GREAT EASTERN TAKAFUL BERHAD
201001032332 (916257-H)
(Incorporated in Malaysia)

Unaudited Interim Condensed Financial Statements
30 June 2023

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(Incorporated in Malaysia)

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UNAUDITED INTERIM CONDENSED PROFIT OR LOSS STATEMENT
For the financial period ended 30 June 2023

	Family takaful fund			Company
in Malaysian Ringgit ('000)	2023	2022 restated	2023	2022 restated
Takaful revenue	1,450,495	1,411,344	1,484,967	1,428,194
Takaful service expenses	(703,702)	(1,213,094)	(735,460)	(1,239,905)
Net expenses from retakaful contracts held	(739,575)	(152,479)	(739,772)	(151,608)
Takaful service result	**7,218**	**45,771**	**9,735**	**36,681**
Investment income	26,740	19,422	32,033	22,915
Gain/(loss) on sale of investments	82	(11,724)	20	(12,670)
Changes in fair value	(20,656)	(62,583)	(19,381)	(64,191)
Gain on exchange differences	2,690	1,040	2,690	1,040
Increase in provision for impairment of assets	(36)	(176)	(35)	(176)
Net investment income	**8,820**	**(54,021)**	**15,327**	**(53,082)**
Finance (expenses)/income from takaful contracts issued	(16,074)	564	(10,045)	821
Finance income from retakaful contracts held	253	-	253	-
Net takaful financial result	**(15,821)**	**564**	**(9,792)**	**821**
Net takaful and investment result	**217**	**(7,686)**	**15,270**	**(15,580)**
Fees and other income	263	194	274	195
Other income and expenses	**263**	**194**	**274**	**195**
Profit/(loss) before zakat and income tax	**480**	**(7,492)**	**15,544**	**(15,385)**
Zakat	-	-	(50)	(50)
Income tax (expense)/credit	(480)	7,492	(1,501)	9,687
Profit/(loss) after zakat and income tax	**-**	**-**	**13,993**	**(5,748)**

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

UNAUDITED INTERIM CONDENSED PROFIT OR LOSS STATEMENT
For the financial period ended 30 June 2023

in Malaysian Ringgit ('000)	Family takaful fund 2023	Family takaful fund 2022 restated	Company 2023	Company 2022 restated
Profit/(loss) after zakat and income tax for the period	**-**	**-**	**13,993**	**(5,748)**
Other comprehensive (loss)/income:				
Items that will not be reclassified to the Profit or Loss Statement:				
Revaluation loss on equity instruments at fair value through other comprehensive income	(279)	(1,557)	(279)	(1,928)
Income tax related to the above	520	125	520	214
Items that may be reclassified subsequently to the Profit or Loss Statement:				
Debt instruments at fair value through other comprehensive income:				
Changes in fair value	6,169	(6,362)	5,321	(6,895)
Changes in allowance for expected credit losses	63	203	63	203
Income tax related to the above	(494)	510	(290)	638
Other comprehensive (income)/outgo attributable to participants	(5,977)	7,081	(5,979)	7,080
Other comprehensive loss for the period, after tax	**-**	**-**	**(644)**	**(688)**
Total comprehensive income/(loss) for the period	**-**	**-**	**13,349**	**(6,436)**

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

UNAUDITED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 June and 31 December

in Malaysian Ringgit ('000)	Note	Family takaful fund 2023	Family takaful fund 2022 restated	Company 2023	Company 2022 restated
ASSETS					
Property, plant and equipment		-	-	15,496	12,735
Right-of-use assets		-	-	3,637	1,124
Intangible assets		-	-	6,805	8,790
Investments	12	1,166,865	1,080,121	1,330,236	1,221,662
Takaful contract assets		2,446,377	2,397,827	2,446,377	2,397,827
Retakaful contract assets		1,291,796	1,595,830	1,291,796	1,595,830
Deferred tax assets		3,872	2,742	-	-
Tax recoverable		1,433	3,004	9,072	6,108
Other debtors		13,160	12,770	26,828	30,648
Cash and cash equivalents		309,215	328,826	472,419	503,360
TOTAL ASSETS		**5,232,719**	**5,421,120**	**5,602,667**	**5,778,083**
EQUITY, SURPLUS FROM FAMILY TAKAFUL FUND AND LIABILIITIES					
Share capital		-	-	195,000	195,000
Reserves					
Other reserves		-	-	(1,364)	(720)
Retained earnings		-	-	57,966	43,973
TOTAL EQUITY		**-**	**-**	**251,602**	**238,253**

UNAUDITED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Continued)
As at 30 June and 31 December

		Family takaful fund		Company	
in Malaysian Ringgit ('000)	Note	2023	2022 restated	2023	2022 restated
LIABILITIES					
Deferred tax liabilities		-	-	12,543	13,158
Provision for zakat		-	-	169	137
Provision for agents' retirement benefits		-	-	20,482	18,000
Takaful contract liabilities		3,355,104	3,152,660	3,307,257	3,111,972
Retakaful contract liabilities		1,853,401	2,111,491	1,853,401	2,111,491
Lease liabilities		-	-	3,777	1,297
Other creditors		24,213	156,970	153,435	283,774
TOTAL EQUITY AND LIABILITIES		**5,232,719**	**5,421,120**	**5,602,667**	**5,778,083**

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

UNAUDITED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the financial period ended 30 June 2023

	Attributable to shareholders of the Company			
		Other reserves		
in Malaysian Ringgit ('000)	Share Capital	Fair Value Reserve	Retained earnings	Total Equity
Balance as at 31 December 2022, as previously reported	195,000	(720)	(46,418)	147,862
Effect of adopting MFRS 9 and MFRS 17	-	-	90,391	90,391
Balance at 1 January 2023, restated	195,000	(720)	43,973	238,253
Profit for the period	-	-	13,993	13,993
Other comprehensive loss for the period	-	(644)	-	(644)
Total comprehensive (loss)/income for the period	-	(644)	13,993	13,349
Balance at 30 June 2023	**195,000**	**(1,364)**	**57,966**	**251,602**

	Attributable to shareholders of the Company			
		Other reserves		
in Malaysian Ringgit ('000)	Share Capital	Fair Value Reserve	Retained earnings	Total Equity
Balance as at 31 December 2021, as previously reported	195,000	(1,538)	(60,209)	133,253
Effect of adopting MFRS 9 and MFRS 17	-	-	90,573	90,573
Balance at 1 January 2022, restated	195,000	(1,538)	30,364	223,826
Loss for the period	-	-	(5,748)	(5,748)
Other comprehensive loss for the period	-	(406)	(282)	(688)
Total comprehensive loss for the period	-	(406)	(6,030)	(6,436)
Balance at 30 June 2022, restated	**195,000**	**(1,944)**	**24,334**	**217,390**

