Prudential BSN Takaful Berhad

(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

Financial statements for the financial year ended 31 December 2023

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Directors' report

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2023.

Principal activities

The Company is principally engaged in the underwriting of family takaful business which includes investment-linked business and investment of funds. There has been no significant change in the principal activities during the financial year.

Ultimate holding company

The ultimate holding company is Bank Simpanan Nasional, a bank incorporated under the Bank Simpanan Nasional Act, 1974 and domiciled in Malaysia.

Results

	Company RM'000	Group RM'000
Net profit for the year	127,488	127,341

Dividend

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

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Directors

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

Rossana Annizah binti Ahmad Rashid (Chairman, Independent Non-Executive Director)
- Redesignated from Non-Independent Non-Executive Director to Independent Executive Director w.e.f. 15 December 2023

Solmaz Altin (Non-Independent Executive Director)
- Appointed w.e.f. 24 May 2023

Lilian Ng Lup-Yin (Non-Independent Executive Director)
- Resigned w.e.f. 24 May 2023

Ezamshah bin Ismail (Independent Non-Executive Director)
Mazidah binti Abdul Malik (Independent Non-Executive Director)
Madzlan bin Mohamad Hussain (Independent Non-Executive Director)
Tunku Alizakri bin Raja Muhammad Alias (Independent Non-Executive Director)

Statement of directors' responsibility

In preparing the financial statements, the Directors have ensured that these financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and requirements of the Companies Act 2016 in Malaysia with reasonable and prudent judgements and estimates.

It is the responsibility of the Directors to ensure that the financial reporting of the Company presents a true and fair view of the financial position of the Company as at 31 December 2023 and of its financial performance and cash flows of the Company for the financial year ended 31 December 2023.

The financial statements are prepared on a going concern basis and the Directors have ensured that proper accounting records are kept so as to enable the preparation of the financial statements with reasonable accuracy.

The Directors also have overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and for the implementation and continued operation of adequate accounting and internal control systems for the prevention and detection of fraud and other irregularities. The system of internal controls is designed to provide reasonable and not absolute assurance for achieving certain internal control standards and helps the Company manage the risk of failure to achieve business.

The Statement by Directors pursuant to Section 251(2) of the Companies Act 2016 is set out on page 153.

Directors' interests in shares

None of the Directors holding office at the end of the financial year end had any beneficial interest in the ordinary shares of the Company during the financial year ended 31 December 2023, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016.

Directors' benefits

Since the end of the previous financial year, none of the Directors of the Company received or became entitled to receive any benefits (other than those shown below) by reason of a contract made by the Company with Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Directors' benefits (continued)

The directors' benefits paid to or receivable by directors in respect of the financial year ended 31 December 2023 are as follows (as presented in Note 22 of the financial statements):

Directors of the Company:	**RM'000**
Fees	895
Other remuneration	389
	1,284

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporates.

Issue of shares and debentures

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

Issuance of Sukuk

On 29 December 2023, the Company issued nominal value of RM100 million under its RM300 million Subordinated Islamic Medium Term Notes ("T2 Sukuk Wakalah") Programme.The profit rate of this tranche is at 4.57% per annum payable semi-annually in arrears and have a tenure of 10 years (non-callable 5 years).

Options granted over unissued shares

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

Indemnity and takaful costs

During the financial year, the aggregate amount of Directors and Officers Liability takaful coverage effected for all directors of the Company is RM25,000,000. The total amount of contribution for the certificate is RM65,000.

Corporate governance

The Board of Directors (the Board) is committed to ensure that the highest standards of corporate governance are practised in the Company. This is a fundamental part in discharging its responsibilities to protect and enhance all stakeholders' values and the financial performance of the Company.

The Board also reviewed the manner in which the Bank Negara Malaysia (BNM) policy document on Corporate Governance BNM/RH/PD 029-9 (BNM CG) is applied in the Company, where applicable, as set out below.

Corporate governance (continued)

1. Board of Directors (the Board)

(a) Roles and Responsibilities of the Board

The role of the Board is to collectively be responsible for the long-term success of the Company and the delivery of sustainable value to its stakeholders. The Board also promotes and protects the interests of PruBSN. The Board provides advice in fine-tuning corporate strategies and ensures the effective execution of these strategies.

The Board has overall responsibility for promoting the sustainable growth and financial soundness of the Company and for ensuring reasonable standards of fair dealing, without undue influence from any party. The Board must consider the short-term and long-term implications of the Board's decisions on the Company and its customers, officers and the general public and has established Board Committees which operate within clearly defined Terms of Reference (TOR) to assist in the discharge of these responsibilities.

In discharging its responsibilities, the Board established functions which are reserved for the Board and those which are delegated to Management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed periodically by the Board.

Broadly, the responsibilities of the Board include, but are not limited to the following:

(i) approving the risk tolerance and risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Company's risk profile;

(ii) overseeing the selection, performance, compensation and succession plans of the Chief Executive Officer (CEO) and other members of Senior Management, such that the Board is satisfied with the collective competence of Senior Management to effectively lead the operations of the Company;

(iii) overseeing the implementation of the Company's governance framework and internal control framework, and periodically review whether these remain appropriate in the light of material changes to the size, nature and complexity of the Company's operations;

(iv) promoting, together with Senior Management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;

(v) promoting, together with Senior Management, sustainability through appropriate environmental, social and governance considerations underpinning sustainability in the Company's business strategies which supports long-term value creation;

(vi) overseeing all aspects of stress testing programme and approving the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, critical operations and critical services when it comes under stress;

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(a) Roles and Responsibilities of the Board (continued)

(vii) overseeing, together with Senior Management, capital management to ensure that the Company maintains an adequate level and quality of capital for its risk profile and business plan;

(viii) approving annual review of individual target capital level (ITCL) and capital management plan (CMP);

(ix) approving all material related party transactions (excluding reinsurance cessions and retakaful cessions);

(x) promoting timely and effective communications between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company;

(xi) promoting Shariah compliance in accordance with expectations set out in the BNM policy document on Shariah Governance Framework for Islamic Financial Institutions (SGF) and ensuring its integration with the Company's business and risk strategies;

(xii) approving key policies that cover critical areas, including but not limited to policies regarding Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) measures within the Company, governance structure and reporting arrangements, Shariah non-compliance risk management and other areas that are material to the effective implementation of Shariah governance within the Company;

(xiii) appointing a person approved by BNM to be its appointed actuary and ensure that the duties of the appointed actuary can be discharged without any hindrance;

(xiv) reviewing the reports submitted by the appointed actuary at a sufficiently granular level that enables the Board to form a well-founded view on the matters set out in BNM policy document on Appointed Actuary: Roles and Responsibilities;

(xv) ensuring, together with the Senior Management, that product risks are well managed and that the needs and rights of consumers are appropriately addressed;

(xvi) reviewing and approving the outsourcing risk management framework and outsourcing plan, detailing the financial institution's planned outsourcing arrangements for the following financial year before the plan is submitted to BNM;

(xvii) overseeing the effective management of takaful operations that support the Company's business and risk strategies. In fulfilling this role, the Board must approve an operational framework governing the management of takaful operations that complies with Shariah and promotes sustainable takaful operations;

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(a) Roles and Responsibilities of the Board (continued)

(xviii) approving the proposed amount of profit distributable from participant investment fund (PIF) or surplus distributable from participant risk fund (PRF);

(xix) overseeing the creation of PRF, the risk ceded to reinsurer / insurer and cross trade transactions;

(xx) approving the proposed increase in the surplus payable to shareholders if it is beyond the 50% cap from PRF;

(xxi) overseeing and approving the adequacy of IT and cybersecurity strategic plans covering a period of no less than 3 years;

(xxii) overseeing and approving the effective implementation of a sound and robust Technology Risk Framework Management and Cyber Resilient Framework at least once every 3 years;

(xxiii) overseeing, together with Senior Management, associated risks when engaging third party service providers for critical technology functions and systems;

(xxiv) overseeing and approving cloud strategy and cloud operational management;

(xxv) approving an effective internal control system for AML/CFT and maintain adequate oversight of the overall AML/CFT measures undertaken by the Company;

(xxvi) ensuring that the conduct of the Company is consistent with the objectives and requirements set out in BNM policy document on Operating Cost Control for Life Insurance & Family Takaful Business;

(xxvii) ensuring effective oversight of the Company's investment-linked business as part of the licensed person's overall strategy management and risk control framework;

(xxviii) ensuring that its investment-linked takaful business is managed in compliance with Shariah principles and relevant regulatory requirements;

(xxix) ensuring that the governance arrangements for the management of its bancatakaful business (including internal governance structures, policies, procedures and controls) are consistent with the requirements set out in the Corporate Governance Policy Document (CG PD), Fair Treatment of Financial Consumer Policy Document (FTFC PD) and Introduction of New Product for Insurers & Takaful Operators Policy Document (INP PD), respectively;

(xxx) approving the Company's internal governance structures, policies, procedures and controls with respect to the formulation of the bancatakaful arrangement, the implementation and monitoring of bancatakaful arrangements, as well as the design and distribution of bancatakaful products;

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(a) Roles and Responsibilities of the Board (continued)

(xxxi) setting the tone-at-the-top on the importance of safeguarding customer information and the potential consequences on the Company in the event of a customer information breach. The Board shall also exercise its oversight function in all matters pertaining to the proper handling of customer information;

(xxxii) approving the Company's written policies and ensure procedures and controls are in place to provide adequate protection over the confidentiality and security of customer information;

(xxxiii) overseeing the implementation and maintenance of the policies and procedures, including reviewing reports relating to the management of customer information from Senior Management. The Board must be satisfied that the policies, procedures and controls are adequate and effective in safeguarding customer information;

(xxxiv) requiring assurance from Senior Management annually that the controls in place to protect customer information are working effectively and the Company's outsourced service providers fulfil their obligations in accordance with the contract provisions on safeguarding customer information;

(xxxv) establishing any other committee as it deems fit together with its terms of reference;

(xxxvi) evaluating the risks and opportunities arising from climate change on a periodic basis and considering these risks and opportunities in assessing and approving the Company's strategies and business plan. The Board shall designate a Senior Management Officer to oversee the effective management of climate-related risks to ensure compliance with the BNM's requirements on Climate Risk Management & Scenario Analysis (CRMSA);

(xxxvii) overseeing the formulation and implementation of the Company's internal governance and control frameworks (including internal structures, policies, and processes) on the appointment of agents to ensure compliance with the BNM's requirements on Professionalism of Insurance and Takaful agents (PITA); and

(xxxviii) undertaking various functions and responsibilities as specified in the guidelines and directives issued by the regulatory authority from time to time.

In discharging its responsibilities, the Board is equally responsible to ensure compliance with the Islamic Financial Services Act, 2013 and BNM Guidelines/Circulars and other directives. It has to comply with the tenets of corporate governance by adopting best practices as stipulated under Bank Negara Malaysia CG and SGF. Apart from its statutory responsibilities, the Board approves the Company's major funding decisions, outsourcing arrangements and related parties transactions.

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(a) Roles and Responsibilities of the Board (continued)

The Company has an organisational structure showing all reporting lines as well as documented job descriptions for all employees. The day-to-day business of the Company is managed by the CEO who is assisted by other members of Senior Management. Senior Management comprises of CEO and Senior Officers of the Company. Senior Officers refers to members of the Executive Committee (EXCO) other than the CEO, Appointed Actuary, Head of Actuarial Services and Head of Shariah. The CEO and other members of Senior Management are accountable to the Board for the performance of the Company. In addition, the Board has established Board Committees which operate within clearly defined TOR primarily to support the Board in the execution of its duties and responsibilities.

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit function to the Board Audit Committee (BAC), internal controls and risk management to the Board Risk Management Committee (BRMC), investment of takaful funds and investment oversight function to the Board Investment Committee (BIC). The Board Nominations Committee (BNC) is delegated the authority to, inter alia, establish a formal and transparent procedure for the appointment of Directors, Shariah Committee (SC), CEO, Senior Officers and Company Secretary, and to assess the effectiveness of the Board, SC, CEO, Senior Officers and Company Secretary. The Board Remuneration Committee (BRC) is delegated the authority to, inter alia, provide a formal and transparent procedure for developing a remuneration policy for Directors, SC, CEO, Senior Officers and Other Material Risk Taker (OMRT) and ensuring that their compensation is competitive and consistent with the takaful operator's culture, objectives and strategies. There are two (2) OMRT in the Company, namely the Head of New Business & Underwriting and Head of Underwriting Unit New Business Projects.

Although the Board has granted such authority to Board Committees, the ultimate responsibility and the final decision rest with the Board. The chairmen of Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

There is a clear division of responsibilities between the Chairman of the Board and the CEO. This division of responsibilities between the Chairman and the CEO ensures an appropriate balance of power and authority, such that no one individual has unfettered powers of decision-making.

The Chairman leads the Board and ensures its smooth and effective overall functioning.

The CEO is responsible for formulating the vision and recommending policies and the strategic direction of the Company for approval by the Board, implementing the decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholders' value, providing management of the day-to-day operations of the Company and tracking compliance and business progress.

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(a) Roles and Responsibilities of the Board (continued)

Independent Non-Executive Directors (INEDs) are responsible for providing effective oversight, insights, unbiased and independent views, advice and judgment to the Board and bring impartiality to Board deliberations and decision-making. They are also to ensure effective 'check and balance' in the proceedings of the Board. There are no relationships or circumstances that could interfere with or are likely to affect the exercise of the INEDs' independent judgment or their ability to act in the best interest of the Company and its shareholders.

The tenure limits for Independent Directors should generally not exceed nine (9) years except under exceptional circumstances or as part of transitional arrangements towards full implementation of the succession plans of the Company. Upon completion of the 9 years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director.

The Board has established PruBSN Company Directors' Code of Ethics which essentially adopts the Code of Ethics for Company Directors established by the Companies Commission of Malaysia (CCM) and comprised of the codes in relation to Corporate Governance, Relationship with Shareholders, Employees, Creditors and Customers and Social Responsibilities and the Environment.

(b) Board Size and Composition

The Board comprised six (6) members including the Chairman as at the end of the financial year 2023. Given the size of the Company's operations, the Board size and composition remains adequate to provide for a diversity of views, facilitate effective decision-making, and appropriate balance of Executive, Non-Executive, Independent and Non-Independent directors.

All the Board members have complied with the requirement of serving on the Board of not more than 5 listed companies and 15 non-listed companies.

Appointment or reappointment of Director shall be subject to compliance with any relevant laws, including Sections 63 and 64 of the IFSA and any guidelines issued by the BNM from time to time.

(c) Board Meetings

During the financial year ended 31 December 2023, the Board met eleven (11) times to decide on the objectives, strategies and any other specific matters which are reserved for its decision. All Directors have attended more than 75% of the total Board meetings held during the financial year and complied with the requirements on attendance at Board meetings as stipulated in the BNM CG. The quorum for Board meetings require at least half of the Board members be present. The Chairman nominated and appointed shall preside as Chairman at Board meetings but if at any meeting the Chairman is not present within fifteen (15) minutes after the time for holding the meeting, the Directors present may choose one (1) among themselves to be Chairman of the Board meeting and document as such in the minutes. In the case of an equality of votes, the Chairman shall only be entitled to vote in his/her capacity as a Director and shall not have an additional or casting vote in his/her capacity as decision.

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(c) Board Meetings (continued)

The Chairman shall have the right to invite such other persons, whether within the Company or not, to attend as necessary. Details of the attendance of each Director are as follows:

Director	Attendance
Rossana Annizah binti Ahmad Rashid	11/11
Solmaz Altin (Appointed w.e.f. 24 May 2023)	7/7
Lilian Ng Lup-Yin (Resigned w.e.f. 24 May 2023)	4/4
Ezamshah bin Ismail	11/11
Mazidah binti Abdul Malik	11/11
Madzlan Bin Mohamad Hussain	11/11
Tunku Alizakri Bin Raja Muhammad Alias	11/11

At the Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. Any Director who has interest in the subject matter to be deliberated shall abstain from deliberating and voting on the same during the meeting.

(d) Supply of Information

All Board members are supplied with information in a timely manner. The Company has implemented electronic Board reports. Board reports are circulated prior to Board and Board Committee meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, updates on the performance of the Company and management's proposals which require the approval of the Board.

All Directors have access to the advice and services of the Company Secretary and Internal Auditors. All Directors also have access to independent professional advice at the Company's expense.

(e) Directors' Profile

(i) ROSSANA ANNIZAH BINTI AHMAD RASHID
Chairman, Independent Non-Executive Director (redesignated from Non-Independent Non-Executive Director to Independent Executive Director effective w.e.f. 15 December 2023)

Age 58, Female, Malaysian

Puan Rossana was appointed as Non-Independent Non-Executive Director and Chairman of Prudential BSN Takaful Berhad effective from 11 December 2020. She was redesignated as Independent Non-Executive Director effective 15 December 2023 and is also a member of BRMC, BRC, BNC and BIC of the Company.

Puan Rossana is the Country Chairman of Jardine Matheson Group in Malaysia. She also serves as an Independent Non-Executive Director of Telekom Malaysia Berhad.

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(e) Directors' Profile (continued)

(i) ROSSANA ANNIZAH BINTI AHMAD RASHID (continued)

Puan Rossana previously served as Chairman of Bank Simpanan Nasional and was on the Boards of IHH Healthcare Berhad, Cycle & Carriage Bintang Berhad, Celcom Axiata Berhad, edotco Group Sdn Bhd as well as Astro Malaysia Holdings Berhad. She was also a member of the Investment Panel and Chairman of Investment Panel Risk Committee of the Employees Provident Fund (EPF) Malaysia.

Puan Rossana was a career professional having held several leadership positions in the telecommunications and banking sectors. She previously served in various Senior Management roles with TIME dotCom Berhad, Maxis Berhad and RHB Bank Berhad, after beginning her banking career with Citibank Malaysia. With more than 30 years of experience, she has gained broad experience in business strategy, identifying sustainable monetization models, understanding customers and competition, as well as at the need for reviewing monetization models with a focus on revenue and cost management.

She holds a Bachelor of Arts in Banking and Finance from Canberra College of Advanced Education (now known as the University of Canberra), Australia. She is a member of CPA Australia.

(ii) SOLMAZ ALTIN (Appointed w.e.f. 24 May 2023)

Non-Independent Executive Director
Age 49, Male, German

Mr. Altin was appointed as Executive Director of Prudential BSN Takaful Berhad effective from 24 May 2023. He is also a member of BNC and BIC of the Company.

Mr. Altin is Managing Director of the Strategic Business Group of Prudential PLC (Group) covering India, Indonesia, Malaysia, the Philippines, Laos, Myanmar, Cambodia and Africa.

Mr. Altin is also accountable for the Group's Technology function and is driving the business transformation, accelerating its customer delivery through multi-channel models and strengthening its customer engagement platforms, including Pulse.

In addition, Mr. Altin is responsible for the Group's end-to-end Health business strategy to further drive growth and operational performance in this fast-growing area focusing in strengthening its value proposition to the customer and scaling the business.

Mr. Altin joined Prudential as Group Strategic Transformation Officer in May 2022, bringing with him 25 years' experience of leading business change and growth in the financial services industry. His most recent role before joining Prudential was as regional CEO, Asia-Pacific at Allianz based out of Singapore. Other significant roles that he had assumed in Allianz include Group Chief Digital Officer (Munich, Germany) and Chief Executive Officer of the life and general insurance entities in Turkey.

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(e) Directors' Profile (continued)

(ii) SOLMAZ ALTIN (Appointed w.e.f. 24 May 2023) (continued)

Mr. Altin holds a Diplom-Ökonom, Banking and Economics from the University of Duisburg-Essen.

(iii) EZAMSHAH BIN ISMAIL
Independent Non-Executive Director
Age 66, Male, Malaysian

En. Ezamshah was appointed as Independent Non-Executive Director of Prudential BSN Takaful Berhad on 1 August 2017. He is currently the Chairman of the BAC and BNC, and a member of BRMC, BRC and BIC of the Company. Besides his appointment in PruBSN, he also sits on the Board of Malaysian Insurance Institute ("MII") and Harlow's MGI Sdn. Bhd. He is a Shariah Supervisory Board Member of RGA Global (Labuan) Retakaful Bhd.

En. Ezamshah is an actuarial trained professional with over 35 years of experience in the Insurance and Takaful industry, specialising in management and strategic development at a senior level. In the early years of his career, he was a consultant with William M Mercer in New York and Malaysia. The Mercer organisation is one of the world's largest in actuarial consultancy.

In his pursuit for educational excellence, he obtained various qualifications as follows:

- Masters in Actuarial Science (North Eastern University, Boston);
- Associate of the Society of Actuaries (USA);
- Fellow, Registered Financial Planner (FRFP, MFPC Malaysia);
- Certificate in Shariah Law from International Islamic University Malaysia (IIUM);
- Graduate of the International Centre for Leadership in Finance;
- Masters in Business Law (LLM) from IIUM; and
- Chartered Islamic Finance Professional (CIFP, CIIF).

En. Ezamshah was actively involved in several mergers and acquisitions, and new set ups. He assisted the NSTP Group in acquiring a Life Insurance business in 1992 and subsequently became the company's CEO. Under his management, the company, AMAL Assurance Bhd had grown in both premiums and asset size. Subsequently, he joined the Hong Leong Group, oversaw the set-up of Hong Leong Tokio Marine Takaful Berhad (HLMT) and became the CEO of HLMT from July 2006 to May 2008.

Whilst being the President of Life Insurance Association of Malaysia (LIAM), he took a major role in the setting up of the first Life Reinsurance Company (MLRe) in Malaysia and was appointed as its first Chairman. Due to his profound credibility, he was also appointed to various high level portfolios, namely the President of the Malaysian Financial Planning Council (MFPC), Director of the Malaysian Insurance Institute (MII) and the Insurance Mediation Bureau (IMB), and Vice-President of Malaysian Takaful Association (MTA).

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(e) Directors' Profile (continued)

(iii) EZAMSHAH BIN ISMAIL (continued)

Currently En. Ezamshah is the Senior Teaching Fellow in the areas of Takaful and Risk Management at the International Centre for Education in Islamic Finance (INCEIF), a university founded by Bank Negara Malaysia. He has been with INCEIF since 2009.

As a strong advocate of digital strategy and competent IT user, the use of technology has been a major foundation in the companies he pioneered and led. AMAL Assurance was the first insurance company to go wireless, introduced e-learning for its staff and uses biometrics recognition for its security. Back then in the late 1990s, En. Ezamshah believed a company without an IT presence would not survive the future.

En. Ezamshah has also been very much involved in introducing e-learning for online students in INCEIF. He encouraged the usage of interactive technology and the online platform, ensuring academical excellence and financial sustainability.

ESG issues have increasingly become high priority matters across various industries and En. Ezamshah believes digitalisation will strongly support transformation and improvement of business process, thereby ensuring ESG compliance.

(iv) MAZIDAH BINTI ABDUL MALIK
Independent Non-Executive Director
Age 65, Female, Malaysian

Puan Mazidah was appointed as Independent Non-Executive Director of Prudential BSN Takaful Berhad since 1 April 2017. She is currently the Chairman of the BRMC and BRC, and also a member of BAC, BNC and BIC of the Company.

Puan Mazidah has over 30 years of experience working with Bank Negara Malaysia. She has held various positions in Bank Negara Malaysia in the areas of money market and liquidity management, foreign exchange reserves management, international relations, risk management, communications and central bank technical assistance, focusing on banking supervision and regulation, financial inclusion and Islamic finance.

In 1994, she was appointed as the Representative Office in New York with a portfolio of managing US dollar reserves and establishing close contacts with the Federal Reserves Bank of New York and other central banks.

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(e) Directors' Profile (continued)

(iv) MAZIDAH BINTI ABDUL MALIK (continued)

In 2001, she was assigned to Labuan Offshore Financial Services Authority ("LOFSA") as Director, Corporate Affairs with the responsibility of promoting Labuan locally and internationally as a choice offshore jurisdiction. In 2006, Puan Mazidah was also part of the pioneer central bank team serving International Centre for Education in Islamic Finance (INCEIF) to undertake business development functions and promote INCEIF, specifically to Middle Eastern countries.

Puan Mazidah serves as an Independent Director of Alliance Bank Malaysia Berhad, Alliance Investment Bank Berhad and Senior Independent Director of OSK Ventures International Berhad which is listed on Bursa Malaysia.

Puan Mazidah holds Bachelors in Business Administration from Ohio University in 1981 and Masters of Law Executive (Banking Law) from the International Islamic University in 2010. In addition, she also holds Diploma in Banking Studies from UITM in 1979, Diploma in French from Alliance Francaise in 1994 as well as Certificate in Islamic Financial Planning from Islamic Banking and Finance Institute Malaysia (IBFIM) in 2012.

(v) MADZLAN BIN MOHAMAD HUSSAIN
Independent Non-Executive Director
Age 50, Male, Malaysian

En. Madzlan was appointed as Independent Non-Executive Director of Prudential BSN Takaful Berhad effective from 1 July 2021. He is also a member of BAC and BRC of the Company.

En. Madzlan is a Malaysia-qualified lawyer with 25 years of experience, mainly in the areas of Islamic Finance, capital markets practices, as well as corporate and debt restructuring. He has received recognitions as a leading Islamic finance lawyer in various publications including Legal 500, IFLR 1000, Chambers & Partners, Who's Who Legal, Expert Guide and Islamic Finance news throughout his years in legal practice.

He also currently serves as a member of the Nomination and Remuneration Committee at Yayasan Pembangunan Ekonomi Islam Malaysia (YaPEIM), a trust foundation established by the government to promote and support the development of Islamic Economy in Malaysia.

In between his stint in private legal practice, he has served the Islamic Financial Services Board (IFSB) for six years, with the responsibility of overseeing the development of IFSB prudential standards on corporate governance practices for all segments of Islamic financial services. He was also instrumental in spearheading the IFSB's initiatives in addressing legal issues in Islamic finance.

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(e) Directors' Profile (continued)

(v) MADZLAN BIN MOHAMAD HUSSAIN (continued)

Prior to his current role as Senior Partner of Messrs The Chambers of Shamsul Qamar, he was a partner and Head of Practice in Messrs Zaid Ibrahim & Co., for eight years and was also in legal practice for six years in the same firm prior to joining IFSB. Additionally, he has the experience of advising several insurers and Takaful operators in Malaysia since 1998.

En. Madzlan holds a Master of Science (MSc) in Islamic Economics, Banking and Finance from Lougborough University, United Kingdom and a Bachelor of Laws (LL.B – Hons) from the International Islamic University Malaysia. He also attended Summer School at Sophia University in Japan, learning Japanese management and history; as well as participated in a Student Exchange Programme at University of Indonesia, where he gained exposure in the Indonesian legal system.

(vi) TUNKU ALIZAKRI BIN RAJA MUHAMMAD ALIAS

Independent Non-Executive Director
Age 54, Male, Malaysian

Tunku Alizakri was appointed as Independent Director of Prudential BSN Takaful Berhad effective from 1 July 2021. He is currently the Chairman of the BIC and a member of BRMC and BNC of the Company.

He is the Chairman of Penjana Kapital Sendirian Berhad which is part of the Malaysian Government's initiative to accelerate the development of its future innovation economy. Tunku Alizakri also serves on the boards of public and public listed companies such as Petronas Dagangan Berhad, Bumi Armada Berhad, United Plantations Berhad and RAM Holdings Berhad.He is also a trustee of Yayasan Hasanah (the largest Malaysian foundation under Khazanah) as well as Yayasan Amanah Mahkota which is exploring on unlocking the natural capital of the State of Pahang. He is also the co-founder of Roots and Shoots Malaysia which is under the auspices of the Jane Goodall Institute.

Tunku Alizakri has over 25 years management experience with his last position being the CEO of the Employees Provident Fund of Malaysia (EPF) which is one of the largest provident funds in the world (USD250bn AUM as at Dec 2020). He joined the EPF on 1 January 2014 as the Deputy CEO (Strategy) overseeing national policies on social protection, developing new EPF products and services, corporate strategy, human capital development and corporate affairs and branding. He was also an ex-officio member of the EPF Board and Investment Panel. During his time there, he launched several ground-breaking initiatives such as the first Asian provident fund to establish sustainability investment policy, set up the Malaysia Social Protection Council chaired by the Prime Minister, Malaysia@Work and the Malaysia Social Security Blueprint.

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(e) Directors' Profile (continued)

(vi) TUNKU ALIZAKRI BIN RAJA MUHAMMAD ALIAS (continued)

Tunku Alizakri has extensive experience covering fund management and the financial industry, public sector administration and central banking, media and telecommunications, property development, plantations and oil and gas. He is also passionate in the areas of sustainability (advisor to the Pahang State Government on its Net Zero by 2030 ambitions) and social security and digitalisation where he served as Vice Chair of Technical Commission on Organisation, Management & Innovation of the International Social Security Association (ISSA) and the Secretary-General of Asean Social Security Association (ASSA).

Tunku Alizakri holds a Master of Business Administration (MBA) from Cornell University (Johnson Graduate School of Management), Barrister at Law from The Honourable Society of Lincolns Inn and LLB (Hons) from King's College, University of London. Apart from that, he also received certificate on Circular Economy and Sustainability Strategies from University of Cambridge Judge Business School Executive Education, Leading Digital Business Transformation from IMD Business School and Applying Behavioral Insights to the Design of Public Policy from Harvard Kennedy School. He is also a co-founder of PAN Productions Sdn Bhd (the best musical repertoire production company in Malaysia) which has won multiple awards for excellence in the musical theatre genre since 2010. Other than producing musicals, Alizakri also performs onstage (for which he was nominated for Kakiseni's Best Supporting Actor award in 2016).

