financial institutions	**17,900**	17,620
Wakalah guarantee fee	**606**	388
Non-profit (expense)/income	**(5,305)**	794
	231,631	258,117
Total net income analysed by concept are as follows:		
Bai Al-Dayn	**196,414**	214,450
Mudharabah	**7,980**	15,896
Bai Bithaman Ajil	**6,116**	8,385
Murabahah	**16,913**	13,740
Musyarakah	**3,130**	2,588
Bai Al-Inah	**168**	40
Wadiah Yad Dhamanah	**26**	1,946
Wakalah	**606**	1,072
Ijarah	**278**	–
	231,631	258,117

47 ISLAMIC OPERATIONS (CONTINUED)

	Group 2015 %	Group 2014 %
(l) Capital adequacy		
Regulatory capital		
Before deducting interim dividend*		
CET I capital ratio	**31.8**	30.6
Tier I capital ratio	**31.8**	30.6
Total capital ratio	**34.3**	31.3
After deducting interim dividend*		
CET I capital ratio	**31.8**	30.6
Tier I capital ratio	**31.8**	30.6
Total capital ratio	**34.3**	31.3

Components of CET I, Tier I and Tier II capital:

CET I/ Tier I capital:	RM'000	RM'000
Allocated capital funds	**294,159**	294,159
Other reserves	**1,705,224**	1,536,726
	1,999,403	1,830,885
Deferred tax liabilities	**–**	221,387
Less : Collective allowance**	**(95,598)**	–
Total CET I/Tier I capital	**1,903,805**	2,052,272
Tier II capital:		
Allowance for impairment losses	**51,268**	46,254
Add : Collective allowance**	**95,598**	–
Total Tier II capital	**146,866**	46,254
Total capital	**2,050,671**	2,098,526

The breakdown of risk-weighted assets by each major risk category is as follows:

Credit risk	**5,484,762**	6,238,874
Operational risk	**493,320**	469,980
Total risk-weighted assets	**5,978,082**	6,708,854

* *Refers to proposed interim dividends which to be declared after the financial year.*
** *Comprise qualifying regulatory reserves for non-impaired financing of Cagamas.*

47 ISLAMIC OPERATIONS (CONTINUED)

(l) Capital adequacy (continued)

Proforma regulatory capital excluding CMBS

	Group	
	2015**	2014**
	%	%
Before deducting interim dividend*		
CET I capital ratio	**18.3**	16.4
Tier I capital ratio	**18.3**	16.4
Total capital ratio	**20.9**	17.0
After deducting interim dividend*		
CET I capital ratio	**18.3**	16.4
Tier I capital ratio	**18.3**	16.4
Total capital ratio	**20.9**	17.0
CET I/ Tier I capital:	**RM'000**	**RM'000**
Allocated capital funds	**294,159**	294,159
Other reserves	**708,315**	611,960
	1,002,474	906,119
Deferred tax liabilities	**–**	1,129
Less: Collective allowance***	**(95,598)**	–
Total CET I/Tier I capital	**906,876**	907,248
Tier II capital:		
Allowance for impairment losses	**36,237**	31,781
Add: Collective allowance***	**95,598**	–
Total Tier II capital	**131,835**	31,781
Total capital	**1,038,711**	939,029

The breakdown of risk-weighted assets by each major risk category is as follows:

Credit risk	**4,659,900**	5,249,999
Operational risk	**303,796**	273,961
Total risk-weighted assets	**4,963,696**	5,523,960

* *Refers to proposed interim dividends which to be declared after the financial year.*
** *Excludes CMBS's risk-weighted assets and total capital.*
*** *Comprise qualifying regulatory reserves for non-impaired financing of Cagamas.*

The Group and the Company are not subject to the BNM Guidelines on the Capital Adequacy Guidelines. However, disclosure of the capital adequacy ratios is made on a voluntary basis for information purposes.

47 ISLAMIC OPERATIONS (CONTINUED)

(m) Shariah advisor

The Group consults an independent Shariah advisor on an ad-hoc basis for all its Islamic products to ensure compliance with Islamic principles. In addition, the Group is required to obtain the approval of the Shariah Council of the regulatory bodies for its Islamic products.

48 DISCRETIONARY BONUS FEE

In the respective Servicing Agreements signed between the GOM, CMBS, Cagamas and the Trustee, CMBS agreed to pay the GOM a discretionary bonus fee, out of the retained profits of CMBS, to be determined by CMBS in respect of the services provided by the GOM, after the RMBS/IRMBS have been fully redeemed and all obligations and liabilities of CMBS in respect of the RMBS/IRMBS have been discharged.

Since the inception CMBS, portfolio 2004-1 has been duly redeemed in 2014 and CMBS has since paid the discretionary bonus to GOM in accordance with the agreement.

49 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors.

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of The Companies Act, 1965

We, Dato' Ooi Sang Kuang and Tan Sri Dato' Sri Tay Ah Lek, the two Directors of Cagamas Holdings Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 84 to 170 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2015 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

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

DATO' OOI SANG KUANG
CHAIRMAN

TAN SRI DATO' SRI TAY AH LEK
DIRECTOR

STATUTORY DECLARATION

Pursuant to Section 169(16) of The Companies Act, 1965

I, Chung Chee Leong, the Officer primarily responsible for the financial management of Cagamas Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 84 to 170 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHUNG CHEE LEONG

Subscribed and solemnly declared by the abovenamed Chung Chee Leong at Kuala Lumpur in Malaysia on 21 March 2016.

Before me,
COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
No: W 681
RAJEEV SAIGAL A/L
RAMLABAYA SAIGAL
MALAYSIA

NO. A-31-11, LEVEL 31,
TOWER A, MENARA UOA BANGSAR,
NO. 5, JALAN BANGSAR UTAMA 1,
BANGSAR, 59000 KUALA LUMPUR.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF CAGAMAS HOLDINGS BERHAD

(Incorporated in Malaysia) (Company No. 762047-P)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Cagamas Holdings Berhad on pages 84 to 170, which comprise the statements of financial position as at 31 December 2015 of the Group and the Company, the statement of income, the statements of comprehensive income, statement of changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 49.

Directors' Responsibility for the Financial Statements

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

Auditor's 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 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 the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF CAGAMAS HOLDINGS BERHAD

(Incorporated in Malaysia) (Company No. 762047-P) (Continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The audit reports on the financial statements of the subsidiaries did not contain any qualifications or any adverse comment made under Section 174(3) 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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

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

Kuala Lumpur
21 March 2016