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

UNAUDITED INTERIM CONDENSED STATEMENT OF CASH FLOWS
For the financial period ended 30 June 2023

in Malaysian Ringgit ('000)	Note	2023	2022 restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before zakat and income tax		**15,544**	**(15,385)**
Adjustments for non-cash items:			
(Gain)/loss on sale of investments		(20)	12,670
Changes in fair value		16,372	62,461
Increase in provision for impairment of assets		63	203
Increase in provision for agents' retirement benefits		2,499	2,009
Depreciation and amortisation expenses		3,916	4,261
Unrealised gain on exchange differences		2,690	1,040
Dividend income		(11,247)	(7,948)
Profit income		(20,785)	(14,968)
Profit (income)/expense on lease liabilities		(202)	75
Taxation of family takaful funds		(26)	(633)
		8,804	43,785
Changes in working capital:			
Other debtors		4,585	292
Other creditors		(130,340)	49,874
Changes in takaful contracts assets/liabilities		145,900	15,158
Changes in retakaful contracts assets/liabilities		45,944	113,123
Cash generated from operations		**74,893**	**222,232**
Income tax paid		(4,850)	(6,505)
Zakat paid		(18)	(3)
Agents' retirement benefits paid		(16)	471
Net cash flows generated from operating activities		**70,009**	**216,195**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturities and sale of investments		(581,976)	(439,137)
Purchase of investments		456,973	428,608
Purchase of of motor vehicle and equipment		(3,708)	(3,211)
Acquisition of intangible assets		(180)	(303)
Purchase of right-of-use assets		(3,318)	-
Profit income received		17,348	13,275
Dividends received		11,229	8,014
Net cash flows (used in)/provided by investing activities		**(103,632)**	**7,246**
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal elements of lease payments		2,682	(748)
Net cash flows provided by/(used in) financing activities		**2,682**	**(748)**
Net (decrease)/increase in cash and cash equivalents		(30,941)	222,693
Cash and cash equivalents at the beginning of the period		503,360	400,680
Cash and cash equivalents at the end of the period		**472,419**	**623,373**
Cash and cash equivalents comprise:			
Cash and bank balances		166,979	176,053
Short term instruments		305,440	447,320
		472,419	**623,373**

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

1. CORPORATE INFORMATION

The Company is a public limited liability company incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 20, Menara Great Eastern, 303 Jalan Ampang, 50450 Kuala Lumpur.

The Company is principally engaged in managing family takaful business including takaful investment-linked business. There has been no significant change in the principal activity during the financial year.

The immediate holding company is I Great Capital Holdings Sdn. Bhd., a company incorporated in Malaysia. The ultimate holding company is Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), a public-listed company incorporated in the Republic of Singapore.

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES

2.1 Basis of Preparation

The Unaudited Interim Condensed Financial Statements of Great Eastern Takaful Berhad ("the Company") have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 - Interim Financial Reporting as issued by the Malaysian Accounting Standards Board ("MASB") and International Accounting Standard ("IAS") 34 - Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"), and do not include all of the information and disclosures required in the annual financial statements. These Unaudited Interim Condensed Financial Statements are to be read in conjunction with the Company's financial statements for the year ended 31 December 2022.

The Unaudited Interim Condensed Financial Statements of the Company include the Takaful fund established in accordance with the Islamic Financial Services Act, 2013, in Malaysia, which is managed and controlled by the Company as the operator of the fund.

The Statement of Financial Position and the Profit or Loss Statement of the Family Takaful Fund are supplementary financial information presented in accordance with the requirements of BNM and the Islamic Financial Services Act, 2013, in Malaysia to segregate assets, liabilities, income, and expenses of the Takaful fund from its own. The Statement of Financial Position and Profit or Loss Statement of the Family Takaful Fund include only the assets, liabilities, income, and expenses of the Family Takaful Fund that are set up, managed, and controlled by the Takaful Operator.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.1 Basis of Preparation (continued)

In preparing the Company's financial statements, the balances and transactions of the Takaful Operator are amalgamated and combined with those of the Takaful fund. Interfund assets and liabilities, income and expenses relating to transactions between the funds are eliminated in full during amalgamation. The accounting policies adopted for the Takaful Operator and Takaful fund are uniform for like transactions and events in similar circumstances.

The Takaful fund is consolidated and amalgamated from the date of control and continues to be consolidated until the date such control ceases, which occurs when the Company's license to manage Takaful business is withdrawn or surrendered.

The Unaudited Interim Condensed Financial Statements of the Company have been prepared under the historical cost convention.

As at the reporting date, the Company has met the minimum capital adequacy requirements as prescribed under the Risk-Based Capital Framework for Takaful Operators ("RBCT") issued by Bank Negara Malaysia ("BNM").

The Unaudited Interim Condensed Financial Statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

2.2 Significant Acccounting Policies

(a) New and amended standards and interpretations

The significant accounting policies in these Unaudited Interim Condensed Financial Statements are consistent with those adopted in the financial statements for the financial year ended 31 December 2022, except for the adoption of the following standards, amendments to standards and interpretation of standards.

On 1 January 2023, the Company adopted the following amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2023.

- Amendments to MFRS 101 *Classification of liabilities as current or non-current*
- Amendments to MFRS 101, MFRS Practice Statement 2 *Disclosure of Accounting Policies and MFRS 108 Definition of Accounting Estimates*
- MFRS 17 Insurance *Contracts and its amendments*
- Amendment to MFRS 112 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendment to MFRS 17 Initial Application of MFRS 17 and MFRS 9 - *Comparative Information*

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.2 Significant Acccounting Policies (continued)

(a) New and amended standards and interpretations (continued)

Deferred

- Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

(b) Standards issued but not yet effective

The following are standards, amendments to standards and interpretation to standards issued by MASB that will be effective for the Company in future years. The Company intends to adopt these standards, amendments to standards and interpretation to standards, if applicable, when they become effective.

Effective for financial periods beginning on or after 1 January 2024

- Amendments to MFRS 17 *Financial Instruments: Disclosures*
- Amendments to MFRS 107 *Statements of Cash Flows*

The management expects that the adoption of the above standards, amendments to standards and interpretation to standards issued by MASB, but not yet effective, will have no material impact on the financial statements in the period of initial application except as discussed below.

2.3 Changes in Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new standards and amendments effective as of 1 January 2023. The Company has applied MFRS 17, including any consequential amendments to other standards, from 1 January 2023. These standards have brought significant changes to the accounting for takaful and retakaful contracts. As a result, the Company has restated comparative information for the financial year 2022 applying the transitional provisions in Appendix C to MFRS 17. The nature and effects of the changes in the Company's accounting policies are summarised below.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.3 Changes in Significant Accounting Policies (continued)

The Company's implementation project progressed throughout 2022, with a focus on developing and integrating the operational capabilities necessary for implementing MFRS 17. This involved working on data, systems, and business processes, as well as determining the transition balance sheet as of 1 January 2022.

In 2023, the primary objectives are finalizing the transition balance sheet, preparing the 2022 comparatives for 2023 reporting, and implementing the end-state control

The current impacts are based on an interim control environment and models that are still undergoing validation. The implementation of the end-state control environment will continue as the Company introduces business-as-usual controls throughout 2023.