(f) Directors' Training

The Company recognises the importance of continuous professional development and training for its Directors.

The Company is a member of FIDE Forum which entitles its Directors to benefits of membership as set out in FIDE Forum website 'www.fideforum.org' and an additional training budget is also allocated for Directors' training programme by the Company.

Directors are encouraged to attend training programme and constantly update their knowledge as well as enhance their skills. The Board is also updated on the latest updates/amendments on BNM Policy Documents and other regulatory requirements relating to the discharge of the Directors' duties and responsibilities.

During the financial year ended 31 December 2023, the Company regularly organises in-house briefings conducted by internal and external professionals where the Directors were briefed and discussions held pertaining to the following matters:

<u>In-house Training</u>

- Cybersecurity Awareness
- Sustainability Outlook: 2023 Global Trends and Guide for Islamic Financial Institutions
- Sustainability for Islamic financial institutions: Highlights from the CIBAFI Sustainability Guide

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(f) Directors' Training (continued)

In-house Training (continued)

- MFRS 17 Training
- Climate Risk Management and Scenario Analysis
- Group Digital's vision on Pulse
- Prudential Plc - Strategy Update
- Consolidation and Pooling of the Tabarru Funds

FIDE

- BNM-FIDE FORUM Virtual Dialogue Session
- AI and Financial Institutions: Friend or Foe
- BNM-FIDE FORUM Roundtable on Licensing and Regulatory Framework for Digital Insurers and Takaful Operators Exposure Draft

Others

- Sustainability and Climate Risk Certificate Program
- Finance for an Equitable Recovery
- Moving Towards RIBA-Free Economy
- Fintech Innovation,Stability and Efficiency: Evidence from Malaysian Banking Industry
- Awareness on MACC Act
- Financial Scams and the Social Impact
- Pricing of Family Takaful Products: From the Shariah Perspective
- Human Resource for Green Economy
- Faculty Training on Outcome Based Education (OBE)
- Climate Risk Stress Testing
- Actuarial Partners Training Seminar
- The impact of Natural Disasters on Investments: Iran Case Study
- Case Study Workshop
- Takaful Experiences in the Gulf, Pakistani and Sudan
- Zakat of Income Generating Properties and its applications in IF products
- RIBA in Currency
- Asia-Pacific Regional Consultation on the 2023 Human Development Report - Governance Mismatches in the Anthropocene
- PDB Board & C-Suite Upskilling : Sustainability (FTSE4GOOD & TCFD)
- ILHAMAVCAP: Leadership Talk Series 2023
- Mandatory Accreditation Programme Part II: Leading for Impact
- Sustainability Risk Certification
- Emerging Risks – How Can Malaysia Steer Ahead
- Ad-Venture Capital – LP Summit
- Industry Consultation on SRI Certification

Prudential BSN Takaful Berhad
(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

Corporate governance (continued)

1. Board of Directors (the Board) (continued)

(f) Directors' Training (continued)

Others (continued)

- Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) and Anti-Bribery & Corruption
- ESG Banking - A Call to Action
- International Sustainability Standards Board (ISSB) Reporting Readiness
- ICDM: Mandatory Accreditation Programme Part II: Leading for Impact
- ICLIF: Sustainability in the Digital Age
- Sustainability Strategy & Culture
- Carbon Credits: A Win-Win for Sustainability and Business
- Bursa Malaysia Mandatory Accreditation Programme (MAP)
- 2023 Investment Outlook - Looking for the Silver Lining
- Cybersecurity Ecosystem
- 2023 Mid-Year Investment Outlook
- Brand Health & NPS
- Apidays London 2023
- Consolidation and Pooling of the Tabarru Funds
- Driving Clean Growth: UK-Malaysia Clean Growth Handbook Launch and Dialogue
- Forum on Financial Ethics and Sustainable Finance
- Exploring Central Asia Market
- UBS Purchase of Credit Suisses: What do you need to know
- Pelaburan Subsektor Tanaman AgroMakanan Malaysia
- Legal Documentation for Islamic Financial and Capital Market Services (Level 2)
- Legal Documentation in Takaful
- Tapping into the Greenfield Market of Kazakhstan
- ESG Outlook 2023 - Building a net zero, nature-positive and equitable world
- Strengthening the Bond between Participants and the Shariah Advisory Council
- How can Insurers and Takaful Operators solve the ESG equation
- Harnessing Islamic Finance and Social Finance for a Sustainable Future
- Reformasi Perundangan bagi Industri Pertanian
- Struktur Syarikat dan Strategi Perundangan

2. Management accountability

Whilst the Board is responsible for approving the framework and policies which the Company shall be operating within, the Senior Management is accountable for the execution of the enabling policies and attainment of the Company's corporate objectives.

3. Corporate independence

All material related party transactions have been disclosed in the Note 27 to the financial statements.

Corporate governance (continued)

4. Internal control framework

The Board exercises overall responsibility for the Company's internal controls and effectiveness. The Board recognises that risks cannot be eliminated completely; as such, the systems and processes put in place are aimed at minimising and managing them. The Company has an established internal control framework which covers all levels of personnel and business processes that ensure the Company's operations are run in an effective and efficient manner, as well as to safeguard the assets of the Company and stakeholders' interests. Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures that corrective action where necessary, is taken in a timely manner.

Under the internal control framework, the Company applies the three (3) lines of defence model, with the following groupings:

(a) First line of defence (Risk Taking and Management)

(i) Takes and manages risk exposures in accordance with the risk appetite, mandate and limits set by the Board;

(ii) Identifies and reports the risks being generated, and those that are emerging;

(iii) Escalates breaches to the limits or violations of policies, mandates or instructions; and

(iv) Manages the business in accordance with the control framework laid out in the strategies, policies and risk parameters set by the Board, Board Risk Management Committee (BRMC), or sub committees thereof.

(b) Second line of defence (Risk Control and Oversight)

(i) Assists the Board, BRMC, or sub committees thereof to formulate and implement the approved risk appetite and limit framework, risk management plans, risk policies, risk reporting and risk identification processes; and

(ii) Reviews the risk taking activities of the first line of defence and where appropriate challenges the actions being taken to manage and control risks.

(c) Third line of defence (Independent Assurance)

(i) Provides independent assurance on the design, effectiveness and implementation of the overall system of internal control which covers risk management and compliance.

5. Board Audit Committee (BAC)

The BAC is chaired by an independent director and comprises:

No.	Name	Designation
1	Ezamshah bin Ismail	Chairman, Independent Non-Executive Director
2	Mazidah binti Abdul Malik	Member, Independent Non-Executive Director
3	Madzlan bin Mohamad Hussain	Member, Independent Non-Executive Director

Corporate governance (continued)

5. Board Audit Committee (BAC) (continued)

Secretary

The Secretary to the BAC is the Company Secretary of the Company.

The Internal Audit (IA) function is performed by the affiliated company's Group-wide Internal Audit (GwIA) through an outsourcing arrangement and together with compliance function report to the Board through the BAC. The IA function carries out the audit of the internal control system on a continuous basis.

(a) Authority

The Committee is authorised by the Board to investigate any activity within its remit. In this regard, BAC shall have sufficient support and resources required to investigate as well as unlimited access to all information and documents relevant to its activities, to the internal and external auditor, employees, agents of the Company, contractor, statutory committee, which is necessary to satisfactorily discharge its duties. All employees of the Company are directed to cooperate with any request made by the BAC.

The BAC is empowered to receive updates on audit matters and be notified immediately of any fraud and significant irregularities or internal control deficiencies discovered by management or the internal audit function. Fraud and irregularities discovered by management shall also be referred to the internal audit function.

The BAC should have access to copies of audit reports (including interim financial audits) on a timely basis and should be kept regularly informed of corrective actions arising from internal and external audit findings.

(b) Meetings

The BAC meets at least four (4) times a year and additional meetings may be called at any time as and when necessary. All meetings to review reports and financial statements are held prior to such reports and financial statements being presented to the Board for approval.

The quorum for BAC meetings should be at least two (2) members of the BAC. When the Chairman of the BAC is not available to attend a meeting, the remaining members should agree for one of them to act as the chairperson for the meeting and document as such in the minutes. All decisions and/or approvals are to be made on majority basis, whilst adhering to the quorum for meeting. In the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote unless the Chairman, in his absolute discretion, decides to refer the matter to the Board.

The BAC Chairman may invite any individual, whether external or internal to attend all or part of any meeting(s) of the BAC in whatever capacity as the BAC deems appropriate to assist the BAC in the fulfilment of its duties. The GwIA Chief Internal Auditor, Head of Audit Malaysia, GwIA Asia or their nominated delegates, have a standing invitation to attend any meeting(s) of the BAC.

Corporate governance (continued)

5. Board Audit Committee (BAC) (continued)

(b) Meetings (continued)

The external auditors are invited to attend the BAC meetings on a regular basis.

The BAC shall have separate session with the GwIA, Chief Compliance Officer and external auditors at least once a year without the presence of the Company's Senior Management.

The Company Secretary or any other person nominated by the BAC shall act as Secretary of the BAC and shall ensure that agenda and BAC papers are circulated in accordance with the terms of reference and the proceedings of the BAC are minuted, and that all BAC documents are retained in accordance with document retention policy.

Where the BAC is considering a matter in which a BAC member has an interest, such member shall abstain from reviewing and deliberating on the subject matter.

After each meeting, the BAC shall report and update the Board on significant issues and concerns discussed during the BAC meetings and where appropriate, make the necessary recommendations to the Board.

(c) Roles and Responsibilities of the BAC

The functions of the BAC include:

(i) supporting the Board in ensuring that there is a reliable and transparent financial reporting process within the Company;

(ii) overseeing the effectiveness of the internal audit function of the Company;

(iii) fostering a quality audit of the Company by exercising oversight over the External Auditors, in accordance with the expectations set out in the BNM policy document on External Auditors;

(iv) reviewing and updating the Board on all related party transactions and submission of returns to BNM;

(v) reviewing the accuracy and adequacy of the Chairman's Statement in the Directors' Report, Corporate Governance disclosures and Interim Financial Reports;

(vi) reviewing the design and effectiveness of the Company's internal control framework;

(vii) monitoring compliance with the Board's conflicts of interest policy;

(viii) reviewing the Company's policies to ensure compliance with relevant regulations, industry codes monitoring the adequacy and effectiveness of the policies and procedures on an on-going basis;

(ix) approving annual compliance plan for the Company;

Corporate governance (continued)

5. Board Audit Committee (BAC) (continued)

(c) Roles and Responsibilities of the BAC (continued)

(x) reviewing and endorsing for the Board's approval procedures operated for handling allegations from whistleblowers and, reviewing whether proportionate and independent investigation of such matters has occurred;

(xi) determining the deliverables of the Shariah audit function to ensure that the deliverables are consistent with accepted auditing standards upon consultation with the SC;

(xii) deliberate the issues highlighted in the Shariah Review Reports duly approved by the SC and accordingly advise the Board on the required enhancements to be put in place upon consultation with the SC; and

(xiii) monitoring the integrity of the financial reporting, reviewing the application of and compliance with critical local accounting policies and practices, decisions regarding major areas of judgment, material changes to (or of material judgements to not change) assumptions underpinning the Company's material models or material changes to the models themselves, the extent to which the financial statements are effected by any unusual transactions in the year, significant adjustments resulting from the audit and the going concern assumption.

(d) Activities

The BAC carried out its duties in accordance with its TOR.

The BAC met seven (7) times during the financial year ended 31 December 2023 with timely notices of issues to be discussed. Details of the attendance of each BAC member are as follows:

Director	Attendance
Ezamshah bin Ismail	7/7
Mazidah binti Abdul Malik	7/7
Madzlan bin Mohamad Hussain	7/7

The BAC reviewed the reports and financial statements of the Company. The BAC met with the external auditors and discussed the nature and scope of the audit, considered significant changes in the accounting and auditing issues. The BAC reviewed the external auditor's management letter and management's response, examined pertinent issues which had significant impact on the results of the Company and discussed applicable accounting and auditing standards. The BAC also reviewed the external auditors audit fees and assessed the objectivity and independence of the external auditors prior to the recommendation of their re-appointment as external auditors at the Company Annual General Meeting.

Corporate governance (continued)

5. Board Audit Committee (BAC) (continued)

(d) Activities (continued)

Additionally, the BAC reviewed the internal auditors' audit findings and recommendations as well as BNM's examination report on the Company. The BAC also reviewed its TOR, the compliance progress report, compliance risk management report, fraud investigation report, annual compliance plan, attestations to be provided to external parties, audited Takaful Operators Statistical Return and Risk Based Capital Target, outsourcing arrangements with related parties, various related party transactions carried out by the Company, MFRS/IFRS17 transition engagement by incoming external auditors for FYE 2023 and valuation assumptions and experience studies.

Other reviews by the BAC include the review of MFRS17 Opening Balance Sheet (OBS) Revised Approach & Results and Unaudited Condensed Interim Financial Statement.

The BAC had separate sessions with the external auditors and the internal auditor respectively without the presence of Senior Management where matters discussed include key reservations noted by the external auditors and internal auditor respectively during the course of their audit. The BAC together with the BRMC also had separate sessions with the CRO and Head of Compliance respectively without the presence of Senior Management where matters discussed include key reservations noted by them during the reporting period. The BAC together with the BRMC also set the objectives setting for the CRO who also double hats as Chief Compliance Officer of the Company.

6. Board Risk Management Committee (BRMC)

The BRMC is chaired by an independent director and comprises:

No.	Name	Designation
1	Mazidah binti Abdul Malik	Chairman, Independent Non-Executive Director
2	Ezamshah bin Ismail	Member, Independent Non-Executive Director
3	Rossana Annizah binti Ahmad Rashid	Member, Independent Non-Executive Director
4	Tunku Alizakri bin Raja Muhammad Alias	Member, Independent Non-Executive Director

Secretary

The Secretary to the BRMC shall be any person nominated by the BRMC.

(a) Authority

The BRMC is authorised by the Board to oversee the Senior Management's activities in managing the key risk areas of the Company and to ensure that the risk management process is in place and functioning effectively.

(b) Meetings

The BRMC meets at least four (4) times a year and may call for additional meeting(s) to examine and consider matters related to its responsibilities as and when necessary.

Corporate governance (continued)

6. Board Risk Management Committee (BRMC) (continued)

(b) Meetings (continued)

The quorum for BRMC meetings should be a majority of the members with the independent members forming the majority. When the Chairman of the BRMC Committee is not available to attend a meeting, the remaining two members should agree for one of them to act as the chairperson for the meeting and document as such in the minutes.The CRO of the Company or designated alternates shall attend each meeting.

The Chairman shall have the right to invite such other persons, whether within the Company or not, to attend as necessary.

The BRMC is supported by the Risk Management Committee (RMC) which acts as an advisory committee on key risk matters. BRMC is also supported by the Investment Committee (IC) which is a Board appointed committee and oversees investment risks.

The Risk Management Framework for the Company comprises three main components i.e. Strategy and Culture, Methods and Approaches, and Tools and Infrastructure. The Company's approach on Risk Governance is premised on the principle of 'three lines of defence' i.e. Risk Taking and Management, Risk Control and Oversight and Independent Assurance. The Risk Management Cycle is the ongoing process of identifying, assessing, controlling and reporting the risks to which the Company is exposed and includes assessing the solvency position of the Company. Risks have been classified into two main categories, which are made up of financial risk (including market risk, credit risk, liquidity risk and takaful risk) and non-financial risk (strategic risk, operational risk and business environment risk). Additionally, BRMC provides oversight over Shariah non-compliance risk arising from the failure to comply with Shariah rules and principles. The SC is the reference point in matters related to Shariah.

(c) Roles and Responsibilities of the BRMC

The functions of the BRMC include:

(i) supporting the Board in meeting the expectations on risk management as set out in the BNM policy document on Risk Governance;

(ii) supporting the Board in the implementation of a sound compensation system, examine whether incentives provided by the compensation system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Remuneration Committee;

(iii) reviewing and recommending risk management strategies, risk appetite, risk policies and risk tolerance for approval by the Board;

(iv) reviewing and assessing the adequacy of risk management policies for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;

(v) reviewing material risk exposures, including market, credit, takaful, operational, liquidity, economic, technology, and regulatory risks against the Company risk measurement methodologies and management actions to monitor and control such exposure;

Corporate governance (continued)

6. Board Risk Management Committee (BRMC) (continued)

(c) Roles and Responsibilities of the BRMC (continued)

(vi) ensuring adequate infrastructure, resources and systems are in place for the control functions to carry out their responsibilities independently and effectively;

(vii) reviewing the management's periodic reports on risk exposure, risk portfolio composition and risk management activities including Shariah Risk Management;

(viii) reviewing and affirming the Company's risk appetite regularly to ensure that it continues to be relevant and reflects any changes in the Company's capacity to take on risk, its inherent risk profile, as well as market and macroeconomic conditions;

(ix) reviewing and recommending appropriate steps to ensure that business and operational decisions are aligned with the risk appetite;

(x) reviewing and monitoring the effectiveness of the CRO and the Risk Management team;

(xi) supporting the Board's oversight function over technology related matters;

(xii) reviewing risks related to sustainability matters, including (but not limited to) social and environmental consequences arising from the Company's strategic decisions, business operations, conducts, and offerings;

(xiii) receiving quarterly report from the Risk Management Committee (RMC) in relation to the findings of any reviews of the effectiveness of the internal controls and risk management systems and provide constructive challenge on the credibility and robustness of the framework and control;

(xiv) overseeing Fair Treatment of Financial Consumer (FTFC) related matters;

(xv) considering material findings from regulatory reviews and interactions with regulators which impact on risk governance or risk management processes, reviewing emerging regulations, regulatory risks and changes in the financial environment with an impact on the Company's risk profile, and advising the Board on the implementation of regulations and regulatory changes;

(xvi) overseeing investment related matters from enterprise risk perspective; and

(xvii) overseeing Climate Risk Management.

(d) Activities

The BRMC carried out its duties in accordance with its TOR.

Corporate governance (continued)

6. Board Risk Management Committee (BRMC) (continued)

(d) Activities (continued)

The BRMC met four (4) times during the financial year ended 31 December 2023 with timely notices of issues to be discussed. Details of the attendance of each BRMC member are as follows:

Director	Attendance
Mazidah binti Abdul Malik	4/4
Ezamshah bin Ismail	4/4
Rossana Annizah binti Ahmad Rashid	4/4
Tunku Alizakri bin Raja Muhammad Alias	4/4

The BRMC reviewed the adequacy and integrity of internal control systems, including risk management and relevant management of information system. It also reviewed the processes put in place to identify, evaluate and manage the significant risks encountered by the Company. Additionally, the BRMC reviewed the risk updates provided by the CRO including updates on economic risks that could impact the Company in 2023 as well as risk assessment on key projects undertaken by the Company. In performing its oversight function over technology-related matters pursuant to the BNM policy document on risk management in technology, the BRMC also considered the quarterly updates on technology and information security risks by the Head of Technology Risk and matters discussed at the IT Steering Committee and Compromise Assessment reporting. The BRMC also reviewed the Annual Mortality and Morbidity Repricing and the Annual Review of Family Takaful Surplus and Investment Profit Management Policy.

Other reviews by the BRMC include the review of its TOR, the TOR for Risk Management Committee, the MOVEit Cyber Incident, the Climate Risk Management and Scenario Analysis (CRMSA) and Sustainability.The BRMC together with BAC also had separate sessions with the CRO without the presence of Senior Management where matters discussed include reservations noted by CRO and areas for improvement in matters relating to risk and compliance. The BRMC also considered Sustainability Report from the Management.

7. Board Investment Committee (BIC)

The BIC is chaired by an independent director and comprises:

No.	Name	Designation
1	Tunku Alizakri bin Raja Muhammad Alias	Chairman, Independent Non-Executive Director
2	Mazidah binti Abdul Malik	Member, Independent Non-Executive Director
3	Ezamshah bin Ismail	Member, Independent Non-Executive Director
4	Rossana Annizah binti Ahmad Rashid	Member, Independent Non-Executive Director
5	Solmaz Altin (appointed w.e.f. 24 May 2023)	Member, Non-Independent Executive Director

Corporate governance (continued)

7. Board Investment Committee (BIC) (continued)

Secretary

The Secretary to the BIC shall be any person nominated by the BIC.

(a) Authority

The BIC is authorised by the Board to carry out its duty in order to support the Board in meeting its accountability for the investment of takaful funds and to perform the investment oversight function on behalf of the Board.

(b) Meetings

The BIC meets at least four (4) times a year and may call for additional meeting(s) to examine and consider matters related to its responsibilities as and when necessary.

The quorum for BIC meetings should be at least two thirds of the members in attendance. When the Chairman of the BIC Committee is not available to attend a meeting, the remaining members should agree for one of them to act as the chairperson for the meeting and document as such in the minutes.

The Chairman shall have the right to invite such other persons, whether within the Company or not, to attend BIC meetings as necessary.

(c) Roles and Responsibilities of the BIC

The functions of the BIC include:

(i) overseeing on Investment Policies and Strategies, Investment Risk Management Framework, Investment Performance and Operations & Controls and Environmental, Social and Governance (ESG) compliance in respect of responsible investing;

(ii) approving the terms of reference of the Management Investment Committee; and

(iii) approving the appointment of the Chief Investment Officer or equivalent.

(d) Activities

The BIC carried out its duties in accordance with its TOR.

The BIC met five (5) times during the financial year ended 31 December 2023 with timely notices of issues to be discussed. Details of the attendance of each BIC member are as follows:

Corporate governance (continued)

7. Board Investment Committee (BIC) (continued)

(d) Activities (continued)

Director	Attendance
Tunku Alizakri bin Raja Muhammad Alias	5/5
Mazidah binti Abdul Malik	5/5
Ezamshah bin Ismail	5/5
Rossana Annizah Binti Ahmad Rashid	5/5
Lilian Ng Lup-Yin (Resigned w.e.f. 24 May 2023)	2/2
Solmaz Altin (Appointed w.e.f. 24 May 2023)	2/3

The BIC reviewed the investment performance, operations & controls, investment policies and strategies, including investment funds' strategic asset allocation (SAA), tactical asset allocation (TAA) range, investment related policies. The BIC also reviewed its TOR, the TOR for the Management Investment Committee (MIC), fund managers' investment performance including due diligence and the appointment of new fund managers.

Additionally, the BIC reviewed the quarterly updates on Asset Dollar Duration, Fund Assessment, Capital Adequacy Ratio and Economic Sensitivities.

8. Nominations and Remuneration Committees

The Board also takes responsibility in establishing the Nominations and Remuneration Committees. The Nominations and Remuneration Committees meet as and when required, at least once a year.

Board Nominations Committee (BNC)

No.	Name	Designation
1	Ezamshah bin Ismail	Chairman, Independent Non-Executive Director
2	Mazidah binti Abdul Malik	Member, Independent Non-Executive Director
3	Solmaz Altin (Appointed w.e.f. 24 May 2023)	Member, Non-Independent Executive Director
4	Rossana Annizah binti Ahmad Rashid	Member, Independent Non-Executive Director
5	Tunku Alizakri bin Raja Muhammad Alias	Member, Independent Non-Executive Director

The Secretary to the BNC shall be any person nominated by the BNC.

(a) Authority

The BNC is authorised by the Board to establish a formal and transparent procedure for the appointment of Directors, SC Members, CEO, Senior Officers and Company Secretary, and to assess the effectiveness of Individual Directors, the Board as a whole (inclusive of its Committees) SC Members, CEO, Senior Officers and Company Secretary on an on-going basis.

(b) Meetings

Meetings shall normally be scheduled at least once a year to deliberate on the above responsibilities. The Chairman of the BNC may call for additional meeting(s) to examine and consider matters related to its responsibilities as the BNC deems necessary.

Corporate governance (continued)

8. Nominations and Remuneration Committees (continued)

(b) Meetings (continued)

The quorum for a meeting of the BNC shall be at least two (2) members. If the Chairman of the committee is not present and there is a quorum, the members present shall elect the Chairman who is an Independent Director. The Chairman shall have the right to invite such other persons, whether within the Company or not, to attend as necessary.

(c) Roles and Responsibilities of the BNC

The function of the BNC include:

(i) supporting the Board in carrying out its functions in the following matters concerning the Board (including Board Committees), SC Members, CEO, Senior Officers and Company Secretary's:
- appointments and removals;
- composition;
- performance evaluation and development; and
- fit and proper assessments

(ii) establishing and regularly review succession plans for the Board, SC, Senior Management and Company Secretary as and when appropriate; and

(iii) ensuring all the Directors receive appropriate continuous training.

(d) Activities

The BNC carried out its duties in accordance with its TOR.

The BNC met seven (7) times during the financial year ended 31 December 2023 with timely notices of issues to be discussed. Details of the attendance of each BNC member are as follows:

Director	Attendance
Ezamshah bin Ismail	7/7
Mazidah binti Abdul Malik	7/7
Lilian Ng Lup-Yin (Resigned w.e.f. 24 May 2023)	3/3
Solmaz Altin (Appointed w.e.f. 24 May 2023)	3/4
Rossana Annizah binti Ahmad Rashid	7/7
Tunku Alizakri bin Raja Muhammad Alias	7/7

The BNC reviewed the membership of the Board (including Board Committees), the professional qualifications and experience of the Directors and was satisfied that the Board composition in terms of size, the balance between executive, non-executive and independent Directors and mix of skills are adequate. The BNC also reviewed the performance of the Board (including Board Committees) against its TOR and was satisfied that the Board (including Board Committees) was competent and effective in discharging its function.

Corporate governance (continued)

8. Nominations and Remuneration Committees (continued)

(d) Activities (continued)

In addition, the BNC reviewed the membership of the SC and performance assessment of SC and was satisfied that the SC composition in term of size, mix of skills and qualifications is adequate and in line with the expectation set out in the SGF.

The BNC also reviewed its TOR, the list of Key Responsible Person (KRP), Senior Officers and OMRT, the fit of proper declaration of the CEO, Senior Officers, and the Company Secretary as well as their performance evaluation including expatriates and knowledge transfer plan. KRP refers to Directors, members of SC, CEO and Senior Officers.

Additionally, the BNC also reviewed the appointments and re-appointments of SC members and Board members as well as the re-appointment of Appointed Actuary.

Board Remuneration Committee (BRC)

The BRC is chaired by an independent director and comprises:

No.	Name	Designation
1	Mazidah binti Abdul Malik	Chairman, Independent Non-Executive Director
2	Ezamshah bin Ismail	Member, Independent Non-Executive Director
3	Rossana Annizah binti Ahmad Rashid	Member, Independent Non-Executive Director
4	Madzlan bin Mohamad Hussain	Member, Independent Non-Executive Director

Secretary

The Secretary to the BRC shall be any person nominated by the BRC.

(a) Authority

The BRC is authorised by the Board to provide a formal and transparent procedure for developing a remuneration policy for Directors, SC Members, CEO, Senior Officers and OMRT and ensuring that their compensation is competitive and consistent with the operator's culture, objectives and strategies.

(b) Meetings

Meetings shall normally be scheduled at least once a year to deliberate on the above responsibilities. The Chairman of the BRC may call for additional meeting(s) to examine and consider matters related to its responsibilities as the BRC deems necessary.

Corporate governance (continued)

8. Nominations and Remuneration Committees (continued)

(b) Meetings (continued)

The quorum for a meeting of the BRC shall be at least two (2) of the BRC members. If the Chairman of the committee is not present and there is a quorum, the members present shall elect the Chairman who is an Independent Director. The Chairman shall have the right to invite such other persons, whether within the Company or not, to attend as necessary.

(c) Roles and Responsibilities of the BRC

The functions of the BRC include:

(i) supporting the Board in actively overseeing the design and operation of the Company's remuneration system including recommend to the Board a framework and policies governing the remuneration and specific remuneration packages for Directors, SC Members, CEO, Senior Officers and OMRT.

(ii) periodically reviewing (not less than once in every 3 years) the compensation of Directors, particularly on whether compensation remains appropriate to each Director's contribution, taking into account the demand, complexities and performance of the Company as well as the level of expertise, commitment and responsibilities undertaken.

(d) Design and Structure of the Remuneration System

The objective of the Company's remuneration system is to facilitate the achievement of business targets and objectives. Central to this is the need to ensure that the business can attract, retain and motivate the necessary calibre of talent required to fully deliver the business objectives based on good governance, guided by Bank Negara Malaysia's Policy Document on Corporate Governance, in compliance to all relevant Shariah principles and without exceeding the tolerated risk level.

The remuneration policy therefore is flexible enough to respond to employment market changes, enhances a team-based culture, supports the Company's values and delivers competitive reward which commensurate with the level of business, team and individual performances.

The foundation of this policy is "Pay for Performance" philosophy which encourages delivery of superior performance against clearly stated goals. It focuses not just on "What" to deliver but also "How" it is delivered, with reference to the Company's purpose to help people get the most out of life.

This policy is delivered via a Total Compensation approach to remuneration and rewards. There are several components in this including base salary and allowances, discretionary short-term and long-term incentives awards and various benefits and perquisites.

Corporate governance (continued)

8. Nominations and Remuneration Committees (continued)

(d) Design and Structure of the Remuneration System (continued)

Base salary and allowances commensurate with individual's role, responsibilities and experience, taking into consideration the market rates for similar roles in the industry where appropriate.

The short-term incentive is discretionary and determined annually, taking into account individual and company performance. The extent to which area of performance affects the overall incentive payout depends on the role and responsibilities of each employee, reflects the criticality of the individual's contribution, and combining both financial and non-financial metrics.

