Registration No.

201101007816 (935955-M)

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023

Registration No.

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AIA PUBLIC TAKAFUL BHD.
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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023

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AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

		30.06.2023		31.12.2022 (Restated)		1.1.2022 (Restated)	
	Note	Family takaful fund	Company	Family takaful fund	Company	Family takaful fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Property and equipment		-	181	-	196	-	408
Intangible assets		-	15,222	-	14,498	-	9,636
Right-of-use-assets		-	992	-	1,183	-	1,564
Financial assets - fair value through other comprehensive income	10	147,309	577,736	138,478	528,244	42,004	397,262
Financial assets - fair value through profit or loss	10	2,750,492	2,762,728	2,549,326	2,560,420	2,112,067	2,122,249
Takaful certificate assets	11	92,936	25,637	80,295	23,633	-	14,957
Retakaful certificate assets	11	9,503	89,284	6,101	80,787	-	89,177
Other receivables		841	15,824	1,294	16,582	1,582	4,678
Tax recoverables		-	-	-	2,640	-	4,317
Deferred tax assets		1,802	-	4,145	-	-	-
Cash and cash equivalents		314,878	352,694	259,900	293,271	298,614	333,043
Total assets		3,317,761	3,840,298	3,039,539	3,521,454	2,454,267	2,977,291
EQUITY							
Share capital		-	450,000	-	450,000	-	450,000
General reserves		-	(33,333)	-	(33,333)	-	(33,333)
Retained earnings		-	628,495	-	545,955	-	408,991
Other comprehensive income/(loss) fair value reserves		-	1,565	-	(5,719)	-	430
Takaful finance reserves		-	(396)	-	(594)	-	-
Foreign currency translation reserves		-	(12)	-	-	-	-
Total equity		-	1,046,319	-	956,309	-	826,088

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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONTINUED)

	Note	30.06.2023 Family takaful fund RM'000	30.06.2023 Company RM'000	31.12.2022 (Restated) Family takaful fund RM'000	31.12.2022 (Restated) Company RM'000	1.1.2022 (Restated) Family takaful fund RM'000	1.1.2022 (Restated) Company RM'000
LIABILITIES							
Takaful certificates liabilities	11	3,247,277	2,582,293	2,929,352	2,370,384	2,335,897	1,982,422
Deferred tax liabilities		-	181,526	-	159,292	4,492	132,652
Lease liabilities		-	1,114	-	1,327	-	1,724
Other payables		66,866	25,239	108,362	34,142	111,835	34,405
Tax payables		3,618	3,807	1,825	-	2,043	-
Total liabilities		3,317,761	2,793,979	3,039,539	2,565,145	2,454,267	2,151,203
Total equity and liabilities		3,317,761	3,840,298	3,039,539	3,521,454	2,454,267	2,977,291

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

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UNAUDITED CONDENSED INCOME STATEMENT
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023

	Note	6 months period ended 30.06.2023 Family takaful fund RM'000	6 months period ended 30.06.2023 Company RM'000	6 months period ended 30.06.2022 (Restated) Family takaful fund RM'000	6 months period ended 30.06.2022 (Restated) Company RM'000
Takaful revenue	12	340,217	444,995	326,521	391,680
Takaful service expense	13	(373,557)	(357,313)	(251,704)	(221,498)
Takaful service result before retakaful certificates held		(33,340)	87,682	74,817	170,182
Net expenses from retakaful certificates held		1,426	3,399	(9,028)	(7,010)
Takaful service result		(31,914)	91,081	65,789	163,172
Investment income	14	59,440	67,424	42,228	48,485
Net realised losses	15	(5,770)	(5,746)	(18,744)	(19,157)
Fair value gains/(losses)	16	27,555	27,413	(160,537)	(160,962)
Net investment income/(expense)		81,225	89,091	(137,053)	(131,634)
Takaful finance (expenses)/income for takaful certificates issued		(43,469)	(57,643)	48,646	59,937
Retakaful finance (expenses)/income for retakaful certificates held		(1,425)	1,452	9,027	517
		(44,894)	(56,191)	57,673	60,454
Other income/(expense)		4	(10,429)	(1)	(24,346)
Profit/(Loss) before zakat and taxation		4,421	113,552	(13,592)	67,646

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UNAUDITED CONDENSED INCOME STATEMENT
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023 (CONTINUED)

	Note	6 months period ended 30.06.2023		6 months period ended 30.06.2022 (Restated)	
		Family takaful fund	Company	Family takaful fund	Company
		RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before zakat and taxation		4,421	113,552	(13,592)	67,646
Tax (expense)/credit attributable to participants		(4,421)	(4,421)	13,592	13,592
Profit before zakat and taxation attributable to shareholders		-	109,131	-	81,238
Zakat		-	-	-	-
Taxation		(4,421)	(31,012)	13,592	(2,857)
Tax expense/(credit) attributable to participants		4,421	4,421	(13,592)	(13,592)
Tax expense attributable to shareholders		-	(26,591)	-	(16,449)
Net profit for the period		-	82,540	-	64,789
Profit per share (sen): Basic			18.34		14.40

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

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UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023

	6 months period ended 30.06.2023		6 months period ended 30.06.2022 (Restated)	
	Family takaful fund	Company	Family takaful fund	Company
	RM'000	RM'000	RM'000	RM'000
Net profit for the year	-	82,540	-	64,789
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
Fair value through other comprehensive income/(losses)	-	10,173	-	(14,109)
Takaful finance income/(expenses)	-	198	-	(144)
Changes in expected credit losses	-	(42)	-	621
Translation losses	-	(12)	-	-
Deferred tax	-	(2,847)	-	3,662
Other comprehensive income/(loss) for the period	-	7,470	-	(9,970)
Total comprehensive income for the period	-	90,010	-	54,819

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023

	Share capital RM'000	General reserves RM'000	Non-distributable other comprehensive income RM'000	Takaful finance reserves RM'000	Translation reserves RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2022 (As previously reported)	450,000	(33,333)	188	-	-	(35,932)	380,923
Impact of initial application of MFRS 9	-	-	242	-	-	-	242
Impact of initial application of MFRS 17	-	-	-	-	-	444,923	444,923
At 1 January 2022 (Restated)	450,000	(33,333)	430	-	-	408,991	826,088
Total comprehensive income for the year	-	-	(9,826)	(144)	-	64,789	54,819
At 30 June 2022 (Restated)	450,000	(33,333)	(9,396)	(144)	-	473,780	880,907

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023 (CONTINUED)

	Share capital RM'000	General reserves RM'000	Non-distributable other comprehensive income RM'000	Takaful finance reserves RM'000	Translation reserves RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2022 (As previously reported)	450,000	(33,333)	188	-	-	(35,932)	380,923
Impact of initial application of MFRS 9	-	-	242	-	-	-	242
Impact of initial application of MFRS 17	-	-	-	-	-	444,923	444,923
At 1 January 2022 (Restated)	450,000	(33,333)	430	-	-	408,991	826,088
Total comprehensive income for the year	-	-	(6,149)	(594)	-	136,964	130,221
At 31 December 2022 (Restated)	450,000	(33,333)	(5,719)	(594)	-	545,955	956,309
Total comprehensive income for the year	-	-	7,284	198	(12)	82,540	90,010
At 30 June 2023	450,000	(33,333)	1,565	(396)	(12)	628,495	1,046,319

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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023

	6 months period ended 30.06.2023	6 months period ended 30.06.2022 (Restated)
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation for the financial period	113,552	67,646
Adjustments for:		
Bad and doubtful debts	57	474
(Reversal)/Allowance for expected credit loss of other financial assets	(42)	621
Depreciation of property and equipment	39	86
Depreciation of right of use assets	191	191
Amortisation of intangible assets	1,914	1,523
Finance cost of leases	21	29
Net amortisation of premium on investments	1,969	2,090
Profit Income	(53,230)	(40,449)
Dividend Income	(15,888)	(10,708)
Realised loss	5,746	19,157
Fair value (gains)/losses on fair value through profit or loss (FVTPL) financial assets	(27,413)	160,962
Operating profit before working capital changes	26,916	201,622
Decrease/(Increase) in other receivables	701	(10,529)
(Increase)/Decrease in retakaful assets	(8,497)	1,615
Increase in takaful certificates assets	(2,004)	(257)
Increase in net takaful certificates liabilities	212,170	86,495
(Decrease)/Increase in other payables	(8,903)	10,067
Increase in financial assets	(221,699)	(272,093)
Cash (used in)/generated from operating activities	(1,316)	16,920
Finance cost of leases paid	(21)	(29)
Income tax paid	(5,241)	(10,717)
Profit income received	51,420	39,612
Dividend received	17,456	11,541
Net cash generated from operating activities	62,298	57,327
Cash flows from investing activities		
Purchase of property and equipment	(24)	(36)
Purchase of intangible assets	(2,638)	(4,091)
Net cash used in investing activities	(2,662)	(4,127)

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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023 (CONTINUED)

	6 months period ended 30.06.2023	6 months period ended 30.06.2022 (Restated)
	RM'000	RM'000
Cash flows from financing activities		
Repayment of lease liabilities	(213)	(197)
Net cash used in financing activities	(213)	(197)
Net increase in cash and cash equivalents	59,423	53,003
Cash and cash equivalents at 1 January	293,271	333,043
Cash and cash equivalents at 30 June	352,694	386,046
Cash and cash equivalents comprise:		
Cash and bank balances	122,154	118,552
Fixed deposit with licensed Islamic Banks	230,540	267,494
	352,694	386,046

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023

1 CORPORATE INFORMATION

The Company is engaged principally in managing Family Takaful business including investment linked business. There has been no significant change in the principal activity during the financial period.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The address of principal place of business and registered office of the Company are as follows:

Principal place of business
Level 14, Menara AIA
99 Jalan Ampang
50450 Kuala Lumpur

Registered office
Level 29, Menara AIA
99 Jalan Ampang
50450 Kuala Lumpur

The immediate holding company and ultimate holding company of the Company are AIA Bhd., a company incorporated in Malaysia and AIA Group Limited, a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited, respectively.

The unaudited condensed interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 14 August 2023.

2 BASIS OF PREPARATION

The condensed interim financial statements of the Company are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), *134 Interim Financial Reporting*.

Under the concept of Takaful, individuals make contributions to a pool which is managed by a third party with the overall aim of using the monies to aid fellow participants in times of need. Accordingly, as a takaful operator, the Company manages the Family Takaful fund in line with the principles of Wakalah (agency), which is the main business model adopted by the Company. Under the Wakalah model, the takaful operator is not a participant in the fund but manages the funds (including the relevant assets and liabilities) towards the purpose outlined above.

The Company have adopted the MFRS framework issued by the Malaysian Accounting Standards Board (“MASB”) and Policy Document on Financial Reporting for Takaful Operators issued by Bank Negara Malaysia (“BNM”).

The unaudited condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s audited financial statements for the financial year ended 31 December 2022.

The restated financial position relating to the financial year ended 31 December 2022 that are included in this condensed interim financial statements as comparative information does not constitute the Company’s statutory financial statements for that financial period.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation adopted by the Company for the condensed interim financial statements are consistent with those adopted by the Company's audited financial statements for the financial year ended 31 December 2022, except for the adoption of the following:

3.1 Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Company's financial period beginning on or after 1 January 2023.

The following accounting standards, amendments and interpretations have been adopted for the first time for the financial period beginning on 1 January 2023:

- MFRS 9, Financial Instruments
- MFRS 17, Insurance Contracts
- Amendments to MFRS 17 Insurance Contracts
- Amendment to MFRS 17 Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information

Accounting policies and additional information on the qualitative and quantitative effects of the adoption of the new and revised accounting standards on the Company's unaudited condensed interim financial statements are provided in Note 3.4 and Note 18.

The following relevant new amendments to standards have been adopted for the first time for the financial period beginning on 1 January 2023 and have no material impact to the Company:

- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates
- Amendments to MFRS 112 on "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"
- Amendments to MFRS 112 on International Tax Reform - Pillar Two Model Rules

The adoption of the above accounting standards, amendments and interpretations does not have any significant impact to the financial statements except as mentioned below:

New and amended standards and interpretation

(i) MFRS 17 Insurance Contracts

MFRS 17 replaces MFRS 4 Insurance Contracts for annual periods beginning on or after 1 January 2023. The Company has restated comparative information for 2022 applying the transitional provisions in Appendix C of MFRS 17. The nature of the changes in accounting policies can be summarised, as follows:

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Company's financial period beginning on or after 1 January 2023. (continued)

New and amended standards and interpretation (continued)

(i) MFRS 17 Insurance Contracts (continued)

Changes to classification and measurement (continued)

The adoption of MFRS 17 did not change the classification of the Company's takaful certificates. The Company was previously permitted under MFRS 4 to continue accounting using its previous accounting policies. However, MFRS 17 establishes specific principles for the recognition and measurement of takaful certificates issued and retakaful certificates held by the Company.

The key principles of MFRS 17 are that the Company:

- Identifies takaful certificates as those under which the Company accepts significant takaful risk from another party (the certificate holder) by agreeing to compensate the certificate holder if a specified uncertain future event (the covered event) adversely affects the certificate holder.
- Separates e.g. distinct non-takaful goods or services from takaful certificates and accounts for them in accordance with other standards.
- Divides the takaful and retakaful certificates into groups it will recognise and measure.
- Recognises and measures groups of takaful certificates at:
  - A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information.
  - An amount representing the unearned profit in the group of certificates (the contractual service margin or CSM).
- Recognises profit from a group of takaful certificates over the period the Company provides takaful coverage, as the Company is released from risk. If a group of certificates is expected to be onerous (i.e. loss-making) over the remaining coverage period, the Company recognises the loss immediately.

