

Prudential BSN Takaful Berhad

(Company No. 740651-H)

(Incorporated in Malaysia)

**Unaudited condensed interim
financial statements
for the half-year ended
30 June 2018**

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Prudential BSN Takaful Berhad

(Company No. 740651-H)

(Incorporated in Malaysia)

Condensed interim financial statements

Unaudited statements of financial position as at 30 June 2018

	Note	As at 30 June 2018				As at 31 December 2017			
		Takaful operator RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000
Assets									
Property and equipment		40,333	-	-	40,333	33,521	-	-	33,521
Intangible assets		25,942	-	-	25,942	22,923	-	-	22,923
Investments	2	270,227	2,366,691	-	2,634,871	266,111	2,383,811	-	2,648,211
Deferred tax assets		245	-	-	245	28	-	-	28
Retakaful assets	3	-	15,765	-	15,765	-	21,477	47	21,524
Takaful receivables		-	-	-	-	-	-	59	59
Trade and other receivables		147,216	17,802	54	49,982	161,110	16,912	79	43,378
Current tax assets		605	-	-	605	-	-	-	-
Cash and cash equivalents		88,197	304,852	22,113	415,162	51,038	190,991	27,010	269,039
Total assets		572,765	2,705,110	22,167	3,182,905	534,731	2,613,191	27,195	3,038,683
Equity									
Capital									
Ordinary share		58,824	-	-	58,824	58,824	-	-	58,824
Share premium		41,176	-	-	41,176	41,176	-	-	41,176
Reserves		224,801	-	-	224,801	208,466	-	-	208,466
Total equity		324,801	-	-	324,801	308,466	-	-	308,466
Liabilities									
Participants' fund	4	-	2,383,641	14,225	2,395,819	-	2,313,957	13,781	2,326,027
Takaful contract liabilities	5	-	104,336	1,491	105,827	-	78,849	1,958	80,807
Provision for wakalah fees		33,197	-	-	33,197	31,141	-	-	31,141
Takaful payables		-	12,697	1,260	13,957	-	17,173	2,818	19,991
Trade and other payables		214,767	193,547	2,246	295,470	194,325	186,745	5,837	252,184
Current tax liabilities		-	6,524	2,945	9,469	799	4,935	2,801	8,535
Deferred tax liabilities		-	4,365	-	4,365	-	11,532	-	11,532
Total liabilities		247,964	2,705,110	22,167	2,858,104	226,265	2,613,191	27,195	2,730,217
Total equity and liabilities		572,765	2,705,110	22,167	3,182,905	534,731	2,613,191	27,195	3,038,683

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2017.

Prudential BSN Takaful Berhad

(Company No. 740651-H)

(Incorporated in Malaysia)

Condensed interim financial statements

Unaudited statements of profit or loss and other comprehensive income for the period ended 30 June 2018

	← As at 30 June 2018 →				← As at 30 June 2017 →			
	Takaful operator RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000
Operating revenue	356,148	843,905	1,060	857,353	337,361	765,372	4,616	780,391
Wakalah fee income	343,220	-	-	-	326,446	-	-	-
Gross contributions	-	819,880	683	820,023	-	745,238	4,208	748,934
Contributions ceded to retakaful	-	(30,674)	(513)	(31,187)	-	(20,665)	(173)	(20,838)
Increase in unearned contribution reserves	-	-	435	435	-	-	(1,016)	(1,016)
Net earned contributions	343,220	789,206	605	789,271	326,446	724,573	3,019	727,080
Surplus sharing from family takaful fund	21,500	-	-	-	12,000	-	-	-
Investment income	12,928	24,025	377	37,330	10,915	20,134	408	31,457
Realised (losses)/gains	(58)	(3,059)	-	(3,117)	24	1,674	-	1,698
Fair value (losses)/gains	(906)	(89,585)	-	(90,491)	160	56,557	-	56,717
Other operating income	45	655	-	700	90	378	-	468
Other income	33,509	(67,964)	377	(55,578)	23,189	78,743	408	90,340
Gross benefits and claims incurred	-	(263,418)	(272)	(263,690)	-	(273,746)	(1,154)	(274,900)
Claims ceded to retakaful	-	30,103	1	30,104	-	15,206	12	15,218
Gross change to contract liabilities	-	(25,487)	24	(25,463)	-	6,087	(382)	5,705
Change in contract liabilities ceded to retakaful	-	(5,668)	(39)	(5,707)	-	65	29	94
Net benefits and claims	-	(264,470)	(286)	(264,756)	-	(252,388)	(1,495)	(253,883)