For longer-term performance, the Company's long-term incentive plan incentivises individual contribution to the business' long-term value and aims to reward past, present and anticipated business performance.

Under this plan, the discretionary awards are determined by way of benchmarking to share price of an affiliated company to create an alignment of interest with our shareholders and to promote a culture of ownership. Award under this plan will vest after a prescribed period based on continued employment in the Company throughout that period. The level of award for this plan is based on the criticality of the individual's position and the performance and contribution of the individual over the period of the award.

Benefits and perquisites are the other components created to support this remuneration system in the Company for the wellbeing of staff and their families. The range of benefits and perquisites offered, including health and wellness benefits, protection and security benefits, retirement benefits etc. are to cater for groups and individual circumstances and are competitive within the market.

(e) Activities

The BRC carried out its duties in accordance with its TOR.

The BRC met six (6) times during the financial year ended 31 December 2023 with timely notices of issues to be discussed. Details of the attendance of each BRC member are as follows:

Director	**Attendance**
Mazidah binti Abdul Malik	6/6
Ezamshah bin Ismail	6/6
Rossana Annizah binti Ahmad Rashid	6/6
Madzlan bin Mohamad Hussain	6/6

Corporate governance (continued)

8. Nominations and Remuneration Committees (continued)

(e) Activities (continued)

The BRC reviewed the remuneration of the Non-Executive Director and Independent Director to ensure that it reflects the experience, level of responsibilities undertaken and linked their contribution to the effective functioning of the Board. The details of their remuneration are set out in Note 22.

The BRC also reviewed the remuneration of the Senior Management for their purpose of their appointment or re-appointment to ensure that it is align with the Company remuneration policy.

Additionally, the BRC also reviewed the remuneration of SC members to ensure that it reflects the level of responsibilities undertaken and linked their contribution to the effective functioning of the SC.

Other reviews conducted by the BRC include the review of its TOR, Annual Incentive Bonus and Compensation Framework of the Company, market benchmarking for employees and Senior Management Team and training budget for the Directors and SC members.

9. Public accountability

As custodian of public funds, the Company's dealing with the public are always conducted fairly with integrity, honesty and professionally.

10. Financial reporting

The Board takes responsibility for presenting a balanced and comprehensive assessment of the Company's operations and prospects each time it releases its annual financial statements to shareholders. The BAC assists by scrutinising the information to be disclosed, to ensure accuracy, adequacy and completeness.

11. Shariah Committee (SC)

The Company is advised by SC. The SC members shall be appointed by the Board upon the recommendation of the BNC. The number of SC members must not be less than five (5), the majority of whom must possess strong knowledge in Shariah and backed by the appropriate qualifications in that area.

The members of the SC are as follows:

No.	Name	Designation
1	Dr. Abdullaah bin Jalil	Chairman
2	Wan Rumaizi bin Wan Husin (Tenure ended w.e.f. 31 March 2023)	Member
3	Dr. Ahmad Zaki bin Salleh (Tenure ended w.e.f. 31 March 2023	Member
4	Prof. Datuk Dr. Syed Othman bin Syed Hussin Alhabshi	Member
5	Dr. Sa'id Adekunle Mikail	Member
6	Assoc. Prof. Dr. Syed Musa bin Syed Jaafar Alhabshi (Appointed w.e.f. 1 April 2023)	Member
7	Dr. Akhtarzaite binti Abdul Aziz (Appointed w.e.f. 1 April 2023)	Member

Corporate governance (continued)

11. Shariah Committee (SC) (continued)

Secretary

The Secretary to the SC is Shariah Secretariat & Research, Shariah Department.

(a) Authority

Duties, Responsibilities and Accountability of the SC are as follows:

(i) The SC is expected to understand in the course of discharging the duties and responsibilities as a SC member, they are responsible and accountable for all Shariah decisions, opinions and views provided by them;

(ii) The SC is expected to advise the Company's Board and provide input to the Company on Shariah matters in order for the Company to comply with Shariah principles at all times;

(iii) The SC is expected to endorse Shariah policies and procedures prepared by the Company and to ensure that the contents do not contain elements which are not in line with Shariah principles;

(iv) The SC is expected to ensure that the products of the Company comply with Shariah principles, the SC must approve:

- The terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and

- The product manual, marketing advertisements, sale illustrations and brochures used to describe the product;

(v) The SC is responsible to assess the work carried out by GwIA and Shariah review team for Shariah audit and Shariah reviews to ensure compliance with Shariah matters which form part of their assessment of Shariah compliance and assurance information in the financial statements;

(vi) Legal counsel, auditor or consultant of the Company may seek advice on Shariah matters from the SC and the SC is expected to provide the necessary assistance to the requesting part;

(vii) The SC may advise the Company to consult the Shariah Advisory Council of BNM (SAC BNM) on Shariah matters that needed further and appropriate guidance. The SC is required to provide written Shariah opinions in circumstances where the Company make reference to SAC BNM for further deliberation, or where the Company submits applications to BNM for new product approval;

Corporate governance (continued)

11. Shariah Committee (SC) (continued)

(a) Authority (continued)

(viii) With regards to the Shariah Review exercise, the SC shall have the authority to identify issues with reference to the Shariah Review Report and where appropriate, to propose corrective measures. Accordingly, the final determination and confirmation as to the compliance status (i.e. whether compliant to Shariah or otherwise) shall be within the power and authority of the SC; and

(ix) For the zakat asnaf, we confirmed that the Company has distributed accordingly to the eligible recipients as guided by 'Zakat and Charity Manual of Prudential BSN Takaful Berhad' that was approved by the SC of the Company.

(b) Meetings

The minimum quorum of a SC meeting shall be attendance of majority members. Further, majority of attending members must be members with Shariah background. In the event that the Chairman of the SC is unable to attend the meeting, the members shall elect one (1) member among themselves to become the Alternate Chairman to preside over the meeting.

The SC met nine (9) times during the financial year ended 31 December 2023 with timely notices of issues to be discussed. Details of the attendance of each SC member are as follows:

Name	Attendance
Dr. Abdullaah bin Jalil (Chairman)	9/9
Wan Rumaizi bin Wan Husin (Tenure ended w.e.f. 31 March 2023)	3/3
Dr. Ahmad Zaki bin Salleh (Tenure ended w.e.f. 31 March 2023)	3/3
Prof. Datuk Dr. Syed Othman bin Syed Hussin Alhabshi	9/9
Dr. Sa'id Adekunle Mikail	9/9
Assoc. Prof. Dr. Syed Musa bin Syed Jaafar Alhabshi (Appointed w.e.f. 1 April 2023)	6/6
Dr. Akhtarzaite binti Abdul Aziz (Appointed w.e.f. 1 April 2023)	6/6

Other statutory information

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

1. all known impaired debts have been written off and adequate provision made for doubtful debts;

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

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

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

1. that would render the amount written off for impaired debts or the amount of the provision for doubtful debts in the Company inadequate to any substantial extent;

2. that would render the value attributed to the current assets in the financial statements of the Company misleading;

3. which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate;

4. not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Company misleading; or

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

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

1. any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or

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

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due. For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from certificates of takaful underwritten in the ordinary course of business of the Company.

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Other statutory information (continued)

Before the income statement and statement of financial position of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provisions for its takaful liabilities in accordance with the valuation methods specified in Part B of the Risk Based Capital Framework for Takaful Operators.

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 December 2023 has not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Ernst & Young PLT have indicated their willingness to accept re-appointment.

The auditors' remuneration of the Company during the year is RM835,000 as disclosed in Note 16b of the financial statements.

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

....
Rossana Annizah binti Ahmad Rashid

....
Solmaz Altin

Date: 13 March 2024

Shariah Committee's Report

In the name of Allah, the most Beneficent, the most Merciful

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

In carrying out the roles and responsibilities of Prudential BSN Takaful Berhad's Shariah Committee as prescribed in the Shariah Governance Policy Document for Islamic Financial Institutions issued by Bank Negara Malaysia and in accordance with our letter of appointment, we hereby provide our report for the financial year ended 31 December 2023.

We, the members of the Prudential BSN Takaful Berhad's Shariah Committee are responsible to advise the Board in the oversight and management of Shariah matters in the business implementation. Among others, our main responsibility and accountability is to assist the Board in ensuring that Prudential BSN Takaful Berhad's business does not have elements/activities that contravene Shariah Principles. In undertaking our duties, we shall adhere to the decisions and views of the Shariah Advisory Council of the relevant Malaysian financial regulators.

We had nine (9) meetings during the financial year where we have reviewed products, transactions, services, processes and documents of Prudential BSN Takaful Berhad. In performing our roles and responsibilities, we have obtained all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that Prudential BSN Takaful Berhad has not violated Shariah principles and complied with the Shariah rulings, decisions and conditions made by us.

We have also assessed the work carried out by Shariah review and Shariah audit which included examining, on a test basis, each selected type of transaction, the relevant documentation and procedures adopted by Prudential BSN Takaful Berhad. The reports were deliberated in our meetings to confirm that Prudential BSN Takaful Berhad has complied with the rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, Shariah Advisory Council of Securities Commission (for Capital Market related matters) as well as our decisions.

The internal Shariah governance functions are augmented by written policies and procedures, the establishment of an organisational structure that provides an appropriate and well-defined division of responsibility and the communication of Shariah policies and guidelines of business conduct to all staff of the Company. We have always emphasised the importance of applying the highest standard of governance processes and have developed a system of monitoring and internal reporting which provides us the avenue to evaluate the level of prudence in accordance with the duties and responsibilities of the Company in the management of participants' takaful plans as well as all the relevant funds. Based on the proactive disclosures provided by the management which is facilitated by the Shariah risk function, appropriate preventive measures approved by the Shariah Committee and the Board of Directors have been put in place and reported to Bank Negara Malaysia in accordance with the Shariah non-compliance reporting requirement prescribed by the Islamic Financial Services Act 2013.

Shariah Committee's Report (continued)

The success of the Shariah non-compliance reporting requirement greatly depends on the ability of the staff at all relevant levels to identify whether a matter or incident has any potential element of Shariah non-compliance and in view of this, various internal discussions and trainings have been carried out mainly with the Risk Coordinators and Compliance Champions from all the departments in Prudential BSN Takaful Berhad. Having clear classifications in the Shariah non-compliance reporting manual enables a more structured identification process. We have exercised the authority to make the final decision on each of the incidents reported to us. The Shariah non-compliant classifications as stated in the said policy are as follows:

- Classification 1: The existence of elements that lead to the construction of an invalid contract.

  A contract may be lawful in its substance but unlawful in its attributes. The substance refers to the offer and acceptance, the subject matter and the contracting parties, while the attributes refer to the necessary conditions. An invalid contract may have the essential elements but does not fulfil all the necessary conditions. It violates the Shariah pillars, rules or conditions of a contract; for example, the subject matter is a prohibited item. This element comprises the intrinsic element which result in an invalid contract.

- Classification 2: The existence of any prohibited elements or any element that causes the contract to be defective but does not lead to invalidity of the contract.

  For example, a contract may also be invalidated by any extrinsic elements that involve *gharar faḥish* (excessive uncertainty) or *maysir/qimar* (gambling) or other relevant factors.

- Classification 3: Breach of the takaful operator's fiduciary duty pertaining to its contractual duties as a wakil (agent) or a *muḍarib* (entrepreneur), as the case may be.

  The duties and responsibilities of the Company as a takaful operator lie in its contractual obligations undertaken with the takaful participants to be the agent that manages the takaful fund as per the agreed terms. The Company shall exercise its liabilities and duties as explicitly stipulated in the contracts and in accordance with market practice. Therefore, it is crucial to understand the fiduciary duties pertaining to the roles of the takaful operator particularly towards its takaful participants.

- Classification 4: Failure to comply with the Shariah resolutions.

  It is pertinent to ensure that the Shariah resolutions of the Shariah Committee and the resolutions of the Shariah Advisory Council of Bank Negara Malaysia and Shariah Advisory Council of Securities Commission of Malaysia are always complied with. The Company must properly demonstrate compliance with the conditions laid down in the resolutions of the Shariah Committee. The resolutions of Shariah Committee are incorporated in departmental Standard Operating Procedures; and when a resolution is breached, the incident shall also be classified as a breach of internal Shariah requirements or policies under Classification 6.

Shariah Committee's Report (continued)

- Classification 5: Failure to comply with regulatory provisions relating to Shariah such as Bank Negara Malaysia Policy Documents on Shariah contracts.

  As a regulated entity, the takaful operator must comply with various regulatory provisions, and these regulatory provisions may not deal directly with Shariah concerns. Failure to adhere to general requirements would be addressed under Classification 3 above. Under this classification, the regulatory provisions in question are those that deal directly with Shariah, particularly the Bank Negara Malaysia Policy Documents on Shariah contracts.

- Classification 6: Failure to comply with internal Shariah requirements or policies.

  In ensuring end-to-end Shariah compliance, comprehensive Shariah policies, both procedural and substantive, must be put in place. Needless to say, all relevant regulatory provisions and Shariah resolutions should be incorporated into internal policies to ensure that the requirements are well embedded in the day-to-day business implementation.

- Classification 7: Other governance or practical instances that may lead to Shariah non-compliance.

  It is pertinent to ensure the provisions and requirements of the Shariah Governance Policy Document of Bank Negara Malaysia are being adhered to.

During the year 2023, numerous Shariah training and awareness programs were conducted for staff, agency forces as well as BancaTakaful intermediaries. All staff, including permanent and contract staff, are required to pass Fundamental of Shariah and Fundamental of Takaful. Both e-learning modules are mandatory online programs to keep the staff abreast with updated Shariah and Takaful knowledge., In addition, the Prudential BSN Takaful Berhad managerial level (Deputy Manager and above) are required to pass Intermediate of Shariah and Intermediate of Takaful. As part of the effort to further inculcate Shariah compliance and awareness culture, in addition to the formal training, the Shariah Department has organised more than thirty (30) Islamic programs and activities for the staff throughout year 2023.

Prudential BSN Takaful Berhad agents are provided with a comprehensive learning and development program that covers Shariah and Takaful modules. Among the e-learning specific modules on Shariah and Takaful concept are Fundamental of Shariah, Fundamental of Takaful and Shariah and Takaful Refresher. Fundamental of Shariah and Fundamental of Takaful are mandatory e-learning modules to be completed by new Takaful agents which form part of the agents' mandatory twenty (20) hours Continuing Professional Development (CPD) completion as required by Malaysian Takaful Association (MTA). In addition, Shariah Tour Year 2023 program is designed to equip agency forces with knowledge related to Shariah and Takaful. This program is conducted within two (2) hours and the agents who attend the program shall be given two (2) MTA CPD hours. There were three (3) series of program conducted by guest speakers. Furthermore, we have started with a physical program for agency force titled Isu Kontemporari Dalam Takaful and Islamic Inheritance for all Regions. The objective of this program is to enhance agents' competency and knowledge to ensure they have balance skills between the business and Shariah input respectively. For BancaTakaful intermediaries and Islamic Financial Adviser Representative, there were four (4) virtual classroom sessions have been conducted by Shariah Department to equip them with sufficient understanding on Shariah and Takaful.

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Shariah Committee's Report (continued)

The management of Prudential BSN Takaful Berhad is responsible for ensuring that the Company conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of Prudential BSN Takaful Berhad, and to report to you.

Based on the internal and external controls that have been put in place, in our opinion and to the best of our knowledge, Prudential BSN Takaful Berhad has complied with all relevant Shariah rules and principles.

We have also reviewed the financial statements of Prudential BSN Takaful Berhad and confirm that the financial statements are in compliance with the Shariah rules and principles.

Based on the above, in our opinion:

1. We are of the view that the contracts, transactions and dealings entered into by Prudential BSN Takaful Berhad during the financial year ended 31 December 2023, including the management of the Participant Risk Fund, that we have reviewed, are in compliance with Shariah principles;

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

3. All earnings that have been realised from sources or by means prohibited by Shariah principles have been considered for disposal to charitable causes; and

4. The calculation of zakat is in compliance with Shariah principles.

We, the members of the Shariah Committee of Prudential BSN Takaful Berhad, to the best of our knowledge and belief, do hereby confirm that the operations of Prudential BSN Takaful Berhad for the financial year ended 31 December 2023 have been conducted in conformity with Shariah principles.

On behalf of the Shariah Committee;

Chairman of the Shariah Committee: ....
Dr. Abdullaah Bin Jalil

Member of Shariah Committee: ....
Dr. Sa'id Adekunle Mikail

Kuala Lumpur,

Date: 13 March 2024

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Statements of financial position as at 31 December 2023

		Family Takaful Fund			Company			Group		
		31.12.2023	31.12.2022 (Restated)	1.1.2022 (Restated)	31.12.2023	31.12.2022 (Restated)	1.1.2022 (Restated)	31.12.2023	31.12.2022 (Restated)	1.1.2022 (Restated)
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets										
Property and equipment	3	-	-	-	23,761	26,535	25,763	23,761	26,535	25,763
Right-of-use assets	4	-	-	-	58,772	64,435	70,832	58,772	64,435	70,832
Intangible assets	5	-	-	-	165,567	152,924	146,505	165,567	152,924	146,505
Investments	6	5,724,139	5,264,935	4,803,287	6,446,496	5,857,829	5,125,192	6,533,818	5,845,633	5,125,192
Takaful certificate assets	8	124,734	155,851	-	494,251	470,815	275,797	494,251	470,815	275,797
Retakaful certificate assets	8	36,093	9,770	10,962	35,898	9,802	10,962	35,898	9,802	10,962
Other receivables	9	151,772	138,919	38,839	172,877	157,652	60,320	172,877	157,652	60,320
Current tax assets		-	-	-	6,497	10,289	-	6,497	10,289	-
Deferred tax assets	14	9,231	10,307	-	-	-	-	-	-	-
Cash and cash equivalents	10	297,436	216,734	442,612	428,437	280,906	571,213	442,455	293,139	571,213
Total assets		6,343,405	5,796,516	5,295,700	7,832,556	7,031,187	6,286,584	7,933,896	7,031,224	6,286,584
Equity										
Share Capital	11	-	-	-	100,000	100,000	100,000	100,000	100,000	100,000
Retained earnings		-	-	-	1,615,690	1,488,202	1,415,803	1,615,690	1,488,202	1,415,803
Revaluation reserve		-	-	-	1,925	1,925	1,925	1,925	1,925	1,925
Total equity		-	-	-	1,717,615	1,590,127	1,517,728	1,717,615	1,590,127	1,517,728
Liabilities										
Takaful certificate liabilities	8	6,118,946	5,498,453	4,849,009	5,523,667	4,937,057	4,230,369	5,523,667	4,937,057	4,230,369
Retakaful certificate liabilities	8	34,912	35,104	35,135	27,935	26,746	26,203	27,935	26,746	26,203
Other payables	12	181,570	259,002	391,467	50,076	97,955	96,846	151,416	97,992	96,846
Lease liabilities		-	-	-	65,653	69,427	74,011	65,653	69,427	74,011
Subordinated Sukuk	13	-	-	-	100,000	-	-	100,000	-	-
Current tax liabilities		7,977	3,957	6,717	-	-	5,885	-	-	5,885
Deferred tax liabilities	14	-	-	13,372	347,610	309,875	335,542	347,610	309,875	335,542
Total liabilities		6,343,405	5,796,516	5,295,700	6,114,941	5,441,060	4,768,856	6,216,281	5,441,097	4,768,856
Total equity and liabilities		6,343,405	5,796,516	5,295,700	7,832,556	7,031,187	6,286,584	7,933,896	7,031,224	6,286,584

The accompanying notes on pages 47 to 152 form an integral part of the financial statements.

Prudential BSN Takaful Berhad
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Statement of profit or loss and other comprehensive income for the financial year ended 31 December 2023

		Family Takaful Fund		Company		Group	
		2023	2022 (Restated)	2023	2022 (Restated)	2023	2022
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Takaful revenue	15	1,262,406	1,107,915	1,927,393	1,611,684	1,927,393	1,611,684
Takaful service expense	16	(1,221,615)	(924,953)	(1,804,814)	(1,331,494)	(1,804,814)	(1,331,494)
Takaful service result before retakaful certificates held		40,791	182,962	122,579	280,190	122,579	280,190
Net (expenses)/income from retakaful certificates held	17	(14,876)	29,448	(16,483)	28,905	(16,483)	28,905
Takaful service result		25,915	212,410	106,096	309,095	106,096	309,095
Net investment income	18	211,955	175,692	223,428	172,717	229,461	173,555
Realised losses	19	(23,235)	(29,596)	(17,858)	(30,384)	(17,739)	(29,793)
Fair value gains/(losses)	20	13,074	(298,693)	17,575	(297,209)	11,643	(298,547)
Total investment income/(expense)		201,794	(152,597)	223,145	(154,876)	223,365	(154,785)
Takaful finance expenses for takaful certificates issued	21	(231,969)	(46,962)	(146,265)	(40,482)	(146,265)	(40,482)
Retakaful finance income/(expenses) for retakaful certificates held	21	14,876	(29,448)	14,876	(29,449)	14,876	(29,449)
Net takaful financial result		(217,093)	(76,410)	(131,389)	(69,931)	(131,389)	(69,931)
Other expenses		(2,559)	(5,879)	(10,201)	(15,964)	(10,568)	(16,030)
Profit before zakat and taxation		8,057	(22,476)	187,651	68,324	187,504	68,349
Tax (expense)/credit attributable to participants		(8,057)	22,476	(8,057)	22,476	(8,057)	22,476
Tax expense attributable to takaful operator		-	-	(50,818)	(17,099)	(50,818)	(17,099)
Zakat		-	-	(1,288)	(1,302)	(1,288)	(1,302)
Net profit for the year		-	-	127,488	72,399	127,341	72,424
Net profit/(loss) for the financial year attributable to:							
- Owner of the Company		-	-	127,488	72,399	127,488	72,399
- Other unitholders of the subsidiary		-	-	-	-	(147)	25
		-	-	127,488	72,399	127,341	72,424

The accompanying notes on pages 47 to 152 form an integral part of the financial statements.

Statement of changes in equity for the financial year ended 31 December 2023

	Note	Share capital (Note 11) RM'000	Revaluation reserves RM'000	Retained earnings RM'000	Total RM'000
Group					
As at 1 January 2022 (as previously reported)		100,000	1,925	386,451	488,376
Impact of initial application of amendment to MFRS 112	1(a)	-	-	2,149	2,149
Impact of initial application of MFRS 17	1(a)	-	-	1,027,203	1,027,203
Restated balance as at 1 January 2022		100,000	1,925	1,415,803	1,517,728
Net profit and total comprehensive income for the year		-	-	72,399	72,399
Restated balance as at 31 December 2022/1 January 2023		100,000	1,925	1,488,202	1,590,127
Net profit and total comprehensive income for the year		-	-	127,488	127,488
At 31 December 2023		100,000	1,925	1,615,690	1,717,615
Company					
As at 1 January 2022 (as previously reported)		100,000	1,925	386,451	488,376
Impact of initial application of amendment to MFRS 112	1(a)	-	-	2,149	2,149
Impact of initial application of MFRS 17	1(a)	-	-	1,027,203	1,027,203
Restated balance as at 1 January 2022		100,000	1,925	1,415,803	1,517,728
Net profit and total comprehensive income for the year		-	-	72,399	72,399
Restated balance as at 31 December 2022/1 January 2023		100,000	1,925	1,488,202	1,590,127
Net profit and total comprehensive income for the year		-	-	127,488	127,488
At 31 December 2023		100,000	1,925	1,615,690	1,717,615

The accompanying notes on pages 47 to 152 form an integral part of the financial statements.

Prudential BSN Takaful Berhad
(Company No. 200601020898 (740651-H))
(Incorporated in Malaysia)

Statement of cash flows for the financial year ended 31 December 2023

		Company		Group	
		2023	2022 (Restated)	2023	2022 (Restated)
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Profit before zakat and taxation		187,651	68,324	187,504	68,349
Adjustments for:					
Depreciation of property and equipment	3	3,512	2,990	3,512	2,990
Depreciation of right-of-use assets	4	5,663	5,810	5,663	5,810
Intangible assets and property and equipment written off	3,5	167	1,306	167	1,306
Amortisation of intangible assets	5	18,341	15,005	18,341	15,005
Investment income	18	(223,428)	(172,717)	(229,461)	(173,555)
Realised losses on disposal of investments	19	17,858	30,384	17,739	29,793
Fair value (gains)/losses on investments	20	(17,575)	297,209	(11,643)	298,547
Loss/(gain) disposal of property and equipment		2	(15)	2	(15)
Operating (loss)/profit before changes in operating assets and liabilities		(7,809)	248,296	(8,176)	248,230
Increase in takaful certificate assets		(23,436)	(195,018)	(23,436)	(195,018)
(Increase)/Decrease in retakaful assets		(26,096)	1,160	(26,096)	1,160
Increase in other receivables		(10,264)	(94,918)	(10,264)	(94,918)
Increase in takaful certificate liabilities		586,610	706,688	586,610	706,688
Increase in retakaful certificate liabilities		1,189	543	1,189	543
Decrease in other payables		(49,167)	(226)	(49,185)	(189)
Tax paid		(17,348)	(36,464)	(17,348)	(36,464)
Net cash inflow from operating activities		453,679	630,061	453,294	630,032
Cash flows from investing activities					
Investment in intangible assets	5	(31,122)	(21,823)	(31,122)	(21,823)
Investment income received		218,467	170,303	230,296	171,141
Proceeds from maturity/disposal of investments		59,124,543	64,291,165	59,293,415	64,291,756
Proceeds from disposal of property and equipment		2	67	2	67
Purchase of property and equipment	3	(771)	(4,721)	(771)	(4,721)
Purchase of investments	6(b)	(59,713,493)	(65,351,395)	(59,987,481)	(65,340,566)
Net cash outflow from investing activities		(402,374)	(916,404)	(495,661)	(904,146)

Statement of cash flows for the financial year ended 31 December 2023 (continued)

		Company		Group	
	Note	2023 RM'000	2022 (Restated) RM'000	2023 RM'000	2022 (Restated) RM'000
Cash flows from financing activities					
Payment of lease liabilities	4	(3,774)	(3,964)	(3,774)	(3,964)
Cash proceeds from units created received from other unitholders		-	-	95,298	4
Issuance of subordinated sukuk	13	100,000	-	100,000	-
Payments for cancellation of units made to other unitholders		-	-	159	-
Net cash inflow/(outflow) from financing activities		96,226	(3,964)	191,683	(3,960)
Net increase/(decrease) in cash and cash equivalents		147,531	(290,307)	149,316	(278,074)
Cash and cash equivalents at 1 January		280,906	571,213	293,139	571,213
Cash and cash equivalents at 31 December		428,437	280,906	442,455	293,139

The accompanying notes on pages 47 to 152 form an integral part of the financial statements.

Notes to the financial statements

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

Level 13, Menara Prudential
Persiaran TRX Barat
55188 Tun Razak Exchange
Kuala Lumpur

The Company is principally engaged in the underwriting of family takaful business which includes investment-linked business and investment of funds. The principal activities of the subsidiary, which is a wholesaleunit trust fund, are as disclosed in Note 7. There has been no significant change in the principal activities during the financial year.

The Company is a subsidiary of Bank Simpanan Nasional, a bank incorporated under the Bank Simpanan Nasional Act, 1974 and domiciled in Malaysia.

The financial statements were authorised for issue by the Board of Directors on 13 March 2024.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of Companies Act, 2016 in Malaysia.

A Takaful Operator is required to present consolidated financial statements for itself and the Takaful funds it manages and controls in accordance with the requirements of MFRS 10, Consolidated Financial Statements. The statements of financial position and the statements of profit or loss and other comprehensive income of the Takaful Operator and Family Takaful Fund are supplementary financial information presented in accordance with the requirements of BNM and Islamic Financial Services Act 2013 in Malaysia to segregate assets, liabilities, income and expenses of Takaful funds from its own. The statements of financial position and profit or loss and other comprehensive income of the Takaful Operator include only assets, liabilities, income and expenses of the Takaful Operator, excluding the Takaful funds managed by it. The statements of financial position and profit or loss and other comprehensive income of the Family Takaful Fund include only the assets, liabilities, income and expenses of the Family Takaful Fund that is set up, managed and controlled by the Takaful Operator.

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

The takaful funds are consolidated and amalgamated from the date of control and continue to be consolidated until the date such control ceases which occur when the Group and the Company's licence to manage takaful business is withdrawn or surrendered.

The following are accounting standards, amendments to standards and interpretations of the MFRSs and IFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") and International Accounting Standards Board ("IASB"):

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

(i) MFRS 17, *Insurance Contracts*
(ii) Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
(iii) Amendments to MFRS 101, *Presentation of Financial Statements - Disclosures of Accounting Policies*
(vi) Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
(v) Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

(i) Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
(ii) Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
(iii) Amendment to MFRS107 and MFRS 7, *Disclosures: Supplier Finance Arrangements*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2025

(i) Amendments to MFRS 121, *Lack of exchangeability*

The Group and the Company have adopted all standards and amendments to standards effective for annual periods beginning on or after 1 January 2023. The Group and the Company plans to apply the abovementioned accounting standards, amendments to standards and interpretations as follows:

- from the annual period beginning on 1 January 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024.

- from the annual period beginning on 1 January 2025 for the amendments that are effective for annual periods beginning on or after 1 January 2025.

MFRS 17 *Insurance Contracts* ("MFRS 17")

MFRS 17 was issued in May 2017, replacing MFRS 4. This standard resulted in significant changes to the accounting for takaful and retakaful certificates. The Group and the Company adopted MFRS 17, including any consequential amendments to other standards and subsequent amendments to MFRS 17, beginning 1 January 2023, with corresponding comparative financial information provided for the financial year ended 31 December 2022 and for the opening statements of financial position as at 1 January 2022.