The Company's classification and measurement of takaful and retakaful certificates are explained in Note 3.4.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Company's financial period beginning on or after 1 January 2023. (continued)

New and amended standards and interpretation (continued)

(i) MFRS 17 Insurance Contracts (continued)

Changes to presentation and disclosure

In the statement of financial position, the Company presents separately:

- Portfolios of takaful certificates issued that are assets
- Portfolios of retakaful certificates held that are assets
- Portfolios of takaful certificates issued that are liabilities
- Portfolios of retakaful certificates held that are liabilities

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

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year. Previously, the Company reported the following main line items: gross and net earned contributions, gross benefits and claims paid, and gross change in certificate liabilities. MFRS 17 requires separate presentation of:

- Takaful revenue
- Takaful service expense
- Takaful finance income or expense

The Company provides disaggregated qualitative and quantitative information in the notes to the financial statements about:

- The amounts recognised in its financial statements from takaful certificates.
- Significant judgements and changes in those judgements, made when applying the standard.

Transition

On transition date, 1 January 2022, the Company:

- Has applied the full retrospective approach unless impracticable.
- Derecognised any existing balances that would not exist had MFRS 17 always applied.
- Recognised any resulting net difference in equity.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Company's financial period beginning on or after 1 January 2023. (continued)

New and amended standards and interpretation (continued)

(i) MFRS 17 Insurance Contracts (continued)

Full retrospective approach

Under the full retrospective approach, the Company has identified, recognised and measured each group of takaful certificates as if MFRS 17 had always applied. The Company has applied the full retrospective approach on transition to all certificates issued on or after 1 January 2021.

For the remaining groups of takaful certificates, the fair value approach was applied.

Fair value approach

The Company has applied the fair value approach on transition for certificates issued prior to 1 January 2021. Prior to transition, the Company grouped certificates from multiple cohorts and years into a single unit for accounting purposes. Obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort. The Company has determined the CSM of the liability for remaining coverage at the transition date, as the difference between the fair value of the group of takaful certificates and the fulfilment cash flows measured at that date. In determining fair value, the Company has applied the requirements of MFRS 13 Fair Value Measurement.

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 certificates
- Determine whether any certificates are direct participating takaful certificates
- Identify any discretionary cash flows for takaful certificates without direct participation features

The discount rate for the group of certificates applying the fair value approach was determined at the transition date.

The Company has elected to disaggregate takaful finance income or expenses between amounts included in income statement and amounts included in other comprehensive income and reset the cumulative amount of takaful finance income or expense recognised in other comprehensive income at the transition date to zero.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Company's financial period beginning on or after 1 January 2023. (continued)

New and amended standards and interpretation (continued)

(ii) MFRS 9 Financial Instruments

MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. However, the Company elected, under the amendments to MFRS 4 to apply the temporary exemption from MFRS 9, deferring the initial application date of MFRS 9 to align with the initial application of MFRS 17.

The Company has applied MFRS 9 retrospectively and restated comparative information for 2022 for financial instruments in the scope of MFRS 9.

The nature of the changes in accounting policies can be summarised as follows:

- To determine their classification and measurement category, MFRS 9 requires all financial assets to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

- The MFRS 139 measurement categories for financial assets of fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity (HTM) and financing and receivables (F&R) at amortised cost have been replaced by:

  - Financial assets at fair value through profit or loss including equity instruments
  - Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition
  - Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition
  - Debt instruments at amortised cost

The Company's classification of its financial assets is explained in Note 3.4.

Changes to the impairment calculation

The adoption of MFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets held at FVOCI or amortised cost by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Company's financial period beginning on or after 1 January 2023. (continued)

New and amended standards and interpretation (continued)

(ii) MFRS 9 Financial Instruments (continued)

Changes to the impairment calculation (continued)

Loss allowances are measured at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is 12-month ECL:
- financial assets that are determined to have low credit risk at reporting date; and
- financial assets (other than trade receivables or lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECL. Lifetime ECL are the ECL that result from possible default events over the expected life of the financial instrument, whereas 12-month ECL are the portion of ECL that results from default events that are possible within the 12 months after the reporting date. In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses and are measured as follows:
- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive; and
- other financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

Loss allowances for ECL of financial assets measured at amortised cost are deducted from the gross carrying amount of the assets, and loss allowance for debt securities measured at fair value through other comprehensive income are recognised in other comprehensive income and do not reduce the carrying amount of the financial assets in the statement of financial position.

The gross carrying amount of financial assets is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective.

The Company will apply the new standards, amendments to standards and interpretations in the following period:

- Amendments to MFRS 101 “Classification of liabilities as current or non-current” (‘2020 amendments’) and “Non-current Liabilities with Covenants” (‘2022 amendments’);
- Amendments to MFRS 16, Lease Liability in a Sale and Leaseback.
- Amendments to MFRS 107 “Statement of Cash Flows” and MFRS 7 “Financial Instruments: Disclosures”

3.3 Critical Accounting Estimates and Judgements

The Company makes estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. All estimates are based on management’s knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results may differ from those estimates, possibly significantly.

Items that are considered particularly sensitive to changes in estimates and assumptions, and the relevant accounting policies are those which relate to takaful certificates, classification of financial assets and fair value measurement.

Level of aggregation and recognition of group of takaful certificates

For certificates issued to which the Company does not apply the premium allocation approach (PAA), the judgements exercised in determining whether certificates are onerous on initial recognition or those that have no significant possibility of becoming onerous subsequently are:

- based on the likelihood of changes in assumptions which, if they occurred, would result in the certificates becoming onerous; and
- using information about profitability estimation for the relevant group of products.

Measurement of takaful certificates not measured under the premium allocation approach

The asset or liability for groups of takaful certificates is measured as the total of fulfilment cash flows and CSM.

The fulfilment cash flows of takaful certificates represent the present value of estimated future cash outflows, less the present value of estimated future cash inflows and adjusted for a provision for risk adjustment for non-financial risk. The Company exercises significant judgement in making appropriate assumptions and techniques.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Critical Accounting Estimates and Judgements (continued)

Measurement of takaful certificates not measured under the premium allocation approach (continued)

CSM represents the unearned profits that the Company will recognise as it provides services under the takaful certificates in a group.

- The amount of CSM recognised in profit or loss are determined by identifying the coverage units in the group, allocating the CSM at the end of period equally to each coverage unit provided in the current period and expected to be provided in the future.
- The number of coverage units in a group is the quantity of the services provided by the certificates in the group, determined by considering for each certificate the quantity of the services provided under the certificate and its expected coverage duration.
- The Company exercises judgements in determining the quantity of the services provided under a certificate which will affect the amounts recognised in the financial statements as takaful revenue from takaful certificates issued.

The judgements exercised in the valuation of takaful certificates affect the amounts recognised in the financial statements as assets or liabilities of takaful certificates.

Determination of coverage unit

The CSM of a group of certificates is recognised as takaful revenue in each period based on the number of coverage units provided in the period, which is determined by considering for each certificate the quantity of the services provided, its expected coverage duration and time value of money.

The quantity of services provided by takaful certificates could include takaful coverage, investment-return service and investment-related service, as applicable. In assessing the services provided by takaful certificates, the terms and benefit features of the certificates are considered. Relevant elements are considered in determining the quantity of service including among others, benefit payments and contribution. The Company applies judgement in these determinations.

Expected coverage duration is derived based on the likelihood of a covered event occurring to the extent they affect the expected duration of certificates in the group. Determining the expected coverage duration is judgemental since it involves making an expectation of when claims and lapse will occur.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Critical Accounting Estimates and Judgements (continued)

Transition to MFRS 17

The Company applied MFRS 17 for annual reporting period beginning on 1 January 2023. The Company has determined that it was impracticable to apply the full retrospective approach for some groups of takaful certificates because certain historical information was not available or was not available without undue cost and effort that would enable it to be used under this approach. Therefore, the Company applied fair value approaches for these groups of takaful certificates. The Company exercises judgements in determining the transition approaches, applying the transition methods and measuring the transition impacts on the transition date, which will affect the amounts recognised in the financial statements on the transition date.

Classification of financial assets

The Company assesses the business model within which the assets are held and whether the contractual terms of assets are solely payments of principal and profit on the principal amount outstanding. The judgements exercised in the classification affect measurement of financial assets.

3.4 Summary of significant accounting policies

(i) Separating components from takaful and retakaful certificates held

At inception, the Company separates the following components, where applicable from a takaful certificate or a retakaful certificate held and accounts for them as if they were stand-alone financial instruments e.g. on distinct investment components — i.e. investment components that are not highly inter-related with the takaful components and for which certificates with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Company separates any promises to transfer distinct goods or services other than takaful coverage and investment services and accounts for them as separate certificates with customers (i.e. not as takaful certificates). A good or service is distinct if the certificate holder can benefit from it either on its own or with other resources that are readily available to the certificate holder. A good or service is not distinct and is accounted for together with the takaful component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the takaful component, and the Company provides a significant service of integrating the good or service with the takaful component.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Summary of significant accounting policies (continued)

(ii) Level of aggregation and recognition

Takaful certificates

Takaful certificates are aggregated into groups for measurement purposes. Groups of takaful certificates are determined by identifying portfolios of takaful certificates, each comprising certificates subject to similar risks and managed together, and dividing each portfolio into semi-annual cohorts and each semi-annual cohort into three groups based on the profitability of certificates:

- any certificates that are onerous on initial recognition;
- any certificates that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining certificates in the portfolio.

A takaful certificate 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 contribution within the boundary of the certificate);
- when the first payment from the certificate holder becomes due or, if there is no contractual due date, when it is received from the certificate holder; and
- when facts and circumstances indicate that the certificate is onerous.

When the certificate is recognised, it is added to an existing group of certificates or, if the certificate does not qualify for inclusion in an existing group, it forms a new group to which future certificates are added. Groups of takaful certificates are established on initial recognition and their composition is not revised once all certificates have been added to the group.

Retakaful certificates held

Retakaful certificates held by the Company cover underlying takaful certificates.

A group of retakaful certificates held is recognised on the following dates:

- Retakaful certificates held that provide proportionate coverage: The date on which any underlying takaful certificate is initially recognised.
- Other retakaful certificates held: The beginning of the coverage period of the group of retakaful certificates held. However, if the Company recognises an onerous group of underlying takaful certificates on an earlier date and the related retakaful certificate held was entered into on or before that earlier date, then the group of retakaful certificates held is recognised on that earlier date.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Summary of significant accounting policies (continued)

(iii) Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

(iv) Certificate boundaries

The measurement of a group of certificates includes all of the future cash flows within the boundary of each certificate in the group, determined as follows.

Takaful certificates

Cash flows are within the boundary of a certificate if they arise from substantive rights and obligations that exist during the reporting period under which the Company can compel the certificate holder to pay contributions or has a substantive obligation to provide takaful certificate services.

A substantive obligation to provide takaful certificate services ends when:

- the Company has the practical ability to reassess the risks of the particular certificate holder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the certificate and can set a price or level of benefits that fully reflects the risks of that portfolio; and the pricing of the contributions for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Summary of significant accounting policies (continued)

(iv) Certificate boundaries (continued)

Retakaful certificates held

Cash flows are within the certificate boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the retakaful or has a substantive right to receive services from the retakaful.

A substantive right to receive services from the retakaful ends when the retakaful:
- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

(v) Takaful acquisition cash flows

Takaful acquisition cash flows are allocated to groups of takaful certificates using a systematic and rational allocation method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort. At each reporting date, the Company revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all certificates have been added to the group.

Takaful acquisition cash flows arising before the recognition of the related groups of takaful certificates are recognised as an asset. Such an asset is recognised for each group of certificates to which the takaful acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the takaful acquisition cash flows are included in the measurement of the related groups of takaful certificates.

Recoverability assessment

At each reporting date, if facts and circumstances indicate that an asset for takaful acquisition cash flows may be impaired, then the Company:

- recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow of the related group; and
- 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.

The Company recognises any reversal of impairment losses in profit or loss when the impairment conditions no longer exist or have improved.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Summary of significant accounting policies (continued)

(vi) Measurement - takaful certificates not measured under PAA

Initial measurement

On initial recognition, the Company measures a group of certificates as the total of: (a) the fulfilment cash flows, which comprise estimates of future cash flows, an adjustment to reflect time value of money and 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 for a group of certificates, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The CSM of a group of certificates represents the unearned profit that the Company will recognise as it provides services under those certificates. On initial recognition of a group of certificates, if the total of the fulfilment cash flows, any cash flows arising at that date and any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for takaful acquisition cash flows) 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.

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss. A loss component is created to depict the amount of the net cash outflows, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous groups and are excluded from takaful revenue.

Subsequent measurement

The carrying amount of a group of takaful certificates at each reporting date is the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The LRC comprises (a) the fulfilment cash flows that relate to services that will be provided under the certificates in future periods and (b) any remaining CSM at that date. The 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Summary of significant accounting policies (continued)

(vi) Measurement - takaful certificates not measured under PAA (continued)

Subsequent measurement (continued)

The fulfilment cash flows of groups of takaful certificates 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 services are adjusted against the CSM (or recognised in the takaful service result in profit or loss if the group is onerous);
- Changes relating to current or past services are recognised in the takaful service result in profit or loss; and
- Effects of the time value of money, financial risk and changes therein on estimated future cash flows are recognised as takaful finance income or expenses.