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Condensed interim financial statements

Unaudited statements of profit or loss and other comprehensive income for the period ended 30 June 2018 (continued)

	← As at 30 June 2018 →				← As at 30 June 2017 →			
	Takaful operator RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000
Surplus sharing to takaful operator	-	(21,500)	-	-	-	(12,000)	-	-
Wakalah fee expense	-	(343,112)	(108)	-	-	(324,987)	(1,459)	-
Management expenses	(161,593)	-	-	(161,593)	(156,117)	-	-	(156,117)
Commission expenses	(179,254)	-	-	(179,254)	(170,999)	-	-	(170,999)
Increase in provision for wakalah fees	(2,056)	-	-	(2,056)	(5,649)	-	-	(5,649)
Other operating expenses	(9,664)	(2,308)	(1)	(11,973)	(9,621)	(1,908)	75	(11,454)
Other expenses	(352,567)	(366,920)	(109)	(354,876)	(342,386)	(338,895)	(1,384)	(344,219)
Surplus attributable to participants before taxation	-	89,852	587	-	-	212,033	548	-
Tax expense attributable to participants	-	5,256	(144)	5,112	-	(6,403)	(327)	(6,730)
Surplus distributed to participants	-	(25,379)	-	(25,379)	-	(12,000)	-	(12,000)
Net surplus attributable to participants	-	(69,729)	(443)	(69,632)	-	(193,630)	(221)	(193,339)
Profit before zakat and taxation	24,162	-	-	24,162	7,249	-	-	7,249
Zakat	(882)	-	-	(882)	(976)	-	-	(976)
Tax expense	(6,945)	-	-	(6,945)	(4,539)	-	-	(4,539)
Net profit and total comprehensive income for the period	16,335	-	-	16,335	1,734	-	-	1,734

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2017.

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Condensed interim financial statements

Unaudited statement of changes in equity for the period ended 30 June 2017

	← Non-distributable →		← Distributable →				
	← Capital →		Retained earnings				
	Takaful operator Share capital RM'000	Share premium RM'000	Takaful operator RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000	Total equity RM'000
At 1 January 2017	58,824	41,176	153,925	-	-	153,925	253,925
Net profit and total comprehensive income for the year	-	-	54,541	-	-	54,541	54,541
At 31 December 2017/1 January 2018	58,824	41,176	208,466	-	-	208,466	308,466
Net profit and total comprehensive income for the period	-	-	16,335	-	-	16,335	16,335
At 30 June 2018	58,824	41,176	224,801	-	-	224,801	324,801

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2017.

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Condensed interim financial statements

Unaudited statement of cash flows for the period ended 30 June 2018

	30 June 2018 RM'000	30 June 2017 RM'000
Cash flows from operating activities		
Profit before zakat and taxation	24,162	7,249
Adjustments for:		
Depreciation on property and equipment	2,046	1,601
Amortisation of intangible assets	1,936	1,457
Investment income	(37,330)	(31,457)
Realised losses/(gains) on disposal of investments	3,117	(1,698)
Fair value losses/(gains) on investments	90,491	(56,717)
Increase in provision for wakalah fee	2,056	5,649
Gain/(loss) from operations before changes in operating assets and liabilities	86,478	(73,916)
Increase in general takaful fund	444	969
Increase in family takaful fund	69,348	192,953
Decrease in retakaful assets	5,759	497
Decrease/(Increase) in takaful receivables	59	(18)
Increase in trade and other receivables	(5,117)	(2,047)
Increase/(Decrease) in takaful contract liabilities	25,020	(5,279)
(Decrease)/Increase in takaful payables	(6,034)	4,984
Increase in trade and other payables	37,131	36,278
Tax paid	(8,727)	(4,049)
Net cash generated from operating activities	204,361	150,372
Cash flows from investing activities		
Investment income received	35,843	29,485
Proceeds from disposal of investments	60,080	277,362
Purchase of investments	(140,348)	(385,366)
Purchase of property and equipment/intangible assets	(13,813)	(4,817)
Net cash used in investing activities	(58,238)	(83,336)
Net increase in cash and cash equivalents	146,123	67,036
Cash and cash equivalents at 1 January	269,039	194,344
Cash and cash equivalents at 30 June	415,162	261,380
Cash and cash equivalents comprise:		
Cash and bank balances		
- Takaful operator	88,197	27,846
- Family takaful fund	304,852	206,893
- General takaful fund	22,113	26,641
	415,162	261,380

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2017.