(a) *Significant changes in accounting policies*

The adoption of MFRS 17 did not change the classification of the Group and the Company's takaful or retakaful certificates. However, MFRS 17 establishes specific principles for the recognition and measurement of takaful certificates issued and retakaful certificates held by the Group and the Company.

1. **Basis of preparation (continued)**

(a) **Statement of compliance (continued)**

MFRS 17 *Insurance Contracts* ("MFRS 17") (continued)

(a) *Significant changes in accounting policies (continued)*

Listed below are the significant key principles in MFRS 17 that the Group and the Company applied:

- Identified takaful certificates as those under which the Group and the Company accepts significant takaful risk from another party (the participant) by agreeing to compensate the participant if a specified uncertain future event (the insured event) adversely affects the participant.

- Separated specified embedded derivatives, distinct investment components and distinct goods or services other than takaful certificates services from takaful certificates and accounts for them in accordance with other standards.

- The level of aggregation for the Group and the Company was determined firstly by dividing the business written into portfolios. Portfolios comprise groups of certificates with similar risks which are managed together. Portfolios were further divided based on expected profitability at inception into three categories: onerous certificates, certificates with no significant risk of becoming onerous, and the remainder.

- The Group and the Company has defined portfolios of takaful and retakaful certificates issued based on its product lines, namely pre-TOF ("Takaful Operating Framework") and post-TOF. The grouping of these product lines are due to the fact that the products are subject to similar risks and managed together. The expected profitability of these portfolios at inception is determined based on the existing actuarial valuation models which take into consideration existing and new business.

- The Group and the Company recognises groups of takaful certificates that they issue from the earlier of the beginning of the coverage period, first payment from participant when the certificate is due or when a group of takaful certificates become onerous.

- The Group and the Company recognises groups of retakaful certificates from the earlier of the beginning of the coverage period or when a group of underlying certificate become onerous.

- The Group and the Company includes in the measurement of a group of takaful certificates all the future cash flows within the boundary of each certificate in the group. Cash flows are within the boundary of a takaful certificate if they arise from substantive rights and obligations that exist during the reporting period in which the Group and the Company can compel the participant to pay the contributions, or in which the Group and the Company have a substantive obligation to provide the participant with takaful certificate services.

- The Group and the Company identifies if a group of takaful certificate is onerous based on available profitability metrics in New Business Embedded Value or contractual service margin ("CSM") at inception.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 17 *Insurance Contracts* ("MFRS 17")

(a) *Significant changes in accounting policies (continued)*

Listed below are the significant key principles in MFRS 17 that the Group and the Company applied: (continued)

- The takaful and retakaful certificates are recognised and measured by using the following measurement models:

  - General measurement model ("GMM") - takaful certificates

    On initial measurement, GMM measures a group of takaful certificates as the total of fulfilment cash flows and CSM representing the unearned profit the Group and the Company will recognise as it provides takaful certificate services under the takaful certificates in the group.

    Subsequently the carrying amount of CSM of the group of takaful certificates is adjusted by the following:

    - The effect of any new certificates added to the group;
    - Interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition;
    - The changes in fulfilment cash flows relating to future service; and
    - The amount recognised as takaful revenue because of the release of takaful certificate services in the period, determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining coverage period.

  - Variable fee approach ("VFA") - takaful certificates

    On initial measurement, VFA measures a group of takaful certificates as the total of fulfilment cash flows and CSM representing the unearned profit the Group and the Company will recognise as it provides takaful certificate services under the takaful certificates in the group.

    The following are the criteria for takaful certificates to be measured under VFA:
    - The certificate terms specify that the participant participates in a share of a clearly identified pool of underlying items;
    - The Group and the Company expects to pay to the participant an amount equal to a substantial share of the fair value returns on the underlying items; and
    - A substantial proportion of any change in the amounts to be paid to the participant vary with the change in fair value of the underlying items.

    The CSM is adjusted to reflect the variable nature of the fee. Subsequently the carrying amount of CSM of the group of takaful certificates is adjusted by the following:

    - The effect of any new certificates added to the group;
    - Interest unwind of present value of variable fee;
    - The changes in the entity's share of the fair value of the underlying items relating to future service; and
    - Current period operating/economic experience variance and assumption changes on the present value of future variable fee.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 17 *Insurance Contracts* ("MFRS 17") (continued)

(a) *Significant changes in accounting policies (continued)*

Listed below are the significant key principles in MFRS 17 that the Group and the Company applied: (continued)

- The takaful and retakaful certificates are recognised and measured by using the following measurement models: (continued)
  - Premium allocation approach ("PAA") - takaful certificates

    On initial measurement, PAA is applied to takaful certificates with coverage period of one year or less including takaful certificate services arising from all contributions within the certificate boundary.

    Subsequently the carrying amount of the liability for remaining coverage of the group of takaful certificates is adjusted by the following:

    - Contributions received in the period;
    - Reduced by takaful acquisition cash flows;
    - Amount recognised as takaful revenue for the services provided in the period; and
    - Investment component paid or transferred to the liability for incurred claims.

    The Group and the Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims.

  - Retakaful certificates

    The measurement of retakaful certificates held follows the same principles as those for takaful certificates issued, with the exception of the following:

    - Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers;
    - The Group and the Company determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the retakaful operator; and
    - The Group and the Company recognises both day 1 gains and day 1 losses at initial recognition in the statement of financial position as a CSM and releases this to profit or loss as the retakaful operator renders services.

    The subsequent measurement follows the same principle as takaful certificate issued except for the following:

    - Changes in the fulfilment cash flows are recognised in profit or loss if the related changes arising from the underlying ceded certificates have been recognised in profit or loss; and
    - Changes in the fulfilment cash flows that result from changes in the risk of non-performance by the issuer of a retakaful certificate held do not adjust the CSM as they do not relate to future service.

- The Group and the Company has grouped certificates that are onerous at initial recognition separately from certificates in the same portfolio that are not onerous at initial recognition. The Group and the Company has established a loss component of the liability for remaining coverage for any onerous group depicting the future losses recognised.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 17 *Insurance Contracts* ("MFRS 17") (continued)

(a) *Significant changes in accounting policies (continued)*

Listed below are the significant key principles in MFRS 17 that the Group and the Company applied: (continued)

A loss component represents a notional record of the losses attributable to each group of onerous takaful certificates. The loss component is released based on a systematic allocation of the subsequent changes relating to future service in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component.

(b) *Significant changes in judgements and estimates*

Listed below are the significant changes in judgements and estimates from the adoption of MFRS 17:

- The takaful certificate liabilities are calculated by discounting expected future cash flow at a risk free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid government bonds. The illiquidity premium is determined by reference to observable market rates, e.g., private debt securities.

- The Group and the Company has estimated the risk adjustment using 75% confidence level. The risk adjustment represents the return required by the Group and the Company to compensate for exposure to the non-financial risk.

- The amount of CSM recognised in profit or loss as takaful revenue is determined by the coverage units in the group of takaful certificates. The number of coverage units in a group is the quantity of takaful certificate services provided by the certificates in the group, determined by considering the quantity of the benefits provided and the expected coverage period.

  The CSM is then allocated at the end of the period equally to each coverage unit provided in the current period and expected to be provided in the future before recognising in profit or loss the amount allocated to coverage units provided in the period.

  For retakaful certificates held, the number of coverage units in a group reflects the expected pattern of underwriting of the underlying takaful certificates because the level of service provided depends on the number of underlying certificates in force.

(c) *Changes in presentation to the financial statements*

- The following items are presented separately on the statement of financial position:

  - portfolios of takaful certificates issued that are assets;
  - portfolios of takaful certificates issued that are liabilities;
  - portfolios of retakaful certificates held that are assets; and
  - portfolios of retakaful certificates held that are liabilities.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 17 *Insurance Contracts* ("MFRS 17") (continued)

(c) *Changes in presentation to the financial statements (continued)*

- The amounts recognised in the statement of profit or loss and other comprehensive income is disaggregated into takaful service result, comprising takaful revenue and takaful service expenses, and takaful finance income or expenses.

- The income or expenses from retakaful certificates held is disclosed separately from the expenses or income from takaful certificates issued.

(d) *Transition*

On the transition date of 1 January 2022, the Group and the Company:

- Applied the fair value approach on transition to all certificates issued prior to that date. The fully retrospective approach was only applied to certificates issued during the financial year ended 31 December 2022.

  The Group and the Company had obtained reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort.

  The Group and 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. The Group and the Company uses the return on capital approach which assumes the fair value of a book of takaful liabilities at the transition date as the initial capital outlay of the total required capital at that date less the price for the transaction at that date.

  The discount rate for the group of takaful certificates applying the fair value approach was determined at the transition date. The locked-in discount rate, at transition, is the weighted average of the rates applicable at the date of initial recognition of certificates. The discount rate used for accretion of interest on the CSM is determined using the bottom-up approach at inception.

- Derecognised any existing balances that would not exist had MFRS 17 always been applied.

- Recognised any resulting net difference in equity.

The Group and the Company did not disclose the quantitative impact on transition as allowed by the exemption relief in MFRS 17 C3(a).

MFRS 9 *Financial Instruments* ("MFRS 9")

MFRS 9 replaced MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. However, the Group and 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.

MFRS 9 does not require restatement of comparative periods except in limited circumstances related to aspects of hedge accounting. Entities are permitted to restate comparatives as long as hindsight is not applied.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 9 *Financial Instruments* ("MFRS 9") (continued)

Upon the adoption of MFRS 9, the Group and the Company adopted the classification overlay approach as allowed under the Amendments to MFRS 17, without restating comparative information under MFRS 9. Under this approach, the Group and the Company reclassified and redesignated the financial assets held as of 31 December 2021, as if they have been adopting MFRS 9 as of 31 December 2021, however, no recomputation of Expected Credit Loss ("ECL") is performed. The Group and the Company is allowed to use the impairment losses recognised under MFRS 139, if any, as the ECL under MFRS 9. In the case of assets classified as FVTPL under MFRS 139, no impairment was calculated for these financial instruments for financial year ended 31 December 2022.

- Classification and measurement

  To determine their classification and measurement category, MFRS 9 requires all financial assets to be assessed based on a combination of the Group's and the Company's business model for managing the assets and the instruments' contractual cash flow characteristics. The business model test determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The SPPI test determines whether the contractual cash flows are solely for payments of principal and interest.

  A financial asset is measured at amortised cost if its business model is to hold the asset in order to collect contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal.

  A financial asset is measured at fair value through other comprehensive income ("FVOCI") if its business model is both to hold the asset to collect contractual cash flows and to sell the financial asset. In addition, the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal.

  Financial assets classified and measured at FVTPL are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are mandatorily required to be measured at fair value under MFRS 9.

  Based upon the Group's and the Company's business model assessment, the equity and debt securities are classified and measured as FVTPL as they are managed in a fair value business model. Deposits and other receivables are classified as amortised cost as the business model is to hold and collect contractual cash flows.

- Impairment

  The adoption of MFRS 9 has fundamentally changed the Group and the Company's accounting for impairment losses for instruments held at FVOCI or amortised cost by replacing MFRS 139's incurred loss approach with a forward-looking ECL approach.

  The measurement of expected credit losses of a financial instrument reflects:
  - an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
  - the time value of money; and
  - reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

1. **Basis of preparation (continued)**

(a) **Statement of compliance (continued)**

MFRS 9 *Financial Instruments* ("MFRS 9") (continued)

MFRS 9 sets out a 'general approach' to impairment. However, in some cases, this 'general approach' is overly complicated and therefore some simplifications were introduced.

The Group and the Company applies the simplified approach for the impairment of deposits and other receivables.

(a) *Transition*

The following table shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 for the Group's and the Company's financial assets as at 1 January 2022.

	Original classification under MFRS 139		New classification and measurement under MFRS 9	
	Held for trading RM'000	Amortised cost RM'000	FVTPL RM'000	Amortised cost RM'000
Investment				
Malaysian government investment issue	184,972	-	184,972	-
Islamic debt securities	1,626,173	-	1,626,173	-
Equity securities	2,163,132	-	2,163,132	-
Collective investment schemes	280,785	-	280,785	-
Deposit with financial institutions	-	870,130	-	870,130
Other receivables	-	62,931	-	62,931
Cash and cash equivalents	-	571,213	-	571,213
Total financial assets	4,255,062	1,504,274	4,255,062	1,504,274

The change in classification and measurement of the Group and the Company's financial assets as a result of adopting MFRS 9, hence, had no impact to the opening shareholders' equity as at 1 January 2022.

Amendments to MFRS 101 Presentation of Financial Statements - Disclosure of Accounting Policies

The amendments require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosure on MFRS applications.

The amendments explain that an accounting policy is material if, without it the users of the financial statements would be unable to understand other material information in the financial statements or/and when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decision that the primary users of general purpose financial statements make on the basis of those financial statements. Immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting information.

The amendments are to be applied prospectively in annual periods beginning on or after 1 January 2023, earlier application is permitted. These amendments do not have significant impact on the preparation of the Group's and the Company's financial statements.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

Amendments to MFRS 112 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments specify the treatment for deferred tax on transactions related to leases and decommissioning obligation. The amendments clarify that the initial recognition exemption set out in MFRS 112 does not apply to transactions that give rise to equal amounts of taxable and deductible temporary difference. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are to be applied to transactions that occur on or after the beginning of the earliest comparative period presented. The effects arising from the restatement of comparative information is as follows:

(i) Reconciliation of statement of financial position

	As previously reported RM'000	Effect of adoption of MFRS17 RM'000	Reclassification RM'000	As Restated RM'000
31 December 2022				
Group and company				
Deferred tax assets/ (liabilities)	35,537	(345,433)	21	(309,875)
1 January 2022				
Group and company				
Deferred tax liabilities	(13,310)	(324,381)	2,149	(335,542)

(ii) Reconciliation of statement of profit or loss

	As previously reported RM'000	Effect of adoption of MFRS17 RM'000	Reclassification RM'000	As Restated RM'000
31 December 2022				
Group and company				
Tax credit/(expense) attributable to takaful operator	6,081	(21,052)	(2,128)	(17,099)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

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

1. **Basis of preparation (continued)**

(d) Use of estimates and judgements

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

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

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

(i) Takaful and retakaful certificates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group and the Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group and the Company. Such changes are reflected in the assumptions when they occur.

(1) The methods used to measure takaful certificates

The Group and the Company primarily uses deterministic projections to estimate the present value of future cash flows and for some groups it uses stochastic modelling techniques.

The following assumptions were used when estimating future cash flows:

- **Mortality and morbidity rates**

  The Group and the Company derives best estimate mortality or morbidity assumptions for each product type. These best estimates are based on studies which are derived from the existing portfolio. In practice, as the portfolio is dominated by new business sales whereby the experience is affected by underwriting selection effect, the best estimate assumption is not established entirely based on the portfolio experience but also with reference to retakaful risk rate tables. Underwriting practices influences the mortality and morbidity experience of the fund. Monitoring and experience studies need to be performed if there are changes to underwriting practices.

- **Expenses**

  Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force certificates and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation and growth of business size if appropriate.

  An increase in the expected level of expenses will reduce future expected profits of the Group and the Company.

  The cash flows within the contract boundary include an allocation of fixed and variable overheads directly attributable to fulfilling takaful certificates.

1. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

(i) Takaful and retakaful certificates (continued)

(1) The methods used to measure takaful certificates (continued)

- **Persistency**

  Persistency assumption is determined using statistical measures based on the Group's and the Company's experience and vary by product type and certificate duration.

  Persistency has marginal impact to the takaful funds as charges are deducted monthly and claims paid only if the certificate is in-force.

(2) Discount rates

Family takaful certificate liabilities are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid government bonds. The illiquidity premium is determined by reference to observable market rates e.g. private debt securities.

(3) Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation that Group and the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of takaful certificates and covers takaful risk, lapse risk and expense risk. The risk adjustment reflects an amount that a takaful operator would rationally pay to remove the uncertainty that future cash flows will exceed the best estimate amount.

The Group and the Company has estimated the risk adjustment at 75% confidence level, which is align with the requirement by Bank Negara Malaysia under the Risk-Based Capital Takaful Framework.

(4) Amortisation of the Contractual Service Margin ("CSM")

The CSM is a component of the asset or liability for the group of takaful certificates that represents the unearned profit the Group and the Company will recognise as it provides services in the future. An amount of the CSM for a group of takaful certificates is recognised in profit or loss as takaful revenue in each period to reflect the services provided under the group of takaful certificates in that period. The amount is determined by:

- Identifying the coverage units in the group.
- Allocating the CSM at the end of the period (before recognising any amounts in profit or loss to reflect the services provided in the period) to each coverage unit provided in the current period and expected to be provided in the future.
- Recognising in profit or loss the amount allocated to coverage units provided in the period.

The number of coverage units in a group is the quantity of coverage provided by the certificates in the group, which is determined by considering the quantity of the benefits provided and the expected coverage duration. For groups of family takaful contracts, the quantity of benefit is the contractually agreed sum covered over the duration of the contracts. The total coverage units of each group of takaful certificates are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of certificates in the period. They are then allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

2. Material accounting policies information

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

(a) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour.

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

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net in "takaful service expenses" in profit or loss.

The Group and the Company adopted the revaluation model for property comprising land and building. The Group and the Company revalues its property comprising land and building every three years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

The revalued amounts of property are determined by using the Comparison Method performed by an external valuer. The Comparison Method entails comparing the property with comparable property which have been sold/let or are being offered for sale/to let and making adjustments for factors which affect value such as location and accessibility, market conditions, size and restriction if any and other relevant characteristics.

Valuation of property involves a degree of judgement before arriving at the respective property's revalued amount.

As such, the revalued amount of the property may be different from its actual market price. Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss.

(ii) Subsequent costs

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

2. Material accounting policies information (continued)

(a) Property and equipment (continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment from the date that they are available for use. Property and equipment that are work-in-progress are not depreciated until the assets are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

Building	50 years
Renovation	10 years or over lease period
Motor vehicles	5 years
Computer equipment	3 years
Office equipment, furniture and fittings	10 years

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

(b) Intangible assets

(i) Other intangible assets

Intangible assets that are acquired or software developed other than purchased software as disclosed in Note 2(a)(i), which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iii) Amortisation

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on cost of an assets less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and previous periods are as follows:

Software development cost and computer software	3 - 10 years

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

2. Material accounting policies information (continued)

(c) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assesses whether:

(a) The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

(b) The customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(c) The customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group and the Company is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

As a lessee

The Group and the Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset except for land is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

For the right-of-use assets related to leasehold land, the Group and the Company has adopted the revaluation model for property as described in Note 2(a)(i).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group and the Company entities' incremental profit rate. Generally, the Group and the Company use its incremental borrowing rate as the discount rate.

2. Material accounting policies information (continued)

(c) Leases (continued)

(ii) Recognition and initial measurement (continued)

As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments less any incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the Group and the Company is reasonably certain to exercise; and
- Penalties for early termination of a lease unless the Group and the Company is reasonably certain not to terminate early.

The Group and the Company excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments, if any, are recognised in profit or loss in the period in which the performance or use occurs.

The Group and the Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group's and the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. Material accounting policies information (continued)

(d) Financial assets and Financial Liabilities

Financial assets

(i) Classification and measurement

The classification and measurement of financial instruments depends on their contractual cash flow characteristics ("SPPI test") and the business model for managing the instruments.

a. Business model assessment

The Group and the Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's and the Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's and the Company's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of asset sales are also important aspects of the Group's and the Company's assessment.

b. Solely Payments of Principal and Interest ("SPPI") test

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time - e.g. if there are repayments of principal.

Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Group and the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group and the Company considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Group's and the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration for the time value of money (e.g. periodic reset of interest rates).

2. Material accounting policies information (continued)

(d) Financial assets and Financial Liabilities (continued)

Financial assets (continued)

(i) Classification and measurement (continued)

Based on the business model assessment and SPPI test, the Group and the Company classified and measured the financial assets into the following:

(1) Financial assets at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions:

- 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 SPPI.

Subsequently, financial assets at amortised cost are measured at amortised cost, using the effective interest rate ("EIR") method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. ECLs are recognised in the statement of profit or loss when the investments are impaired.

The Group and the Company classifies deposits and other receivables as amortised cost.

(2) Financial assets at fair value through other comprehensive income ("FVOCI")
A financial asset is measured at fair value through other comprehensive income if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and to sell; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

These investments are initially recorded at fair value and transaction costs are expensed in the profit or loss. Subsequent to initial recognition, these investments are remeasured at fair value. All fair value adjustments are recognised through OCI. Debt instruments at FVOCI are subject to impairment assessment.

(3) Financial assets at fair value through profit or loss ("FVTPL")
Financial assets are classified as FVTPL if the financial assets are held for trading or are managed on a fair value basis (including derivatives). Other financial assets with contractual cash flow that are not solely payments of principal and interest, regardless of its business model are classified as FVTPL.

Certain financial assets that otherwise meets the requirements to be either measured at amortised cost or at FVOCI, may irrevocably be designated at FVTPL on initial recognition, when such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These investments are initially recorded at fair value and transaction costs are expensed in the profit or loss. Subsequent to initial recognition, these investments are remeasured at fair value. All subsequent fair value adjustments are recognised through profit or loss.

The Group and the Company irrevocably designate debt securities at FVTPL as it significantly reduced the accounting mismatch of the measurement of the Takaful Certificate Liabilities. Equity is also classified and measured at FVTPL.

2. **Material accounting policies information (continued)**

(d) **Financial assets and Financial Liabilities (continued)**

Financial assets (continued)

(i) **Classification and measurement (continued)**

Financial assets are not reclassified subsequent to their initial recognition unless the Group and the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(ii) **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.

Or

- The Group and the Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Group and the Company has transferred substantially all the risks and rewards of the asset; or (b) the Group and the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group and the Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group and the Company has neither transferred nor retained substantially all of the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's and the Company's continuing involvement, in which case, the Group and the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group and the Company could be required to pay.

(iii) **Impairment of financial assets**

The Group and the Company recognises loss allowances for ECL on financial assets measured at amortised cost.

The Group and the Company measures loss allowances 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 the reporting date; and
- other financial instruments for which credit risk has not increased significantly since initial recognition.

2. Material accounting policies information (continued)

(d) Financial assets and Financial Liabilities (continued)

Financial assets (continued)

(iii) Impairment of financial assets (continued)

Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Financial instruments for which lifetime ECL are recognised because of a significant increase in credit risk since initial recognition but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Group and the Company is exposed to credit risk.

- **Measurement of ECL**

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group and the Company in accordance with the contract and the cash flows that the Group and the Company expects to receive).

- **Credit-impaired financial assets**

At each reporting date, the Group and the Company assesses whether financial assets measured at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the debtor;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Group and the Company on terms that the Group and the Company would not otherwise consider;
- the debtor entering bankruptcy or other financial reorganisation becoming probable; or the disappearance of an active market for a security because of financial difficulties.

In assessing whether an investment in sovereign debt is credit-impaired, the Group and the Company considers the following factors:
- the market's assessment of creditworthiness as reflected in bond yields;
- the rating agencies' assessments of creditworthiness;
- the country's ability to access the capital markets for new debt issuance; and
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

2. Material accounting policies information (continued)

(d) Financial assets and Financial Liabilities (continued)

Financial assets (continued)

(iv) Write off of financial assets

An estimate is made for doubtful debts based on are view of all outstanding balances as at reporting date. Any financial assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business will be written down to an amount which they might be expected so to realise.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

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

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

(e) Takaful and retakaful certificates classification

The Group and the Company issues takaful certificates in the normal course of business, under which it accepts significant takaful risk from participants of the Participant Risk Fund. As a general guideline, the Group and the Company determines whether it has significant takaful risk, by comparing benefits payable after a covered event with benefits payable if the covered event had not occurred. Takaful certificates can also transfer financial risk.

The Group and the Company does not issue retakaful certificates.

(f) Takaful and retakaful certificates accounting treatment

(i) Separating components from takaful and retakaful certificates

The Group and the Company assesses its family takaful certificates to determine whether they contain distinct components which must be accounted for under another MFRS rather than MFRS 17. After separating any distinct components, an entity must apply MFRS 17 to all remaining components of the (host) takaful certificate. Currently, the Group's and the Company's products do not include distinct components that require separation.

2. Material accounting policies information (continued)

(f) Takaful and retakaful certificates accounting treatment (continued)

(i) Separating components from takaful and retakaful certificates (continued)

Some term family takaful certificates issued by Group and the Company include a surrender option under which the surrender value is paid to the participant on maturity or earlier lapse of the certificate. These surrender options have been assessed to meet the definition of a non-distinct investment component in MFRS 17. MFRS 17 defines investment components as the amounts that a takaful certificate requires a takaful operator to repay to a participant in all circumstances, regardless of whether a covered event occurs. Investment components which are highly interrelated with the takaful certificate of which they form a part are considered non-distinct and are not separately accounted for. However, receipts and payments of the investment components are recorded outside of profit or loss. The surrender options are considered non distinct investment components as Group and the Company is unable to measure the value of the surrender option component separately from the family takaful portion of the certificate.

(ii) Level of aggregation

MFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Group and the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Group and the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Group and the Company makes an evaluation of whether a series of contracts can be treated together in making the profitability assessment based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). MFRS 17 also notes that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Group and the Company has defined portfolios of takaful certificates issued based on its product lines due to the fact that the products are subject to similar risks and managed together. The expected profitability of these portfolios at inception is determined based on the existing actuarial valuation models which take into consideration existing and new business. In determining groups of contracts, the Group and the Company has elected to include in the same group contracts where its ability to set prices or levels of benefits for participants with different characteristics is constrained by regulation.

The groups of contracts for which the fair value approach has been adopted on transition include contracts issued more than one year apart. Please refer to the transition approach applied by the Group and the Company in Note 1(a)(d).

The takaful certificates portfolios are divided into:

- A group of contracts that are onerous at initial recognition.
- A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently.
- A group of the remaining contracts in the portfolio.

2. Material accounting policies information (continued)

(f) Takaful and retakaful certificates accounting treatment (continued)

(ii) Level of aggregation (continued)

The retakaful certificates held portfolios are further divided into:
- A group of contracts on which there is a net gain on initial recognition.
- A group of contracts that have no significant possibility of a net gain arising subsequent to initial recognition.
- A group of the remaining contracts in the portfolio.

(iii) Recognition

The Group and the Company recognises groups of takaful certificates that it issues from the earliest of the following:
- The beginning of the coverage period of the group of certificates.
- The date when the first payment from a participant in the group is due, or when the first payment is received if there is no due date.
- For a group of onerous certificates, as soon as facts and circumstances indicate that the group is onerous.

The Group and the Company recognises a group of retakaful certificates held:
- If the retakaful certificates provide proportionate coverage, at the later of the beginning of the coverage period of the group, or the initial recognition of any underlying certificate.
- In all other cases, from the beginning of the coverage period of the first certificate in the group.

The retakaful certificates held by the Group and the Company provide proportionate cover. Therefore the Group and the Company does not recognise a proportional retakaful certificate held until at least one underlying direct takaful certificate has been recognised. Groups of retakaful certificate held are recognised when the coverage of the first underlying certificate starts.

(iv) Onerous groups of contracts

The Group and the Company issues some certificates before the coverage period starts and the first contribution becomes due. Therefore, the Group and the Company has determined whether any contracts issued form a group of onerous certificates before the earlier of the beginning of the coverage period and the date when the first payment from a participant in the group is due. The Group and the Company looks at facts and circumstances to identify if a group of certificates are onerous based on:

- Pricing information.
- Results of similar certificates it has recognised.
- Environmental factors, e.g., a change in market experience or regulations.

2. Material accounting policies information (continued)

(f) Takaful and retakaful certificates accounting treatment (continued)

(v) Contract boundary

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

- The Group and the Company has the practical ability to reassess the risks of the particular participant and, as a result, can set a price or level of benefits that fully reflects those risks.

Or

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

A liability or asset relating to expected contributions or claims outside the boundary of the takaful certificate are not recognised. Such amounts relate to future takaful certificates.

For takaful certificates with renewal periods, the Group and the Company assesses whether contributions and related cash flows that arise from the renewed certificate are within the contract boundary. The pricing of the renewals are established by the Group and the Company by considering all the risks covered for the participant by the Group and the Company. The Group and the Company considers when underwriting equivalent certificates on the renewal dates for the remaining coverage. The Group and the Company reassess contract boundary of each group at the end of each reporting period.

(vi) Measurement - certificates not measured under PAA

(i) Takaful certificates – initial measurement

On initial recognition, the Group and the Company measures a group of takaful certificates as the total of:

- Fulfilment cash flows.
- A CSM representing the unearned profit the Group and the Company will recognise as it provides service under the takaful certificates in the group.

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk.

The Group's and the Company's objective in estimating future cash flows is to determine the expected value, or the probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Group and the Company estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

2. Material accounting policies information (continued)

(f) Takaful and retakaful certificates accounting treatment (continued)

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

(i) Takaful certificates – initial measurement (continued)

When estimating future cash flows, the Group and the Company includes all cash flows that are within the contract boundary including:

- Contributions and related cash flows.
- Claims and benefits, including reported claims not yet paid, incurred claims not yet reported, expected future claims and surplus to participants.
- An allocation of takaful acquisition cash flows attributable to the portfolio to which the contract belongs.
- Claims handling costs.
- Policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries.
- An allocation of fixed and variable overheads directly attributable to fulfilling takaful certificates.
- Transaction-based taxes.