The actual impact of adopting MFRS 17 on 1 January 2023, with a transition date of 1 January 2022, may change as the Company continues to embed and refine the new systems, processes, and controls required, including the audit validations, including the comparatives.

2.3.1 MFRS 17 Insurance Contracts

MFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of takaful contracts and retakaful contracts held by the Company. It introduces a model that measures groups of contracts based on the Company’s estimates of the present value of future cash flows that are expected to arise as the Company fulfils contracts, an explicit risk adjustment for non-financial risk and a Contractual Service Margin (“CSM”).

2.3.2 Transition

The Company has restated the comparative information based on the transition approaches taken on adoption of MFRS 17.

Changes in accounting policies resulting from the adoption of MFRS 17 were applied using the fully retrospective approach to the extent practicable. The fully retrospective approach was applied to takaful contracts that were originated less than one year prior to the effective date.

Where it was not possible to obtaining all required historical data without undue cost and effort, the modified retrospective approach or fair value approach was applied. The modified retrospective approach was applied to certain groups of takaful contracts that were originated between 2016 and 2021. The fair value approach was applied to the remaining takaful contracts in force prior to 2016.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.3 Changes in Significant Accounting Policies (continued)

2.3.2 Transition (continued)

On transition date, at 1 January 2022, the Company:
- Identified, recognised and measured each group of takaful and retakaful contracts as if MFRS 17 had always been applied (unless impracticable);
- Derecognised previously reported balances that would not have existed if MFRS 17 had always been applied;
- Elected the option introduced by MFRS 17 to redesignate certain financial assets to address possible accounting mismatches between financial assets and takaful contract liabilities, and applied the classifications retrospectively;
- Recognised any resulting net difference in equity.

The effects of adopting MFRS 17 on the financial statements at 1 January 2022 are presented in the statement of changes in equity and Note 2.3.2.2.

2.3.2.1 Modified Retrospective Approach

The modified retrospective approach was applied to certain groups of takaful contracts that were in force between 2016 and 2021.

The Company has used the following procedures to determine the CSM at initial recognition for these contracts:

- Estimated future cash flows at the date of initial recognition as the amount of the future cash flows at the transition date, adjusted by the cash flows that have occurred between the date of initial recognition and the transition date. The cash flows that are known to have occurred include cash flows resulting from contracts that ceased to exist before the transition date.
- Estimated historical discount rates applied to cash flows in the period prior to 2012 using an observable market profit curve for that period, adjusted by the spread between observable market yield curves and the yield curve used to determine current discount rates for the years between 1 January 2012 and 1 January 2022.
- Estimated the risk adjustment for non-financial risk at the date of initial recognition by adjusting the risk adjustment at the transition date by the expected release of risk in the periods before the transition date. The expected release of risk was determined with reference to the release of risk for similar contracts that the Company has issued subsequent to the transition date.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.3 Changes in Significant Accounting Policies (continued)

2.3.2 Transition (continued)

2.3.2.1 Modified Retrospective Approach (continued)

The CSM at the transition date has been further determined by:

- Using the modified discount rates determined at initial recognition to accrete profit on the CSM.
- Applying the amount of the CSM recognised in profit or loss because of the transfer of services before the transition date, by comparing the remaining coverage units at that date with the coverage units provided under the group of contracts before the transition date.

2.3.2.2 Fair Value Approach

The Company applied the fair value approach to the remaining takaful contracts. Under the fair value approach, the Company determined the CSM of the liability for remaining coverage at the date of transition, as the difference between the fair value of a group of takaful contracts, measured in accordance with MFRS 13 Fair Value Measurement, and its fulfilment cash flows (“FCF”) at that date.

The Company has aggregated contracts issued more than one year apart in determining groups of takaful contracts under the fair value approach at transition.

For the application of the fair value approach, the Company has used reasonable and supportable information available at the transition date in order to:
- Identify groups of takaful contracts
- Identify any discretionary cash flows for takaful contracts without direct participation features

The discount rate for the group of contracts incepted after 2012 applying the fair value approach was determined based on the inception year discount rate. Whereas, the discount rate for the group of contracts incepted before 2012 applying the fair value approach was determined on transition date.

The discount rate used for accretion of profit on the CSM is determined using the bottom-up approach at inception.

The Company used the discounted cash flow approach to determine the fair value amount used for establishing the takaful contract liabilities at the transition date.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.3 Changes in Significant Accounting Policies (continued)

2.3.2 Transition (continued)

2.3.2.3 Impact on Transition

The effects from applying MFRS 17 resulted in an increase of total equity of RM91million, net of tax, as at 1 January 2022. The net transition impact to equity consisted of the following effects.

Measurement adjustments	**Description of impact** **Contracts not measured under Premium Allocation Approach ("PAA")**
CSM	A CSM will be recognised for the unearned profit for takaful contracts.
Contract Measurement	Other components of takaful contracts are also remeasured: • Risk adjustment: recognition of a separate risk adjustment for non-financial risk which is higher than the risk margin under MFRS 4 as a result of recalibration of the measurement techniques to conform with the MFRS 17 requirements. • Discount rates: Changes in the discount rates because of the MFRS 17 requirements to measure future cash flows using current discount rates. • Other changes: Include the changes to the provisions for future taxes, and other changes related to the application of MFRS 17.
Takaful Finance Reserve	Under MFRS 17, changes in the carrying amounts of groups of contracts arising from the effects of the time value of money, financial risk and changes therein are generally presented as takaful finance or expenses in profit or loss. The Company has elected the option to include these changes for certain portfolios measured under GMM under takaful finance reserve in equity.

The Company does not apply the Premium Allocation Approach ("PAA") on its contracts.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.3 Changes in Significant Accounting Policies (continued)

2.3.2 Transition (continued)

2.3.2.3 Impact on Transition (continued)

Besides the impact to equity upon transition, there are also other changes in the balance sheet mainly resulting from takaful related receivables and payables now included within fulfilment cash flows instead of being presented separately.

Redesignation of Financial Assets and Classification Overlay

MFRS 17 allows for entities that had applied MFRS 9 to annual periods before the initial application of MFRS 17, to redesignate its financial assets to address possible accounting mismatches between financial assets and takaful contract liabilities. A transition option was elected to apply a classification overlay for the financial assets as if the classification and measurement requirements of MFRS 9 had been applied to that financial asset during the comparative period. At the transition date, RM148.2 million of Malaysia Government Securities and Islamic debt instruments which were previously designated at fair value through other comprehensive income was reclassified to fair value through profit or loss, derecognising an expected credit loss, net of tax of RM58,000, resulting in a reclassification of RM2.23 million from the opening fair value reserve to accumulated surplus of the family takaful funds.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2 Changes in Significant Accounting Policies (continued)

2.3.2 Transition (continued)

2.3.2.3 Impact on Transition (continued)

The following table summarises the impact of transition of MFRS 17 on the Company statement of financial position at 1 January 2022.