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Explanatory Notes Pursuant to Malaysian Financial Reporting Standard ("MFRS") 134 *Interim Financial Reporting*

1. Basis of preparation

The unaudited condensed interim financial statements of the Company for the period ended 30 June 2018 have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and Takaful Guidelines/Circulars issued by Bank Negara Malaysia ("BNM").

The significant accounting policies applied in the unaudited condensed interim financial statements are consistent with those adopted in the audited annual financial statement of the Company for the financial year ended 31 December 2017, except for the adoption of the following accounting standards, amendments and interpretations that are effective during the current financial period:

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

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Company for the financial year ended 31 December 2017. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the year ended 31 December 2017.

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2. Investments

	← 30 June 2018 →				← 31 December 2017 →			
	Takaful operator RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000
Malaysian government investment issue	3,288	205,126	-	208,414	3,310	206,372	-	209,682
Islamic debts securities	136,400	955,759	-	1,092,159	138,175	955,199	-	1,093,374
Equity securities	-	991,404	-	991,404	-	1,020,760	-	1,020,760
Unit trust funds	53,997	52,812	-	106,809	53,050	48,481	-	101,531
Deposits with financial institutions	74,495	161,590	-	236,085	69,865	152,999	-	222,864
Investment-linked funds	2,047	-	-	-	1,711	-	-	-
	<u>270,227</u>	<u>2,366,691</u>	<u>-</u>	<u>2,634,871</u>	<u>266,111</u>	<u>2,383,811</u>	<u>-</u>	<u>2,648,211</u>

(a) The Company's financial investments are summarised by categories as follows:

	← 30 June 2018 →				← 31 December 2017 →			
	Takaful operator RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000	Takaful operator RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000
Loans and receivables ("L&R")								
- Deposits with financial institutions	74,495	161,590	-	236,085	69,865	152,999	-	222,864
Fair value through profit or loss ("FVTPL")								
- Held-for-trading								
Malaysian government investment	3,288	205,126	-	208,414	3,310	206,372	-	209,682
Islamic debts securities	136,400	955,759	-	1,092,159	138,175	955,199	-	1,093,374
Equity securities	-	991,404	-	991,404	-	1,020,760	-	1,020,760
Unit trust funds	53,997	52,812	-	106,809	53,050	48,481	-	101,531
Investment-linked funds	2,047	-	-	-	1,711	-	-	-
	<u>195,732</u>	<u>2,205,101</u>	<u>-</u>	<u>2,398,786</u>	<u>196,246</u>	<u>2,230,812</u>	<u>-</u>	<u>2,425,347</u>
	<u>270,227</u>	<u>2,366,691</u>	<u>-</u>	<u>2,634,871</u>	<u>266,111</u>	<u>2,383,811</u>	<u>-</u>	<u>2,648,211</u>

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2. Investments (continued)

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

Company	L&R RM'000	FVTPL RM'000	Total RM'000
At 1 January 2017	172,079	1,998,482	2,170,561
Purchases	50,785	629,526	680,311
Maturities/disposals	-	(302,249)	(302,249)
Fair value gains recognised in profit or loss	-	99,588	99,588
At 31 December 2017/1 January 2018	222,864	2,425,347	2,648,211
Purchases	13,221	127,127	140,348
Maturities/disposals	-	(63,197)	(63,197)
Fair value losses recognised in profit or loss	-	(90,491)	(90,491)
At 30 June 2018	236,085	2,398,786	2,634,871

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2. Investments (continued)