The CSM of each group of certificates is calculated at each reporting date as follows.

Takaful certificates without direct participation features

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted mainly for:

- the CSM of any new certificates that are added to the group in the period;
- profit accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition that are applied to nominal cash flows that do not vary based on the returns on underlying items;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
  - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised in takaful service expenses and recognised as a loss component in LRC; or
  - any decreases in the fulfilment cash flows adjust the loss component in the LRC and the corresponding amount is recognised in takaful service expenses. If the loss component is reduced to zero, the excess reinstates the CSM; and
- the amount recognised as takaful revenue for service provided in the period.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Summary of significant accounting policies (continued)

(vi) Measurement - takaful certificates not measured under PAA (continued)

Changes in fulfilment cash flows that relate to future services mainly comprise:

- experience adjustments arising from contributions received in the period that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the LRC, measured at the discount rates determined on initial recognition, except for those that relate to the effects of the time value of money, financial risk and changes therein;
- differences between (a) any investment component expected to become payable in the period, determined as the payment expected at the start of the period plus any takaful finance income or expenses related to that expected payment before it becomes payable; and (b) the actual amount that becomes payable in the period; and
- changes in the risk adjustment for non-financial risk that relate to future services.

To determine how to identify a change in discretionary cash flows, the basis is generally determined at inception of the contract. Changes in cash flows arising from the Company’s discretion are regarded as relating to future services and accordingly adjust the CSM, these cash flows are determined based on the relevant certificate terms.

Takaful certificates with direct participation features

Certificates with direct participation features are certificates under which the Company’s obligation to the certificate holder is the net of:

- the obligation to pay the certificate holder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the certificates, being the amount of the Company’s share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. The Company provides investment services under these certificates by promising an investment return based on underlying items, in addition to takaful coverage.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Summary of significant accounting policies (continued)

(vi) Measurement - takaful certificates not measured under PAA (continued)

Takaful certificates with direct participation features (continued)

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted mainly for:

- the CSM of any new certificates that are added to the group in the period;
- the change in the amount of the Company's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:
  - a decrease in the amount of the Company's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM. The excess is recognised in takaful service expenses and recognised as a loss component in LRC; or
  - an increase in the amount of the Company's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future service, which adjust the loss component in the LRC and the corresponding amount is recognised in takaful service expenses. If the loss component is reduced to zero, the excess reinstates the CSM; and
- the amount recognised as takaful revenue for service provided in the period.

(vii) Measurement – takaful certificates measured under the PAA

The Company generally uses the PAA to simplify the measurement of groups of takaful certificates in the following circumstances:

- takaful certificates and retakaful certificates held where the coverage period of each certificate in the group of certificates is one year or less; or
- the Company reasonably expects that the resulting measurement of the LRC would not differ materially from the result of applying the accounting policies of certificates not measured under PAA.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Summary of significant accounting policies (continued)

(vii) Measurement – takaful certificates measured under the PAA (continued)

Initial measurement

On initial recognition of each group of certificates, the carrying amount of the LRC is measured at the contributions received on initial recognition minus any takaful acquisition cash flows allocated to the group at that date and adjusted for amounts arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group. The Company has elected the accounting policy choice to defer takaful acquisition cash flows through the LRC.

Subsequent measurement

Subsequently, the carrying amount of the LRC is increased by (i) any contributions received; and (ii) any amortisation of the takaful acquisition cash flows, and decreased by (i) takaful acquisition cash flows paid; (ii) the amount recognised as takaful revenue for coverage provided; and (iii) any investment component paid or transferred to the liability of incurred claims. On initial recognition of each group of certificates, the Company expects that the time gap between providing each part of the coverage and the related contribution due date is not significant. Accordingly, the Company has chosen not to adjust the LRC to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of certificates is onerous, then the Company recognises a loss in profit or loss and increases the LRC to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the LRC.

The Company recognises LIC of a group of takaful certificates for the amount of fulfilment cash flows relating to incurred claims. The fulfilment cash flows are discounted (at current rates) unless the cash flows are expected to be paid in one year or less from the date the claims are incurred.

(viii) Retakaful certificates held

For groups of retakaful certificates held, the Company applies the same accounting policies as that applied to takaful certificates without direct participation features, with the following modifications.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Summary of significant accounting policies (continued)

(viii) Retakaful certificates held (continued)

The carrying amount of a group of retakaful certificates held 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 certificates in future periods and (b) any remaining CSM at that date.

The Company measures 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 certificates, with an adjustment for any risk of non-performance by the retakaful. The effect of the non-performance risk of the retakaful 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 is the amount of risk being transferred by the Company to the retakaful.

On initial recognition, the CSM of a group of retakaful certificates held represents a net cost or net gain on purchasing retakaful. It is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) the amount arising from assets or liabilities previously recognised for cash flows related to the group, before the group is recognised, (c) cash flows arising from the certificates in the group at that date and (d) any income recognised in profit or loss because of onerous underlying certificates recognised at that date. However, if any net cost on purchasing retakaful coverage relates to covered events that occurred before the purchase of the retakaful, then the Company recognises the cost immediately in profit or loss as an expense.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted for:

- the CSM of any new certificates that are added to the group in the period;
- profit accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition that are applied to nominal cash flows;
- income recognised in profit or loss in respect of a loss recognised for onerous underlying certificates to that group. A loss-recovery component is established or adjusted in the remaining coverage of retakaful certificates held for the amount of income recognised;

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Summary of significant accounting policies (continued)

(viii) Retakaful certificates held (continued)

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted for: (continued)

- reversals of a loss-recovery to the extent that they are not changes in the fulfilment cash flows of the group;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless the changes result from changes in fulfilment cash flows of onerous underlying certificates, in which case they are recognised in profit or loss and create or adjust a loss-recovery component; and
- the amount recognised in profit or loss for the services received in the period.

Retakaful of onerous underlying takaful certificates

The Company adjusts the CSM of the group to which a retakaful certificates held belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the retakaful certificates held is entered into before or at the same time as the onerous underlying contracts are recognised. The adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying contracts; and
- the percentage of claims on the underlying contracts that the Company expects to recover from the retakaful certificates held.

If the retakaful certificates held covers only some of the takaful certificates included in an onerous group of contracts, then the Company uses a systematic and rational method to determine a portion of losses on the onerous group of contracts containing the takaful certificates covered by the retakaful certificates held.

A loss-recovery component is established or adjusted in the remaining coverage of retakaful certificates held, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the retakaful certificates held and are excluded from the allocation of retakaful contribution paid.

Retakaful certificates held measured under PAA

The Company applies the same accounting policies to measure a group of retakaful certificates held. If a loss-recovery component is established for a group of retakaful certificates held measured under PAA, the Company adjusts the carrying amount of the asset instead of adjusting the CSM.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Summary of significant accounting policies (continued)

(ix) Derecognition and certificate modification

The Company derecognises a certificate when it is extinguished — i.e.when the specified obligations in the certificate expire, are discharged or cancelled.

The Company also derecognises a certificate if its terms are modified in a way that would have changed the accounting for the certificate significantly had the new terms always existed, in which case a new certificate based on the modified terms is recognised. If a certificate modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

On the derecognition of a certificate in a group of certificates not measured under PAA:
- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- CSM of the group is adjusted for the change in the fulfilment cash flows that relate to future service, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

If a certificate is derecognised because its terms are modified, then the CSM is also adjusted for the contribution that would have been charged had the Company entered into a certificate with the new certificate's terms at the date of modification, less any additional contribution charged for the modification. The new certificate recognised is measured assuming that, at the date of modification, the issuer received the contribution that it would have charged less any additional contribution charged for the modification.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Summary of significant accounting policies (continued)

(x) Presentation

Portfolios of takaful certificates and retakaful certificates held in an asset position are presented separately from those in a liability position. Portfolios of takaful certificates issued are presented separately from portfolios of retakaful certificates held. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of certificates (including any assets for takaful acquisition cash flows) are included in the carrying amount of the related portfolios of certificates.

The Company disaggregates amounts recognised in the income statement and the statement of comprehensive income into (a) takaful service result, comprising takaful revenue and takaful service expenses, and (b) takaful finance income or expenses.

Income and expenses from retakaful certificates held are presented separately from income and expenses from takaful certificates. Income and expenses from retakaful certificates held, other than takaful finance income or expenses, are presented on a net basis as net expenses from retakaful certificates held in the takaful service result.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the takaful service result and takaful finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the takaful service result.

Takaful revenue and takaful service expenses exclude any investment components and are recognised as follows.

Takaful revenue — takaful certificates not measured under the PAA

The Company recognises takaful revenue as it satisfies its performance obligations — i.e. as it provides services under groups of takaful certificates. For certificates not measured under the PAA, takaful revenue relating to services provided for each period represents the total of the changes in the LRC that relate to services for which the Company expects to receive consideration, excludes expected investment components and mainly comprises the following items.

- A release of the CSM, measured based on coverage units provided;
- Changes in the risk adjustment for non-financial risk relating to current services;
- Claims and other takaful service expenses incurred in the period, generally measured at the amounts expected at the beginning of the period; and
- Other amounts, including experience adjustments for contribution receipts for current or past services.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Summary of significant accounting policies (continued)

(x) Presentation (continued)

Takaful revenue — takaful certificates not measured under the PAA (continued)

For takaful acquisition cash flows recovery, the Company allocates a portion of contributions related to the recovery in a systematic way based on the passage of time over the expected coverage of a group of certificates. The allocated amount is recognised as takaful revenue with the same amount recognised as takaful service expenses.

Release of the CSM — takaful certificates not measured under the PAA

The amount of the CSM of a group of takaful certificates that is recognised as takaful revenue in each reporting period is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the reporting period (before any allocation) equally to each coverage unit provided in the current period and expected to be provided in future periods, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the current period. The number of coverage units is the quantity of services provided by the certificates in the group, determined by considering for each certificate the quantity of benefits provided and its expected coverage period.

Takaful revenue — takaful certificates measured under the PAA

For certificates measured under the PAA, the takaful revenue for each period is the amount of expected contribution for providing services in the period. The Company allocates the expected contribution to each period based on:

- the passage of time, or
- expected timing of incurred takaful service expenses, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time.

Loss components — takaful certificates not measured under the PAA

For certificates not measured under the PAA, the Company establishes a loss component of the LRC for onerous groups of takaful certificates. The loss component determines the amounts of fulfilment cash flows that are subsequently excluded from takaful revenue when they occur. When the fulfilment cash flows occur, they are allocated between the loss component and the LRC excluding the loss component on a systematic basis.

If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates or reinstates the CSM for the group of certificates.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Summary of significant accounting policies (continued)

(x) Presentation (continued)

Takaful service expenses

Takaful service expenses arising from takaful certificates are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and mainly comprise the following items:

- Incurred claims and other takaful service expenses;
- Amortisation of takaful acquisition cash flows: for certificates not measured under the PAA, this is equal to the amount of takaful revenue recognised in the year that relates to recovering takaful acquisition cash flows. For certificates measured under the PAA, the Company amortises takaful acquisition cash flows on a straight-line basis over the coverage period of the group of certificates;
- Losses on onerous certificates and reversals of such losses; and
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

Net expenses from retakaful certificates held

Net expenses from retakaful certificates held comprise an allocation of retakaful contributions paid less amounts recovered from retakaful.

The Company recognises a portion of ceding contributions as retakaful expenses within net expenses from retakaful certificates held for the coverage or other services received by the Company under groups of retakaful certificates held. For certificates not measured under the PAA, the allocated ceding contributions, being the total of the changes in the asset for remaining coverage, represent the amount of which the Company expects to pay for the coverage or other services received under groups of retakaful certificates held.

For certificates measured under the PAA, the allocation of retakaful contributions paid for each period is the amount of expected contribution payments for receiving services in the period.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Summary of significant accounting policies (continued)

(x) Presentation (continued)

Takaful finance income or expenses

Takaful finance income or expenses comprise changes in the carrying amounts of groups of takaful certificates and retakaful certificates held arising from the effects of the time value of money, financial risk and changes therein. This includes changes in the measurement of groups of takaful certificates caused by changes in the value of underlying items (excluding additions and withdrawals).

(xi) Qard

Any deficit in the participants' risk fund within the Family Takaful Fund is made good via a Qard, which is a profit free financing, granted by the shareholder’s fund to the participants' risk fund. In the participants' risk fund, the Qard is included in fulfilment cash flows used to measure the takaful liabilities under MFRS 17.

Qard is measured in the fulfilment cash flows at a value discounted for time value of money, which reflects the economic effect of the expected future cash flow, consistent with all the other cash flows measured in fulfilment cash flows. This accounting measurement does not affect the Family Takaful Fund’s obligation to repay the nominal amount of Qard, nor does it affect or change any rights or obligations of the shareholder's fund.