			Remeasurement effect of MFRS 17			
in Malaysian Ringgit ('000)	Audited FS MFRS 4 1 January 2022	Remapping/ Removal of MFRS 4	Transition CSM	Fulfilment Cash Flows	Tax Effect	MFRS 17 1 January 2022
Family Takaful						
Assets						
Takaful contract assets	-	1,425,345	-	-	-	1,425,345
Retakaful contract assets	728,702	137,164	-	-	-	865,867
Other assets	2,743,235	(1,435,107)	-	-	(183)	1,307,945
Total assets	**3,471,937**	**127,402**	**-**	**-**	**(183)**	**3,599,157**
Liability and Equity						
Takaful contract liabilities	2,164,714	224,629	-	(276,819)	-	2,112,524
Retakaful contract liabilities	-	1,319,630	-	-	-	1,319,630
Other liabilities	1,307,223	(1,140,042)	-	-	(179)	167,002
Total liabilities	**3,471,937**	**404,217**	**-**	**(276,819)**	**(179)**	**3,599,157**

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2 Changes in Significant Accounting Policies (continued)

2.3.2 Transition (continued)

2.3.2.3 Impact on Transition (continued)

The following table summarises the impact of transition of MFRS 17 on the Company statement of financial position at 1 January 2022.

			Remeasurement effect of MFRS 17			
in Malaysian Ringgit ('000)	MFRS 4 1 January 2022	Remapping/ Removal of MFRS 4	Transition CSM	Fulfilment Cash Flows	Tax Effect	MFRS 17 1 January 2022
Company						
Assets						
Takaful contract assets	-	1,425,345	-	-	-	1,425,345
Retakaful contract assets	728,702	137,164	-	-	-	865,867
Other assets	3,053,041	(1,436,917)	-	-	(28,785)	1,587,339
Total assets	**3,781,743**	**125,592**	**-**	**-**	**(28,785)**	**3,878,551**
Liability and Equity						
Takaful contract liabilities	2,209,173	221,095	-	(365,044)	-	2,065,224
Retakaful contract liabilities	-	1,319,630	-	-	-	1,319,630
Other liabilities	1,439,317	(1,169,268)	-	-	(179)	269,870
Total liabilities	**3,648,490**	**371,457**	**-**	**(365,044)**	**(179)**	**3,654,724**

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2 Changes in Significant Accounting Policies (continued)

2.3.2 Transition (continued)

2.3.2.3 Impact on Transition (continued)

The following table summarises the impact of transition of MFRS 17 on the Company statement of financial position at 1 January 2022.

in Malaysian Ringgit ('000)	MFRS 4 1 January 2022	Remapping/ Removal of MFRS 4	Remeasurement effect of MFRS 17 Transition CSM	Remeasurement effect of MFRS 17 Fulfilment Cash Flows	Remeasurement effect of MFRS 17 Tax Effect	MFRS 17 1 January 2022
Company						
Equity						
Share capital	195,000	-	-	-	-	195,000
Accumulated losses	(60,209)	23,522	(361,989)	450,215	(21,174)	30,365
Reserves	(1,538)	-	-	-	-	(1,538)
Total equity	**133,253**	**23,522**	**(361,989)**	**450,215**	**(21,174)**	**223,827**
Total liabilities and equity	**3,781,743**	**394,979**	**(361,989)**	**85,171**	**(21,353)**	**3,878,551**

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.4 Accounting Policies for MFRS 17 Insurance Contracts

2.4.1 Definition and Classification

Contracts under which the Company accepts significant takaful risk are classified as takaful contracts. Contracts held by the Company under which it transfers significant takaful risk related to underlying takaful contracts are classified as retakaful contracts. Takaful and retakaful contracts also expose the Company to financial risk.

Takaful contracts may be issued and retakaful contracts may be initiated by the Company, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'takaful contracts' and 'retakaful contracts' include contracts issued, initiated or acquired by the Company, unless otherwise stated.

Contracts that have a legal form of takaful but do not transfer significant takaful risk and expose the Company to financial risk are classified as investment contracts, and they follow financial instruments accounting under MFRS 9. The Company does not have any contracts that fall under this category.

Contracts are subject to different requirements depending on whether they are classified as direct participating contracts or contracts without direct participation features. Takaful contracts with direct participation features are takaful contracts that are substantially investment-related service contracts under which the Company promises an investment return based on underlying items. They are contracts for which, at inception:

- the contractual terms specify that the certificateholder participates in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the certificateholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the certificateholder to vary with the change in fair value of the underlying items.

All other takaful contracts and all retakaful contracts are classified as contracts without direct participation features.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.4 Accounting Policies for MFRS 17 Insurance Contracts (continued)

2.4.2 Separation

2.4.2.1 Separating Components from Takaful and Retakaful Contracts

The Company assesses its takaful and retakaful contracts to determine whether they contain components which must be accounted for under another MFRS rather than MFRS 17 (distinct non-takaful components). After separating any distinct components, the Company applies MFRS 17 to all remaining components of the (host) takaful contract. Currently, the Company's contracts do not include distinct components that require separation.

Some term family takaful contracts issued by the Company include a surrender option under which the surrender value is paid to the certificateholder on maturity or earlier lapse of the contract. These surrender options have been assessed to meet the definition of a non-distinct investment component in MFRS 17.

MFRS 17 defines investment components as the amounts that a takaful contract requires a takaful operator to repay to a certificateholder in all circumstances, regardless of whether a covered event has occurred. Investment components which are highly interrelated with the takaful contract of which they form a part are considered non-distinct and are not separately accounted for. However, receipts and payments of the investment components are excluded from takaful revenue and takaful service expenses. The surrender options are considered non-distinct investment components as the Company is unable to measure the value of the surrender option component separately from the family takaful portion of the contract.

Some family retakaful contracts issued contain retakaful surplus arrangements. Under these arrangements, there is an amount that the certificate holder may receive in the form of surplus. For retakaful surplus components which are not subject to any conditions in the contracts, these have been assessed to be highly interrelated with the takaful component of the retakaful contracts and are, therefore, non-distinct investment components which are not accounted for separately. However, receipts and payments of these investment components are recognised outside of takaful revenue and takful service expense.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.4 Accounting Policies for MFRS 17 Insurance Contracts (continued)

2.4.2 Separation (continued)

2.4.2.2 Separation of Takaful Contract into Basic Certificate and Riders

It is common for the takaful contracts issued (basic certificate) to be attached with a series of riders, also known as a supplementary contract. Given that it is possible for the coverage and nature of the basic certificate and rider to differ, the Company assesses if the basic certificate and rider should be separated and thereby valued separately.

In making this assessment, the Company considers the following factors:

(i) presence of cash flows dependencies between basic certificate and riders;
(ii) whether the basic certificate and riders are distinct components (i.e. whether they lapse separately or whether they can be priced and sold separately); and
(iii) substance of the combined basic certificate and rider.

The Company has measured all riders together with the basic plan due to the cash flow dependency between the takaful funds.