(c) Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Company	Fair value of financial instruments carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
30 June 2018						
Malaysian government investment issue	-	208,414	-	208,414	208,414	208,414
Islamic debt securities	-	1,092,159	-	1,092,159	1,092,159	1,092,159
Equity securities	991,404	-	-	991,404	991,404	991,404
Unit trust funds	106,809	-	-	106,809	106,809	106,809
	<u>1,098,213</u>	<u>1,300,573</u>	<u>-</u>	<u>2,398,786</u>	<u>2,398,786</u>	<u>2,398,786</u>
31 December 2017						
Malaysian government investment issue	-	209,682	-	209,682	209,682	209,682
Islamic debt securities	-	1,093,374	-	1,093,374	1,093,374	1,093,374
Equity securities	1,020,760	-	-	1,020,760	1,020,760	1,020,760
Unit trust funds	101,531	-	-	101,531	101,531	101,531
	<u>1,122,291</u>	<u>1,303,056</u>	<u>-</u>	<u>2,425,347</u>	<u>2,425,347</u>	<u>2,425,347</u>

There are no financial instruments which are not carried at fair value.

2. Investments (continued)

(c) Fair value information (continued)

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial period. (2017: no transfer in either directions)

Level 3 fair value

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

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3. Retakaful asset

	Note	← 30 June 2018 →			← 31 December 2017 →		
		Family takaful fund RM'000	General takaful fund RM'000	Company RM'000	Family takaful fund RM'000	General takaful fund RM'000	Company RM'000
Retakaful for actuarial liabilities	4	1,741	-	1,741	1,785	-	1,785
Retakaful for takaful contract liabilities	5	14,024	-	14,024	19,692	47	19,739
		<u>15,765</u>	<u>-</u>	<u>15,765</u>	<u>21,477</u>	<u>47</u>	<u>21,524</u>

4. Participants' fund

(i) Family takaful fund

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

	← 30 June 2018 →			← 31 December 2017 →		
	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000
Actuarial liabilities	116,458	(1,741)	114,717	106,144	(1,785)	104,359
Seed money	2,047	-	2,047	1,711	-	1,711
Participants' account	2,265,136	-	2,265,136	2,206,102	-	2,206,102
	<u>2,383,641</u>	<u>(1,741)</u>	<u>2,381,900</u>	<u>2,313,957</u>	<u>(1,785)</u>	<u>2,312,172</u>

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4. Participants' fund (continued)

(i) Family takaful fund (continued)

The family takaful contract liabilities and its movements are analysed as follows:

	← 30 June 2018 →			← 31 December 2017 →		
	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000
Total Participants' fund						
At 1 January	2,313,957	(1,785)	2,312,172	1,877,452	(4)	1,877,448
Contribution received	819,880	(30,674)	789,206	1,569,527	(49,350)	1,520,177
Liabilities paid for death, maturities, surrenders, benefits and claims	(263,418)	30,103	(233,315)	(520,765)	41,173	(479,592)
Benefits and claims experience variation	(32,422)	615	(31,807)	(30,638)	6,396	(24,242)
Fees deducted	(344,765)	-	(344,765)	(673,184)	-	(673,184)
Credit of profit or change in unit-prices	(68,619)	-	(68,619)	143,705	-	143,705
Changes in assumptions	248	-	248	579	-	579
Certificate movement	(1,766)	-	(1,766)	(1,609)	-	(1,609)
Other movements	2,169	-	2,169	3,806	-	3,806
Profit attributable to the takaful operator	(21,500)	-	(21,500)	(30,120)	-	(30,120)
Profit payable/paid to participants	(25,379)	-	(25,379)	(12,836)	-	(12,836)
Taxation	5,256	-	5,256	(11,960)	-	(11,960)
At 30 June/31 December	<u>2,383,641</u>	<u>(1,741)</u>	<u>2,381,900</u>	<u>2,313,957</u>	<u>(1,785)</u>	<u>2,312,172</u>

4. Participants' fund (continued)

(i) Family takaful fund (continued)

Valuation of family takaful contract liabilities

The liability for family takaful contracts is based on current assumptions, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, investment returns, expenses, lapse and surrender rates and discount rates. The mortality and morbidity assumptions are based on retakaful operators' tables adjusted when appropriate to reflect the unique risk exposure, product characteristics, target markets, own claims severity and frequency experiences. As the Company credible own experience is available, the mortality and morbidity assumptions will be re-assessed to be based on own experience.

Estimates are also made as to future investment income arising from the assets backing family takaful contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation adjustments and allowing for future growth of the business, as appropriate. Expenses are borne by the takaful operator and do not affect the family takaful fund.