The Qard shall be repaid from future surpluses of the participants' risk fund.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Summary of significant accounting policies (continued)

(xii) Financial instruments – Classification of and designation of financial instruments

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified at the beginning of the reporting period during which the business model has changed.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

A debt security is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as fair value through profit or loss:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or fair value though other comprehensive income as described above are measured at fair value through profit or loss. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss comprise two categories:

- financial assets or liabilities mandatorily classified as fair value through profit or loss; and
- financial assets or liabilities designated at fair value through profit or loss upon initial recognition.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Summary of significant accounting policies (continued)

(xii) Financial instruments (continued)

Financial assets and liabilities at fair value through profit or loss (continued)

Management designates financial assets and liabilities at fair value through profit or loss if this eliminates a measurement or recognition inconsistency or if the liabilities are actively managed on a fair value basis.

For all financial assets and liabilities measured at fair value through profit or loss, changes in fair value are recognised in profit or loss as part of net investment result.

Transaction costs in respect of financial assets and liabilities at fair value through profit or loss are expensed as they are incurred.

Financial assets at fair value through other comprehensive income

These principally consist of the Company's debt securities (other than those backing participating funds and unit-linked certificates). These financial assets are initially recognised at fair value plus attributable transaction costs and are subsequently measured at fair value. The difference between their cost and par value is amortised.

Unrealised gains and losses on securities are analysed between differences resulting from foreign currency translation, and other fair value changes.

Recognition and Derecognition of financial instruments

Purchases and sales of financial instruments are recognised on the trade date, which is the date at which the Company commits to purchase or sell the assets.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities are generally derecognised when their contractual obligations expire or are discharged or cancelled.

If the terms of a financial instrument are modified, then the Company evaluates whether the cash flows of the modified financial instrument are substantially different. If the cash flows are substantially different, in which case, a new financial instrument based on the modified terms is recognised at fair value. If a financial instrument measured at amortised cost is modified but not substantially, then it is not derecognised.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

4 SEASONALITY OR CYCLICALITY

The business operations of the Company were not significantly affected by seasonality or cyclical factors during the interim financial period.

5 UNUSUAL ITEMS

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

6 CHANGES IN ESTIMATES

There were no material changes in the basis used for the accounting estimates for the current financial period ended 30 June 2023.

7 ISSUES, REPURCHASES AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase and repayment of debt and equity securities during the current financial period ended 30 June 2023.

8 DIVIDEND

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

9 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

There were no material events subsequent to the financial period ended 30 June 2023 that have not been reflected in the condensed interim financial statements.

10 FINANCIAL ASSETS

(a) The Company's financial assets are as follows:

	Family Takaful fund RM'000	Company RM'000
30.06.2023		
Financial assets at fair value through other comprehensive income ("FVOCI"):		
Government investment issues	35,615	108,064
Cagamas	4,961	14,836
Unquoted corporate sukuks	105,533	449,177
Income due and accrued	1,200	5,659
	147,309	577,736
Financial assets at fair value through profit or loss ("FVTPL"):		
Government investment issues	354,200	354,200
Cagamas	9,952	9,952
Unquoted corporate sukuks	1,478,691	1,478,691
Quoted shariah approved shares	783,844	788,366
Unquoted shariah approved equities	14,504	22,145
Shariah approved unit trusts	77,836	77,836
REITs	10,845	10,915
Income due and accrued	20,620	20,623
	2,750,492	2,762,728

10 FINANCIAL ASSETS (CONTINUED)

(a) The Company's financial assets are as follows: (continued)

	Family Takaful fund RM'000	Company RM'000
31.12.2022 (Restated)		
Financial assets at FVOCI:		
Government investment issues	45,260	133,358
Cagamas	4,931	9,764
Unquoted corporate sukuks	87,039	380,048
Income due and accrued	1,248	5,074
	138,478	528,244
Financial assets at FVTPL:		
Government investment issues	392,979	392,979
Cagamas	4,931	4,931
Unquoted corporate sukuks	1,281,276	1,281,276
Quoted shariah approved shares	764,411	767,815
Unquoted shariah approved equities	24,496	32,106
Shariah approved unit trusts	50,230	50,230
REITs	10,049	10,117
Income due and accrued	20,954	20,966
	2,549,326	2,560,420

10 FINANCIAL ASSETS (CONTINUED)

(b) Movement in carrying values

	Family Takaful fund RM'000	Company RM'000
FVOCI		
At 1 January 2022 (As previously reported)	2,966	358,225
Impact of initial application of MFRS 9	39,038	39,037
At 1 January 2022 (Restated)	42,004	397,262
Purchases	100,712	177,331
Disposals at amortised cost	(3,000)	(36,358)
Fair value loss recorded in:		
Takaful certificates liabilities/ Other comprehensive income	(1,913)	(9,703)
Net amortisation of premiums	(82)	(1,254)
Movement of investment income due and accrued	757	966
At 31 December 2022 (Restated)/1 January 2023	138,478	528,244
Purchases	49,256	165,678
Disposals at amortised cost	(42,685)	(126,314)
Fair value loss recorded in:		
Takaful certificates liabilities/ Other comprehensive income	2,371	10,173
Net amortisation of premiums	(63)	(630)
Movement of investment income due and accrued	(48)	585
At 30 June 2023	147,309	577,736

10 FINANCIAL ASSETS (CONTINUED)

(b) Movement in carrying values (continued)

	Family Takaful fund RM'000	Company RM'000
FVTPL		
At 1 January 2022 (As previously reported)	2,151,105	2,161,286
Impact of initial application of MFRS 9	(39,038)	(39,037)
At 1 January 2022 (Restated)	2,112,067	2,122,249
Purchases	988,191	990,448
Disposals at fair value	(453,742)	(454,740)
Fair value loss recorded in:		
Profit or loss	(98,848)	(99,199)
Net amortisation of premiums	(2,866)	(2,867)
Movement of investment income due and accrued	4,524	4,529
At 31 December 2022 (Restated)/1 January 2023	2,549,326	2,560,420
Purchases	739,891	741,759
Disposals at fair value	(564,607)	(565,182)
Fair value loss recorded in:		
Profit or loss	27,555	27,413
Net amortisation of premiums	(1,339)	(1,339)
Movement of investment income due and accrued	(334)	(343)
At 30 June 2023	2,750,492	2,762,728

10 FINANCIAL ASSETS (CONTINUED)

Inputs, assumptions, and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Company's experience, expert credit assessment and forward-looking information.

The Company primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing the internal rating as at the reporting date with the internal rating as at the date of initial recognition of the exposure. Where external credit ratings are available, internal ratings are assigned consistent with such ratings in accordance with the Company’s credit risk assessment framework. Where external credit ratings are not readily available, an internal rating methodology has been adopted.

The Company monitors changes in credit risk by tracking the change in internal rating of the exposure. The Company also monitors relevant information, including price movements of securities, and assess whether such information signifies a change in credit risk.

The Company has assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date. The Company considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment-grade'.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the debtor.

Modified financial assets

The contractual terms of a financial asset may be modified for a number of reasons including changing market conditions and other factors not related to a current or potential credit deterioration of the debtor. An existing financial asset whose terms have been modified may be derecognised and the renegotiated asset recognised as a new financial asset at fair value in accordance with the accounting policies.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of significant increases in credit risk is assessed based on the change in internal reporting as at the reporting date and the date of initial recognition. The internal rating at reporting date is rated based on the modified contractual terms while the initial rating is rated based on the original contractual terms.

10 FINANCIAL ASSETS (CONTINUED)

Inputs, assumptions, and techniques used for estimating impairment (continued)

Definition of default

The Company considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to mitigating actions. The criteria of “default” are consistent with those of “credit-impaired”.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on management knowledge and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published, supranational organisations, and selected private-sector and academic forecasters.

The base case represents a best estimate and the other scenarios represent more optimistic and more pessimistic outcomes.

The Company has identified and documented key drivers of credit risk and ECL for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationship between macro-economic variables and key drivers of credit risk.

Measurement of ECL

The key inputs into the measurement of ECL are the term structures of probability of default (PD), loss given default (LGD) and exposure at default (EAD).

To determine lifetime and 12-month PDs, the Company uses leverages on the internal rating and convert it into probability of default based on the level of rating and obligor characteristics like industry type and country. The PDs are adjusted to reflect forward-looking information as described above. Changes in the rating at the reporting date for a counterparty or exposure lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Company leverages on recovery statistics to calculate LGD. The LGD models consider a number of factors including among others, the structure, collateral and seniority of the claim, that are integral to the financial asset. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

10 FINANCIAL ASSETS (CONTINUED)

Inputs, assumptions, and techniques used for estimating impairment (continued)

Measurement of ECL (continued)

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period (including any debtor's extension options) over which it is exposed to credit risk.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include instrument type, credit risk gradings, collateral type, date of initial recognition, remaining term to maturity and industry of debtor.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external information that the Company uses to derive the default rates of its portfolios.

Credit-impaired financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for impairment regularly. This requires the exercise of significant judgement. The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is credit-impaired. Objective evidence that a financial asset, or a group of assets, is credit-impaired includes observable data that comes to the attention of the Company about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- the restructuring of an amount due to the Company on terms that the Company would not otherwise consider;
- it becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the debtor's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

10 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy

The following table show financial investments recorded at fair value analysed by the different basis of fair value as follows:

	30.06.2023	31.12.2022 (Restated)
	RM'000	RM'000
FVOCI		
Family Takaful fund		
Valuation techniques – market observable inputs (Level 2)	147,309	138,478
Company		
Valuation techniques – market observable inputs (Level 2)	577,736	528,244
FVTPL		
Family Takaful fund		
Quoted market price (Level 1)	873,285	827,007
Valuation techniques – market observable inputs (Level 2)	1,877,207	1,722,319
	2,750,492	2,549,326
Company		
Quoted market price (Level 1)	877,880	830,491
Valuation techniques – market observable inputs (Level 2)	1,884,848	1,729,929
	2,762,728	2,560,420

10 FINANCIAL ASSETS (CONTINUED)

(c) Fair value hierarchy (continued)

A level is assigned to each fair value measurement based on the significance of the input to the fair value measurement in its entity. The three-level hierarchy is defined as follows:

Level 1:

Financial instruments measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2:

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services. However, where prices have not been determined in active market, instruments with fair values based on broker quotes, investment in unit and property trusts with fair values obtained via fund managers and instruments that are valued using the Company's own models where majority of assumptions are market observable.

Level 3:

Financial instruments measured in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset class in this category is unquoted equity securities. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data.

10 FINANCIAL ASSETS (CONTINUED)

(d) Interests in structured entities

The Company has determined that the investment funds in mutual funds are structured entities.

The following table summarizes the Company’s investment in unconsolidated structured entities as at 30 June 2023 and 31 December 2022:

	30.06.2023	31.12.2022 (Restated)
	RM’000	RM’000
Investment Funds *(1)*		
Equity securities at fair value through profit or loss	88,681	60,279

Notes:
(1) Balance represents the Company's interests in mutual funds.

The Company’s maximum exposure to loss arising from its interests in these unconsolidated structured entities is limited to the carrying amount of the assets. Dividend income and profit income are received during the reporting period from these interests in unconsolidated structured entities.

11 TAKAFUL AND RETAKAFUL CERTIFICATES

The breakdown of groups of takaful certificates issued and retakaful certificates held, that are in an asset position and those in a liability position is set out in the table below:

	30.06.2023		31.12.2012 (Restated)	
	Assets	Liabilities	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000
Family Takaful fund				
Takaful certificates				
- Contracts not measured under the PAA	90,325	3,227,871	80,295	2,909,300
- Contracts measured under the PAA	2,611	19,406	-	20,052
	92,936	3,247,277	80,295	2,929,352
Retakaful certificates				
- Contracts not measured under the PAA	9,370	-	5,968	-
- Contracts measured under the PAA	133	-	133	-
	9,503	-	6,101	-
Company				
Takaful certificates				
- Contracts not measured under the PAA	25,637	2,542,381	23,633	2,340,489
- Contracts measured under the PAA	-	39,912	-	29,895
	25,637	2,582,293	23,633	2,370,384
Retakaful certificates				
- Contracts not measured under the PAA	89,284	-	80,787	-
- Contracts measured under the PAA	-	-	-	-
	89,284	-	80,787	-

The Family Takaful fund/Company disaggregates information to provide disclosure in respect of family takaful certificates issued and retakaful certificates held separately. This disaggregation has been determined based on how the Family Takaful fund/Company is managed

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts not measured under PAA

11.1.1.1 Takaful certificates issued

The roll-forward of the net asset or liability for takaful certificates issued for contracts not measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the family takaful fund, is disclosed in the table below:

		30.06.2023				31.12.2022 (Restated)			
		Liabilities for remaining coverage				Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Note	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component	Loss component		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family Takaful fund									
Takaful certificate liabilities as at 1 January		2,647,677	-	261,623	2,909,300	2,132,039	-	195,029	2,327,068
Takaful certificate assets as at 1 January		(55,757)	-	(24,537)	(80,295)	-	-	-	-
Net family takaful certificate (assets)/liabilities as at 1 January		2,591,920	-	237,085	2,829,005	2,132,039	-	195,029	2,327,068
Takaful revenue	12	(312,078)	-	-	(312,078)	(637,855)	-	-	(637,855)
Takaful service expense	13	28,086	-	296,344	324,431	52,663	-	534,181	586,844
Investment components		(153,787)	-	153,787	-	(222,880)	-	222,880	-
Takaful service result		(437,779)	-	450,131	12,353	(808,073)	-	757,062	(51,011)
Takaful finance expenses/(income)	a	65,154	-	(1,486)	63,668	36,398	-	(3,767)	32,631
Total changes in the statement of profit or loss and OCI		(372,624)	-	448,645	76,021	(771,675)	-	753,295	(18,380)