2.4.3 Level of Aggregation

2.4.3.1 Takaful contracts

Takaful contracts are aggregated into groups for measurement purposes. Groups of takaful contracts are determined by identifying portfolios of takaful contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into quarters (by quarter of issuance) for family takaful, into three groups based on the expected profitability of the contracts:

(i) contracts that are onerous at initial recognition, if any;
(ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; or
(iii) remaining group of contracts, if any.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.4 Accounting Policies for MFRS 17 Insurance Contracts (continued)

2.4.3 Level of Aggregation (continued)

2.4.3.1 Takaful contracts (continued)

These groups represent the level of aggregation at which takaful contracts are initially recognised and measured. The profitability groupings are not reassessed under subsequent remeasurement.

Level of aggregation is also affected by law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for certificateholders with different characteristics are included in the same group.

The Company broadly groups its takaful contracts by how the contracts are managed, product type, dripping nature, currency, measurement model and takaful risks. For family takaful contracts, sets of contracts usually correspond to pricing risk groups that the Company determined to have similar takaful risk and that are priced together by assessing the profitability of a best estimate pool of contracts on the same basis. The Company monitors the profitability of contracts within portfolios and the likelihood of changes in takaful, financial and other exposures resulting in these contracts becoming more onerous at the level of these pricing groups with no information available at a more granular level. This level of granularity determines sets of contracts.

2.4.3.2 Retakaful contracts

Portfolios of retakaful contracts held are assessed for aggregation separately from portfolios of takaful contracts issued. Applying the grouping requirements to retakaful contracts held, the Company aggregates retakaful contracts into quarters (by quarter of issuance) for family retakaful treaties into groups of:

(i) contracts for which there is a net gain at initial recognition, if any;
(ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and
(iii) remaining contracts in the portfolio, if any.

Retakaful contracts held are assessed for aggregation requirements on an individual retakaful treaty basis.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.4 Accounting Policies for MFRS 17 Insurance Contracts (continued)

2.4.4 Recognition

A group of takaful contracts issued by the Company is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Company provides services in respect of any contributions within the boundary of the contract);
- when the first payment from the certificateholder becomes due or, if there is no contractual due date, when it is received from the certificateholder; and
- when facts and circumstances indicate that the group of contracts is onerous.

The Company recognises a group of retakaful contracts held from the earliest of the following:

- The beginning of the coverage period of the group of retakaful contracts held. However, the Company delays the recognition of a group of retakaful contracts held that provide proportionate coverage until the date when any underlying takaful contract is initially recognised, if that date is later than the beginning of the coverage period of the group of retakaful contracts held, and
- The date the Company recognises an onerous group of underlying takaful contracts if the Company entered into the related retakaful contract in the group of retakaful contracts held at or before that date.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Composition of the groups is not reassessed in subsequent periods.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.4 Accounting Policies for MFRS 17 Insurance Contracts (continued)

2.4.5 Contract Boundary

The Company includes in the measurement of a group of takaful contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of a takaful contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the certificateholder to pay the contributions, or in which the Company has a substantive obligation to provide the certificateholder with takaful contract services. A substantive obligation to provide takaful contract services ends when:

- The Company has the practical ability to reassess the risks of the particular certificateholder and, as a result, can set a price or level of benefits that fully reflects those risks, or
- Both of the following criteria are satisfied:
  - The Company has the practical ability to reassess the risks of the portfolio of takaful contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
  - The pricing of the contributions up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

Fulfilment cash flows outside the boundary of the takaful contract are not recognised. Such amounts relate to future takaful contracts.

For family takaful contracts with renewal periods, the Company assesses whether contributions and related cash flows that arise from the renewed contract are within the contract boundary. The pricing of the renewals is established by the Company by considering all the risks covered for the certificateholder by the Company, that the Company would consider when underwriting equivalent contracts on the renewal dates for the remaining service. Therefore, the cash flows related to renewals of takaful contracts will not be included in the contract boundary.

For groups of retakaful contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Company that exist during the reporting period in which the Company is compelled to pay amounts to the retakaful operator or in which the Company has a substantive right to receive takaful contract services from the retakaful operator. A substantive right to receive services from the retakaful operator ends either when the retakaful operator can reprice the contract to fully reflect the ceded risk, or when the retakaful operator has a substantive right to terminate coverage.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.4 Accounting Policies for MFRS 17 Insurance Contracts (continued)

2.4.5 Contract Boundary (continued)

The Company reassesses contract boundary of each group at the end of each reporting period.

Cash flows that are not directly attributable to a portfolio of takaful contracts are recognised in other expenses as incurred.

2.4.6 Measurement

2.4.6.1 Measurement - contracts not measured under PAA

On initial recognition, the Company measures a group of takaful contracts as the total of (a) the fulfilment cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the Contractual Service Margin (“CSM”).

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils takaful contracts.

For retakaful contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the retakaful operator.

Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in Note 2.5.

On initial recognition of a group of takaful contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.4 Accounting Policies for MFRS 17 Insurance Contracts (continued)

2.4.6 Measurement (continued)

2.4.6.1 Measurement - contracts not measured under PAA (continued)

If the total is a net outflow, then the group is onerous. A loss from onerous takaful contracts is recognised in profit or loss immediately, with no CSM recognised on the balance sheet on initial recognition, and a loss component is established in the amount of loss recognised (refer to the Onerous contracts – Loss component section in Note 2.4.6.1.3 below).

2.4.6.1.1 Fulfilment Cash Flows ("FCF")

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Company expects to collect from contributions and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:
(a) are based on a probability-weighted mean of the full range of possible outcomes;
(b) are determined from the perspective of the Company, provided that the estimates are consistent with observable market prices for market variables; and
(c) reflect conditions existing at the measurement date.

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of takaful contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the takaful contracts requires significant judgment and estimation. Refer to Note 2.5.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.4 Accounting Policies for MFRS 17 Insurance Contracts (continued)

2.4.6 Measurement (continued)

2.4.6.1.2 Contractual Service Margin

The CSM is a component of the carrying amount of the asset or liability for a group of takaful contracts issued representing the unearned profit that the Company will recognise as it provides takaful contract services in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous or takaful revenue and takaful service expenses are recognised as in (d) below) arising from:
(a) the initial recognition of the FCF;
(b) cash flows arising from the contracts in the group at that date;
(c) the derecognition of any takaful acquisition cash flows asset; and
(d) the derecognition of any other pre-recognition cash flows. Takaful revenue and takaful service expenses are recognised immediately for any such assets derecognised.