The Group and the Company incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The Group and the Company estimates the probabilities and amounts of future payments under existing certificates based on information obtained, including:

- Information about claims already reported by participants.
- Other information about the known or estimated characteristics of the takaful certificates.
- Historical data about the Group's and the Company's own experience, supplemented when necessary with data from other sources. Historical data is adjusted to reflect current conditions.
- Current pricing information, when available.

The measurement of fulfilment cash flows includes takaful acquisition cash flows which are allocated as a portion of contribution to profit or loss (through takaful revenue) over the period of the certificate on a straight line basis.

The Group's and the Company's CSM is a component of the asset or liability for the group of takaful certificates that represents the unearned profit the Group and the Company will recognise as it provides services in the future. The Group and the Company measures the CSM on initial recognition at an amount that, unless the group of certificates is onerous, results in no income or expenses arising from:

- Initial recognition of the fulfilment cash flows.
- Derecognition at the date of initial recognition of any asset or liability recognised for takaful acquisition cash flows.
- Any cash flows arising from the certificates in the group at that date.

2. Material accounting policies information (continued)

(f) Takaful and retakaful certificates accounting treatment (continued)

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

(i) Takaful certificates - initial measurement (continued)

For groups of certificates assessed as onerous, the Group and the Company has recognised a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the CSM of the group being zero. A loss component has been established by the Group and the Company for the liability for remaining coverage for an onerous group depicting the losses recognised. For additional disclosures on the loss component, please refer to Note 2(f)(vi)(v)(ii).

The liability for remaining coverage is the Group's and the Company's obligation to investigate and pay valid claims for covered events that have not yet occurred (i.e., the obligation that relates to the unexpired portion of the coverage period) and at initial recognition, comprises all remaining expected future cash inflows and cash outflows under a takaful certificate plus the CSM for that certificate.

The liability for incurred claims is the Group and the Company's obligation to investigate and pay valid claims for covered events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred takaful expenses. At initial recognition of a group of contracts, the liability for incurred claims is usually nil as no covered events have occurred.

(ii) Retakaful certificates - initial measurement

The measurement of retakaful certificates held follows the same principles as those for takaful certificates issued, with the exception of the following:

- Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the retakaful operators, including the effects of collateral and losses from disputes.
- The Group and the Company determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the retakaful operator.
- The Group and the Company recognises both day 1 gains and day 1 losses at initial recognition in the statement of financial position as a CSM and releases this to profit or loss as the retakaful operator renders services, except for any portion of a day 1 loss that relates to events before initial recognition.
- Changes in the fulfilment cash flows are recognised in profit or loss if the related changes arising from the underlying ceded contracts have been recognised in profit or loss. Alternatively, changes in the fulfilment cash flows adjust the CSM.

(iii) Takaful certificates - subsequent measurement

(i) Takaful certificates

The CSM at the end of the reporting period represents the profit in the group of takaful certificates that has not yet been recognised in profit or loss, because it relates to future service to be provided.

2. Material accounting policies information (continued)

(f) Takaful and retakaful certificates accounting treatment (continued)

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

(iii) Takaful certificates - subsequent measurement (continued)

(i) Takaful certificates (continued)

Takaful certificates without direct participation features

For a group of takaful certificates the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- The effect of any new contracts added to the group (see Note 2(f)(iii) above).
- Profit accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition.
- The changes in fulfilment cash flows relating to future service, except to the extent that:
  - Such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss.

  Or
  - Such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage (see Note 2(f)(vi)(v)(ii)).
- The effect of any currency exchange differences on the CSM.
- The amount recognised as takaful revenue because of the transfer of services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period (see Note 2(f)(vi)(v)(i)).

The locked-in discount rate is the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period. The discount rate used for accretion of profit on the CSM is determined using the bottom-up approach at inception.

The changes in fulfilment cash flows relating to future service that adjust the CSM comprise of:

- Experience adjustments that arise from the difference between the contribution receipts (and any related cash flows such as takaful acquisition cash flows and takaful contribution taxes) and the estimate, at the beginning of the period, of the amounts expected. Differences related to contributions received (or due) related to current or past services are recognised immediately in profit or loss while differences related to contributions received (or due) for future services are adjusted against the CSM.

2. Material accounting policies information (continued)

(f) Takaful and retakaful certificates accounting treatment (continued)

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

(iii) Takaful certificates - subsequent measurement (continued)

(i) Takaful certificates (continued)

Takaful certificates without direct participation features (continued)

The changes in fulfilment cash flows relating to future service that adjust the CSM comprise of: (continued)

- Changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (recognised in the statement of profit or loss rather than adjusting the CSM).
- Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period.
- Changes in the risk adjustment for non-financial risk that relate to future service.

Except for changes in the risk adjustment, adjustments to the CSM noted above are measured at discount rates that reflect the characteristics of the cash flows of the group of takaful certificates at initial recognition.

The Group and the Company measures the carrying amount of a group of takaful certificates at the end of each reporting period as the sum of: (i) the liability for remaining coverage comprising fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date; and (ii) the liability for incurred claims for the Group and the Company comprised the fulfilment cash flows related to past service allocated to the group at that date.

Takaful certificates with direct participation features

Direct participating certificates are certificates under which the Group's and Company's obligation to the participant is the net of:

- the obligation to pay the participant 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 Group's and 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 Group and the Company provides investment services under these certificates by promising an investment return based on underlying items, in addition to takaful coverage.

When measuring a group of direct participating certificates, the Group and the Company adjusts the fulfilment cash flows for the whole of the changes in the obligation to pay participants an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss. The Group and the Company then adjusts any CSM for changes in the amount of the Group's and the Company's share of the fair value of the underlying items, which relate to future services, as explained in the following page.

2. Material accounting policies information (continued)

(f) Takaful and retakaful certificates accounting treatment (continued)

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

(iii) Takaful certificates - subsequent measurement (continued)

(i) Takaful certificates (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 year, adjusted for:

- the CSM of any new certificates that are added to the group in the year;
- the change in the amount of the Group's and 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:
  - the Group and the Company have applied the risk mitigation option to exclude from the CSM changes in the effect of financial risk on the amount of its share of the underlying items or fulfilment cash flows;
  - a decrease in the amount of the Group's and 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, giving rise to a loss in profit or loss (included in takaful service expenses) and creating a loss component.
    Or
  - an increase in the amount of the Group's and the Company's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in profit or loss (included in takaful service expenses) (see (viii)).
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as takaful revenue because of the services provided in the year.

Changes in fulfilment cash flows that relate to future services include the changes relating to future services specified above for certificates with direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that do not arise from underlying items - e.g. the effect of financial guarantees.

(iv) Takaful certificates - modification and derecognition

The Group and the Company derecognises takaful certificates when:

- The rights and obligations relating to the certificate are extinguished (i.e., discharged, cancelled or expired).
  Or
- The certificate is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Group and the Company derecognises the initial certificate and recognises the modified certificate as a new certificate.

2. Material accounting policies information (continued)

(f) Takaful and retakaful certificates accounting treatment (continued)

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

(v) Presentation

The Group and the Company has presented separately in the statement of financial position the carrying amount of groups of takaful certificates issued that are assets, groups of takaful certificates issued that are liabilities, retakaful certificates held that are assets and groups of retakaful certificates held that are liabilities.

Any assets or liabilities for takaful acquisition cash flows recognised before the corresponding takaful certificates are included in the carrying amount of the related groups of takaful certificates issued.

The Group and the Company disaggregates the amounts recognised in the statement of profit or loss and other comprehensive income into a takaful service result, comprising takaful revenue and takaful service expenses, and takaful finance income or expenses.

The Group and the Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the takaful service result.

The Group and the Company separately presents income or expenses from takaful certificates held from the expenses or income from retakaful certificates held.

(i) Takaful revenue

The Group and the Company's takaful revenue depicts the provision of coverage and other services arising from a group of takaful certificates at an amount that reflects the consideration to which the Group and the Company expects to be entitled in exchange for those services. Takaful revenue from a group of takaful certificates is therefore the relevant portion for the period of the total consideration for the contracts, (i.e., the amount of contributions paid to the Group and the Company adjusted for financing effect (the time value of money) and excluding any distinct investment components). The total consideration for a group of certificates covers amounts related to the provision of services and is comprised of:

- Takaful service expenses, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- The risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- The CSM release.
- Amounts related to takaful acquisition cash flows.

For management judgement applied to the amortisation of CSM, please refer to Note 1(d)(i)(4).

2. Material accounting policies information (continued)

(f) Takaful and retakaful certificates accounting treatment (continued)

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

(v) Presentation (continued)

(ii) Loss components

The Group and the Company has grouped contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. The Group and the Company has established a loss component of the liability for remaining coverage for any onerous group depicting the future losses recognised.

A loss component represents a notional record of the losses attributable to each group of onerous takaful certificates (or certificates profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes in estimates of the fulfilment cash flows related to future service. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of certificates (since the loss component will have been materialised in the form of incurred claims). The Group and the Company uses the proportion on initial recognition to determine the systematic allocation of subsequent changes in future cash flows between the loss component and the liability for remaining coverage excluding the loss component.

(iii) Takaful finance income and expense

Takaful finance income or expenses comprise the change in the carrying amount of the group of takaful certificates arising from:
- The effect of the time value of money and changes in the time value of money.
- The effect of financial risk and changes in financial risk.

The Group and the Company defines the Family Takaful Fund as an underlying item. Hence, changes in measurement of a group of takaful certificates caused by changes in the value of the Family Takaful Fund are reflected in takaful finance income or expenses.

Finance income and expenses on the Group and the Company's issued takaful certificates is not disaggregated because the related financial assets are managed on a fair value basis and measured at fair value through profit or loss.

(iv) Net income or expense from retakaful certificates held

The Group and the Company presents on the face of the statement of profit or loss, the amounts expected to be recovered from retakaful operators, and an allocation of the retakaful contributions paid. The Group and the Company treats retakaful cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the retakaful certificate held, and excludes investment components and commissions from an allocation of retakaful contributions presented on the face of the statement of profit or loss.

2. Material accounting policies information (continued)

(f) Takaful and retakaful certificates accounting treatment (continued)

(vii) Measurement - certificates measured under PAA

(i) Takaful certificates - initial measurement

The Group and the Company applies the premium allocation approach (PAA) to all the takaful certificates that it issues and retakaful certificates that it holds, as:

- The coverage period of each certificate in the group is one year or less, including takaful certificate services arising from all contributions within the contract boundary (see Note 2(f)(v)).
- For certificates longer than one year, the Group and the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those certificates under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Group and the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

The Group and the Company does not apply PAA if, at the inception of the group of certificates, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred. Variability in the fulfilment cash flows increases with, for example:

- The extent of future cash flows related to any derivatives embedded in the certificates.
- The length of the coverage period of the group of certificates.

For a group of certificates that is not onerous at initial recognition, the Group and the Company measures the liability for remaining coverage as:

- The contributions, if any, received at initial recognition;
- Minus any takaful acquisition cash flows at that date, with the exception of certificates which are one year or less where this is expensed;
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for takaful acquisition cash flows; and
- Any other asset or liability previously recognised for cash flows related to the group of certificates that the Group and the Company pays or receives before the group of takaful certificates is recognised.

Where facts and circumstances indicate that certificates are onerous at initial recognition, the Group and the Company performs additional analysis to determine if a net outflow is expected from the certificate. Such onerous certificates are separately grouped from other certificates and the Group and the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Group and the Company for the liability for remaining coverage for such onerous group depicting the losses recognised. For additional disclosures on the loss component (see Note 2(f)(vi)(v)(ii)).

2. Material accounting policies information (continued)

(f) Takaful and retakaful certificates accounting treatment (continued)

(vii) Measurement - certificates measured under PAA (continued)

(ii) Retakaful certificates - initial measurement

The Group and the Company measures its retakaful assets for a group of retakaful certificates that it holds on the same basis as takaful certificates that it issues. However, they are adapted to reflect the features of retakaful certificates held that differ from takaful certificates issued, for example the generation of expenses or reduction in expenses rather than income.

Where the Group and the Company recognises a loss on initial recognition of an onerous group of underlying takaful certificates or when further onerous underlying takaful certificates are added to a group, the Group and the Company establishes a loss-recovery component of the asset for remaining coverage for a group of retakaful certificates held depicting the recovery of losses.

The Group and the Company calculates the loss-recovery component by multiplying the loss recognised on the underlying takaful certificates and the percentage of claims on the underlying takaful certificates the Group and the Company expects to recover from the group of retakaful certificates held. The Group and the Company uses a systematic and rational method to determine the portion of losses recognised on the group to takaful certificates covered by the group of retakaful certificates held where some certificates in the underlying group are not covered by the group of retakaful certificates held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

(iii) Takaful certificates - subsequent measurement

The Group and the Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus contributions received in the period;
- Minus takaful acquisition cash flows;
- Plus any amounts relating to the amortisation of the takaful acquisition cash flows recognised as an expense in the reporting period for the group;
- Plus any adjustment to the financing component, where applicable;
- Minus the amount recognised as takaful revenue for the services provided in the period;
- Minus any investment component paid or transferred to the liability for incurred claims.

The Group and the Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Group and the Company, and include an explicit adjustment for non-financial risk (the risk adjustment). The Group and the Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

2. Material accounting policies information (continued)

(f) Takaful and retakaful certificates accounting treatment (continued)

(vii) Measurement - certificates measured under PAA (continued)

(iii) Takaful certificates - subsequent measurement (continued)

Where, during the coverage period, facts and circumstances indicate that a group of takaful certificates is onerous, the Group and the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Group and the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

Takaful acquisition cash flows are expensed off as incurred.

(iv) Retakaful certificates - subsequent measurement

The subsequent measurement of retakaful certificates held follows the same principles as those for takaful certificates issued and has been adapted to reflect the specific features of retakaful held.

Where the Group and the Company has established a loss-recovery component, the Company subsequently reduces the loss recovery component to zero in line with reductions in the onerous group of underlying takaful certificates in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying takaful certificates that the entity expects to recover from the group of retakaful certificates held.

(v) Takaful certificates - modification and derecognition

The modification and derecognition for takaful certificates measured under PAA is the same as per Note 2(f)(vi)(iv).

(g) Investment in a subsidiary

A subsidiary is a entity (including structured sukuk entities) over which the Company has control. The Company controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

A subsidiary is consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Company and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets of the subsidiary acquired, the gain is recognised directly in profit and loss.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with structured sukuk-accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. See Note 7 to the financial statements on controlled structured entity.

2. Material accounting policies information (continued)

(g) Investment in a subsidiary (continued)

The Company is required to consolidation the subsidiary in the financial statement based on the criteria set out in the MFRS 10 Consolidated Financial Statements ("MFRS 10").

MFRS 10 establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

- Control is achieved when the Group and the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group and the Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

- Consolidation of a subsidiary begins when the Group and the Company obtains control over the subsidiary and ceases when the Group and the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of financial position and statement of profit or loss and other comprehensive income from the date the Group and the Company gains control until the date the Group and the Company ceases to control the subsidiary.

- If the Group and the Company loses control over a subsidiary, it derecognises the related assets, liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(h) Income tax

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

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

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

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

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

2. Material accounting policies information (continued)

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. It excludes deposits which are held for investment purpose.

(j) Equity instruments

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

(i) Ordinary shares

Ordinary shares are classified as equity.

(ii) Distributions of assets to owners of the Group and the Company

The Group and the Company measures a liability to distribute assets as a dividend to the owners of the Group and the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group and the Company recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

(k) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(iii) Long-term employee benefits

Long-term employee benefit obligations in respect of long-term incentives given to staff are based on certain criteria set by the Group and the Company.

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

2. Material accounting policies information (continued)

(k) Employee benefits (continued)

(iv) Share-based plan

A cash-settled share-based payment to participating employees, in which the settlement value is based on the higher of share price of an affiliated Group and the Company or value of a comparable Shariah compliant equity fund, are measured on a fair-value basis.

A liability is recognised for the amount expected to be paid based on the fair value of the equity fund or the investment instrument, over the period that the employees become entitled to the reward.

(l) Fair value measurements

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

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

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

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

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

(m) Zakat

This represents tithes payable by the Company to comply with the Principles of Shariah and as approved by the SC of the Company. Total zakat payable on the Shareholders' Fund is calculated based on the Adjusted Growth Method. The Company has fulfilled the obligation to pay zakat for the financial year 2023 on its business amounting in RM1,288,186.

3. **Property and equipment**

Group and Company

	Note	Building RM'000	Renovation RM'000	Computer Equipment RM'000	Office equipment, furniture and fittings RM'000	Capital Work-in-progress RM'000	Total RM'000
Cost							
As at 1 January 2022		4,180	26,065	9,303	2,485	61	42,094
Additions for the year		-	105	1,520	19	3,077	4,721
Disposals		-	(217)	-	(5)	-	(222)
Property and equipment written off		-	(3,831)	(196)	(160)	-	(4,187)
Capitalisation		-	158	-	-	(158)	-
At 31 December 2022/1 January 2023		4,180	22,280	10,627	2,339	2,980	42,406
Additions for the year		-	173	545	5	48	771
Disposals		-	(6)	(18)	-	-	(24)
Property and equipment written off		-	(43)	-	-	-	(43)
Capitalisation		-	2,066	-	960	(3,026)	-
At 31 December 2023		4,180	24,470	11,154	3,304	2	43,110

In accordance with the Group's and the Company's accounting policy, a revaluation exercise was performed during the financial years ended 31 December 2022 and 31 December 2023 on building (inclusive of land), however there were no revisions made to the carrying amounts as at 31 December 2022 and 31 December 2023 as the latest valuations obtained approximated the carrying amounts.

3. Property and equipment (continued)

Group and Company (continued)

	Note	Building RM'000	Renovation RM'000	Computer Equipment RM'000	Office equipment, furniture and fittings RM'000	Capital Work-in-progress RM'000	Total RM'000
Accumulated depreciation							
As at 1 January 2022		315	7,662	7,128	1,226	-	16,331
Charge for the year	16b.	103	1,572	1,101	214	-	2,990
Disposals		-	(168)	-	(2)	-	(170)
Property and equipment written off		-	(2,951)	(194)	(135)	-	(3,280)
At 31 December 2022/1 January 2023		418	6,115	8,035	1,303	-	15,871
Charge for the year	16b.	103	1,909	1,044	456	-	3,512
Disposals		-	(2)	(18)	-	-	(20)
Property and equipment written off		-	(14)	-	-	-	(14)
At 31 December 2023		521	8,008	9,061	1,759	-	19,349
Carrying amounts							
As at 1 January 2022		3,865	18,403	2,175	1,259	61	25,763
At 31 December 2022/1 January 2023		3,762	16,165	2,592	1,036	2,980	26,535
At 31 December 2023		3,659	16,462	2,093	1,545	2	23,761

4. Right-of-use assets

Group and Company

	Note	Leasehold land RM'000	Buildings RM'000	Total RM'000
Carrying amount				
As at 1 January 2022		1,468	69,364	70,832
Depreciation	16b.	(17)	(5,793)	(5,810)
Derecognition*		-	(585)	(585)
Modification		-	(2)	(2)
At 31 December 2022/1 January 2023		1,451	62,984	64,435
Depreciation	16b.	(17)	(5,646)	(5,663)
At 31 December 2023		1,434	57,338	58,772

* Derecognition of the right-of-use assets in the previous financial year was due to the relocation of branches and agency offices.

4.1 Extension options

The office buildings contain extension options exercisable by the Company up to nine years before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

	Lease Liabilities Recognised (Discounted) RM'000	Potential Future Lease Payment Not Included In Lease Liabilities (Discounted) RM'000	Historical Rate Of Extension Options %
Buildings			
At 31 December 2023	65,653	42,823	55%
At 31 December 2022/1 January 2023	69,427	41,021	55%

4.2 Amounts recognised in statement of cash flows

	2023 RM'000	2022 RM'000
Included in net cash from financing activities:		
Payment of lease liabilities	3,774	3,964
Total cash outflow for leases	3,774	3,964

4.3 Reconciliation of movements in lease liabilities to cash flows arising from financing activities

	2023 RM'000	2022 RM'000
At 1 January/31 December	69,427	74,011
Net changes from financing cash flows	(3,774)	(3,964)
Derecognition of lease	-	(613)
Modification of existing lease	-	(7)
At 1 January/31 December	65,653	69,427

5. Intangible assets

	Note	Computer software RM'000	Capital Work-in-progress RM'000	Total RM'000
Group and Company				
Cost				
As at 1 January 2022		144,343	44,479	188,822
Additions for the year		419	21,404	21,823
Capitalisation		21,300	(21,300)	-
Intangible assets written off		(553)	-	(553)
At 31 December 2022/1 January 2023		165,509	44,583	210,092
Additions for the year		6	31,116	31,122
Capitalisation		29,616	(29,616)	-
Intangible assets written off		(212)	-	(212)
At 31 December 2023		194,919	46,083	241,002
Accumulated amortisation				
As at 1 January 2022		42,317	-	42,317
Amortisation for the year	16b.	15,005	-	15,005
Intangible assets written off		(154)	-	(154)
At 31 December 2022/1 January 2023		57,168	-	57,168
Amortisation for the year	16b.	18,341	-	18,341
Intangible assets written off		(74)	-	(74)
At 31 December 2023		75,435	-	75,435
Carrying amounts				
As at 1 January 2022		102,026	44,479	146,505
At 31 December 2022/1 January 2023		108,341	44,583	152,924
At 31 December 2023		119,484	46,083	165,567

6. Investments

	Family Takaful Fund			Company			Group		
	31.12.2023	31.12.2022 (Restated)	1.1.2022 (Restated)	31.12.2023	31.12.2022 (Restated)	1.1.2022 (Restated)	31.12.2023	31.12.2022 (Restated)	1.1.2022 (Restated)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysian government investment issue	413,945	236,716	176,952	422,017	236,716	184,972	830,097	352,543	184,972
Islamic debt securities	1,992,454	1,766,113	1,544,284	2,046,146	1,814,466	1,626,173	2,046,146	1,814,466	1,626,173
Equity securities	2,415,821	2,210,552	2,163,132	2,415,821	2,210,552	2,163,132	2,415,821	2,210,552	2,163,132
Collective investment schemes *	433,841	316,879	224,759	843,984	672,748	280,785	425,939	467,334	280,785
Deposits with financial institutions **	468,078	734,675	694,160	718,528	923,347	870,130	815,815	1,000,738	870,130
	5,724,139	5,264,935	4,803,287	6,446,496	5,857,829	5,125,192	6,533,818	5,845,633	5,125,192

* Included in collective investment schemes is an investment into a wholesale fund of RM410,142,723 for the Takaful Operator and RM7,843,118 for the Family Takaful Fund for which the Company is holding 80.5% (2022 : 100%, 2021 : Nil), giving the Company control over the investee as it has rights to returns from its involvement with the investee and the ability to affect those returns through its power over the investee. Further details are provided in Note 7.

** Included in the deposits with licensed financial institutions of the Company are deposits placed with the Holding Company of RM167,655,919 (2022: RM290,713,631).

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

	Family Takaful Fund			Company			Group		
	31.12.2023	31.12.2022 (Restated)	1.1.2022 (Restated)	31.12.2023	31.12.2022 (Restated)	1.1.2022 (Restated)	31.12.2023	31.12.2022 (Restated)	1.1.2022 (Restated)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Amortised cost									
- Deposits with financial institutions	468,078	734,675	694,160	718,528	923,347	870,130	815,815	1,000,738	870,130
Fair value through profit or loss ("FVTPL")									
Malaysian government investment issue	413,945	236,716	176,952	422,017	236,716	184,972	830,097	352,543	184,972
Islamic debt securities	1,992,454	1,766,113	1,544,284	2,046,146	1,814,466	1,626,173	2,046,146	1,814,466	1,626,173
Equity securities	2,415,821	2,210,552	2,163,132	2,415,821	2,210,552	2,163,132	2,415,821	2,210,552	2,163,132
Collective investment schemes	433,841	316,879	224,759	843,984	672,748	280,785	425,939	467,334	280,785
	5,256,061	4,530,260	4,109,127	5,727,968	4,934,482	4,255,062	5,718,003	4,844,895	4,255,062
	5,724,139	5,264,935	4,803,287	6,446,496	5,857,829	5,125,192	6,533,818	5,845,633	5,125,192

6. Investments (continued)

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

Company	Note	Amortised cost RM'000	FVTPL RM'000	Total RM'000
As at 1 January 2022		870,130	4,255,062	5,125,192
Purchases		48,039,628	17,311,767	65,351,395
Maturities/disposals		(47,986,411)	(16,335,138)	(64,321,549)
Fair value losses recognised in profit or loss	20	-	(297,209)	(297,209)
At 31 December 2022/1 January 2023		923,347	4,934,482	5,857,829
Purchases		44,199,968	15,513,525	59,713,493
Maturities/disposals		(44,404,787)	(14,737,614)	(59,142,401)
Fair value losses recognised in profit or loss	20	-	17,575	17,575
At 31 December 2023		718,528	5,727,968	6,446,496

Group	Note	Amortised cost RM'000	FVTPL RM'000	Total RM'000
As at 1 January 2022		870,130	4,255,062	5,125,192
Purchases		48,117,019	17,223,547	65,340,566
Maturities/disposals		(47,986,411)	(16,335,167)	(64,321,578)
Fair value losses recognised in profit or loss	20	-	(298,547)	(298,547)
At 31 December 2022/1 January 2023		1,000,738	4,844,895	5,845,633
Purchases		44,297,255	15,690,226	59,987,481
Maturities/disposals		(44,482,178)	(14,828,761)	(59,310,939)
Fair value losses recognised in profit or loss	20	-	11,643	11,643
At 31 December 2023		815,815	5,718,003	6,533,818

7. Investment in subsidiary - controlled structured entity

During the financial period, the Company acquired units in a unit trust fund which is established in Malaysia and managed by an external fund manager. Details of the investment in the unit trust fund is as follows:

Name of fund	Principal activities	% of ownership interest held by the Company	
		2023	2022
Principal Islamic Malaysia Government Sukuk Fund	Invest in Government Investment Issue ("GII"), Government Guaranteed Issuances ("GGI"), Islamic deposits and money market instrument.	80.5%	100.0%

The Company has determined that its investment in the above unit trust fund amounting to RM519,311,168 (2022: RM205,414,446) as an investment in a subsidiary entity ("investee").

The Company holds 80.5% (2022: 100.0%) of units in the investee and thus has control over it. The Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

This investee is classified as a FVTPL financial asset and the changes in fair value of the investee is included in the statement of comprehensive income in the Company's financial statements.

The Company's exposure to investments in the investee is disclosed below

	2023 RM	2022 RM
Net asset value per unit	1.0389	1.0101
Financial assets at fair value through profit or loss	408,079,700	115,826,760
Deposit with financial institution	97,287,252	77,391,220
Cash and cash equivalents	14,017,805	12,233,370
Other payables	(73,589)	(36,904)
	519,311,168	205,414,446
Net profit for the financial year	8,155,065	1,963,096

The Company's maximum exposure to loss from its interests in the investee is equal to the fair value of its investment in the investee fund.