AIA PUBLIC TAKAFUL BHD.
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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023 (CONTINUED)

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts not measured under PAA

11.1.1.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for contracts not measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the family takaful fund, is disclosed in the table below: (continued)

		30.06.2023				31.12.2022 (Restated)			
		Liabilities for remaining coverage				Liabilities for remaining coverage			
	Note	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component	Loss component	Liabilities for incurred claims	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family Takaful fund (continued)									
Cash flows									
Contributions received	b	821,055	-	-	821,055	1,601,383	-	-	1,601,383
Claims and other expenses paid including investment components		-	-	(375,001)	(375,001)	-	-	(634,605)	(634,605)
Total cash flows		821,055	-	(375,001)	446,054	1,601,383	-	(634,605)	966,779
Other movements		(176,149)	-	(37,385)	(213,533)	(369,828)	-	(76,634)	(446,462)
Net takaful certificate (assets)/liabilities as at 30 June / 31 December		2,864,202	-	273,344	3,137,546	2,591,920	-	237,085	2,829,005
Takaful certificate liabilities as at 30 June/31 December		2,929,198	-	298,673	3,227,871	2,647,677	-	261,623	2,909,300
Takaful certificate assets as at 30 June/31 December		(64,996)	-	(25,329)	(90,325)	(55,757)	-	(24,537)	(80,295)
Net takaful certificate (assets)/liabilities as at 30 June/31 December		2,864,202	-	273,344	3,137,546	2,591,920	-	237,085	2,829,005

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts not measured under PAA (continued)

11.1.1.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for contracts not measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Company, is disclosed in the table below:

		30.06.2023					
		Liabilities for remaining coverage		Liabilities for incurred claims			
	Note	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Assets for takaful acquisition cash flows	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company							
Takaful certificate liabilities as at 1 January		2,232,560	775	135,019	9,489	(37,354)	2,340,489
Takaful certificate assets as at 1 January		(15,043)	1,522	16,878	1,036	(28,025)	(23,633)
Net family takaful certificate (assets)/liabilities as at 1 January		2,217,517	2,296	151,897	10,525	(65,380)	2,316,856
Takaful revenue	12	(399,682)	-	-	-	-	(399,682)
Takaful service expense	13	44,955	4,969	267,641	(1,042)	-	316,523
Investment components		(99,120)	-	99,120	-	-	-
Takaful service result		(453,848)	4,969	366,761	(1,042)	-	(83,159)
Takaful finance expenses	a	56,676	573	394	-	-	57,643
Total changes in the statement of profit or loss and OCI		(397,171)	5,542	367,155	(1,042)	-	(25,516)

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts not measured under PAA (continued)

11.1.1.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for contracts not measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Company, is disclosed in the table below: (continued)

		30.06.2023					
		Liabilities for remaining coverage		Liabilities for incurred claims			
	Note	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Assets for takaful acquisition cash flows	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company (continued)							
Cash flows							
Contributions received	b	818,463	-	-	-	-	818,463
Claims and other expenses paid including investment components		-	-	(338,151)	-	-	(338,151)
Takaful acquisition cash flows paid		(246,247)	-	-	-	(6,306)	(252,553)
Other amounts received		-	-	752	-	-	752
Total cash flows		572,215	-	(337,400)	-	(6,306)	228,510
Other movements		(2,537)	-	(569)	-	-	(3,106)
Net takaful certificate (assets)/liabilities as at 30 June		2,390,024	7,838	181,084	9,483	(71,686)	2,516,743
Takaful certificate liabilities as at 30 June		2,403,130	4,440	168,336	8,684	(42,210)	2,542,381
Takaful certificate assets as at 30 June		(13,107)	3,398	12,748	800	(29,476)	(25,637)
Net takaful certificate (assets)/liabilities as at 30 June		2,390,024	7,838	181,084	9,483	(71,686)	2,516,743

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts not measured under PAA (continued)

11.1.1.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for contracts not measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Company, is disclosed in the table below: (continued)

		31.12.2022 (Restated)					
		Liabilities for remaining coverage		Liabilities for incurred claims			
	Note	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Assets for takaful acquisition cash flows	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company							
Takaful certificate liabilities as at 1 January		1,831,186	108	140,681	10,328	(30,393)	1,951,910
Takaful certificate assets as at 1 January		(15,126)	-	23,609	1,489	(24,930)	(14,957)
Net family takaful certificate (assets)/liabilities as at 1 January		1,816,061	108	164,290	11,817	(55,323)	1,936,953
Takaful revenue		(818,275)	-	-	-	-	(818,275)
Takaful service expense		59,018	2,060	407,247	(1,292)	-	467,032
Investment components		(154,456)	-	154,456	-	-	-
Takaful service result		(913,713)	2,060	561,703	(1,292)	-	(351,243)
Takaful finance expenses	a	79,213	129	58	-	-	79,400
Total changes in the statement of profit or loss and OCI		(834,500)	2,188	561,761	(1,292)	-	(271,843)

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts not measured under PAA (continued)

11.1.1.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for contracts not measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Company, is disclosed in the table below: (continued)

		31.12.2022 (Restated)					
		Liabilities for remaining coverage		Liabilities for incurred claims			
	Note	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Assets for takaful acquisition cash flows	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company (continued)							
Cash flows							
Contributions received	b	1,687,596	-	-	-	-	1,687,596
Claims and other expenses paid including investment components		-	-	(572,494)	-	-	(572,494)
Takaful acquisition cash flows paid		(447,452)	-	-	-	(10,057)	(457,509)
Other amounts received		-	-	(102)	-	-	(102)
Total cash flows		1,240,144	-	(572,596)	-	(10,057)	657,491
Other movements		(4,187)	-	(1,557)	-	-	(5,744)
Net takaful certificate (assets)/liabilities as at 31 December		2,217,517	2,296	151,897	10,525	(65,380)	2,316,856
Takaful certificate liabilities as at 31 December		2,232,560	775	135,019	9,489	(37,354)	2,340,489
Takaful certificate assets as at 31 December		(15,043)	1,522	16,878	1,036	(28,025)	(23,633)
Net takaful certificate (assets)/liabilities as at 31 December		2,217,517	2,296	151,897	10,525	(65,380)	2,316,856

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts not measured under PAA (continued)

11.1.1.1 Takaful certificates issued (continued)

Notes:

a. The Company disaggregates takaful finance expense between profit or loss and other comprehensive income. The Company does not disaggregate changes in the risk adjustment for non-financial risk between takaful service result and takaful finance expenses.

b. The refunds of contributions have been included in this line.

c. The balance and reconciliations of fulfillment cash flows include obligations to repay Qard advanced by the Shareholder's Fund to the Family Takaful fund. Qard was advanced by the Shareholder's fund in compliance with the requirements set out in paragraph 19 of the Bank Negara Malaysia (BNM) Takaful Operational Framework (TOF). Consistent with those requirements, the amount does not bear interest. The amount is repayable, and to the extent, the Family Takaful fund has available resources. In accordance with Paragraph 19.4 of the BNM TOF, the Shareholder's fund has determined a time period during which the Qard shall be repaid and consequently the period beyond which any unpaid Qard will be deemed irrecoverable and the outstanding amount forgiven. The table below reconciles the nominal value of the Qard included in fulfillment cash flows:

	Family Takaful fund	
Nominal amount	30.06.2023	31.12.2022
	RM'000	RM'000
Opening balance	65,850	62,673
Qard increased during the year	-	3,177
Closing balance	65,850	65,850

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts not measured under PAA

11.1.1.2 Retakaful certificates held

The roll-forward of the net asset or liability for retakaful certificates held for contracts not measured under PAA, showing assets for remaining coverage and amounts recoverable on incurred claims arising business from ceded to retakaful operators in the family takaful fund, is disclosed in the table below:

		30.06.2023				31.12.2022 (Restated)			
		Assets for remaining coverage				Assets for remaining coverage			
	Note	Excluding loss component	Loss component	Amounts recoverable on incurred claims	Total	Excluding loss component	Loss component	Amounts recoverable on incurred claims	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family takaful fund									
Retakaful certificate assets as at 1 January		31,736	-	(25,769)	5,968	32,627	-	(32,627)	-
Retakaful certificate liabilities as at 1 January		-	-	-	-	-	-	-	-
Net retakaful certificate assets/(liabilities)as at 1 January		31,736	-	(25,769)	5,968	32,627	-	(32,627)	-

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts not measured under PAA (continued)

11.1.1.2 Retakaful certificates held (continued)

The roll-forward of the net asset or liability for retakaful certificates held for contracts not measured under PAA, showing assets for remaining coverage and amounts recoverable on incurred claims arising business from ceded to retakaful operators in the family takaful fund, is disclosed in the table below: (continued)

		30.06.2023				31.12.2022 (Restated)			
		Assets for remaining coverage				Assets for remaining coverage			
	Note	Excluding loss component	Loss component	Amounts recoverable on incurred claims	Total	Excluding loss component	Loss component	Amounts recoverable on incurred claims	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family takaful fund (continued)									
Net income or expense from retakaful certificates held		(34,958)	-	36,383	1,425	(61,955)	-	42,436	(19,519)
Retakaful investment components		-	-	-	-	-	-	-	-
Net finance income from retakaful certificates		(1,425)	-	-	(1,425)	19,519	-	-	19,519
Total changes in the statement of profit or loss and OCI		(36,383)	-	36,383	-	(42,436)	-	42,436	-

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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023 (CONTINUED)

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts not measured under PAA (continued)

11.1.1.2 Retakaful certificates held (continued)

The roll-forward of the net asset or liability for retakaful certificates held for contracts not measured under PAA, showing assets for remaining coverage and amounts recoverable on incurred claims arising business from ceded to retakaful operators in the family takaful fund, is disclosed in the table below: (continued)

		30.06.2023				31.12.2022 (Restated)			
		Assets for remaining coverage				Assets for remaining coverage			
	Note	Excluding loss component	Loss component	Amounts recoverable on incurred claims	Total	Excluding loss component	Loss component	Amounts recoverable on incurred claims	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family takaful fund (continued)									
Cash flows									
Contributions paid		18,324	-	-	18,324	41,546	-	-	41,546
Other amounts received		-	-	(14,921)	(14,921)	-	-	(35,578)	(35,578)
Total cash flows		18,324	-	(14,921)	3,403	41,546	-	(35,578)	5,968
Other movements		-	-	-	-	-	-	-	-
Net retakaful certificate assets/(liabilities) as at 30 June/31 December		13,677	-	(4,307)	9,370	31,736	-	(25,769)	5,968
Retakaful certificate assets as at 30 June/31 December		13,677	-	(4,307)	9,370	31,736	-	(25,769)	5,968
Retakaful certificate liabilities as at 30 June/31 December		-	-	-	-	-	-	-	-
Net retakaful certificate assets/(liabilities) as at 30 June/31 December		13,677	-	(4,307)	9,370	31,736	-	(25,769)	5,968

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts not measured under PAA (cont'd.)

11.1.1.2 Retakaful certificates held (cont'd.)

The roll-forward of the net asset or liability for retakaful certificates held for contracts not measured under PAA, showing assets for remaining coverage and amounts recoverable on incurred claims arising business from ceded to retakaful operators in the Company, is disclosed in the table below: (continued)

		30.06.2023					31.12.2022 (Restated)				
		Assets for remaining coverage		Amounts recoverable on incurred claims			Assets for remaining coverage		Amounts recoverable on incurred claims		
	Note	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company											
Retakaful certificate assets as at 1 January		41,482	-	39,305	-	80,787	56,626	-	32,551	-	89,177
Retakaful certificate liabilities as at 1 January		-	-	-	-	-	-	-	-	-	-
Net retakaful certificate assets/(liabilities) as at 1 January		41,482	-	39,305	-	80,787	56,626	-	32,551	-	89,177

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts not measured under PAA (continued)

11.1.1.2 Retakaful certificates held (continued)

The roll-forward of the net asset or liability for retakaful certificates held for contracts not measured under PAA, showing assets for remaining coverage and amounts recoverable on incurred claims arising business from ceded to retakaful operators in the family takaful fund, is disclosed in the table below: (continued)

		30.06.2023					31.12.2022 (Restated)				
		Assets for remaining coverage		Amounts recoverable on incurred claims			Assets for remaining coverage		Amounts recoverable on incurred claims		
	Note	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company (continued)											
Net income or expense from retakaful certificates held		(32,773)	-	36,171	-	3,398	(58,425)	-	42,030	-	(16,395)
Retakaful investment components		-	-	-	-	-	-	-	-	-	-
Net finance income from retakaful certificates		1,453	-	-	-	1,453	410	-	-	-	410
Total changes in the statement of profit or loss and OCI		(31,320)	-	36,171	-	4,851	(58,014)	-	42,030	-	(15,985)

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts not measured under PAA (continued)

11.1.1.2 Retakaful certificates held (continued)

The roll-forward of the net asset or liability for retakaful certificates held for contracts not measured under PAA, showing assets for remaining coverage and amounts recoverable on incurred claims arising business from ceded to retakaful operators in the family takaful fund, is disclosed in the table below: (continued)

		30.06.2023					31.12.2022 (Restated)				
		Assets for remaining coverage		Amounts recoverable on incurred claims			Assets for remaining coverage		Amounts recoverable on incurred claims		
	Note	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company (continued)</u>											
Cash flows											
Contributions paid		18,349	-	-	-	18,349	42,870	-	-	-	42,870
Other amounts received		-	-	(14,710)	-	(14,710)	-	-	(35,290)	-	(35,290)
Total cash flows		18,349	-	(14,710)	-	3,639	42,870	-	(35,290)	-	7,580
Other movements		-	-	8	-	8	-	-	14	-	14
Net retakaful certificate assets/(liabilities) as at 30 June/31 December		28,511	-	60,773	-	89,284	41,482	-	39,305	-	80,787
Retakaful certificate assets as at 30 June/31 December		28,511	-	60,773	-	89,284	41,482	-	39,305	-	80,787
Retakaful certificate liabilities as at 30 June/31 December		-	-	-	-	-	-	-	-	-	-
Net retakaful certificate assets/(liabilities) as at 30 June/31 December		28,511	-	60,773	-	89,284	41,482	-	39,305	-	80,787

Notes:

a. The Company applies a consistent accounting policy to retakaful certificates held and recognises net takaful finance expense in profit or loss only.