For groups of retakaful contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing retakaful relates to past events, in which case the Company recognises the net cost immediately in profit or loss. For retakaful contracts held, the CSM represents a deferred gain or loss that the Company will recognise as a retakaful expense as it receives takaful contract services from the retakaful operator in the future and is calculated as the sum of:
(a) the initial recognition of the FCF; and
(b) cash flows arising from the contracts in the group at that date;
(c) the amount derecognised at the date of initial recognition of any asset or liability previously recognised for cash flows related to the group of retakaful contracts held (other pre-recognition cash flows); and
(d) any income recognised in profit or loss when the entity recognises a loss on initial recognition of an onerous group of underlying takaful contracts or on addition of onerous underlying takaful contracts to that group.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.4 Accounting Policies for MFRS 17 Insurance Contracts (continued)

2.4.6 Measurement (continued)

2.4.6.1.3 Subsequent Measurement – contracts not measured under the PAA

Subsequently, the carrying amount of a group of takaful contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage ("LRC") comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims ("LIC") includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

- The fulfilment cash flows of groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows:

Changes relating to future service	Adjusted against CSM (or recognised in the takaful service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognised in the takaful service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated cash flows	Recognised as takaful finance income or expenses in profit or loss, except for certain portfolios measured using the GMM where the OCI option is applied.

- The CSM is adjusted subsequently only for changes in fulfilment cash flows that relate to future services and other specified amounts and is recognised in profit or loss as services are provided. The CSM at each reporting date represents the profit in the group of contracts that has not yet been recognised in profit or loss because it relates to future services.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.4 Accounting Policies for MFRS 17 Insurance Contracts (continued)

2.4.6 Measurement (continued)

2.4.6.1.3 Subsequent Measurement – contracts not measured under the PAA (continued)

Onerous contracts – Loss component

When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the Company recognises the excess in takaful service expenses, and it records the excess as a loss component of the LRC.

When a loss component exists, the Company allocates the following between the loss component and the remaining component of the LRC for the respective group of contracts, based on the ratio of the loss component to the FCF relating to the expected future cash outflows:
(a) expected incurred claims and other directly attributable expenses for the period;
(b) changes in the risk adjustment for non-financial risk for the risk expired; and
(c) finance income (expenses) from takaful contracts issued.

The amounts of the loss component allocation in (a) and (b) above reduce the respective components of takaful revenue and are reflected in takaful service expenses.

Decreases in the FCF in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF in subsequent periods increase the loss component.

2.4.6.1.4 Retakaful Contracts

The Company will apply the same accounting policies to measure a group of retakaful contracts, with the following modifications.

The carrying amount of a group of retakaful contracts at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.4 Accounting Policies for MFRS 17 Insurance Contracts (continued)

2.4.6 Measurement (continued)

2.4.6.1.4 Retakaful Contracts (continued)

The Company will measure the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying takaful contracts, with an adjustment for any risk of non-performance by the retakaful operator. The effect of the non-performance risk of the retakaful operator is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the retakaful operator.

For groups of retakaful contracts held, any net gain or loss at initial recognition is recognised as the Tabarru surplus contributed by the retakaful contracts. This amount will be transferred to the underlying portfolio on the basis that the Tabarru surplus is determined on a net of retakaful basis.

2.4.6.1.5 Takaful Acquisition Cash Flows

Takaful acquisition cash flows arise from the costs of offering, underwriting and starting a group of takaful contracts that are directly attributable to the portfolio of takaful contracts to which the group belongs. If takaful acquisition cash flows are directly attributable to a group of contracts, then they are allocated to that group.

Takaful acquisition cash flows are allocated to groups of takaful contracts on a systematic and rational basis. Takaful acquisition cash flows that are directly attributable to a group of takaful contracts are allocated to that group; and to groups that will include takaful contracts that are expected to arise from renewals of the takaful contracts in that group.

Takaful acquisition cash flows not directly attributable to a group of contracts but directly attributable to a portfolio of contracts are allocated to groups of contracts in the portfolio or expected to be in the portfolio.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.4 Accounting Policies for MFRS 17 Insurance Contracts (continued)

2.4.6 Measurement (continued)

2.4.6.1.5 Takaful Acquisition Cash Flows (continued)

The takaful acquisition cash flows that arise before the recognition of the related takaful contracts are recognised as separate assets and tested for recoverability, whereas other takaful acquisition cash flows are included in the estimates of the present value of future cash flows as part of the measurement of the related takaful contracts.

The Company assesses at each reporting date whether facts and circumstances indicate that an asset for takaful acquisition cash flows may be impaired, then the Company:

(a) recognises an impairment in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and
(b) if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those takaful acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss under (a).

The Company reverses any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions no longer exist or have improved.

2.4.7 Derecognition and Contract Modification

A takaful contract is derecognised when it is:

- extinguished (that is, when the obligation specified in the takaful contract expires or is discharged or cancelled); or
- the contract is modified and certain additional criteria discussed below are met.

When a takaful contract is modified by the Company as a result of an agreement with the counterparties or due to a change in regulations, the Company treats changes in cash flows caused by the modification as changes in estimates of the FCF, unless the conditions for the derecognition of the original contract are met. The Company derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.4 Accounting Policies for MFRS 17 Insurance Contracts (continued)

2.4.7 Derecognition and Contract Modification (continued)

(a) if the modified terms had been included at contract inception and the Company would have concluded that the modified contract:
  (i) is not within the scope of MFRS 17;
  (ii) results in different separable components;
  (iii) results in a different contract boundary; or
  (iv) belongs to a different group of contracts.

When a new contract is required to be recognised as a result of modification and it is within the scope of MFRS 17, the new contract is recognised from the date of modification and is assessed for, amongst other things, contract classification, including the VFA eligibility component separation requirements and contract aggregation requirements.

When a takaful contract not accounted for under the PAA is derecognised from within a group of takaful contracts, the Company:

(a) adjusts the FCF to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations removed from the group;
(b) adjusts the CSM (unless the decrease in the FCF is allocated to the loss component of the LRC of the group) in the following manner, depending on the reason for the derecognition:
  (i) if the contract is extinguished, in the same amount as the adjustment to the FCF relating to future service;
  (ii) if the contract is transferred to a third party, in the amount of the FCF adjustment in (a) less the contribution charged by the third party; or
  (iii) if the original contract is modified resulting in its derecognition, in the amount of the FCF adjustment in (a) adjusted for the contribution that the Company would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional contribution charged for the modification; when recognising the new contract in this case, the Company assumes such a hypothetical contribution as actually received; and
(c) adjusts the number of coverage units for the expected remaining takaful contract services, to reflect the number of coverage units removed.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.4 Accounting Policies for MFRS 17 Insurance Contracts (continued)

2.4.8 Presentation and Disclosure (continued)

The Company aggregates portfolios of takaful and retakaful contracts held and present separately in the balance sheet:
- Portfolios of takaful contracts that are assets;
- Portfolios of retakaful contracts held that are assets;
- Portfolios of takaful contracts that are liabilities; and
- Portfolios of retakaful contracts held that are liabilities.

The portfolios referred to above are those established at initial recognition in accordance with the MFRS 17 requirements.

In the profit or loss statement, the following are presented separately:
- Takaful revenue;
- Takaful service expense;
- Takaful finance income or expense; and
- Income or expenses from retakaful contracts held.

The Company will provide disaggregated qualitative and quantitative information in the notes to the financial statements about:
- The amounts recognised in its financial statements from takaful contracts and retakaful contracts; and
- Significant judgments, and changes in those judgments made when applying the standard.