Lapse rate is based on the historical experience of lapses. Discount rate for liabilities accord a level of guarantee no less certain than that accorded by a Government Islamic Issue.

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4. Participants' fund (continued)

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

	← 30 June 2018 →			← 31 December 2017 →		
	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000
(ii) General takaful fund						
Participants' account	14,225	-	14,225	13,781	-	13,781
	<u>14,225</u>	<u>-</u>	<u>14,225</u>	<u>13,781</u>	<u>-</u>	<u>13,781</u>
(iii) Company						
Actuarial liabilities	116,458	(1,741)	114,717	106,144	(1,785)	104,359
Participants' account	2,279,361	-	2,279,361	2,219,883	-	2,219,883
	<u>2,395,819</u>	<u>(1,741)</u>	<u>2,394,078</u>	<u>2,326,027</u>	<u>(1,785)</u>	<u>2,324,242</u>

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5. Takaful contract liabilities

(a) Family takaful fund

	← 30 June 2018 →			← 31 December 2017 →		
	Gross	Retakaful	Net	Gross	Retakaful	Net
	RM'000	(Note 3)	RM'000	RM'000	(Note 3)	RM'000
		RM'000	RM'000		RM'000	RM'000
Provision for claims reported by participants	83,252	(14,024)	69,228	56,075	(19,692)	36,383
Provision for IBNR	21,084	-	21,084	22,774	-	22,774
Provision for outstanding claims	<u>104,336</u>	<u>(14,024)</u>	<u>90,312</u>	<u>78,849</u>	<u>(19,692)</u>	<u>59,157</u>
At 1 January	78,849	(19,692)	59,157	52,201	(14,514)	37,687
Claims incurred during the period/year	290,595	(24,435)	266,160	541,844	(46,351)	495,493
Claims paid during the period/year	(263,418)	30,103	(233,315)	(520,765)	41,173	(479,592)
Increase in IBNR	(1,690)	-	(1,690)	5,569	-	5,569
At 30 June/31 December	<u>104,336</u>	<u>(14,024)</u>	<u>90,312</u>	<u>78,849</u>	<u>(19,692)</u>	<u>59,157</u>

(b) General takaful fund

	← 30 June 2018 →			← 31 December 2017 →		
	Gross	Retakaful	Net	Gross	Retakaful	Net
	RM'000	(Note 3)	RM'000	RM'000	(Note 3)	RM'000
		RM'000	RM'000		RM'000	RM'000
Provision for claims reported by participants	97	-	97	203	-	203
Provision for IBNR	599	-	599	517	(39)	478
Provision for outstanding claims	<u>696</u>	<u>-</u>	<u>696</u>	<u>720</u>	<u>(39)</u>	<u>681</u>
Provision for unearned contributions	795	-	795	1,238	(8)	1,230
	<u>1,491</u>	<u>-</u>	<u>1,491</u>	<u>1,958</u>	<u>(47)</u>	<u>1,911</u>

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5. Takaful contract liabilities (continued)

(b) General takaful fund (continued)

(i) Provision for outstanding claims

	← 30 June 2018 →			← 31 December 2017 →		
	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000
At 1 January	720	(39)	681	1,291	(554)	737
Claims incurred in the current accident period/ year	241	(22)	219	1,766	(160)	1,606
Adjustment to claims incurred in prior accident years due to changes in assumptions	7	60	67	(503)	259	(244)
Claims paid during the period/year	(272)	1	(271)	(1,834)	416	(1,418)
At 30 June/31 December	<u>696</u>	<u>-</u>	<u>696</u>	<u>720</u>	<u>(39)</u>	<u>681</u>

(ii) Provision for unearned contributions

	← 30 June 2018 →			← 31 December 2017 →		
	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000	Gross RM'000	Retakaful (Note 3) RM'000	Net RM'000
At 1 January	1,238	(8)	1,230	10,202	(8)	10,194
Contributions written in the period/year	683	(512)	171	8,770	(2,521)	6,249
Contributions earned during the period/year	(455)	520	65	(5,684)	2,521	(3,163)
Contributions retained in participant account	(671)	-	(671)	(3,375)	-	(3,375)
Model and assumption update	-	-	-	(8,675)	-	(8,675)
At 30 June/31 December	<u>795</u>	<u>-</u>	<u>795</u>	<u>1,238</u>	<u>(8)</u>	<u>1,230</u>

5. Takaful contract liabilities (continued)**(b) General takaful fund (continued)****(iii) Valuation of general takaful contract liabilities**

For general takaful contracts, estimates have to be made for both the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the reporting date.