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts measured under PAA

11.1.2.1 Takaful certificates issued

The roll-forward of the net asset or liability for takaful certificates issued for contracts measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the family takaful fund, is disclosed in the table below:

		30.06.2023				31.12.2022 (Restated)			
		Liabilities for remaining coverage				Liabilities for remaining coverage			
	Note	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component	Loss component	Liabilities for incurred claims	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family Takaful fund									
Takaful certificate liabilities as at 1 January		(2,650)	-	22,702	20,052	(10,406)	-	19,235	8,829
Takaful certificate assets as at 1 January		-	-	-	-	-	-	-	-
Net family takaful certificate (assets)/liabilities as at 1 January		(2,650)	-	22,702	20,052	(10,406)	-	19,235	8,829
Takaful revenue	12	(28,138)	-	-	(28,138)	(90,484)	-	-	(90,484)
Takaful service expense	13	7,596	-	41,531	49,127	19,211	-	60,571	79,782
Investment components		-	-	-	-	-	-	-	-
Takaful service result		(20,543)	-	41,531	20,988	(71,272)	-	60,571	(10,701)
Takaful finance (income)/expenses	a	(20,988)	-	-	(20,988)	10,701	-	-	10,701
Total changes in the statement of profit or loss and OCI		(41,531)	-	41,531	-	(60,571)	-	60,571	-

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts measured under PAA (continued)

11.1.2.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for contracts measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the family takaful fund, is disclosed in the table below: (continued)

		30.06.2023				31.12.2022 (Restated)			
		Liabilities for remaining coverage				Liabilities for remaining coverage			
	Note	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component	Loss component	Liabilities for incurred claims	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family Takaful fund (continued)									
Cash flows									
Contributions received	b	48,099	-	-	48,099	88,780	-	-	88,780
Claims and other expenses paid including investment components		-	-	(36,056)	(36,056)	-	-	(57,880)	(57,880)
Total cash flows		48,099	-	(36,056)	12,043	88,780	-	(57,880)	30,900
Other movements		(10,689)	-	(4,611)	(15,300)	(20,453)	-	776	(19,677)
Net takaful certificate(assets)/ liabilities as at 30 June/31 December		(6,770)	-	23,565	16,795	(2,650)	-	22,702	20,052
Takaful certificate liabilities as at 30 June/31 December		(4,159)	-	23,565	19,406	(2,650)	-	22,702	20,052
Takaful certificate assets as at 30 June/31 December		(2,611)	-	-	(2,611)	-	-	-	-
Net takaful certificate(assets)/ liabilities as at 30 June/31 December		(6,770)	-	23,565	16,795	(2,650)	-	22,702	20,052

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts measured under PAA (continued)

11.1.2.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for contracts measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Company, is disclosed in the table below:

		30.06.2023				
		Liabilities for remaining coverage		Liabilities for incurred claims		
	Note	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
		RM'000	RM'000	RM'000	RM'000	RM'000
Company						
Takaful certificate liabilities as at 1 January		10,770	-	18,658	467	29,895
Takaful certificate assets as at 1 January		-	-	-	-	-
Net family takaful certificate (assets)/liabilities as at 1 January		10,770	-	18,658	467	29,895
Takaful revenue	12	(45,313)	-	-	-	(45,313)
Takaful service expense	13	6,877	-	33,868	44	40,789
Investment components		-	-	-	-	-
Takaful service result		(38,436)	-	33,868	44	(4,523)
Takaful finance expenses	a	-	-	-	-	-
Total changes in the statement of profit or loss and OCI		(38,436)	-	33,868	44	(4,523)

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims – Contracts measured under PAA (continued)

11.1.2.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for contracts measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Company, is disclosed in the table below: (continued)

		30.06.2023				
		Liabilities for remaining coverage		Liabilities for incurred claims		
	Note	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
		RM'000	RM'000	RM'000	RM'000	RM'000
Company (continued)						
Cash flows						
Contributions received	b	58,414	-	-	-	58,414
Claims and other expenses paid including investment components		-	-	(36,239)	-	(36,239)
Takaful acquisition cash flows paid		(7,471)	-	-	-	(7,471)
Other amounts received		-	-	-	-	-
Total cash flows		50,942	-	(36,239)	-	14,704
Other movements		(151)	-	(12)	-	(163)
Net takaful certificate (assets)/liabilities as at 30 June		23,126	-	16,275	511	39,913
Takaful certificate liabilities as at 30 June		23,126	-	16,275	511	39,913
Takaful certificate assets as at 30 June		-	-	-	-	-
Net takaful certificate (assets)/liabilities as at 30 June		23,126	-	16,275	511	39,913

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts measured under PAA (continued)

11.1.2.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for contracts measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Company, is disclosed in the table below: (continued)

		31.12.2022 (Restated)				
		Liabilities for remaining coverage		Liabilities for incurred claims		
	Note	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
		RM'000	RM'000	RM'000	RM'000	RM'000
Company						
Takaful certificate liabilities as at 1 January		6,244	-	23,709	559	30,512
Takaful certificate assets as at 1 January		-	-	-	-	-
Net family takaful certificate (assets)/liabilities as at 1 January		6,244	-	23,709	559	30,512
Takaful revenue		(83,742)	-	-	-	(83,742)
Takaful service expense		11,846	-	53,678	(92)	65,432
Investment components		-	-	-	-	-
Takaful service result		(71,896)	-	53,678	(92)	(18,310)
Takaful finance expenses	a	-	-	-	-	-
Total changes in the statement of profit or loss and OCI		(71,896)	-	53,678	(92)	(18,310)

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11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1 TAKAFUL CERTIFICATES ISSUED AND RETAKAFUL CERTIFICATES HELD (CONTINUED)

11.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts measured under PAA (continued)

11.1.2.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for contracts measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Company, is disclosed in the table below: (continued)

		31.12.2022 (Restated)				
		Liabilities for remaining coverage		Liabilities for incurred claims		
	Note	Excluding loss component RM'000	Loss component RM'000	Estimates of the present value of future cash flows RM'000	Risk adjustment RM'000	Total RM'000
Company (continued)						
Cash flows						
Contributions received	b	88,710	-	-	-	88,710
Claims and other expenses paid including investment components		-	-	(58,710)	-	(58,710)
Takaful acquisition cash flows paid		(12,005)	-	-	-	(12,005)
Other amounts received		-	-	-	-	-
Total cash flows		76,705	-	(58,710)	-	17,995
Other movements		(282)	-	(19)	-	(302)
Net takaful certificate (assets)/liabilities as at 31 December		10,770	-	18,658	467	29,895
Takaful certificate liabilities as at 31 December		10,770	-	18,658	467	29,895
Takaful certificate assets as at 31 December		-	-	-	-	-
Net takaful certificate (assets)/liabilities as at 31 December		10,770	-	18,658	467	29,895

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts measured under PAA (continued)

11.1.2.1 Takaful certificates issued (continued)

Notes:

a. Company made an accounting policy choice for the portfolios included in family takaful unit to disaggregate takaful finance expense between profit or loss and other comprehensive income. The Company does not disaggregate changes in the risk adjustment for non-financial risk between takaful service result and takaful finance expenses.

b. The refunds of contributions have been included in this line.

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts measured under PAA (continued)

11.1.2.2 Retakaful certificates held

The roll-forward of the net asset or liability for retakaful certificates held for contracts measured under PAA, showing assets for remaining coverage and amounts recoverable on incurred claims arising business from ceded to retakaful operators in the family takaful fund, is disclosed in the table below:

		30.06.2023				31.12.2022 (Restated)			
		Assets for remaining coverage				Assets for remaining coverage			
	Note	Excluding loss component	Loss component	Amounts recoverable on incurred claims	Total	Excluding loss component	Loss component	Amounts recoverable on incurred claims	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family Takaful fund									
Retakaful certificate assets as at 1 January		133	-	-	133	-	-	-	-
Retakaful certificate liabilities as at 1 January		-	-	-	-	-	-	-	-
Net retakaful certificate assets/(liabilities)as at 1 January		133	-	-	133	-	-	-	-

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts measured under PAA (continued)

11.1.2.2 Retakaful certificates held (continued)

The roll-forward of the net asset or liability for retakaful certificates held for contracts measured under PAA, showing assets for remaining coverage and amounts recoverable on incurred claims arising business from ceded to retakaful operators in the family takaful fund, is disclosed in the table below: (continued)

		30.06.2023				31.12.2022 (Restated)			
		Assets for remaining coverage				Assets for remaining coverage			
	Note	Excluding loss component	Loss component	Amounts recoverable on incurred claims	Total	Excluding loss component	Loss component	Amounts recoverable on incurred claims	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family Takaful fund (continued)									
Net income or expense from retakaful certificates held		-	-	-	-	(133)	-	-	(133)
Retakaful investment components		-	-	-	-	-	-	-	-
Net finance income from retakaful certificates		-	-	-	-	(133)	-	-	(133)
Total changes in the statement of profit or loss and OCI		-	-	-	-	-	-	-	-

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts measured under PAA (continued)

11.1.2.2 Retakaful certificates held (continued)

The roll-forward of the net asset or liability for retakaful certificates held for contracts measured under PAA, showing assets for remaining coverage and amounts recoverable on incurred claims arising business from ceded to retakaful operators in the family takaful fund, is disclosed in the table below: (continued)

		30.06.2023				31.12.2022 (Restated)			
		Assets for remaining coverage				Assets for remaining coverage			
	Note	Excluding loss component	Loss component	Amounts recoverable on incurred claims	Total	Excluding loss component	Loss component	Amounts recoverable on incurred claims	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family Takaful fund (continued)									
Cash flows									
Contributions paid		-	-	-	-	133	-	-	133
Other amounts received		-	-	-	-	-	-	-	-
Total cash flows		-	-	-	-	133	-	-	133
Other movements		-	-	-	-	-	-	-	-
Net retakaful certificate assets/(liabilities) as at 30 June/31 December		133	-	-	133	133	-	-	133
Retakaful certificate assets as at 30 June/31 December		133	-	-	133	133	-	-	133
Retakaful certificate liabilities as at 30 June/31 December		-	-	-	-	-	-	-	-
Net retakaful certificate assets/(liabilities) as at 30 June/31 December		133	-	-	133	133	-	-	133

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023 (CONTINUED)

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts measured under PAA (continued)

11.1.2.2 Retakaful certificates held (continued)

The roll-forward of the net asset or liability for retakaful certificates held for contracts measured under PAA, showing assets for remaining coverage and amounts recoverable on incurred claims arising business from ceded to retakaful operators in the Company, is disclosed in the table below:

		30.06.2023					31.12.2022 (Restated)				
		Assets for remaining coverage		Amounts recoverable on incurred claims			Assets for remaining coverage		Amounts recoverable on incurred claims		
	Note	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company											
Retakaful certificate assets as at 1 January		-	-	-	-	-	-	-	-	-	-
Retakaful certificate liabilities as at 1 January		-	-	-	-	-	-	-	-	-	-
Net retakaful certificate assets/(liabilities) as at 1 January		-	-	-	-	-	-	-	-	-	-

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts measured under PAA (continued)

11.1.2.2 Retakaful certificates held (continued)

The roll-forward of the net asset or liability for retakaful certificates held for contracts measured under PAA, showing assets for remaining coverage and amounts recoverable on incurred claims arising business from ceded to retakaful operators in the Company, is disclosed in the table below: (continued)

		30.06.2023					31.12.2022 (Restated)				
		Assets for remaining coverage		Amounts recoverable on incurred claims			Assets for remaining coverage		Amounts recoverable on incurred claims		
	Note	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company (continued)											
Net income or expense from retakaful certificates held		-	-	-	-	-	(133)	-	(1)	-	(134)
Retakaful investment components		-	-	-	-	-	-	-	-	-	-
Net finance income from retakaful certificates		-	-	-	-	-	-	-	-	-	-
Total changes in the statement of profit or loss and OCI		-	-	-	-	-	(133)	-	(1)	-	(134)

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Contracts measured under PAA

11.1.2.2 Retakaful certificates held (continued)

The roll-forward of the net asset or liability for retakaful certificates held for contracts not measured under PAA, showing assets for remaining coverage and amounts recoverable on incurred claims arising business from ceded to retakaful operators in the Company, is disclosed in the table below: (continued)