Takaful service result comprises takaful revenue and takaful service expenses. Income and expenses from retakaful contracts held, other than takaful finance income or expenses, are presented on a net basis as 'net expenses from retakaful contracts held' in the takaful service result.

<u>Takaful revenue</u>

As the Company provides takaful contract services under the takaful contracts, it reduces the LRC and recognises takaful revenue. The amount of takaful revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Company expects to be entitled to in exchange for those services.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.4 Accounting Policies for MFRS 17 Insurance Contracts (continued)

2.4.8 Presentation and Disclosure (continued)

Takaful revenue (continued)

For contracts not measured under the PAA, the takaful revenue represents the total of the changes in the LRC comprising the following items.

- Claims and other takaful service expenses incurred in the year, excluding the amounts allocated to the loss component, generally measured at the amounts expected at the beginning of the year.
- Changes in the risk adjustment for non-financial risk relating to current services.
- Amounts of the CSM recognised for the services provided in the year.
- Other amounts, including experience adjustments and any other pre-recognition cash flows assets derecognised at the date of initial recognition.

In addition, the Company allocates a portion of contributions that relate to recovering takaful acquisition cash flows to each period in a systematic way based on the passage of time.

For contracts not measured under the PAA, amortisation of takaful acquisition cash flows is reflected in takaful service expenses in the same amount as takaful acquisition cash flows recovery reflected within takaful revenue, as described above.

Other expenses that relate directly to the fulfilment of takaful contracts will be recognised in profit or loss as takaful service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment contracts are included in other expenses in the consolidated profit or loss statement.

Net expenses from retakaful contracts held

The Company presents financial performance of groups of retakaful contracts held on a net basis in net expenses from retakaful contracts held, comprising the allocation of retakaful contributions paid less amounts recovered from retakaful operators.

Retakaful expenses are recognised similarly to takaful revenue. The amount of retakaful expenses recognised in the reporting period depicts the transfer of received takaful contract services at an amount that reflects the portion of ceding contribution that the Company expects to pay in exchange for those services.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.4 Accounting Policies for MFRS 17 Insurance Contracts (continued)

2.4.8 Presentation and Disclosure (continued)

Net expenses from retakaful contracts held (cotninued)

For contracts not measured under the PAA, the allocation of retakaful contribution paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Company expects to pay consideration.

The Company disaggregates changes in the risk adjustment for non-financial risk between takaful service result and takaful finance income or expenses for family takaful.

For family takaful contracts, the Company includes all takaful finance income or expenses for the period in profit or loss, except for certain portfolios measured using the GMM where the Other Comprehensive Income ("OCI") option is applied. This is expected to reduce accounting mismatches in profit or loss, considering that the supporting financial assets will be Islamic debt investments measured at fair value through profit and loss ("FVTPL").

The Company systematically allocates expected total takaful finance income or expenses over the duration of the group of contracts to profit or loss using discount rates determined on initial recognition of the group of contracts.

In the event of transfer of a group of takaful contracts or derecognition of a takaful contract, the Company reclassifies the takaful finance income or expenses to profit or loss as a reclassification adjustment to any remaining amounts for the group (or contract) that were previously recognised in other comprehensive income.

The groups of takaful contracts, including the CSM, that generate cash flows in a foreign currency are treated as monetary items.

2.5 Use of Estimates and Judgments

In preparing these unaudited interim condensed consolidated financial statements, management has made estimates, assumptions and judgments that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.5 Use of Estimates and Judgments (continued)

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except as detailed below.

Discount rates

Takaful contract liabilities are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity contribution where applicable. Risk free rates are determined by reference to the observable market yields of Government Investment Issues in the currency of the takaful contract liabilities. The illiquidity contribution is determined by reference to observable market rates.
The Company adopts a bottom-up approach in which discount rates are based on risk-free yield curve and an adjustment for illiquidity contribution.

(a) For risk-free yield curves and Ultimate Forward Rate ("UFR"), references are made in particular to Bank Negara Malaysia's Risk-Based Capital Framework for Takaful Operators which is also aligned with the approach taken by the International Associations of Insurance Supervisors ("IAIS") on the design of the global insurance capital standards ("ICS").

(b) For illiquidity contribution, illiquidity buckets ("illiquidity application ratio") are assigned using an objective scoring system that is based on illiquidity characteristics of products on each portfolio. Market observable illiquidity contribution levels are derived every month-end based on a credit-risk adjusted market spread of reference assets for each currency.

The adjustment of illiquidity contribution in (b) is added as a layer in addition to the risk-free yield curve in (a) based on the illiquidity application ratio of each portfolio.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the takaful contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Company's degree of risk aversion. The Company estimates an adjustment for non-financial risk separately from all other estimates. The Company does not consider the effect of retakaful in the risk adjustment for non-financial risk of the underlying takaful contracts.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (continued)

2.5 Use of Estimates and Judgments (continued)

Risk adjustment for non-financial risk (continued)

The confidence level technique is used to derive the overall risk adjustment for non-financial risk. Applying a confidence level technique, the Company estimates the probability distribution of the expected present value of the future cash flows from the contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows allowing for the associate risks over all future years. The target confidence level will be at 85th percentile.

Estimates of future cash flows

In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience updated to reflect current expectations of future events.

The estimates of future cash flows will reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Company takes into account current expectations of future events that might affect cash flows. Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) certificateholders, takaful acquisition cash flows and other costs that are incurred in fulfilling contracts. Takaful acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows will be attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities will be allocated to groups of contracts using methods that are systematic and rational and will be consistently applied to all costs that have similar characteristics.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

2.5 Use of Estimates and Judgments (continued)

Coverage units

The number of coverage units in a group is the quantity of coverage provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided under a contract and its expected coverage duration. The coverage units are assessed at each reporting period-end prospectively by considering:

(a) the quantity of benefits provided by contracts in the group;
(b) the expected coverage period of contracts in the group; and
(c) the likelihood of covered events occurring, only to the extent that they affect the expected coverage period of contracts in the group.

The Company uses the amount that it expects the certificateholder to be able to validly claim in each period if a covered event occurs as the basis for the quantity of benefits with respect to takaful coverage.

3. SEASONALITY OF OPERATIONS

The business and operations of the Company was not materially affected by any seasonal or cyclical fluctuations during the interim financial period.

4. UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows for the financial period ended 30 June 2023.

5. METHODS OF COMPUTATION AND CHANGES IN ESTIMATES

There were no changes in the methods of computation and basis used for accounting estimates for the interim financial period compared to the most recent financial statement except for those mentioned under Notes 2.4 and 2.5.

6. DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial period

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

7. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

There were no material events subsequent to the end of the interim reporting period that have not been reflected in the unaudited interim condensed financial statements.

8. CHANGES IN THE COMPOSITION OF THE COMPANY

There is no change in the composition of the Company during the interim financial period.