8. Takaful and retakaful certificates

The breakdown of groups of takaful and retakaful 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:

	2023			2022		
	Assets RM'000	Liabilities RM'000	Net RM'000	Assets RM'000	Liabilities RM'000	Net RM'000
Family Takaful Fund						
Takaful certificates	(124,734)	6,118,946	5,994,212	(155,851)	5,498,453	5,342,602
Retakaful certificates issued	36,093	(34,912)	1,181	9,770	(35,104)	(25,334)
Group and Company						
Takaful certificates	(494,251)	5,523,666	5,029,415	(470,815)	4,937,057	4,466,242
Retakaful certificates issued	35,898	(27,935)	7,963	9,802	(26,746)	(16,944)

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

8. Takaful and retakaful certificates (continued)

Takaful certificates held

(i) The roll-forward of the net assets or liabilities for takaful certificates held for takaful certificates, 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:

		Liabilities for remaining coverage		Liabilities for incurred claims			
				Premium Allocation Approach			
Family Takaful Fund	**Note**	**Excluding Loss Component**	**Loss Component**	**Estimates of the Present Value of Future Cash Flows**	**Risk Adjustments for Non-Financial Risks**	**Non-Premium Allocation Approach**	**Total**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
<u>As at 31 December 2023</u>							
Takaful certificate liabilities as at 1 January		6,965,862	-	9,006	-	(1,476,415)	5,498,453
Takaful certificate assets as at 1 January		(308,207)	-	10	-	152,346	(155,851)
Net family takaful certificate liabilities/(assets) as at 1 January		6,657,655	-	9,016	-	(1,324,069)	5,342,602
Takaful revenue	15	(1,262,406)	-	-	-	-	(1,262,406)
Takaful service expense	16	2,607	-	37,061	-	1,181,947	1,221,615
Investment components		(624,782)	-	-	-	624,782	-
Takaful service result		(1,884,581)	-	37,061	-	1,806,729	(40,791)
Takaful finance expenses	21	231,969	-	-	-	-	231,969
Total changes in the statement of profit or loss and OCI		(1,652,612)	-	37,061	-	1,806,729	191,178

8. Takaful and retakaful certificates (continued)

Takaful certificates held (continued)

(i) The roll-forward of the net assets or liabilities for takaful certificates held for takaful certificates, 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)

Family Takaful Fund	Note	Liabilities for remaining coverage: Excluding Loss Component	Liabilities for remaining coverage: Loss Component	Liabilities for incurred claims — Premium Allocation Approach: Estimates of the Present Value of Future Cash Flows	Liabilities for incurred claims — Premium Allocation Approach: Risk Adjustments for Non-Financial Risks	Liabilities for incurred claims: Non-Premium Allocation Approach	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 December 2023							
Cash flows							
Contributions received		3,987,335	-	-	-	-	3,987,335
Claims and other expenses paid including investment components		-	-	(3,243)	-	(3,544,256)	(3,547,499)
Takaful acquisition cash flows		(3,254)	-	-	-	-	(3,254)
Total cash flows		3,984,081	-	(3,243)	-	(3,544,256)	436,582
Other movements		15,966	-	(14,798)	-	22,682	23,850
Net takaful certificate liabilities/(assets) as at 31 December		9,005,090	-	28,036	-	(3,038,914)	5,994,212
Takaful certificate liabilities as at 31 December		9,242,748	-	27,710	-	(3,151,512)	6,118,946
Takaful certificate assets as at 31 December		(237,658)	-	326	-	112,598	(124,734)
Net takaful certificate liabilities/(assets) as at 31 December		9,005,090	-	28,036	-	(3,038,914)	5,994,212

8. Takaful and retakaful certificates (continued)

Takaful certificates held (continued)

(i) The roll-forward of the net assets or liabilities for takaful certificates held for takaful certificates, 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)

Family Takaful Fund	Note	Liabilities for remaining coverage: Excluding Loss Component	Liabilities for remaining coverage: Loss Component	Liabilities for incurred claims – Premium Allocation Approach: Estimates of the Present Value of Future Cash Flows	Liabilities for incurred claims – Premium Allocation Approach: Risk Adjustments for Non-Financial Risks	Liabilities for incurred claims: Non-Premium Allocation Approach	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>As at 31 December 2022</u>							
Takaful certificate liabilities as at 1 January		4,423,406	-	-	-	425,603	4,849,009
Takaful certificate assets as at 1 January		-	-	-	-	-	-
Net family takaful certificate liabilities as at 1 January		4,423,406	-	-	-	425,603	4,849,009
Takaful revenue	15	(1,107,915)	-	-	-	-	(1,107,915)
Takaful service expense	16	720	-	66,622	-	857,611	924,953
Investment components		(541,326)	-	-	-	541,326	-
Takaful service result		(1,648,521)	-	66,622	-	1,398,937	(182,962)
Takaful finance expenses	21	43,197	-	-	-	3,765	46,962
Total changes in the statement of profit or loss and OCI		(1,605,324)	-	66,622	-	1,402,702	(136,000)

8. **Takaful and retakaful certificates (continued)**

Takaful certificates held (continued)

(i) The roll-forward of the net assets or liabilities for takaful certificates held for takaful certificates, 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)

		Liabilities for remaining coverage		Liabilities for incurred claims			
				Premium Allocation Approach			
Family Takaful Fund	**Note**	**Excluding Loss Component**	**Loss Component**	**Estimates of the Present Value of Future Cash Flows**	**Risk Adjustments for Non-Financial Risks**	**Non-Premium Allocation Approach**	**Total**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 31 December 2022							
Cash flows							
Contributions received		3,788,099	-	-	-	-	3,788,099
Claims and other expenses paid including investment components		-	-	(44,680)	-	(3,199,325)	(3,244,005)
Takaful acquisition cash flows		(1,508)	-	-	-	-	(1,508)
Total cash flows		3,786,591	-	(44,680)	-	(3,199,325)	542,586
Other movements		52,982	-	(12,926)	-	46,951	87,007
Net takaful certificate liabilities/(assets) as at 31 December		6,657,655	-	9,016	-	(1,324,069)	5,342,602
Takaful certificate liabilities as at 31 December		6,965,862	-	9,006	-	(1,476,415)	5,498,453
Takaful certificate assets as at 31 December		(308,207)	-	10	-	152,346	(155,851)
Net takaful certificate liabilities/(assets) as at 31 December		6,657,655	-	9,016	-	(1,324,069)	5,342,602

Prudential BSN Takaful Berhad

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8. Takaful and retakaful certificates (continued)

Takaful certificates held (continued)

(i) The roll-forward of the net assets or liabilities for takaful certificates held for takaful certificates, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Group and Company, is disclosed in the table below:

Group and Company	Note	Liabilities for remaining coverage: Excluding Loss Component RM'000	Liabilities for remaining coverage: Loss Component RM'000	Liabilities for incurred claims – Premium Allocation Approach: Estimates of the Present Value of Future Cash Flows RM'000	Liabilities for incurred claims – Premium Allocation Approach: Risk Adjustments for Non-Financial Risks RM'000	Liabilities for incurred claims: Non-Premium Allocation Approach RM'000	Total RM'000
<u>As at 31 December 2023</u>							
Takaful certificate liabilities as at 1 January		4,385,523	8,731	15,362	-	527,441	4,937,057
Takaful certificate assets as at 1 January		(559,352)	-	-	-	88,537	(470,815)
Net family takaful certificate liabilities as at 1 January		3,826,171	8,731	15,362	-	615,978	4,466,242
Takaful revenue	15	(1,927,393)	-	-	-	-	(1,927,393)
Takaful service expense	16	558,656	961	37,031	-	1,208,167	1,804,815
Investment components		(624,782)	-	-	-	624,782	-
Takaful service result		(1,993,519)	961	37,031	-	1,832,949	(122,578)
Takaful finance expenses	21	146,131	134	-	-	-	146,265
Total changes in the statement of profit or loss and OCI		(1,847,388)	1,095	37,031	-	1,832,949	23,687

8. Takaful and retakaful certificates (continued)

Takaful certificates held (continued)

(i) The roll-forward of the net assets or liabilities for takaful certificates held for takaful certificates, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Group and Company, is disclosed in the table below: (continued)

Group and Company	Note	Liabilities for remaining coverage: Excluding Loss Component RM'000	Liabilities for remaining coverage: Loss Component RM'000	Liabilities for incurred claims – Premium Allocation Approach: Estimates of the Present Value of Future Cash Flows RM'000	Liabilities for incurred claims – Premium Allocation Approach: Risk Adjustments for Non-Financial Risks RM'000	Liabilities for incurred claims: Non-Premium Allocation Approach RM'000	Total RM'000
<u>As at 31 December 2023</u>							
Cash flows							
Contributions received		3,103,514	-	-	-	-	3,103,514
Claims and other expenses paid including investment components		-	-	770	-	(1,873,544)	(1,872,774)
Takaful acquisition cash flows		(717,568)	-	-	-	-	(717,568)
Total cash flows		2,385,946	-	770	-	(1,873,544)	513,172
Other movements		50,322	(8,702)	(34,653)	-	19,347	26,314
Net takaful certificate liabilities as at 31 December		4,415,051	1,124	18,510	-	594,730	5,029,415
Takaful certificate liabilities as at 31 December		4,954,747	1,124	18,589	-	549,206	5,523,666
Takaful certificate assets as at 31 December		(539,696)	-	(79)	-	45,524	(494,251)
Net takaful certificate liabilities as at 31 December		4,415,051	1,124	18,510	-	594,730	5,029,415

8. Takaful and retakaful certificates (continued)

Takaful certificates held (continued)

(i) The roll-forward of the net assets or liabilites for takaful certificates held for takaful certificates, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Group and Company, is disclosed in the table below: (continued)

Group and Company	Note	Liabilities for remaining coverage: Excluding Loss Component RM'000	Liabilities for remaining coverage: Loss Component RM'000	Liabilities for incurred claims – Premium Allocation Approach: Estimates of the Present Value of Future Cash Flows RM'000	Liabilities for incurred claims – Premium Allocation Approach: Risk Adjustments for Non-Financial Risks RM'000	Liabilities for incurred claims: Non-Premium Allocation Approach RM'000	Total RM'000
<u>As at 31 December 2022</u>							
Takaful certificate liabilities as at 1 January		3,780,488	935	-	-	448,946	4,230,369
Takaful certificate assets as at 1 January		(350,412)	-	-	-	74,615	(275,797)
Net family takaful certificate liabilities as at 1 January		3,430,076	935	-	-	523,561	3,954,572
Takaful revenue	15	(1,611,684)	-	-	-	-	(1,611,684)
Takaful service expense	16	378,046	4,354	51,908	-	897,186	1,331,494
Investment components		(541,326)	-	-	-	541,326	-
Takaful service result		(1,774,964)	4,354	51,908	-	1,438,512	(280,190)
Takaful finance expenses	21	35,653	1,189	-	-	3,640	40,482
Total changes in the statement of profit or loss and OCI		(1,739,311)	5,543	51,908	-	1,442,152	(239,708)

8. **Takaful and retakaful certificates (continued)**

Takaful certificates held (continued)

(i) The roll-forward of the net assets or liabilites for takaful certificates held for takaful certificates, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Group and Company, is disclosed in the table below: (continued)

Group and Company	Note	Liabilities for remaining coverage: Excluding Loss Component	Liabilities for remaining coverage: Loss Component	Liabilities for incurred claims – Premium Allocation Approach: Estimates of the Present Value of Future Cash Flows	Liabilities for incurred claims – Premium Allocation Approach: Risk Adjustments for Non-Financial Risks	Liabilities for incurred claims: Non-Premium Allocation Approach	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 December 2022							
Cash flows							
Contributions received		2,854,227	-	-	-	-	2,854,227
Claims and other expenses paid including investment components		-	-	(23,958)	-	(1,383,149)	(1,407,107)
Takaful acquisition cash flows		(779,069)	-	-	-	-	(779,069)
Total cash flows		2,075,158	-	(23,958)	-	(1,383,149)	668,051
Other movements		60,248	2,253	(12,588)	-	33,414	83,327
Net takaful certificate liabilities as at 31 December		3,826,171	8,731	15,362	-	615,978	4,466,242
Takaful certificate liabilities as at 31 December		4,385,523	8,731	15,362	-	527,441	4,937,057
Takaful certificate assets as at 31 December		(559,352)	-	-	-	88,537	(470,815)
Net takaful certificate liabilities as at 31 December		3,826,171	8,731	15,362	-	615,978	4,466,242

8. Takaful and retakaful certificates (continued)

Takaful certificates held

(ii) The table below presents a roll-forward of the net assets or liabilities for takaful certificates issued for takaful certificates not measured under the PAA, showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios included in the Family Takaful Fund.

Family Takaful Fund	Note	2023 Estimates of the present value of future cash flows RM'000	2023 Risk adjustment RM'000	2023 Contractual service margin RM'000	2023 Total RM'000	2022 Estimates of the present value of future cash flows RM'000	2022 Risk adjustment RM'000	2022 Contractual service margin RM'000	2022 Total RM'000
Takaful certificate liabilities as at 1 January		5,479,486	-	-	5,479,486	4,837,066	-	-	4,837,066
Takaful certificate assets as at 1 January		(155,425)	-	-	(155,425)	-	-	-	-
Net takaful certificate liabilities as at 1 January		5,324,061	-	-	5,324,061	4,837,066	-	-	4,837,066
Changes that relate to current services									
Risk adjustment for the risks expired		-	10	-	10	-	81	-	81
Experience adjustments		125,783	-	-	125,783	(155,423)	-	-	(155,423)
Changes that relate to future services									
Certificates initially recognised in the period		(3,385)	22	3,363	-	(3)	-	3	-
Changes in estimates that adjust the contractual service margin		(300,726)	38	304,114	3,426	(148,442)	-	148,442	-
Changes that relate to past services									
Adjustments to liabilities for incurred claims		(172,729)	(506)	-	(173,235)	(77,937)	(18)	-	(77,955)
Takaful service result		(351,057)	(436)	307,477	(44,016)	(381,805)	63	148,445	(233,297)
Takaful finance expenses		545,660	436	(307,477)	238,619	245,805	(63)	(148,445)	97,297
Total changes in the statement of profit or loss and OCI		194,603	-	-	194,603	(136,000)	-	-	(136,000)

8. Takaful and retakaful certificates (continued)

Takaful certificates held

(ii) The table below presents a roll-forward of the net assets or liabilities for takaful certificates issued for takaful certificates not measured under the PAA, showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios included in the Family Takaful Fund. (continued)

Family Takaful Fund	Note	2023 Estimates of the present value of future cash flows	2023 Risk adjustment	2023 Contractual service margin	2023 Total	2022 Estimates of the present value of future cash flows	2022 Risk adjustment	2022 Contractual service margin	2022 Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows									
Contributions received		3,956,132	-	-	3,956,132	3,723,896	-	-	3,723,896
Claims and other expenses paid including investment components		(3,544,256)	-	-	(3,544,256)	(3,199,325)	-	-	(3,199,325)
Takaful acquisition cash flows		(3,254)	-	-	(3,254)	(1,508)	-	-	(1,508)
Total cash flows		408,622	-	-	408,622	523,063	-	-	523,063
Other movements		35,224	-	-	35,224	99,932	-	-	99,932
Net takaful certificate liabilities as at 31 December		5,962,510	-	-	5,962,510	5,324,061	-	-	5,324,061
Takaful certificate liabilities as at 31 December		6,085,145	-	-	6,085,145	5,479,486	-	-	5,479,486
Takaful certificate assets as at 31 December		(122,635)	-	-	(122,635)	(155,425)	-	-	(155,425)
Net takaful certificate liabilities as at 31 December		5,962,510	-	-	5,962,510	5,324,061	-	-	5,324,061

8. Takaful and retakaful certificates (continued)

Takaful certificates held (continued)

(ii) The table below presents a roll-forward of the net assets or liabilities for takaful certificates issued for takaful certificates not measured under the PAA, showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios included in the Group and Company.

Group and Company	Note	2023 Estimates of the present value of future cash flows	2023 Risk adjustment	2023 Contractual service margin	2023 Total	2022 Estimates of the present value of future cash flows	2022 Risk adjustment	2022 Contractual service margin	2022 Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Takaful certificate liabilities as at 1 January		3,637,317	254,127	1,019,048	4,910,492	3,056,134	183,322	978,505	4,217,961
Takaful certificate assets as at 1 January		(1,224,862)	155,581	598,466	(470,815)	(993,028)	152,647	564,584	(275,797)
Net takaful certificate liabilities as at 1 January		2,412,455	409,708	1,617,514	4,439,677	2,063,106	335,969	1,543,089	3,942,164
Changes that relate to current services									
Contractual service margin recognised for services provided		-	-	(166,414)	(166,414)	-	-	(136,727)	(136,727)
Risk adjustment for the risks expired		-	(44,962)	-	(44,962)	-	(43,132)	-	(43,132)
Experience adjustments		257,047	-	-	257,047	(76,107)	-	-	(76,107)
Changes that relate to future services									
Certificates initially recognised in the period	8(iv)	(377,002)	64,948	326,143	14,089	(363,138)	59,262	315,311	11,435
Changes in estimates that adjust the contractual service margin		(143,498)	(14,980)	155,495	(2,983)	(76)	(2,838)	2,914	-
Changes in estimates that do not adjust the contractual service margin		(1,717)	(7,448)	-	(9,165)	(45,588)	56,003	-	10,415
Changes that relate to past services									
Adjustments to liabilities for incurred claims		(172,729)	(506)	-	(173,235)	(77,937)	(18)	-	(77,955)
Takaful service result		(437,899)	(2,948)	315,224	(125,623)	(562,846)	69,277	181,498	(312,071)
Takaful finance expenses		366,053	32,567	(245,705)	152,915	193,429	4,462	(107,073)	90,818
Total changes in the statement of profit or loss and OCI		(71,846)	29,619	69,519	27,292	(369,417)	73,739	74,425	(221,253)

8. Takaful and retakaful certificates (continued)

Takaful certificates held (continued)

(ii) The table below presents a roll-forward of the net assets or liabilities for takaful certificates issued for takaful certificates not measured under the PAA, showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios included in the Group and Company. (continued)

		2023				2022			
Group and Company	**Note**	**Estimates of the present value of future cash flows**	**Risk adjustment**	**Contractual service margin**	**Total**	**Estimates of the present value of future cash flows**	**Risk adjustment**	**Contractual service margin**	**Total**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash flows									
Contributions received		3,063,310	-	-	3,063,310	2,780,005	-	-	2,780,005
Claims and other expenses paid including investment components		(1,873,544)	-	-	(1,873,544)	(1,383,149)	-	-	(1,383,149)
Takaful acquisition cash flows		(712,938)	-	-	(712,938)	(774,118)	-	-	(774,118)
Total cash flows		476,828	-	-	476,828	622,738	-	-	622,738
Other movements		58,912	2,982	-	61,894	96,028	-	-	96,028
Net takaful certificate liabilities as at 31 December		2,876,349	442,309	1,687,033	5,005,691	2,412,455	409,708	1,617,514	4,439,677
Takaful certificate liabilities as at 31 December		4,139,803	401,186	958,898	5,499,887	3,637,317	254,127	1,019,048	4,910,492
Takaful certificate assets as at 31 December		(1,263,454)	41,123	728,135	(494,196)	(1,224,862)	155,581	598,466	(470,815)
Net takaful certificate liabilities as at 31 December		2,876,349	442,309	1,687,033	5,005,691	2,412,455	409,708	1,617,514	4,439,677

8. Takaful and Retakaful certificate (continued)

Takaful certificates held

(iii) The impacts on CSM for the current and previous financial years arising due to the different transition approaches adopted by the Group and Company on its portfolio of takaful certificates is disclosed below:

	2023			2022		
	Certificates using the fair value approach	**All other certificates**	**Total**	**Certificates using the fair value approach**	**All other certificates**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
<u>**Group and Company**</u>						
Contractual service margin as at 1 January	1,343,956	273,558	1,617,514	1,543,089	-	1,543,089
Changes that relate to current services						
Contractual service margin recognised for services provided	(116,422)	(49,992)	(166,414)	(113,488)	(23,239)	(136,727)
Changes that relate to future services						
Certificates initially recognised in the period	-	326,143	326,143	-	315,311	315,311
Changes in estimates that adjust the contractual service margin	133,888	21,607	155,495	5,520	(2,606)	2,914
Takaful service result	17,466	297,758	315,224	(107,968)	289,466	181,498
Takaful finance expenses	(188,523)	(57,182)	(245,705)	(91,163)	(15,910)	(107,073)
Effect of movements in exchange rates	-	-	-	-	-	-
Total changes in the statement of profit or loss and OCI	(171,057)	240,576	69,519	(199,131)	273,556	74,425
Other movements	-	-	-	-	-	-
Contractual service margin as at 31 December	1,172,899	514,134	1,687,033	1,343,958	273,556	1,617,514

8. Takaful and Retakaful certificate (continued)

(iv) The components of new business

Takaful certificates held
A breakdown of the components of new business of non-onerous and onerous takaful certificates issued by the Group and Company are disclosed below:

	Note	2023 Certificates issued Non-onerous RM'000	2023 Certificates issued Onerous RM'000	2023 Total RM'000	2022 Certificates issued Non-onerous RM'000	2022 Certificates issued Onerous RM'000	2022 Total RM'000
<u>Group and Company</u>							
Estimate of present value of future cash outflows, excluding takaful acquisition cash flows		2,738,730	210,552	2,949,282	2,618,915	137,033	2,755,948
Estimates of takaful acquisition cash flows		750,017	66,669	816,686	717,205	43,390	760,595
Estimate of present value of future cash outflows		3,488,747	277,221	3,765,968	3,336,120	180,423	3,516,543
Estimate of present value of future cash inflows		(3,874,360)	(268,610)	(4,142,970)	(3,704,863)	(174,818)	(3,879,681)
Risk adjustment		59,470	5,478	64,948	53,432	5,830	59,262
CSM		326,143	-	326,143	315,311	-	315,311
Amount included in takaful certificate liabilities for the year and recognised in the statement of profit or loss	8(ii)	-	14,089	14,089	-	11,435	11,435

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8. Takaful and retakaful certificates (continued)

Retakaful certificates held

(v) The roll-forward of the net assets or liabilities for retakaful certificates held for retakaful certificates, showing assets for remaining coverage and amounts recoverable on incurred claims arising from business ceded to retakaful operators in the Family Takaful Fund is disclosed in the table below:

		Assets for remaining coverage		Amounts recoverable on incurred claims			
				Premium Allocation Approach			
Family Takaful Fund	Note	Excluding Loss-recovery Component	Loss-recovery Component	Estimates of the Present Value of Future Cash Flows	Risk Adjustments for Non-Financial Risks	Non-Premium Allocation Approach	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 December 2023							
Retakaful certificate assets as at 1 January		(17,972)	(52)	-	-	27,794	9,770
Retakaful certificate liabilities as at 1 January		(34,367)	(1,278)	(191)	-	732	(35,104)
Net retakaful certificate (assets)/liabilities as at 1 January		(52,339)	(1,330)	(191)	-	28,526	(25,334)
Allocation of retakaful contributions		(109,521)	-	(4,123)	-	-	(113,644)
Amounts recoverable from retakaful operators		-	-	5,259	-	93,509	98,768
Net income or expense from retakaful certificates held	17	(109,521)	-	1,136	-	93,509	(14,876)
Retakaful finance income	21	19,136	-	-	-	-	19,136
Effect of changes in non-performance risk of retakaful operators	21	(3,124)	-	(1,136)	-	-	(4,260)
Total changes in the statement of profit or loss and OCI		(93,509)	-	-	-	93,509	-
Cash flows							
Contributions paid		48,144	-	5,296	-	-	53,440
Amounts received		-	-	(5,296)	-	(21,860)	(27,156)
Total cash flows		48,144	-	-	-	(21,860)	26,284
Other movements		-	-	231	-	-	231
Net retakaful certificate (assets)/liabilities as at 31 December		(97,704)	(1,330)	40	-	100,175	1,181
Retakaful certificate assets as at 31 December		(61,130)	(52)	40	-	97,235	36,093
Retakaful certificate liabilities as at 31 December		(36,574)	(1,278)	-	-	2,940	(34,912)
Net retakaful certificate (assets)/liabilities as at 31 December		(97,704)	(1,330)	40	-	100,175	1,181

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8. Takaful and retakaful certificates (continued)

Retakaful certificates held (continued)

(v) The roll-forward of the net assets or liabilities for retakaful certificates held for retakaful certificates, showing assets for remaining coverage and amounts recoverable on incurred claims arising from business ceded to retakaful operators in the Family Takaful Fund is disclosed in the table below: (continued)

		Assets for remaining coverage		Amounts recoverable on incurred claims			
				Premium Allocation Approach			
Family Takaful Fund	**Note**	**Excluding Loss-recovery Component**	**Loss-recovery Component**	**Estimates of the Present Value of Future Cash Flows**	**Adjustments for Non-Financial Risks**	**Non-Premium Allocation Approach**	**Total**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 31 December 2022							
Retakaful certificate assets as at 1 January		431	(52)	(379)	-	10,962	10,962
Retakaful certificate liabilities as at 1 January		(36,797)	(1,278)	-	-	2,940	(35,135)
Net retakaful certificate (assets)/liabilities as at 1 January		(36,366)	(1,330)	(379)	-	13,902	(24,173)
Allocation of retakaful contributions		(83,826)	-	972	-	-	(82,854)
Amounts recoverable from retakaful operators		-	-	(1,243)	-	113,545	112,302
Net income or expense from retakaful certificates held	17	(83,826)	-	(271)	-	113,545	29,448
Retakaful finance income	21	(38,240)	-	271	-	-	(37,969)
Effect of changes in non-performance risk of retakaful operators	21	8,521	-	-	-	-	8,521
Total changes in the statement of profit or loss and OCI		(113,545)	-	-	-	113,545	-
Cash flows							
Contributions paid		97,572	-	(1,054)	-	-	96,518
Amounts received		-	-	1,242	-	(98,921)	(97,679)
Total cash flows		97,572	-	188	-	(98,921)	(1,161)
Other movements		-	-	-	-	-	-
Net retakaful certificate (assets)/liabilities as at 31 December		(52,339)	(1,330)	(191)	-	28,526	(25,334)
Retakaful certificate assets as at 31 December		(17,972)	(52)	-	-	27,794	9,770
Retakaful certificate liabilities as at 31 December		(34,367)	(1,278)	(191)	-	732	(35,104)
Net retakaful certificate (assets)/liabilities as at 31 December		(52,339)	(1,330)	(191)	-	28,526	(25,334)

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8. Takaful and retakaful certificates (continued)

Retakaful certificates held (continued)

(v) The roll-forward of the net assets or liabilities for retakaful certificates held for retakaful certificates, showing assets for remaining coverage and amounts recoverable on incurred claims arising from business ceded to retakaful operators in the Group and Company is disclosed in the table below:

		Assets for remaining coverage		Amounts recoverable on incurred claims			
				Premium Allocation Approach			
Group and Company	**Note**	**Excluding Loss-recovery Component**	**Loss-recovery Component**	**Estimates of the Present Value of Future Cash Flows**	**Adjustments for Non-Financial Risks**	**Non-Premium Allocation Approach**	**Total**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 31 December 2023							
Retakaful certificate assets as at 1 January		(20,299)	-	-	-	30,101	9,802
Retakaful certificate liabilities as at 1 January		(28,764)	-	(922)	-	2,940	(26,746)
Net retakaful certificate (assets)/liabilities as at 1 January		(49,063)	-	(922)	-	33,041	(16,944)
Allocation of retakaful contributions		(109,521)	-	(5,731)	-	-	(115,252)
Amounts recoverable from retakaful operators		-	-	5,260	-	93,509	98,769
Net income or expense from retakaful certificates held	17	(109,521)	-	(471)	-	93,509	(16,483)
Retakaful finance income	21	19,136	-	-	-	-	19,136
Effect of changes in non-performance risk of retakaful operators	21	(3,124)	-	(1,136)	-	-	(4,260)
Total changes in the statement of profit or loss and OCI		(93,509)	-	(1,607)	-	93,509	(1,607)
Cash flows							
Contributions paid		47,956	-	5,296	-	-	53,252
Amounts received		-	-	(5,296)	-	(21,860)	(27,156)
Total cash flows		47,956	-	-	-	(21,860)	26,096
Other movements		-	-	418	-	-	418
Net retakaful certificate (assets)/liabilities as at 31 December		(94,616)	-	(2,111)	-	104,690	7,963
Retakaful certificate assets as at 31 December		(65,852)	-	-	-	101,750	35,898
Retakaful certificate liabilities as at 31 December		(28,764)	-	(2,111)	-	2,940	(27,935)
Net retakaful certificate (assets)/liabilities as at 31 December		(94,616)	-	(2,111)	-	104,690	7,963

8. **Takaful and retakaful certificates (continued)**

Retakaful certificates held (continued)

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

		Assets for remaining coverage		Amounts recoverable on incurred claims			
				Premium Allocation Approach			
Group and Company	**Note**	**Excluding Loss-recovery Component**	**Loss-recovery Component**	**Estimates of the Present Value of Future Cash Flows**	**Adjustments for Non-Financial Risks**	**Non-Premium Allocation Approach**	**Total**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 31 December 2022							
Retakaful certificate assets as at 1 January		-	-	-	-	10,962	10,962
Retakaful certificate liabilities as at 1 January		(28,764)	-	(379)	-	2,940	(26,203)
Net retakaful certificate (assets)/liabilities as at 1 January		(28,764)	-	(379)	-	13,902	(15,241)
Allocation of retakaful contributions		(86,167)	-	429	-	-	(85,738)
Amounts recoverable from retakaful operators		-	-	(1,243)	-	115,886	114,643
Net income or expense from retakaful certificates held	17	(86,167)	-	(814)	-	115,886	28,905
Retakaful finance income	21	(38,241)	-	271	-	-	(37,970)
Effect of changes in non-performance risk of retakaful operators	21	8,521	-	-	-	-	8,521
Total changes in the statement of profit or loss and OCI		(115,887)	-	(543)	-	115,886	(544)
Cash flows							
Contributions paid		95,588	-	(1,242)	-	-	94,346
Amounts received		-	-	1,242	-	(96,747)	(95,505)
Total cash flows		95,588	-	-	-	(96,747)	(1,159)
Other movements		-	-	-	-	-	-
Net retakaful certificate (assets)/liabilities as at 31 December		(49,063)	-	(922)	-	33,041	(16,944)
Retakaful certificate assets as at 31 December		(20,299)	-	-	-	30,101	9,802
Retakaful certificate liabilities as at 31 December		(28,764)	-	(922)	-	2,940	(26,746)
Net retakaful certificate (assets)/liabilities as at 31 December		(49,063)	-	(922)	-	33,041	(16,944)

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8. Takaful and retakaful certificates (continued)

Retakaful certificates held

(vi) The table below presents a roll-forward of the net assets or liabilities for retakaful certificates issued for retakaful certificates not measured under the PAA, showing estimates of the present value of future cash flows, risk adjustment and CSM for retakaful held portfolios included in the Family Takaful Fund.