		30.06.2023					31.12.2022 (Restated)				
		Assets for remaining coverage		Amounts recoverable on incurred claims			Assets for remaining coverage		Amounts recoverable on incurred claims		
	Note	Excluding loss component	Loss component	Estimates of The present value of future cash flows	Risk adjustment	Total	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company (continued)											
Cash flows											
Contributions paid		-	-	-	-	-	133	-	-	-	133
Other amounts received		-	-	-	-	-	-	-	-	-	-
Total cash flows		-	-	-	-	-	133	-	-	-	133
Other movements		-	-	-	-	-	-	-	-	-	-
Net retakaful certificate assets/(liabilities) as at 30 June/31 December		-	-	-	-	-	-	-	-	-	-
Retakaful certificate assets as at 30 June/31 December		-	-	-	-	-	-	-	-	-	-
Retakaful certificate liabilities as at 30 June/31 December		-	-	-	-	-	-	-	-	-	-
Net retakaful certificate assets/(liabilities) as at 30 June/31 December		-	-	-	-	-	-	-	-	-	-

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.3 Analysis by measurement component of takaful certificates - Contracts not measured under the PAA

11.1.3.1 Takaful certificates issued

	30.06.2023	31.12.2022 (Restated)
	RM'000	RM'000
Family Takaful fund		
Takaful certificates liabilities		
Takaful certificates balances		
- Estimates of present value of future cash flows	3,227,871	2,909,300
	3,227,871	2,909,300
Takaful certificates assets		
Takaful certificates balances		
- Estimates of present value of future cash flows	(90,325)	(80,295)
	(90,325)	(80,295)

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.3 Analysis by measurement component of takaful certificates - Contracts not measured under the PAA (continued)

11.1.3.1 Takaful certificates issued (continued)

	30.06.2023	31.12.2022 (Restated)
	RM'000	RM'000
Company		
Takaful certificates liabilities		
Takaful certificates balances		
- Estimates of present value of future cash flows	1,513,123	1,323,568
- Risk adjustment for non-financial risk	107,028	102,738
- Contractual service margin ("CSM")	964,440	951,537
	2,584,591	2,377,843
Assets for takaful acquisition cash flows	(42,210)	(37,354)
	2,542,381	2,340,489
Takaful certificates assets		
Takaful certificates balances		
- Estimates of present value of future cash flows	(6,374)	(5,034)
- Risk adjustment for non-financial risk	1,285	1,486
- Contractual service margin ("CSM")	8,927	7,940
	3,838	4,392
Assets for takaful acquisition cash flows	(29,476)	(28,025)
	(25,638)	(23,633)

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

11.1.3 Analysis by measurement component of takaful certificates - Contracts not measured under the PAA (continued)

11.1.3.2 Retakaful certificates held

	30.06.2023	31.12.2022 (Restated)
	RM'000	RM'000
Family Takaful fund		
Retakaful certificates assets		
Retakaful certificates balances		
- Estimates of present value of future cash flows	9,370	5,968
	9,370	5,968
Company		
Retakaful certificates assets		
Retakaful certificates balances		
- Estimates of present value of future cash flows	158,673	151,226
- Contractual service margin ("CSM")	(69,389)	(70,439)
	89,284	80,787

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

Fulfilment cash flows

Estimates of future cash flows

The Company's objective in estimating future cash flows is to determine the expected value or probability-weighted mean of the full range of possible outcomes. 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 reflect the Company's view of current conditions at the reporting date and 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 those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing certificates are not taken into account until the change in legislation is substantively enacted.

Cash flows are within the boundary of a contract if they arise from substantive right and obligations that existing during the reporting period. They 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) certificate holders, takaful acquisition cash flows and other costs that are incurred in fulfilling certificates.

Takaful acquisition cash flows arise from the activities of selling, underwriting and starting a group of certificates that are directly attributable to the portfolio of certificates to which the group belongs. Other costs that are incurred in fulfilling the certificates include claims handling, maintenance and administration costs, and recurring commissions payable on instalment contribution within the certificate boundary.

Takaful acquisition cash flows and other costs that are incurred in fulfilling certificates comprise both direct costs and an allocation of fixed and variable overheads.

Methodology and assumptions

Mortality

Assumptions have been developed by the Company based on recent historical experience, and expectations of current and expected future experience. Where historical experience is not credible, reference has been made to pricing assumptions supplemented by market data, where available.

Mortality assumptions have been expressed as a percentage of either standard industry experience tables or, where experience is sufficiently credible, as a percentage of tables that have been developed internally by the Company.

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

Fulfilment cash flows (continued)

Methodology and assumptions (continued)

Morbidity

Assumptions have been developed by the Company based on recent historical experience, and expectations of current and expected future experience. Morbidity rate assumptions have been expressed as a percentage of standard industry experience tables or as expected claims ratios.

Persistency

Persistency covers the assumptions required, where relevant, for certificate lapse (including surrender), contribution persistency, contribution holidays and partial withdrawals.

Assumptions have been developed by the Company based on recent historical experience, and best estimate expectations of expected future experience. Persistency assumptions would vary by certificate year and product type with different rates for regular and single contribution products where appropriate.

Where experience for a particular product was not credible enough to allow any meaningful analysis to be performed, experience for similar products was used as a basis for future persistency experience assumptions.

In the case of surrenders, the valuation assumes that current surrender value bases will continue to apply in the future.

Expenses

The expense assumptions have been set based on the most recent expense analysis. The purpose of the expense analysis is to allocate total expenses between acquisition, maintenance and other activities, and then to allocate these acquisition and maintenance expenses that can be directly attributed to the portfolio of takaful certificates to derive unit cost assumptions.

Where the expenses associated with certain activities have been identified as being one-off, these expenses have been excluded from the expense analysis.

Expenses assumptions have been determined for acquisition and maintenance activities that can be directly attributed to the portfolio of takaful certificates, split by product type, and unit costs expressed as a percentage of contribution , sum covered and an amount per certificate. Where relevant, expense assumptions have been calculated per distribution channel.

Expense assumptions do not make allowance for any anticipated future expense savings as a result of any strategic initiatives aimed at improving certificate administration and claims handling efficiency. Assumptions for commission rates and other sales-related payments have been set in line with actual experience.

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

Fulfilment cash flows (continued)

Methodology and assumptions (continued)

Retakaful

Retakaful assumptions have been developed by the Company based on the retakaful arrangements in-force as at the reporting date and the recent historical and expected future experience.

Surplus and profit sharing

The projected surplus and profit sharing by the Company reflect contractual and regulatory requirements, certificate holders' reasonable expectations (where clearly defined) and the Company's best estimate of operating and investment return assumptions.

An adjustment to reflect the time value of money and the financial risks related to future cash flows

The Company adjusts the estimate of future cash flows to reflect the time value of money and the financial risks related to those cash flows. The cash flows are discounted by the discount rates reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the takaful certificates.

The top-down approach has been primarily adopted for the derivation of discount rates. A top-down approach starts with considering a yield curve that reflects the current market rates of return of a reference portfolio of assets that have similar characteristic of the takaful certificates, and adjust this downwards to eliminate any factors not relevant to the takaful certificates (primarily the allowance for credit risk). The assessment of credit risk premium is done on external and internal ratings when the reference portfolio contains assets which are rated. Alternatively, a bottom-up approach could be used under which discount rates are determined by adjusting the liquid risk-free yield curve to reflect the liquidity characteristics of the takaful certificates.

In constructing the discount rates, market observable rates are used up to the last available market data point which is reliable and also relevant in reflecting the characteristic of the takaful certificates. The market observable rates are extrapolated between this point and an ultimate forward rate derived using long-term estimates by applying generally accepted technique such as Smith-Wilson method etc.

11 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are generally determined by considering the expected cash flows arising from takaful certificates, consistent with the way that non-financial risk is managed. Risk adjustments are determined separately from estimates from the present value of future cash flows, using the confidence level technique.

Applying a confidence level technique, the Company estimates the probability distribution of the expected present value of the future cash flows from takaful certificates at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at 75th percentile (the target confidence level) over the expected present value of the future cash flows.

Contractual service margin (“CSM”)

The CSM of a group of certificates is recognised as takaful revenue in each period based on the number of coverage units provided in the period, which is determined by considering for each contract the quantity of the services provided, its expected coverage duration and time value of money.

For a group of certificates that is onerous at the start of a reporting period and becomes profitable subsequently that CSM is recognised during the reporting period, the total amount of recognised CSM is released to profit or loss if there are no more future coverage units.

Investment components

The Company identifies the investment component of an insurance contract by determining the amount that it would be required to repay to the certificate holder in all circumstances, regardless of whether a covered event occurs. Investment components are excluded from takaful revenue and takaful service expenses. Generally, for relevant certificates, surrender value would be determined as an investment component.

12 TAKAFUL REVENUE

		30.06.2023		30.06.2022 (Restated)	
	Note	Family Takaful fund	Company	Family Takaful fund	Company
		RM'000	RM'000	RM'000	RM'000
Certificates not measured under PAA					
Amounts relating to the changes in the liability for remaining coverage:					
Expected claims and takaful service expenses incurred in the period		288,392	255,156	268,747	233,086
Change in the risk adjustment for non-financial risk		-	3,587	-	3,485
Amount of CSM recognised in profit or loss		-	96,603	-	107,196
Other amount		(4,400)	(619)	(6,960)	(8,265)
Amounts relating to recovery of takaful acquisition cash flows		28,087	44,955	34,317	16,567
Takaful revenue - certificates not measured under PAA	11.1.1.1	312,079	399,682	296,105	352,069
Takaful revenue - certificates measured under PAA	11.1.2.1	28,138	45,313	30,416	39,611
Total takaful revenue		340,217	444,995	326,521	391,680

Notes:

a. Expected takaful service expenses incurred in the period comprise claims and other expenses which the Family Takaful fund expects to pay on covered events that occurred during the period.
b. Change in risk adjustment shows amount of risk which expired during the period.
c. Acquisition cash flows are allocated on a straight-line basis over the coverage period of the group of certificates.

13 TAKAFUL SERVICE EXPENSES

	Note	30.06.2023 RM'000	30.06.2022 (Restated) RM'000
Family Takaful fund			
Incurred claims and other takaful service expenses		321,396	228,738
Incurred wakalah fees		26,668	29,718
Amortisation of acquisition cash flows - wakalah fees		35,682	40,258
Changes to liabilities for incurred claims		(10,189)	(47,010)
Total takaful service expenses		373,557	251,704
Represented by:			
Contracts not measured under PAA	11.1.1.1	325,577	215,620
Contracts measured under PAA	11.1.2.1	49,127	36,084
Company			
Incurred claims and other takaful service expenses		325,577	222,338
Amortisation of acquisition cash flows		51,832	22,742
Losses on onerous contracts and reversal of losses on onerous contracts		8,347	5,226
Changes to liabilities for incurred claims		(28,443)	(28,808)
Total takaful service expenses		357,313	221,498
Represented by:			
Contracts not measured under PAA	11.1.1.1	316,523	185,578
Contracts measured under PAA	11.1.2.1	40,789	35,920

Notes:

a. Acquisition cash flows are allocated on a straight-line basis over the coverage period of the group of certificates.
b. Wakalah fee income paid to Shareholders' fund and commission incurred by Shareholders' fund are as follows:

	30.06.2023 RM'000	30.06.2022 (Restated) RM'000
Wakalah fees	272,938	264,709
Commission expenses	138,504	143,327

14 INVESTMENT INCOME

	Family Takaful fund RM'000	Company RM'000
30.06.2023		
Financial assets at FVOCI:		
Profit income	2,817	10,977
Net amortisation of premiums on investments	(63)	(630)
Net impairment loss on financial assets	79	20
Financial assets at FVTPL:		
Profit income	39,628	39,628
Net amortisation of premiums on investments	(1,339)	(1,339)
Dividend income	15,595	15,888
Financing and receivables:		
Profit income	2,481	2,625
Foreign Exchange Loss	242	255
	59,440	67,424
30.06.2022 (Restated)		
Financial assets at FVOCI:		
Profit income	1,425	8,145
Net amortisation of premiums on investments	(35)	(623)
Net impairment loss on financial assets	(340)	(625)
Financial assets at FVTPL:		
Profit income	29,934	29,935
Net amortisation of premiums on investments	(1,466)	(1,467)
Dividend income	10,458	10,708
Financing and receivables:		
Profit income	2,206	2,369
Foreign Exchange Loss	46	43
	42,228	48,485

15 NET REALISED LOSSES

	Family Takaful fund RM'000	Company RM'000
30.06.2023		
Financial assets at FVOCI:		
Debt securities		
Realised gains	179	951
Realised losses	(112)	(851)
Financial assets at FVTPL:		
Equity securities		
Realised gains	6,169	6,195
Realised losses	(15,010)	(15,045)
Debt securities		
Realised gains	3,580	3,580
Realised losses	(576)	(576)
	(5,770)	(5,746)
30.06.2022 (Restated)		
Financial assets at FVOCI:		
Debt securities		
Realised gains	-	56
Realised losses	-	(397)
Financial assets at FVTPL:		
Equity securities		
Realised gains	31,505	31,513
Realised losses	(49,236)	(49,314)
Debt securities		
Realised gains	576	576
Realised losses	(1,589)	(1,591)
	(18,744)	(19,157)