9. AUDITORS' REPORT

The auditors' report on the audited financial statements of the preceding 31 December 2022

10. CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 June 2023.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

11. TAKAFUL AND RETAKAFUL CONTRACTS

11.1 Family takaful - takaful contracts issued

11.1.1 Movements in takaful contract balances

in Malaysian Ringgit ('000)	2023	2022 restated
Takaful contract liabilities as at 1 January	3,152,660	2,112,525
Takaful contract assets as at 1 January	(2,397,827)	(1,425,345)
Net Takaful contract liabilities/(assets) as at 1 January	**754,833**	**687,181**
Takaful revenue	(1,450,495)	(2,007,006)
Takaful service expenses	703,702	1,889,909
Takaful service result	**(746,793)**	**(117,096)**
Takaful finance expenses	16,074	(1,128)
Total changes in the profit or loss statement and OCI	**(730,719)**	**(118,224)**
Cash flows		
Contributions received	1,532,037	1,057,425
Claims and other expenses paid	(957,362)	(1,577,067)
Total Cash flows	**(156,044)**	**(637,866)**
Other movements	309,939	705,517
Net Takaful contract liabilities/(assets) as at 30 June/31 December	**908,728**	**754,832**
Takaful contract liabilities as at 30 June/31 December	3,355,104	3,152,660
Takaful contract assets as at 30 June/31 December	(2,446,377)	(2,397,827)
Net Takaful contract liabilities/(assets) as at 30 June/31 December	**908,728**	**754,833**

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

11. TAKAFUL AND RETAKAFUL CONTRACTS (Continued)

11.2 Family takaful - retakaful contracts held

11.2.1 Movements in retakaful contract balances

in Malaysian Ringgit ('000)	2023	2022 restated
Retakaful contract assets as at 1 January	(1,595,830)	(865,867)
Retakaful contract liabilities as at 1 January	2,111,491	1,319,630
Net Retakaful contract liabilities/(assets) as at 1 January	**515,661**	**453,763**
Allocation of retakaful contributions	460,313	902,004
Amounts recoverable from retakaful operators	279,294	(785,791)
Contributions refund	(32)	(1,579)
Net income or expense from retakaful contracts held	**739,575**	**114,634**
Net finance income from retakaful contracts held	(253)	-
Total changes in the profit or loss statement and OCI	**739,322**	**114,634**
Cash flows		
Contributions paid	(718,403)	(110,143)
Amounts received	(256,468)	607,285
Total Cash flows	**(974,871)**	**497,142**
Other movements	**281,493**	**(549,879)**
Net Retakaful contract assets/(liabilities) as at 30 June/31 December	**561,605**	**515,660**
Retakaful contract assets as at 30 June/31 December	(1,291,796)	(1,595,830)
Retakaful contract liabilities as at 30 June/31 December	1,853,401	2,111,491
Net Retakaful contract assets/(liabilities) as at 30 June/31 December	**561,605**	**515,661**

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

12. INVESTMENTS

in Malaysian Ringgit ('000)	Family takaful fund 2023	Family takaful fund 2022 restated	Company 2023	Company 2022 restated
FVOCI financial assets:				
Quoted Shariah-approved equities	-	3,064	31,973	28,762
Government investment issues	67,856	66,845	67,856	66,845
Unquoted Islamic private debt securities	225,703	212,168	225,703	212,168
Financial assets at FVTPL:				
Quoted Shariah-approved equities	481,119	453,231	486,194	458,264
Financial instruments with embedded derivatives	97	145	97	145
Unit trusts - REITS	11,460	10,148	11,460	10,148
Government investment issues	169,242	140,898	212,952	176,501
Unquoted Islamic private debt securities	211,388	193,622	294,001	268,829
	1,166,865	1,080,121	1,330,236	1,221,662

The funds' and Company's financial assets are summarised by categories as follows:

in Malaysian Ringgit ('000)	Family takaful fund 2023	Family takaful fund 2022 restated	Company 2023	Company 2022 restated
FVOCI financial assets	293,559	282,077	325,532	307,775
Financial assets at FVTPL	873,306	798,044	1,004,704	913,887
	1,166,865	1,080,121	1,330,236	1,221,662

(a) FVOCI financial assets

in Malaysian Ringgit ('000)	Family takaful fund 2023	Family takaful fund 2022 restated	Company 2023	Company 2022 restated
At amortised cost/cost				
Quoted Shariah-approved equities	-	3,479	33,768	30,124
Government investment issues	67,901	68,395	67,901	68,395
Unquoted Islamic private debt securities	225,625	216,440	225,625	216,440
	293,526	288,314	327,294	314,960
At fair value				
Quoted Shariah-approved equities	-	3,064	31,973	28,762
Government investment issues	67,856	66,845	67,856	66,845
Unquoted Islamic private debt securities	225,703	212,168	225,703	212,168
	293,559	282,077	325,532	307,775

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

12. INVESTMENTS (continued)

(b) Financial assets at FVTPL

	Family takaful fund		Company	
in Malaysian Ringgit ('000)	2023	2022 restated	2023	2022 restated
At fair value:				
Mandatorily measured:				
Quoted Shariah-approved equities	481,119	453,231	486,194	458,264
Financial instruments with embedded derivatives	97	145	97	145
Unit trusts - REITS	11,460	10,148	11,460	10,148
Government investment issues	27,718	4,295	27,718	4,295
Unquoted Islamic private debt securities	112,734	109,613	112,734	109,613
Designated upon initial recognition:				
Government investment issues	141,524	136,604	185,234	172,207
Unquoted Islamic private debt securities	98,654	84,008	181,267	159,215
	873,306	798,044	1,004,704	913,887

(c) Fair values of financial assets

The following table shows financial assets recorded at fair value analysed by the different basis of fair values as follows:

	Family takaful fund		Company	
in Malaysian Ringgit ('000)	2023	2022 restated	2023	2022 restated
Valuation techniques:				
FVOCI financial assets:				
Quoted prices	-	3,064	31,973	28,762
Market observable inputs	293,559	279,013	293,559	279,013
Financial assets at FVTPL:				
Quoted prices	492,676	463,524	497,751	468,557
Market observable inputs	380,630	334,520	506,953	445,330
	1,166,865	1,080,121	1,330,236	1,221,662

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the financial period ended 30 June 2023

13. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 June 2023, as prescribed under the Risk-Based Capital Framework for Takaful Operators ("RBCT") is provided as below:

in Malaysian Ringgit ('000)	Shareholders' fund	Family takaful fund	Company
2023			
Tier-1 Capital	128,601,035	68,294,121	196,895,156
Tier-2 Capital	16,465,837	1,263,471	17,729,308
Deductions	(18,992,043)	-	(18,992,043)
Capital Available	126,074,829	69,557,592	195,632,421
2022			
Tier-1 Capital	109,649,812	99,290,451	208,940,263
Tier-2 Capital	17,774,743	(2,649,935)	15,124,808
Deductions	(16,014,527)	(322,448)	(16,336,975)
Capital Available	111,410,028	96,318,068	207,728,096