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position's liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder, Bornheutter-Ferguson and Ultimate Loss Ratio methods.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgements are used to assess the extent to which past trends may not apply in future, for example, isolated occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, certificate features and claims handling procedures.

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5. Takaful contract liabilities (continued)

(c) Company

	← 30 June 2018 →			← 31 December 2017 →		
	Retakaful			Retakaful		
	Gross	(Note 3)	Net	Gross	(Note 3)	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for claims reported by participants	83,349	(14,024)	69,325	56,278	(19,692)	36,586
Provision by IBNR	21,683	-	21,683	23,291	(39)	23,252
Provision for outstanding claims	105,032	(14,024)	91,008	79,569	(19,731)	59,838
Provision for unearned contributions	795	-	795	1,238	(8)	1,230
	<u>105,827</u>	<u>(14,024)</u>	<u>91,803</u>	<u>80,807</u>	<u>(19,739)</u>	<u>61,068</u>

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6. Investment-linked business

Unaudited statement of financial position as at 30 June 2018

	30 June 2018 RM'000	31 December 2017 RM'000
Assets		
Investments	1,245,546	1,249,450
Income due and accrued	4,891	5,223
Amount due from family takaful fund	8,848	30,725
Cash and bank balances	2,933	2,403
Total investment-linked business assets	<u>1,262,218</u>	<u>1,287,801</u>
Liabilities		
Other payables	9,284	32,726
Current tax liabilities	817	791
Amount due to takaful operator	9,856	9,728
Deferred tax liabilities	4,746	11,491
Total investment-linked business liabilities	<u>24,703</u>	<u>54,736</u>
Net asset value of funds	<u>1,237,515</u>	<u>1,233,065</u>
Represented by:		
Unit holders' account	<u>1,237,515</u>	<u>1,233,065</u>

Unaudited statement of profit or loss and other comprehensive income for the period ended 30 June 2018

	30 June 2018 RM'000	30 June 2017 RM'000
Investment income	18,929	14,394
Realised (losses)/gains	(3,287)	1,567
Fair value (losses)/gains	(84,305)	49,805
Investment management fees	(8,246)	(6,431)
Other operating income	(1)	15
Investment and other (loss)/income before taxation	<u>(76,910)</u>	<u>59,350</u>
Tax expense	6,652	(4,269)
Investment and other (loss)/income after taxation	<u>(70,258)</u>	<u>55,081</u>

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7. Regulatory capital requirement

The capital structure of the Company as at 30 June 2018, as prescribed under the Risk Based Capital Framework for Takaful Operators (RBCT) is provided below:

	30 June 2018	31 December 2017
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital	58,824	58,824
Share premium	41,176	41,176
Reserves, including retained earnings	329,071	291,055
	<u>429,071</u>	<u>391,055</u>
Tier 2 Capital		
Eligible reserves	-	-
Amounts deducted from capital	(87,589)	(55,739)
Total capital available	<u>341,482</u>	<u>335,316</u>

8. Seasonal or Cyclical Factors

The Company's business operations were not materially affected by any seasonal or cyclical factors during the period ended 30 June 2018.

10. Unusual items

There were no items of unusual nature and amount affecting assets, liabilities, equity, net income or cash flows of the Company during the period ended 30 June 2018.

11. Change in estimates

There were no material changes in the basis used for the accounting estimates during the period ended 30 June 2018.

12. Debt and equities securities

There were no issuance, repurchase and repayment of debt, equity and securities by the Company during period ended 30 June 2018.

13. Dividends

No dividend was declared and paid during the period ended 30 June 2018.

14. Subsequent events

On 3 July 2018, the Company has surrendered its composite takaful license and was granted single takaful license by Ministry of Finance effective 3 July 2018.

There were no other significant events subsequent to the end of the reporting date that require disclosure or adjustment to the unaudited condensed interim financial statements.

15. Changes in the composition of the Company

There was no change in the composition of the Company during the period ended 30 June 2018.

16. Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2017 was not qualified.