16 FAIR VALUE GAINS/(LOSSES)

	Family Takaful fund RM'000	Company RM'000
30.06.2023		
Financial assets at FVTPL:		
designated upon initial recognition:		
- unrealised	27,555	27,413
30.06.2022 (Restated)		
Financial assets at FVTPL:		
designated upon initial recognition:		
- unrealised	(160,537)	(160,962)

17 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 June 2023 and 31 December 2022, as prescribed under Risk-Based Capital Framework for Takaful Operators ("RBCT Framework") are as follows:

Shareholders' fund	30.06.2023 RM'000	31.12.2022 RM'000
Eligible Tier 1 Capital		
Share capital	450,000	450,000
Retained earnings/(Accumulated losses)	4,847	(2,873)
Valuation surplus maintained in the Family Takaful funds	395,067	310,561
	849,914	757,688
Tier 2 Capital		
General reserves	(33,333)	(33,333)
Available for sale reserves	2,145	(5,816)
Qard	65,850	65,850
Total capital available	34,662	26,701
Amount deducted from capital in accordance with paragraph 9.9 of RBCT Framework	22,812	(25,941)
Total Capital Available	870,556	758,525

18 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS

Family Takaful fund

	31 December 2022 (As previously reported) RM'000	Reclassification RM'000	Impact of changes in accounting policies RM'000	31 December 2022 (Restated) RM'000
ASSETS				
Financial assets - fair value through other comprehensive income	1,504	136,974	-	138,478
Financial assets - fair value through profit or loss	2,686,300	(136,974)	-	2,549,326
Takaful certificate assets	23,524	-	56,771	80,295
Retakaful certificate assets	42,183	-	(36,082)	6,101
Other receivables	1,294	-	-	1,294
Deferred tax assets	4,145	-	-	4,145
Cash and cash equivalents	259,900	-	-	259,900
Total assets	3,018,850	-	20,689	3,039,539
EQUITY				
Accumulated losses	(65,850)	-	65,850	-
Total equity	(65,850)	-	65,850	-

18 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

Family Takaful fund (continued)

	31 December 2022 (As previously reported) RM'000	Reclassification RM'000	Impact of changes in accounting policies RM'000	31 December 2022 (Restated) RM'000
LIABILITIES				
Takaful certificate liabilities	2,869,950	-	59,402	2,929,352
Retakaful certificate liabilities	23,367	-	(23,367)	-
Qard payable	65,850	-	(65,850)	-
Other payables	123,708	-	(15,346)	108,362
Tax payables	1,825	-	-	1,825
Total liabilities	3,084,700	-	(45,161)	3,039,539
Total equity and liabilities	3,018,850	-	20,689	3,039,539

18 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

Company

	31 December 2022 (As previously reported) RM'000	Reclassification RM'000	Impact of changes in accounting policies RM'000	31 December 2022 (Restated) RM'000
ASSETS				
Property and equipment	196	-	-	196
Intangible assets	14,498	-	-	14,498
Right-of-use-assets	1,183	-	-	1,183
Financial assets - fair value through other comprehensive income	391,270	136,974	-	528,244
Financial assets - fair value through profit or loss	2,697,394	(136,974)	-	2,560,420
Takaful certificate assets	23,524	-	109	23,633
Retakaful certificate assets	42,183	-	38,604	80,787
Other receivables	3,151	-	13,431	16,582
Tax recoverables	4,465	-	(1,825)	2,640
Deferred tax assets	12,407	-	(12,407)	-
Cash and cash equivalents	293,271	-	-	293,271
Total assets	3,483,542	-	37,912	3,521,454

18 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

Company (continued)

	31 December 2022 (As previously reported) RM'000	Reclassification RM'000	Impact of changes in accounting policies RM'000	31 December 2022 (Restated) RM'000
EQUITY				
Share capital	450,000	-	-	450,000
General reserves	(33,333)	-	-	(33,333)
(Accumulated losses)/Retained earnings	(4,150)	-	550,105	545,955
Other comprehensive income fair value reserves	(5,774)	-	55	(5,719)
Takaful finance reserves	-	-	(594)	(594)
Total equity	406,743	-	549,566	956,309

18 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

Company (continued)

	31 December 2022 (As previously reported) RM'000	Reclassification RM'000	Impact of changes in accounting policies RM'000	31 December 2022 (Restated) RM'000
LIABILITIES				
Expense liabilities	24,772	-	(24,772)	-
Takaful certificate liabilities	2,861,950	-	(491,566)	2,370,384
Retakaful certificate liabilities	23,367	-	(23,367)	-
Deferred tax liabilities	-	-	159,292	159,292
Lease liabilities	1,327	-	-	1,327
Other payables	163,558	-	(129,416)	34,142
Tax payables	1,825	-	(1,825)	-
Total liabilities	3,076,799	-	(511,654)	2,565,145
Total equity and liabilities	3,483,542	-	37,912	3,521,454

18 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

MFRS 17 Insurance Contracts

Recognition, measurement and presentation of insurance contracts

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

Under MFRS 17, takaful revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of contributions that relate to recovering takaful acquisition cash flows. In addition, investment components are excluded from takaful revenue and takaful service expenses.

Takaful finance income or expenses, disaggregated between profit or loss and other comprehensive income are presented separately from takaful revenue and takaful service expenses.

Previously, all acquisition costs were expensed off. Under MFRS 17, takaful acquisition cash flows that arise before the recognition of the related takaful certificates are recognised as separate assets and are tested for recoverability. These assets are presented as part of the carrying amount of the related portfolio of certificates and are subsequently derecognised when respective groups of takaful certificates are recognised and hence included in the CSM measurement of that group.

Income and expenses from retakaful certificates held other than takaful finance income or expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from retakaful and retakaful expenses were presented separately.

Transition

Changes in accounting policies resulting from the adoption of MFRS 17 have applied full retrospective approach to the extent practicable. Under the full retrospective approach, at 1 January 2022, the Company:

- identified, recognised and measured each group of takaful certificates and retakaful certificates held as if MFRS 17 had always applied;
- identified, recognised and measured any assets for takaful acquisition cash flows as if MFRS 17 had always been applied, except that the recoverability assessment was not applied before 1 January 2022;
- derecognised previously reported balances that would not have existed if MFRS 17 had always been applied. These included takaful receivables and payables and its accrued profit income and provisions that are attributable to existing takaful certificates, etc. Under MFRS 17, these are included in the measurement of the takaful certificates; and
- recognised any resulting net difference in equity.

For certain groups of contracts, the Company applied the fair value approach in MFRS 17 to identify, recognise and measure certain groups of contracts at 1 January 2022 because it was impracticable to apply the full retrospective approach.

18 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

MFRS 17 Insurance Contracts (continued)

Transition (continued)

The Company considered the full retrospective approach impracticable for contracts in these segments under any of the following circumstances.

- The effects of retrospective application were not determinable because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations, data retention requirements or other reasons.
- The full retrospective approach required assumptions about what Company management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight, the application of full retrospective approach is considered as impracticable if such assumptions and estimates were not determinable.

The following table shows the effect of applying the fair value approach and full retrospective approach on contractual service margin ("CSM") at 1 January 2022.

	1.1.2022 RM'000
Company	
CSM (Takaful certificates):	
Contracts under the fair value approach	490,908
Contracts under the full retrospective approach	347,403
	838,311
CSM (Retakaful certificates held):	
Contracts under the fair value approach	73,166
Contracts under the full retrospective approach	-
	73,166

Assets for takaful acquisition cash flows

The Company also applied the fair value approach to identify, recognise and measure certain assets for takaful acquisition cash flows at 1 January 2022.

It was impracticable to apply the full retrospective approach because:

- data had not been collected with sufficient granularity;
- information required to identify fixed and variable overheads as relating to acquisition activities and to allocate them to groups of takaful certificates was not available; or
- original assumptions about the manner in which the Company would have expected takaful acquisition cash flows to be recovered, which were required to allocate them to renewals, could not be made without the use of hindsight.

18 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

MFRS 9 Financial Instruments

Classification of financial assets and financial liabilities

MFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. MFRS 9 eliminates the previous MFRS 139 categories of held-to-maturity investments, financing and receivables, and available-for-sale financial assets.

Impairment of financial assets

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with a forward-looking 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost, debt securities at fair value through other comprehensive income and lease receivables. Under MFRS 9, credit losses are recognised earlier than under MFRS 139.

Transition

Changes in accounting policies resulting from the adoption of MFRS 9 have been applied retrospectively, except as described below.

- The comparative period has been restated. As permitted under MFRS 17, the Company has elected to apply classification overlay in the comparative period presented. The classification overlay has been applied to all financial assets that had been derecognised before 1 January 2023 based on how those assets are expected to be classified on initial application of MFRS 9. In applying the classification overlay to financial assets derecognised during the comparative period, the Company has applied the impairment requirements of MFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2023.

  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss.

- If an investment in a debt security had low credit risk at 1 January 2023, then the Company determined that the credit risk on the asset had not increased significantly since initial recognition.

18 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

MFRS 9 Financial Instruments (continued)

Effect of initial application

Classification of financial assets

The following table shows the original measurement category and carrying amount under MFRS 139 and the new measurement category and carrying amount under MFRS 9 for each class of the Family Takaful fund and Company's financial assets.

	Original classification under MFRS 139	New classification under MFRS 9	Original carrying amount under MFRS 139 as at 31.12.2022 RM'000	New carrying amount under MFRS 9 as at 1.1.2023 RM'000
Family Takaful fund				
Financial assets				
Debt securities	FVTPL (designated)	FVTPL (mandatory)	11,903	11,903
Debt securities	FVTPL (designated)	FVTPL (designated)	1,685,918	1,685,918
Debt securities	FVTPL (designated)	FVOCI	136,974	136,974
Debt securities	Available-for-sale	FVOCI	1,504	1,504
Equity shares	FVTPL (designated)	FVTPL (mandatory)	802,043	802,043
Mutual Funds	FVTPL (designated)	FVTPL (mandatory)	49,462	49,462
Cash and cash equivalents	Financing and receivables	Amortised cost	54,068	54,068
Total financial assets			2,741,872	2,741,872
Company				
Financial assets				
Debt securities	FVTPL (designated)	FVTPL (mandatory)	11,903	11,903
Debt securities	FVTPL (designated)	FVTPL (designated)	1,685,918	1,685,918
Debt securities	FVTPL (designated)	FVOCI	136,974	136,974
Debt securities	Available-for-sale	FVOCI	391,270	391,270
Equity shares	FVTPL (designated)	FVTPL (mandatory)	813,069	813,069
Mutual Funds	FVTPL (designated)	FVTPL (mandatory)	49,530	49,530
Cash and cash equivalents	Financing and receivables	Amortised cost	73,630	73,630
Total financial assets			3,162,294	3,162,294

18 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

MFRS 9 Financial Instruments (continued)

Effect of initial application (continued)

The Company's accounting policies on the classification of financial instruments under MFRS 9 are set out in note 3.4. The application of these policies resulted in the reclassifications set out in the table above and explained below.

a. Under MFRS 139, certain debt securities were designated as at fair value through profit or loss because the Company managed them on a fair value basis or such designation eliminates or significantly reduces a measurement or recognition inconsistency. Under MFRS 9, these assets are mandatorily measured at fair value through profit or loss because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets or their contractual cash flows do not represent solely payments of principal and profits on the principal amount outstanding.

b. There are some debt securities being designated as at fair value through profit or loss under MFRS 139. The Company has revoked the designation to measure them at fair value through profit or loss upon the adoption of MFRS 9 because there is no longer a significant accounting mismatch arising from the securities as a result of adoption of MFRS 17. These assets are classified as fair value through other comprehensive income based on the criteria in MFRS 9.

c. Under MFRS 139, equity shares and interest in mutual funds were designated as at fair value through profit or loss because they are managed on a fair value basis. Under MFRS 9, these assets are mandatorily measured at fair value through profit or loss because they do not give rise to cash flows that are solely payment of principal and profit on the principal amount outstanding and the Company has not elected to measure them at fair value through other comprehensive income.

The following table summarises the effects of the reclassification of (i) debt securities measured at fair value through profit or loss to fair value through other comprehensive income categories as a result of the transition of MFRS 9.

	2023 RM'000
Family Takaful fund/Company	
Reclassification from FVTPL to FVOCI	
Fair value at 30 June	104,931
Fair value gains that would have been recognised in the profit or loss during the period if the financial asset had not been reclassified	2,438
Effective profit rate determined on 1 January	0.04
Total amortised cost of the financial assets which are included to determine the "effective profit rate" above	146,252
Profit income recognised	2,754

18 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

MFRS 9 Financial Instruments (continued)

Effect of initial application (continued)

Impairment of financial assets

The following table reconciles the closing impairment allowance in accordance with MFRS 139 as at 31 December 2022 with the opening loss allowance determined in accordance with MFRS 9 as at 1 January 2023.

	31.12.2022 MFRS 139 RM'000	Reclassification RM'000	Remeasurement RM'000	1.1.2023 MFRS 9 RM'000
Family Takaful fund				
Debt securities at FVOCI under MFRS 9:				
- from available-for-sale under MFRS 139	-	-	564	564
	-	-	564	564
Company				
Debt securities at FVOCI under MFRS 9:				
- from available-for-sale under MFRS 139	-	-	1,983	1,983
	-	-	1,983	1,983