	2023				2022			
Family Takaful Fund	**Estimates of the present value of future cash flows**	**Risk adjustment**	**Contractual service margin**	**Total**	**Estimates of the present value of future cash flows**	**Risk adjustment**	**Contractual service margin**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Retakaful certificate assets as at 1 January	(34,913)	-	-	(34,913)	(35,135)	-	-	(35,135)
Retakaful certificate liabilities as at 1 January	9,770	-	-	9,770	11,341	-	-	11,341
Net retakaful certificate assets as at 1 January	(25,143)	-	-	(25,143)	(23,794)	-	-	(23,794)
Changes that relate to current services								
Risk adjustment for the risks expired	-	(4,408)	-	(4,408)	-	(4,927)	-	(4,927)
Experience adjustments	(103,218)	-	-	(103,218)	(46,289)	-	-	(46,289)
Changes that relate to future services								
Certificates initially recognised in the period	14,333	458	(14,791)	-	10,778	949	(11,727)	-
Changes in estimates that adjust the contractual service margin	36,546	(1,854)	(34,692)	-	(99,991)	5,763	94,228	-
Changes that relate to past services								
Changes in amounts recoverable arising from changes in liability for incurred claims	91,615	-	-	91,615	80,935	-	-	80,935
Retakaful finance expenses	(58,354)	7,272	70,218	19,136	38,282	369	(76,891)	(38,240)
Effect of changes in non-performance risk of retakaful operators	(3,125)	-	-	(3,125)	8,521	-	-	8,521
Total changes in the statement of profit or loss and OCI	(22,203)	1,468	20,735	-	(7,764)	2,154	5,610	-

8. Takaful and retakaful certificates (continued)

Retakaful certificates held (continued)

(vi) The table below presents a roll-forward of the net assets or liabilities for retakaful certificates issued for retakaful certificates not measured under the PAA, showing estimates of the present value of future cash flows, risk adjustment and CSM for retakaful held portfolios included in the Family Takaful Fund. (continued)

Family Takaful Fund	2023 Estimates of the present value of future cash flows RM'000	2023 Risk adjustment RM'000	2023 Contractual service margin RM'000	2023 Total RM'000	2022 Estimates of the present value of future cash flows RM'000	2022 Risk adjustment RM'000	2022 Contractual service margin RM'000	2022 Total RM'000
Cash flows								
Contributions paid	48,144	-	-	48,144	97,572	-	-	97,572
Amount received	(21,860)	-	-	(21,860)	(98,921)	-	-	(98,921)
Total cash flows	26,284	-	-	26,284	(1,349)	-	-	(1,349)
Other movements	22,203	(1,468)	(20,735)	-	7,764	(2,154)	(5,610)	-
Net retakaful certificate liabilities/(assets) as at 31 December	1,141	-	-	1,141	(25,143)	-	-	(25,143)
Retakaful certificate assets as at 31 December	(34,912)	-	-	(34,912)	(34,913)	-	-	(34,913)
Retakaful certificate liabilities as at 31 December	36,053	-	-	36,053	9,770	-	-	9,770
Net retakaful certificate liabilities/(assets) as at 31 December	1,141	-	-	1,141	(25,143)	-	-	(25,143)

8. **Takaful and retakaful certificates (continued)**

Retakaful certificates held (continued)

(vi) The table below presents a roll-forward of the net assets or liabilities for retakaful certificates issued for retakaful certificates not measured under the PAA, showing estimates of the present value of future cash flows, risk adjustment and CSM for retakaful held portfolios included in the Group and Company.

Group and Company	2023 Estimates of the present value of future cash flows	2023 Risk adjustment	2023 Contractual service margin	2023 Total	2022 Estimates of the present value of future cash flows	2022 Risk adjustment	2022 Contractual service margin	2022 Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Retakaful certificate assets as at 1 January	(25,824)	-	-	(25,824)	(25,824)	-	-	(25,824)
Retakaful certificate liabilities as at 1 January	9,802	-	-	9,802	10,962	-	-	10,962
Net retakaful certificate assets as at 1 January	(16,022)	-	-	(16,022)	(14,862)	-	-	(14,862)
Changes that relate to current services								
Risk adjustment for the risks expired	-	(4,408)	-	(4,408)	-	(4,927)	-	(4,927)
Experience adjustments	(103,218)	-	-	(103,218)	(46,289)	-	-	(46,289)
Changes that relate to future services								
Certificates initially recognised in the period	14,333	458	(14,791)	-	10,778	949	(11,727)	-
Changes in estimates that adjust the contractual service margin	36,546	(1,854)	(34,692)	-	(99,991)	5,763	94,228	-
Changes that relate to past services								
Changes in amounts recoverable arising from changes in liability for incurred claims	91,615	-	-	91,615	80,935	-	-	80,935
Retakaful finance income	(58,354)	7,272	70,218	19,136	38,282	369	(76,891)	(38,240)
Effect of changes in non-performance risk of retakaful operators	(3,125)	-	-	(3,125)	8,521	-	-	8,521
Total changes in the statement of profit or loss and OCI	(22,203)	1,468	20,735	-	(7,764)	2,154	5,610	-

8. Takaful and retakaful certificates (continued)

Retakaful certificates held (continued)

(vi) The table below presents a roll-forward of the net assets or liabilities for retakaful certificates issued for retakaful certificates not measured under the PAA, showing estimates of the present value of future cash flows, risk adjustment and CSM for retakaful held portfolios included in the Group and Company. (continued)

	2023				2022			
Group and Company	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows								
Contributions paid	47,956	-	-	47,956	95,587	-	-	95,587
Amount received	(21,860)	-	-	(21,860)	(96,747)	-	-	(96,747)
Total cash flows	26,096	-	-	26,096	(1,160)	-	-	(1,160)
Other movements	22,203	(1,468)	(20,735)	-	7,764	(2,154)	(5,610)	-
Net retakaful certificate liabilities/(assets) as at 31 December	10,074	-	-	10,074	(16,022)	-	-	(16,022)
Retakaful certificate assets as at 31 December	(25,824)	-	-	(25,824)	(25,824)	-	-	(25,824)
Retakaful certificate liabilities as at 31 December	35,898	-	-	35,898	9,802	-	-	9,802
Net retakaful certificate liabilities/(assets) as at 31 December	10,074	-	-	10,074	(16,022)	-	-	(16,022)

8. Takaful and Retakaful certificate (continued)

(vii) CSM recognition in profit or loss

Presented below is an estimated timing of when CSM is expected to be recognised in profit or loss in future years:

	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group and Company							
31 December 2023							
Family takaful certificates issued	193,553	163,553	145,275	130,946	116,665	937,041	1,687,033
31 December 2022							
Family takaful certificates issued	165,842	146,121	130,214	117,314	106,680	951,343	1,617,514

The Group and the Company expects to recognise the CSM in profit or loss for existing certificates over the coverage period for the certificates in force issued by the Group and the Company.

9. Other receivables

	Family Takaful Fund			Group and Company		
	31.12.2023	31.12.2022 (Restated)	1.1.2022 (Restated)	31.12.2023	31.12.2022 (Restated)	1.1.2022 (Restated)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Income due and accrued	40,386	35,537	32,672	42,283	37,322	34,908
Less: Allowance for impairment loss	(4,771)	(3,611)	(1,090)	(6,008)	(4,563)	(1,424)
Other receivables	116,157	106,993	7,257	136,602	124,893	26,836
	151,772	138,919	38,839	172,877	157,652	60,320

Offsetting of financial assets and financial liabilities

As at the end of the current financial year, the Family Takaful Fund, Group and Company has no financial assets and liabilities that have been set off (2022: Nil).

10. Cash and cash equivalents

	Family Takaful Fund			Company			Group		
	31.12.2023	31.12.2022 (Restated)	1.1.2022 (Restated)	31.12.2023	31.12.2022 (Restated)	1.1.2022 (Restated)	31.12.2023	31.12.2022	1.1.2022 (Restated)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	146,036	112,905	74,325	177,037	135,077	114,941	191,055	147,310	114,941
Fixed and call deposits with licensed financial institutions with maturity less than three months	151,400	103,829	368,287	251,400	145,829	456,272	251,400	145,829	456,272
	297,436	216,734	442,612	428,437	280,906	571,213	442,455	293,139	571,213

Included in the cash and cash equivalents of the Company are the balances placed with the Holding Company of RM141,927,338 (2022: RM23,743,756).

11. Share Capital

	2023		2022	
	Number of shares	Amount RM'000	Number of shares	Amount RM'000
Group and Company				
Issued and fully paid shares classified as equity instruments:				
Ordinary shares				
At 1 January/31 December	58,823,530	100,000	58,823,530	100,000

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

12. Other payables

	Family Takaful Fund			Company			Group		
	31.12.2023	**31.12.2022 (Restated)**	**1.1.2022 (Restated)**	**31.12.2023**	**31.12.2022 (Restated)**	**1.1.2022 (Restated)**	**31.12.2023**	**31.12.2022 (Restated)**	**1.1.2022 (Restated)**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Other payables	12,219	54,078	54,701	41,306	95,092	96,368	41,315	95,096	96,368
Accruals	896	703	485	8,770	2,863	478	8,835	2,896	478
Amount due to takaful operator	168,455	204,221	336,281	-	-	-	-	-	-
Other unitholders' share of net asset value	-	-	-	-	-	-	101,266	-	-
	181,570	259,002	391,467	50,076	97,955	96,846	151,416	97,992	96,846

The amounts due to takaful operator are unsecured, free of rate of return and are repayable on demand.

13. Subordinated Sukuk

	Company			Group		
	31.12.2023	**31.12.2022 (Restated)**	**1.1.2022 (Restated)**	**31.12.2023**	**31.12.2022 (Restated)**	**1.1.2022 (Restated)**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Sukuk Wakalah	100,000	-	-	100,000	-	-

On 29 December 2023, the Company issued nominal value of RM100,000,000 to the Company's existing shareholders under its RM300,000,000 subordinated Islamic medium term notes ("T2 SUKUK WAKALAH"). The objective of the programme is to enable the issuance of Tier 2 capital from time to time, for the working capital and corporate purpose. The programme is set-up in accordance to the requirements spelt out in the Risk Based Capital Framework for Takaful Operators issued by BNM, and the securities issued under this programme qualified for recognition as Tier 2 Capital for the purpose of capital adequacy ratio computation.

Each issuance of Tier 2 Subordinated Sukuk under this programme shall have a tenure of at least ten (10) years from the issue date, and is callable on any profit payment date after a minimum period of five (5) years from the date of issuance of each tranche. The first tranche was issued with a profit rate of 4.57% per annum payable semi-annually in arrears.

14. Deferred tax assets and liabilities

	Family Takaful Fund			Group and Company		
	31.12.2023	31.12.2022 (Restated)	1.1.2022 (Restated)	31.12.2023	31.12.2022 (Restated)	1.1.2022 (Restated)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	9,231	10,307	-	-	-	-
Deferred tax liabilities	-	-	(13,372)	(347,610)	(309,875)	(335,542)
	9,231	10,307	(13,372)	(347,610)	(309,875)	(335,542)

Movement in recognised temporary differences during the year:

	Note	At 1.1.2022 (Restated)	in profit or loss	At 31.12.2022/ 1.1.2023 (Restated)	in profit or loss	At 31.12.2023
		RM'000	RM'000	RM'000	RM'000	RM'000
Family Takaful Fund						
Provisions		2,137	(899)	1,238	(69)	1,169
Fair value (gains)/losses		(15,509)	24,578	9,069	(1,007)	8,062
	25	(13,372)	23,679	10,307	(1,076)	9,231
Group and Company						
Property and equipment		(608)	(290)	(898)	(2,405)	(3,303)
Provisions		2,601	24,641	27,242	11,232	38,474
Fair value (gains)/losses		(15,303)	24,496	9,193	(2,099)	7,094
Leases		2,149	(2,128)	21	592	613
Effects of adoption of MFRS 17		(324,381)	(21,052)	(345,433)	(45,055)	(390,488)
		(335,542)	25,667	(309,875)	(37,735)	(347,610)

15. Takaful revenue

The table below presents an analysis of the total takaful revenue recognised during the year:

		Family Takaful Fund		Group & Company	
		2023	2022 (Restated)	2023	2022 (Restated)
	Note	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 during the year		1,346,974	1,234,669	1,095,030	1,040,988
Change in risk adjustment for non-financial risk		-	-	43,182	42,513
Amount of CSM recognised in profit or loss		-	-	166,414	136,727
Other amount		(117,586)	(143,762)	27,141	(6,617)
Amounts relating to recovery of takaful acquisition cash flows		2,607	721	558,656	378,043
Takaful revenue - certificates not measured under PAA		1,231,995	1,091,628	1,890,423	1,591,654
Takaful revenue - certificates measured under PAA		30,411	16,287	36,970	20,030
Total takaful revenue	8(i)	1,262,406	1,107,915	1,927,393	1,611,684

16. Takaful service expenses

The table below presents an analysis of the total takaful service expenses recognised during the year:

		Family Takaful Fund		Group & Company	
		2023	2022 (Restated)	2023	2022 (Restated)
	Note	RM'000	RM'000	RM'000	RM'000
Incurred claims and other takaful service expenses	a	(1,392,705)	(1,002,403)	(1,416,179)	(1,017,385)
Amortisation of acquisition cash flows	b	(2,607)	(720)	(561,152)	(383,855)
Losses on onerous contracts		-	-	(1,180)	(8,424)
Changes to liabilities for incurred claims		173,697	78,170	173,697	78,170
		(1,221,615)	(924,953)	(1,804,814)	(1,331,494)
Represented by:					
Contracts not measured under PAA		(1,184,554)	(858,331)	(1,767,787)	(1,279,583)
Contracts measured under PAA		(37,061)	(66,622)	(37,027)	(51,911)
	8(i)	(1,221,615)	(924,953)	(1,804,814)	(1,331,494)

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16. Takaful service expenses (continued)

The table below presents an analysis of the total takaful service expenses recognised during the year: (continued)

	Note	Family Takaful Fund 2023 RM'000	Family Takaful Fund 2022 (Restated) RM'000	Group & Company 2023 RM'000	Group & Company 2022 (Restated) RM'000
a. Included in incurred claims and other takaful service expenses					
Wakalah fees		(940,725)	(928,886)	-	-
Surplus to Shareholder's Fund		(57,000)	(103,000)	-	-
Surplus to participants		(84,175)	(69,805)	(84,175)	(69,805)
b. The breakdown of expenses incurred by the Company:					
Commission expense				537,776	553,715
Sales & Distribution expenses *				88,720	72,734
Salaries and bonus				91,890	91,093
Contributions to defined contribution plans				13,508	13,397
Other personnel expenses				18,786	16,313
Directors' Remuneration and Related Expenses	22			1,284	1,029
Shariah Committee Members' Remuneration and Related Expenses	23			261	264
Auditors' Fees				835	608
Depreciation of property and equipments	3			3,512	2,990
Depreciation of right of use assets	4			5,663	5,810
Amortisation of intangible assets	5			18,341	15,005
Expenses relating to leases of low-value assets				8	33
Profit expenses on lease liabilities				3,147	3,335
Other expenses				261,537	238,839
Total expense incurred				1,045,268	1,015,165
Less: Amount attributable to acquisition cash flows				(1,037,430)	(1,007,416)
Less: Amount not attributable to acquisition cash flows				(7,838)	(7,749)
Add: Amortisation of acquisition cash flows				561,152	383,855
				561,152	383,855

* Included in Sales & Distribution expenses is retirement benefit offered to qualifying agents.

16. Takaful service expenses (continued)

The table below presents an analysis of the total takaful service expenses recognised during the year: (continued)

b. The breakdown of expenses incurred by the Company: (continued)

	2023 RM'000	2022 (Restated) RM'000
Represented by:		
Takaful service expenses:	1,037,430	1,007,416
Maintenance expenses	164,156	148,279
Acquisition expenses	873,274	859,137
Other expenses	7,838	7,749
	1,045,268	1,015,165

17. Net (expenses)/income from retakaful certificates held

An analysis of net expenses from retakaful certificates held during the year is as below:

	Note	Family Takaful Fund		Group & Company	
		2023 RM'000	2022 (Restated) RM'000	2023 RM'000	2022 (Restated) RM'000
Amounts relating to the changes in the assets for remaining coverage					
Expected recovery for takaful service expenses incurred during the year		(109,237)	(81,240)	(110,844)	(81,240)
Changes in risk adjustment for non-financial risk		(4,408)	(4,927)	(4,408)	(4,927)
Net gain recognised in profit or loss		-	972	-	429
Allocation of retakaful contributions		(113,645)	(85,195)	(115,252)	(85,738)
Amounts recoverable for claims and other expenses incurred during the year					
Amounts recoverable for claims		94,769	81,565	94,769	81,565
Changes in amounts recoverable arising from changes in liability for incurred claims		4,000	33,078	4,000	33,078
Amounts recoverable from retakaful operators		98,769	114,643	98,769	114,643
Net (expense)/income from retakaful certificates held	8(vi)	(14,876)	29,448	(16,483)	28,905

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17. Net (expenses)/income from retakaful certificates held (continued)

An analysis of net expenses from retakaful certificates held during the year is as below: (continued)

	Family Takaful Fund		Group & Company	
	2023	2022 (Restated)	2023	2022 (Restated)
	RM'000	RM'000	RM'000	RM'000
Allocation of retakaful contributions represented by:				
Contracts not measured under PAA	(109,521)	(86,167)	(109,521)	(86,167)
Contracts measured under PAA	(4,124)	972	(5,731)	429
	(113,645)	(85,195)	(115,252)	(85,738)
Amounts recoverable from retakaful operators represented by:				
Contracts not measured under PAA	93,509	115,886	93,509	115,886
Contracts measured under PAA	5,260	(1,243)	5,260	(1,243)
	98,769	114,643	98,769	114,643

18. Net investment income

	Family Takaful Fund		Company		Group	
	2023	2022	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Dividend income	94,192	77,524	101,394	77,691	97,317	77,691
Profit income from:						
Malaysian government investment issue	13,309	8,987	13,437	9,253	20,005	9,364
Islamic debt securities	83,322	76,997	85,539	80,654	85,539	80,654
Deposits with financial institutions	26,326	19,367	37,434	23,550	40,976	24,277
Other investment income	-	296	246	871	246	871
	217,149	183,171	238,050	192,019	244,083	192,857
Impairment of Islamic debt securities	(1,160)	(2,520)	(1,445)	(3,139)	(1,445)	(3,139)
Investment expenses	(4,034)	(4,959)	(13,177)	(16,163)	(13,177)	(16,163)
	211,955	175,692	223,428	172,717	229,461	173,555

19. Realised losses

	Family Takaful Fund		Company		Group	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Financial assets at FVTPL:						
Realised gains:						
Islamic debt securities	8,396	7,029	9,223	7,206	9,223	7,206
Equity securities	3,106	12,211	3,106	12,211	3,385	12,802
Collective investment schemes	2,277	3,574	7,302	5,146	7,142	5,146
Realised losses:						
Islamic debt securities	(8,818)	(8,479)	(9,206)	(9,558)	(9,206)	(9,558)
Equity securities	(27,526)	(43,917)	(27,526)	(43,917)	(27,526)	(43,917)
Collective investment schemes	(670)	(14)	(757)	(1,472)	(757)	(1,472)
	(23,235)	(29,596)	(17,858)	(30,384)	(17,739)	(29,793)

20. Fair value gains/(losses)

		Family Takaful Fund		Company		Group	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Financial assets at FVTPL	6(b)	13,074	(298,693)	17,575	(297,209)	11,643	(298,547)

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21. Net takaful finance result

The table below presents an analysis of net takaful finance result recognised in profit or loss during the year:

	Note	Takaful certificates issued 2023 RM'000	Takaful certificates issued 2022 (Restated) RM'000
Family Takaful Fund			
Takaful Finance Result			
Takaful finance (expenses)/income from takaful certificates issued			
Profit accreted to takaful certificates using current financial assumptions		(169,034)	(94,755)
Profit accreted to takaful certificates using locked-in rate		(904)	(155)
Changes in Fair Value of the Underlying Items		(16,774)	52,779
Effect of changes in profit rates and other financial assumptions		(45,257)	(4,831)
	8(i)	(231,969)	(46,962)
Retakaful finance income/(expenses) from retakaful certificates held			
Effect of changes in profit rates and other financial assumptions		19,136	(37,969)
Changes in non-performance risk of retakaful operators		(4,260)	8,521
	8(vi)	14,876	(29,448)
Net takaful finance result		(217,093)	(76,410)

	Note	Takaful certificates issued 2023 RM'000	Takaful certificates issued 2022 (Restated) RM'000
Group and Company			
Takaful Finance Result			
Takaful finance (expenses)/income from takaful certificates issued			
Profit accreted to takaful certificates using current financial assumptions		(16,247)	27,627
Profit accreted to takaful certificates using locked-in rate		(55,930)	(53,909)
Changes in Fair Value of the Underlying Items		(16,774)	(6,748)
Effect of changes in profit rates and other financial assumptions		(57,314)	(7,452)
	8(i)	(146,265)	(40,482)
Retakaful finance income/(expenses) from retakaful certificates held			
Effect of changes in profit rates and other financial assumptions		19,136	(37,970)
Changes in non-performance risk of retakaful operators		(4,260)	8,521
	8(vi)	14,876	(29,449)
Net takaful finance result		(131,389)	(69,931)

22. Directors' Remuneration and Related Expenses

	Note	2023 RM'000	2022 RM'000
Directors			
Non-deferred remuneration			
Fixed remuneration			
Fees		895	850
Other remuneration		389	179
	16b.	1,284	1,029

The total remuneration received by Directors during the financial year are as follows:

2023	**Fees RM'000**	**Other remunerations RM'000**	**Total RM'000**
Non-Executive Directors			
Ezamshah bin Ismail	189	92	281
Puan Rossana Annizah Rashid	200	79	279
Mazidah binti Abdul Malik	186	91	277
Madzlan bin Mohamad Hussain	150	58	208
Tunku Alizakri bin Raja Muhammad Alias	170	69	239
	895	389	1,284
2022			
Non-Executive Directors			
Ezamshah bin Ismail	182	41	223
Puan Rossana Annizah Rashid	185	36	221
Mazidah binti Abdul Malik	180	41	221
Madzlan bin Mohamad Hussain	146	28	174
Tunku Alizakri bin Raja Muhammad Alias	157	33	190
	850	179	1,029

The total remuneration received by Directors during the financial year is fixed and non-deferred.

23. Shariah Committee Members' Remuneration and Related Expenses

	Note	2023 RM'000	2022 RM'000
Shariah Committee members			
Non-deferred remuneration			
Fixed remuneration			
Fees		218	216
Other remuneration		45	48
	16b.	263	264

The total remuneration received by Shariah Committee members during the financial year are as follows:

2023	**Fees RM'000**	**Other remunerations RM'000**	**Total RM'000**
Shariah Committee members			
Wan Rumaizi bin Wan Husin	11	3	14
Dr. Ahmad Zaki Salleh	11	3	14
Prof. Datuk Dr. Syed Othman bin Syed Hussin Alhabshi	42	9	51
Dr. Sa'id Adekunle Mikail	42	9	51
Dr. Abdullaah bin Jalil	48	9	57
Assoc. Prof. Dr. Syed Musa bin Syed Jaafar Alhabshi	32	6	38
Dr. Akhtarzaite binti Abdul Aziz	32	6	38
	218	45	263

2022			
Shariah Committee members			
Wan Rumaizi bin Wan Husin	42	10	52
Dr. Ahmad Zaki Salleh	42	10	52
Prof. Datuk Dr. Syed Othman bin Syed Hussin Alhabshi	42	10	52
Dr. Sa'id Adekunle Mikail	42	9	51
Dr. Abdullaah bin Jalil	48	9	57
	216	48	264

The total remuneration received by Shariah Committee members during the financial year is fixed and non-deferred.

24. Key management personnel compensation

The key management personnel (KMP) includes all members of EXCO of the Company and Other Material Risk Takers (OMRT) which includes Head of New Business & Underwriting and Head of Underwriting Unit New Business Projects. The following is the total compensation of KMPs excluding CEO:

Takaful operator and Company

	2023 RM'000	2022 RM'000
Key management personnel		
Non-deferred remuneration		
Fixed remuneration		
Cash-based	4,685	4,846
Contributions to defined contribution plans	699	722
	5,384	5,568
Variable remuneration		
Cash-based	1,420	2,520
Contributions to defined contribution plans	191	391
Others	84	37
	1,695	2,948
Deferred remuneration		
Variable remuneration		
Cash-based	1,575	1,320
Contributions to defined contribution plans	11	9
	1,586	1,329
	8,665	9,845

	2023	2022
Number of key management personnel receiving variable remuneration	10	9

	2023 RM'000	2022 RM'000
Total amount outstanding deferred remuneration (unvested)		
Cash-based	6,521	7,850

None of the key management personnel receives guaranteed bonuses, sign-on awards and severance payment. The key management personnel's deferred remuneration is not exposed to explicit adjustments. The key management personnel's unvested deferred remuneration is subject to implicit adjustments on benchmarked share price of an affiliated company.

24. Key management personnel compensation (continued)

The total remuneration received by Chief Executive Officer (including benefits-in-kind) during the financial year was as follows :

	2023 RM'000	2022 RM'000
Chief Executive Officer		
Non-deferred remuneration		
Fixed remuneration		
Cash-based	1,132	1,111
Contributions to defined contribution plans	176	173
	1,308	1,284
Variable remuneration		
Cash-based	562	1,993
Contributions to defined contribution plans	87	309
Others	43	31
	692	2,333
Deferred remuneration		
Variable remuneration		
Cash-based	969	408
Contributions to defined contribution plans	2	2
	971	410
	2,971	4,027

25. Tax expense

Domestic corporate income tax for takaful operator fund is calculated at the Malaysian statutory tax rate of 24% based on the estimated assessable profit for the year while the taxation charge on family takaful fund which is based on the method prescribed under the Income Tax Act, 1967, is calculated at the tax rate of 8%.

For takaful operator fund, the corporate income tax rate is 24% and for the family takaful fund, the tax rate is 8%. Consequently, deferred tax assets and liabilities are measured using these tax rates.

		2023			2022		
	Note	Family Takaful Fund RM'000	Company RM'000	Group RM'000	Family Takaful Fund RM'000	Company RM'000	Group RM'000
Malaysian taxation							
- Current year tax expense		7,977	13,464	13,464	3,957	20,818	20,818
- (Over)/under provision in prior year		(996)	695	695	(2,754)	(1,730)	(1,730)
		6,981	14,159	14,159	1,203	19,088	19,088
Deferred tax liabilities/(assets)							
- Reversal and origination of temporary differences	14	1,076	36,659	36,659	(23,679)	(1,989)	(1,989)
		1,076	36,659	36,659	(23,679)	(1,989)	(1,989)
		8,057	50,818	50,818	(22,476)	17,099	17,099

25. Tax expense (continued)

A reconciliation of income tax expense applicable to surplus/profit/(deficit) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the funds is as follows:

	2023			2022		
	Family Takaful Fund RM'000	Company RM'000	Group RM'000	Family Takaful Fund RM'000	Company RM'000	Group RM'000
Surplus/profit/(deficit) before taxation	8,057	187,651	187,504	(22,476)	68,324	68,349
Taxation at applicable Malaysian statutory tax rate	645	45,036	45,001	(1,798)	16,398	16,398
Income not subject to tax	(44,737)	(3,526)	(3,491)	(19,964)	(462)	(462)
Non-deductible expenses	52,966	10,052	10,052	1,437	15,565	15,565
Other - Special tax relief	-	(787)	(787)	-	(787)	(787)
	8,874	50,775	50,775	(20,325)	30,714	30,714
(Over)/under provision of current tax in prior year	(996)	695	694	(2,754)	(1,730)	(1,730)
Recognition of previously unrecognised deferred tax assets *	-	-	-	-	(12,042)	(12,042)
Others	179	(652)	(651)	603	157	157
	8,057	50,818	50,818	(22,476)	17,099	17,099

* In 2022, deferred tax asset was recognised in relation to deductible temporary differences arising from the provision for wakalah fees due to the changes in the tax law. The recognition of the deferred tax estimate required the use of assumptions in relation to the period the related expenses are to be incurred in the future and the availability of future taxable profit.

26. Segment information on cash flows

	2023			2022		
	Family Takaful Fund RM'000	Company RM'000	Group RM'000	Family Takaful Fund RM'000	Company RM'000	Group RM'000
Cash flows generated from/(used in):						
Operating activities	342,961	453,679	453,294	391,231	630,061	630,032
Investing activities	(262,259)	(402,374)	(495,661)	(617,109)	(916,404)	(904,146)
Financing activities	-	96,226	191,683	-	(3,964)	(3,960)
Net increase/(decrease)	80,702	147,531	149,316	(225,878)	(290,307)	(278,074)

27. Related parties

Identity of related parties

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

(i) Holding company

The holding company is Bank Simpanan Nasional, a bank incorporated under the Bank Simpanan Nasional Act, 1974 and domiciled in Malaysia.

(ii) Affiliated company

The affiliated company is a company having an equity interest of between 20% to 50% in the Company and including other corporations related to the first mentioned corporation.

(iii) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel includes all members of the EXCO of the Company and OMRT, namely the Head of New Business & Underwriting and Head of Underwriting Unit New Business Projects.

Significant related party transactions

The significant related party transactions of the Group and the Company, other than directors' remuneration and key management personnel compensation as disclosed in Note 22 and 24, are as follows:

	Transaction amount for the year ended 31 December (Income)/Expense	
	2023	**2022**
	RM'000	**RM'000**
Holding company - Malaysia		
Investment income		
(i) Profit from Deposit Placements	(8,184)	(4,634)
Operating Expenditure		
(i) Commission expenses	26,760	22,194
(ii) Sales related expenses	21,490	11,997

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27. Related parties (continued)

Significant related party transactions (continued)

	Transaction amount for the year ended 31 December (Income)/Expense 2023 RM'000	2022 RM'000
Affiliated companies - Malaysia		
Operating Expenditure		
(i) Other management expenses	21,006	23,782
(ii) Sales related expenses	74,280	61,339
(iii) Information Technology (IT) related expenses and services	27,285	9,548
(iv) Operation and other services	286	3,302
(v) Office rental	1,132	701
(vi) Fund management fees	6,610	10,503
(vii) Project management	1,726	772
(viii) Zakat and donation	3,500	4,550
Capital Expenditure		
(i) Hardware & Software development	14,070	38,958
(ii) Renovation	-	105

Significant related party balances

	Gross balance outstanding 31 December 2023 RM'000	2022 RM'000
Amount due to related companies		
(i) Prudential Assurance Malaysia Berhad	45,181	51,684
(ii) Prudential Singapore Services Pte. Ltd.	1,171	3,566
(iii) Prudential Corporation Holdings Limited	6,172	7,445
(iv) Prudential Services Asia Sdn Bhd	1,020	1,806
(v) Eastspring Al-Wara' Investments Berhad	2,119	3,183
(vi) Pulse Ecosystem Holding Limited	13,000	5,722
Amount due from related companies		
(i) Eastspring Investments Berhad	13	-
Balances with Holding Company		
(i) Cash and cash equivalents	141,927	228,119
(ii) Deposits with financial institutions	167,656	267,925
(iii) Other receivables	141	-

28. Investment-linked business

Statement of financial position as at 31 December 2023

	2023 RM'000	2022 RM'000
Assets		
Investments	3,241,657	2,984,513
Income due and accrued	7,281	8,832
Amount due from family takaful fund	58,781	95,394
Other receivables	179	161
Current tax assets	-	484
Deferred tax assets	10,539	7,211
Cash and bank balances	10,277	5,904
Total Investment-linked business assets	3,328,714	3,102,499
Liabilities		
Other payables	17,809	6,075
Current tax liabilities	339	-
Amount due to takaful operator	6,702	6,114
Deferred tax liabilities	-	-
Total Investment-linked business liabilities	24,850	12,189
Net asset value of funds	3,303,864	3,090,310
Represented by:		
Unit holders' account	3,303,864	3,090,310

Statement of profit or loss and other comprehensive income for the year ended 31 December 2023

	2023 RM'000	2022 RM'000
Investment income	110,546	95,614
Realised losses	(26,218)	(36,138)
Fair value losses	(41,561)	(258,693)
Investment management fees	(43,651)	(38,302)
Investment expenses	(94)	-
Other expenses	(42)	-
Other operating income	7,165	4,048
Profit/(Deficit) before taxation	6,145	(233,471)
(Less): Tax (expense)/income	(130)	1,191
Profit/(Deficit) after taxation	6,015	(232,280)

29. Takaful risk management

The Board assumes the overall responsibility for the Company's risk management including takaful risk management and it is supported by BRMC and BIC. Risk Management Committee and Investment Committee support the BRMC and BIC through regular updates.

The Group and Company has in place policies, guidelines and limits in managing its takaful risk. Management of risks includes the selection and pricing of risks, product diversification, monitoring of actual experience, and using retakaful to diversify risk and limit potential net losses.

Takaful risk to the Group and Company includes mortality, morbidity, expenses, lapses, surrenders, investments return, persistency and discount rate.

Family takaful investment-linked certificates

The family takaful investment-linked certificates are mainly made up of regular contribution investment-linked products which can be attached to various riders such as medical, contributor, hospital income and accidental riders. The main products are PruBSN Linked Series, PruBSN AsasLink and PruBSN WarisanPlus. The main riders are Crisis Shield, Health Enrich, HealthEnrich+, Health Protector, Medic Protector, Contributor and Accidental Protector Plus.

Family takaful non-investment-linked certificates

The family takaful non-investment-linked certificates consist of protection plans (for death, TPD and critical illness), savings plan and credit related reducing sum covered protection plan. The main products are PruBSN AnugerahPlus, PruBSN Aspirasi, BSN Fitrah, PruBSN Anggun, Sakinah, Mortgage Reducing Term Takaful and Reducing Term Takaful.

(a) Family takaful contracts

Concentration of takaful risk

The risk selection process determines the groups of takaful risk that are acceptable so that diversification of takaful risk types is achieved. This is to ensure that within each of these risk types, there is a sufficiently large population of risks to reduce the variability of the expected outcome.

In the classification process, certificates are classified into separate categories of standard and degree of substandard. Medical selection and financial underwriting guidelines included in the underwriting procedures allow the correct assignment of takaful risk to the appropriate class. Each class has varied takaful charges to reflect the health and medical history of the applicants.

The retakaful arrangements for risks undertaken by the fund have also limited the fund's risk exposure. There is a maximum retention limit for any single covered life. Generally, the fund retains low counterparty risk by having retakaful with high credit rating retakaful operators.

29. Takaful risk management (continued)

(a) Family takaful contracts (continued)

Concentration of takaful risk (continued)

Concentration of risk based on net takaful certificate liabilities

	Gross RM'000	Retakaful RM'000	Net RM'000
2023			
Endowment	4,006,571	115,016	4,121,587
Term	469,553	(60,333)	409,220
Mortgage	553,293	(62,646)	490,647
Total Family Takaful Fund	5,029,417	(7,963)	5,021,454
2022			
Endowment	3,593,121	120,372	3,713,493
Term	403,857	(50,741)	353,116
Mortgage	469,263	(52,687)	416,576
Total Family Takaful Fund	4,466,241	16,944	4,483,185

Key assumptions

Material judgement and analysis are required in the choice of assumptions to estimate the liabilities. The assumptions are based on past experience, current internal data and external market indices and benchmarks which reflect current observable market prices and published information. The assumptions used in the valuation of liabilities are based on prudent estimates. This ensures that the fund is financially sound to meet its obligations.

Actual results may differ from these estimates. Assumptions are evaluated periodically to ensure realistic and reasonable valuations. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

Mortality and morbidity

The Company derives best estimate mortality or morbidity assumptions for each product type. These best estimates are based on studies which are derived from the existing portfolio. In practice, as the portfolio is dominated by new business sales whereby the experience is affected by underwriting selection effect, the best estimate assumption is not established entirely based on the portfolio experience but also with reference to retakaful risk rate tables.

Underwriting practices influences the mortality and morbidity experience of the fund. Monitoring and experience studies need to be performed if there are changes to underwriting practices.

29. Takaful risk management (continued)

(a) Family takaful contracts (continued)

Key assumptions (continued)

Longevity

As there are no annuity products, longevity is not a significant assumption for the portfolio.

Investment return

The operational model of the takaful contracts is based on Tabarru' charges deducted from the participant funds to the Risk fund monthly. Investment risk is largely passed on to the participants. As a result, most Risk funds are not exposed to movements in rate of return and market values of the underlying assets.

Takaful Fund 2 provides maturity benefit for PruBSN Platinum, Premier One-i, and Smart Secure Takaful, as well as supporting regular cash payment in the event Participants Investment Account is in deficit for PruBSN Platinum, Premier One-i, Level Term Takaful, Smart Secure Takaful, PruBSN Aspirasi and Premier Vantage. Investment of fund are backed by Sukuk and cash equivalent, liabilities are set up based on Government Islamic Issuance Yield.

Expenses

Expenses are borne entirely by the takaful operator (except for certain outgo as allowed for by the contract or by the relevant regulatory guidelines) and not the takaful funds. Expense assumption has no impact to the Risk funds.

Persistency

Persistency has marginal impact to the takaful funds as charges are deducted monthly and claims paid only if the certificate is in-force.

Discount rate

Discount rate has a significant impact on provisions for contract liabilities. Lower discount rates will increase provisions required as the investment return that can be earned on the provisions are lower. Conversely, a higher discount rate reduces the provisions.

Sensitivities

The sensitivity analysis is performed on the Yearly Renewable Term - Family liabilities. However, the Yearly Renewable Term - Health has been excluded due to its relative small size and immateriality.

29. Takaful risk management (continued)

(a) Family takaful contracts (continued)

Sensitivities (continued)

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

	Change in assumptions %	Impact on profit before tax gross of retakaful RM'000	Impact on profit before tax net of retakaful RM'000	Impact on equity gross of retakaful RM'000	Impact on equity net of retakaful RM'000
			(Decrease)/Increase		
Company					
2023					
Mortality/morbidity rate	+10	(24,708)	(24,708)	(24,708)	(24,708)
Longevity	+10	-	-	-	-
Expenses	+10	(23,252)	(23,252)	(23,252)	(23,252)
Lapse and surrenders rate	+10	(29,522)	(29,522)	(29,522)	(29,522)
Interest rate	+1	(169,780)	(169,780)	(169,780)	(169,780)
		-	-	-	-
Mortality/morbidity rate	-10	24,140	24,140	24,140	24,140
Longevity	-10	-	-	-	-
Expenses	-10	23,252	23,252	23,252	23,252
Lapse and surrender rates	-10	32,356	32,356	32,356	32,356
Interest rate	-1	186,184	186,184	186,184	186,184
2022					
Mortality/morbidity rate	+10	(24,850)	(24,850)	(24,850)	(24,850)
Longevity	+10	-	-	-	-
Expenses	+10	(17,762)	(17,762)	(17,762)	(17,762)
Lapse and surrenders rate	+10	(19,851)	(19,851)	(19,851)	(19,851)
Interest rate	+1	(164,137)	(164,137)	(164,137)	(164,137)
		-	-	-	-
Mortality/morbidity rate	-10	23,877	23,877	23,877	23,877
Longevity	-10	-	-	-	-
Expenses	-10	17,781	17,781	17,781	17,781
Lapse and surrenders rate	-10	21,894	21,894	21,894	21,894
Interest rate	-1	179,720	179,720	179,720	179,720

29. Takaful risk management (continued)

(a) Family takaful contracts (continued)

Sensitivities (continued)

		2023		2022	
	Change in assumptions %	Impact on CSM before tax gross of retakaful RM'000	Impact on CSM before tax net of retakaful RM'000	Impact on CSM before tax gross of retakaful RM'000	Impact on CSM before tax net of retakaful RM'000
		(Decrease)/Increase			
Company					
Mortality/morbidity rate	+10	(187,560)	(187,560)	(246,251)	(246,251)
Longevity	+10	-	-	-	-
Expenses	+10	(160,196)	(160,196)	(159,631)	(159,631)
Lapse and surrenders rate	+10	(254,016)	(254,016)	(228,732)	(228,732)
Interest rate	+1	(27,852)	(27,852)	(26,196)	(26,196)
Mortality/morbidity rate	-10	185,128	185,128	239,011	239,011
Longevity	-10	-	-	-	-
Expenses	-10	160,196	160,196	159,865	159,865
Lapse and surrenders rate	-10	289,495	289,495	260,228	260,228
Interest rate	-1	29,956	29,956	27,439	27,439

30. Financial Instruments

Financial risk (other than takaful risk) management objectives and policies

As disclosed in Note 29, the BRMC and BIC are also supported by Risk Management Committee and Investment Committee on financial risk management in addition to takaful risk management through the regular updates.

The Risk Management Committee is established to be responsible in reviewing and recommending risk management strategies, policies and risk tolerance for the Board's approval. The Committee has adopted a Risk Management Framework that requires all businesses and functions to establish processes for identifying, evaluating and managing the key risks faced by the Company.

The Investment Committee will oversee the investment of all investment funds maintained by the Company. This includes reviewing of the investment performance, setting up benchmarks and obtaining third party advice, if necessary.

The Investment Committee is also responsible to share all investment risk reporting and assessments with the Risk Management function for onward deliberation at the Risk Management Committee. Investment Committee shall also be responsible to escalate for the attention of the Risk Management Committee, appropriate board-level sub-committee and the Board areas of concern that might negatively affect PruBSN investment risk profile.

Specific risks that affect the Group's and Company's financial position are:

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer, an intermediary or counterparty to settle its financial and contractual obligations to the Group and the Company as and when they fall due.

The Group's and the Company's primary exposure to credit risk arises through its investment in fixed income securities, placements or balances with financial institutions, retakaful contribution receivables and recoveries from retakaful operators.

Receivables

Risk management objectives, policies and process for managing the risk

Management has taken reasonable steps to ensure that contribution receivables that are neither past due nor impaired are stated at their realisable values. The Group and the Company uses aging analysis to monitor the credit quality of contribution receivables. Contribution receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

Recoveries from retakaful operators are monitored by the Finance Department. The Group and the Company monitors the credit quality and financial conditions on a quarterly basis as part of its overall credit risk management framework. The Group and the Company cedes the majority of its business to retakaful operators that are deemed to be qualified retakaful operators under the Risk-Based Capital Framework.

30. Financial Instruments (continued)

Financial risk (other than takaful risk) management objectives and policies (continued)

Investments and deposit placements

Risk management objectives, policies and procedures for managing the risk

For fixed income securities, the Group and the Company relies on the ratings assigned by external rating agencies to assess the issuer's credit risk. Monitoring of credit is carried out by the Finance Department and any adverse changes in the credit profile on a security to below A-rated would be reported to the Investment Committee.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group and the Company has only invested in domestic securities and have placements with domestic licensed banks. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations. The Group and the Company does not have overdue investments that have not been impaired.

Credit exposure

The credit risk analysis below is presented in line with how the Group and the Company manages the risk. The Company manages its credit exposure based on the carrying value of the financial instruments and takaful and retakaful assets.

The table below shows the maximum exposure to credit risk for the financial instruments, and takaful and retakaful assets on the statement of financial position.

	2023			2022		
	Family Takaful Fund RM'000	Company RM'000	Group RM'000	Family Takaful Fund RM'000	Company RM'000	Group RM'000
Cash and cash equivalents	297,436	428,437	442,455	216,734	280,906	293,139
Investments:						
Debt instruments at FVTPL						
Malaysian government investment issue	413,945	422,017	830,097	236,716	236,716	352,543
Islamic debts securities	1,992,454	2,046,146	2,046,146	1,766,113	1,814,466	1,814,466
Deposits with financial institutions	468,078	718,528	815,815	734,675	923,347	1,000,738
Retakaful certificate assets	36,093	35,898	35,898	9,770	9,802	9,802
Other receivables	151,772	172,877	172,877	138,919	157,652	157,652
Total credit risk exposure	3,359,778	3,823,903	4,343,288	3,102,927	3,422,889	3,628,340

30. Financial Instruments (continued)

Financial risk (other than takaful risk) management objectives and policies (continued)

Credit exposure (continued)

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

	2023				2022			
	Neither past due nor impaired RM' 000	Past due but not impaired RM '000	Past due and impaired RM '000	Total RM '000	Neither past due nor impaired RM' 000	Past due but not impaired RM '000	Past due and impaired RM '000	Total RM '000
Family Takaful Fund								
Cash and cash equivalents	297,436	-	-	297,436	216,734	-	-	216,734
Investments:								
Debt instruments at FVTPL								
Malaysian government investment issue	413,945	-	-	413,945	236,716	-	-	236,716
Islamic debts securities	1,992,454	-	-	1,992,454	1,761,688	-	4,425	1,766,113
Deposits with financial institutions	468,078	-	-	468,078	734,675	-	-	734,675
Retakaful certificate assets	36,093	-	-	36,093	9,770	-	-	9,770
Other receivables	151,772	-	-	151,772	138,919	-	-	138,919
Total credit risk exposure	3,359,778	-	-	3,359,778	3,098,502	-	4,425	3,102,927
Company								
Cash and cash equivalents	428,437	-	-	428,437	280,906	-	-	280,906
Investments:								
Debt instruments at FVTPL								
Malaysian government investment issue	422,017	-	-	422,017	236,716	-	-	236,716
Islamic debts securities	2,046,146	-	-	2,046,146	1,808,824	-	5,642	1,814,466
Deposits with financial institutions	718,528	-	-	718,528	923,347	-	-	923,347
Retakaful certificate assets	35,898	-	-	35,898	9,802	-	-	9,802
Other receivables	172,877	-	-	172,877	157,652	-	-	157,652
Total credit risk exposure	3,823,903	-	-	3,823,903	3,417,247	-	5,642	3,422,889

30. Financial Instruments (continued)

Financial risk (other than takaful risk) management objectives and policies (continued)

Credit exposure (continued)

	2023				2022			
	Neither past due nor impaired RM' 000	Past due but not impaired RM '000	Past due and impaired RM '000	Total RM '000	Neither past due nor impaired RM' 000	Past due but not impaired RM '000	Past due and impaired RM '000	Total RM '000
Group								
Cash and cash equivalents	442,455	-	-	442,455	293,139	-	-	293,139
Investments:								
Debt instruments at FVTPL								
Malaysian government investment issue	830,097	-	-	830,097	352,543	-	-	352,543
Islamic debts securities	2,046,146	-	-	2,046,146	1,808,824	-	5,642	1,814,466
Deposits with financial institutions	815,815	-	-	815,815	1,000,738	-	-	1,000,738
Retakaful certificate assets	35,898	-	-	35,898	9,802	-	-	9,802
Other receivables	172,877	-	-	172,877	157,652	-	-	157,652
Total credit risk exposure	4,343,288	-	-	4,343,288	3,622,698	-	5,642	3,628,340

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

30. Financial Instruments (continued)

Financial risk (other than takaful risk) management objectives and policies (continued)

Credit exposure by credit rating

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

	2023					2022				
	AAA RM '000	AA-D RM '000	Past due but not impaired RM '000	Not-rated RM '000	Total RM '000	AAA RM '000	AA-D RM '000	Past due not RM '000	Not-rated RM '000	Total RM '000
Family Takaful Fund										
Cash and cash equivalents	294,802	2,630	-	4	297,436	186,834	6,163	-	23,737	216,734
Investments:										
Debt instruments at FVTPL										
Malaysian government investment issue	-	-	-	413,945	413,945	-	-	-	236,716	236,716
Islamic debts securities	628,966	708,475	-	655,013	1,992,454	500,054	729,879	-	536,180	1,766,113
Deposits with financial institutions	406,851	61,227	-	-	468,078	387,099	57,758	-	289,818	734,675
Retakaful certificate assets	-	36,093	-	-	36,093	-	9,770	-	-	9,770
Other receivables	-	-	-	151,772	151,772	-	-	-	138,919	138,919
Total credit risk exposure	1,330,619	808,425	-	1,220,734	3,359,778	1,073,987	803,570	-	1,225,370	3,102,927
Company										
Cash and cash equivalents	425,337	3,033	-	67	428,437	247,252	9,846	-	23,808	280,906
Investments:										
Debt instruments at FVTPL										
Malaysian government investment issue	-	-	-	422,017	422,017	-	-	-	236,716	236,716
Islamic debts securities	628,966	708,475	-	708,705	2,046,146	519,010	748,086	-	547,370	1,814,466
Deposits with financial institutions	557,301	161,227	-	-	718,528	476,407	156,227	-	290,713	923,347
Retakaful certificate assets	-	35,898	-	-	35,898	-	9,802	-	-	9,802
Other receivables	-	-	-	172,877	172,877	-	-	-	157,652	157,652
Total credit risk exposure	1,611,604	908,633	-	1,303,666	3,823,903	1,242,669	923,961	-	1,256,259	3,422,889

30. Financial Instruments (continued)

Financial risk (other than takaful risk) management objectives and policies (continued)

Credit exposure by credit rating (continued)

	2023					2022				
	AAA RM '000	AA-D RM '000	Past due but not impaired RM '000	Not-rated RM '000	Total RM '000	AAA RM '000	AA-D RM '000	Past due not RM '000	Not-rated RM '000	Total RM '000
Group										
Cash and cash equivalents	439,355	3,033	-	67	442,455	259,485	9,846	-	23,808	293,139
Investments:										
Debt instruments at FVTPL										
Malaysian government investment issue	-	-	-	830,097	830,097	19,804	-	-	332,739	352,543
Islamic debts securities	628,966	708,475	-	708,705	2,046,146	519,010	748,086	-	547,370	1,814,466
Deposits with financial institutions	654,588	161,227	-	-	815,815	553,798	156,227	-	290,713	1,000,738
Retakaful certificate assets	-	35,898	-	-	35,898	-	9,802	-	-	9,802
Other receivables	-	-	-	172,877	172,877	-	-	-	157,652	157,652
Total credit risk exposure	1,722,909	908,633	-	1,711,746	4,343,288	1,352,097	923,961	-	1,352,282	3,628,340

Impairment assessment

See accounting policy Note 2(d)(iii) to the financial statements on impairment of financial assets.

Expected credit loss ("ECL")

The Group and the Company assesses the possible default events within 12 months for the calculation of the 12-month ECL. Given the investment policy, the probability of default for new instruments acquired is generally determined to be minimal and the expected loss given default ratio assumed to be 100%.

In rare cases where a lifetime ECL is required to be calculated, the probability of default is estimated based on economic scenarios.

The Group and the Company's debt instruments are carried at FVTPL, hence, no ECL is required to be calculated.

30. Financial Instruments (continued)

Liquidity risk

The Group and the Company monitors daily the cash flows and holds a sufficient quantum of financial assets that can readily be converted into cash to meet contractual and regulatory financial obligations and to undertake new transactions.

(a) *Maturity profile of financial liabilities*

The maturity profile of the Group's and Company's financial liabilities which include takaful certificates liabilities and other payables as at the end of the reporting period based on remaining undiscounted contractual obligations, including profit payable are payable within a year. For takaful certificates liabilities, maturity profiles are determined based on estimated timing of net cash outflows from recognised takaful liabilities.

The maturity profile of the Group's and Company's lease liabilities as at end of reporting period based on undiscounted contractual payments are summarised in table below:

Group and Company	Carrying Amount RM'000	Discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
2023							
Lease liabilities	65,653	3.1 to 4.7	83,698	7,474	7,083	23,096	46,045
2022							
Lease liabilities	69,427	3.1 to 4.7	90,618	6,921	7,474	22,498	53,725

(b) *Maturity analysis*

Maturity analysis for takaful and retakaful certificate liabilities (present value of future cash flows basis)

The following table summarises the maturity profile of groups of takaful/retakaful certificates issued and groups of retakaful certificates held that are liabilities of the Group and the Company based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented:

30. Financial Instruments (continued)

(b) *Maturity analysis (continued)*

Maturity analysis for takaful and retakaful certificate liabilities (present value of future cash flows basis) (continued)

	Up to 1 year RM'000	1-2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	>5 years RM'000	Total RM'000
Group and Company							
2023							
Takaful certificate liabilities	1,256,746	(479,155)	(508,923)	(434,254)	(246,975)	4,552,364	4,139,803
Retakaful certificate liabilities held	(657)	1,742	1,714	1,897	2,010	19,118	25,824
TOTAL	1,256,089	(477,413)	(507,209)	(432,357)	(244,965)	4,571,482	4,165,627
2022							
Takaful certificate liabilities	569,063	(616,874)	(598,083)	(527,773)	(416,469)	5,227,453	3,637,317
Retakaful certificate liabilities held	(2,830)	162	377	640	871	26,604	25,824
TOTAL	566,233	(616,712)	(597,706)	(527,133)	(415,598)	5,254,057	3,663,141

Maturity analysis for financial assets (contractual undiscounted cash flow basis)

The following table summarises the maturity profile of financial assets of the Company based on remaining undiscounted contractual cash flows, including interest receivable.

	Up to 1 year RM'000	1-2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	>5 years RM'000	Total RM'000
Company							
2023							
Financial assets							
Cash and cash equivalents	428,437	-	-	-	-	-	428,437
Equity and debt instruments at FVTPL	3,352,307	78,270	147,295	216,929	259,675	1,673,492	5,727,968
TOTAL	3,780,744	78,270	147,295	216,929	259,675	1,673,492	6,156,405

30. Financial Instruments (continued)

(b) *Maturity analysis (continued)*

Maturity analysis for financial assets (contractual undiscounted cash flow basis) (continued)

	Up to 1 year RM'000	1-2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	>5 years RM'000	Total RM'000
Company							
2022							
Financial assets							
Cash and cash equivalents	280,906	-	-	-	-	-	280,906
Equity and debt instruments at FVTPL	2,948,930	87,137	128,095	103,502	245,566	1,421,252	4,934,482
TOTAL	3,229,836	87,137	128,095	103,502	245,566	1,421,252	5,215,388

	Up to 1 year RM'000	1-2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	>5 years RM'000	Total RM'000
Group							
2023							
Financial assets							
Cash and cash equivalents	442,455	-	-	-	-	-	442,455
Equity and debt instruments at FVTPL	2,954,154	170,001	335,952	237,025	310,935	1,709,936	5,718,003
TOTAL	3,396,609	170,001	335,952	237,025	310,935	1,709,936	6,160,458
2022							
Financial assets							
Cash and cash equivalents	293,139	-	-	-	-	-	293,139
Equity and debt instruments at FVTPL	2,763,320	142,640	158,546	113,571	245,566	1,421,252	4,844,895
TOTAL	3,056,459	142,640	158,546	113,571	245,566	1,421,252	5,138,034

30. Financial Instruments (continued)

(b) *Maturity analysis (continued)*

Maturity analysis on expected maturity bases

The table below summarises the expected utilisation or settlement of assets and liabilities.

	2023			2022		
	No more than 12 months	More than 12 months	Total	No more than 12 months	More than 12 months	Total
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets						
Cash and cash equivalents	428,437	-	428,437	280,906	-	280,906
Equity and debt instruments at FVTPL	3,352,307	2,375,661	5,727,968	2,948,930	1,985,552	4,934,482
	3,780,744	2,375,661	6,156,405	3,229,836	1,985,552	5,215,388
Takaful certificate liabilities						
Takaful certificate liabilities	1,256,746	2,883,057	4,139,803	569,063	3,068,254	3,637,317
Retakaful certificate liabilities held	(657)	26,481	25,824	(2,830)	28,654	25,824
	1,256,089	2,909,538	4,165,627	566,233	3,096,908	3,663,141

	2023			2022		
	No more than 12 months	More than 12 months	Total	No more than 12 months	More than 12 months	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets						
Cash and cash equivalents	442,455	-	442,455	293,139	-	293,139
Equity and debt instruments at FVTPL	2,954,154	2,763,849	5,718,003	2,763,320	2,081,575	4,844,895
	3,396,609	2,763,849	6,160,458	3,056,459	2,081,575	5,138,034
Takaful certificate liabilities						
Takaful certificate liabilities	1,256,746	2,883,057	4,139,803	569,063	3,068,254	3,637,317
Retakaful certificate liabilities held	(657)	26,481	25,824	(2,830)	28,654	25,824
	1,256,089	2,909,538	4,165,627	566,233	3,096,908	3,663,141

Operational risk

Operational risk relates to the risk of potential loss from a breakdown in internal processes, systems, deficiencies in people and management or operational failure arising from external events. The Group and the Company mitigates operational risk by establishing appropriate policies, internal control and procedures and contingency planning.

30. Financial Instruments (continued)

Market risk

Market risk is the risk of potential losses of income or market value due to fluctuations in factors such as profit rates, foreign exchange rates, equity prices or change in volatility or a combination of such factors. The Group's and Company is mainly exposed to profit rate risk and equity risks for its investment activities.

(a) Profit rate risk of financial assets

The Group and Company accounts for fixed rate financial assets at fair value through profit or loss. Therefore, these financial assets are exposed to a risk of change in their fair value due to changes in profit rates. When profit rates move up, the fair value of the financial assets will move down, and vice versa.

Profit rate risk is an external factor which is beyond the Group's and Company's control. However the Company regularly monitors the profit rate movement. The financial assets purchased are also intended to be held to maturity; hence an upward movement in the profit rate will only result in unrealised losses in the financial statements.

The analysis below assumes that all other variables remain constant and the Group's and Company's Islamic debt securities fair value moved in correlation with the prevailing market rate of return:

		Impact on profit or loss / surplus	
	Change in variables %	Family Takaful Fund RM'000	Company RM'000
		(Decrease)/Increase	
2023			
Rate of return	+1	(142,525)	(145,500)
Rate of return	-1	142,525	145,500
2022			
Rate of return	+1	(127,995)	(131,145)
Rate of return	-1	127,995	131,145

(b) Equity risk

Equity risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate caused by changes in market prices (other than those arising from rate of return risk). These changes may be caused by factors specific to the individual financial instruments or its issuer or factors affecting similar financial instruments traded in the market.

The Group's and Company's equity risk exposure relates to financial assets and financial liabilities where its values may fluctuate as a result of changes in market prices.

The Group's and Company's exposure to equity is indirect through the investment-linked unit funds whereby the risks are borne by participants.

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30. Financial Instruments (continued)

(b) Equity risk (continued)

The analysis below assumes that all other variables remain constant and the Company's equity investments moved in correlation with FTSE Bursa Malaysia Emas Shariah Index ("FBMSHA") and Dow Jones Islamic Market Greater China Index ("DJIMGC").

	Change in variables %	Impact on surplus 2023 RM'000 Increase/(Decrease)	2022 RM'000
FBMSHA	+10	296,453	269,363
FBMSHA	-10	(296,453)	(269,363)
DJIMGC	+10	32,153	24,360
DJIMGC	-10	(32,153)	(24,360)

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.

	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Company						
2023						
Malaysian government investment issue	-	422,017	-	422,017	422,017	422,017
Islamic debt securities	-	2,046,146	-	2,046,146	2,046,146	2,046,146
Equity securities	2,415,821	-	-	2,415,821	2,415,821	2,415,821
Collective investment schemes	843,984	-	-	843,984	843,984	843,984
	3,259,805	2,468,163	-	5,727,968	5,727,968	5,727,968
2022						
Malaysian government investment issue	-	236,716	-	236,716	236,716	236,716
Islamic debt securities	-	1,808,824	5,642	1,814,466	1,814,466	1,814,466
Equity securities	2,210,552	-	-	2,210,552	2,210,552	2,210,552
Collective investment schemes	672,748	-	-	672,748	672,748	672,748
	2,883,300	2,045,540	5,642	4,934,482	4,934,482	4,934,482

30. Financial Instruments (continued)

Fair value information (continued)

	Fair value of financial instruments carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Group						
2023						
Malaysian government investment issue	-	830,097	-	830,097	830,097	830,097
Islamic debt securities	-	2,046,146	-	2,046,146	2,046,146	2,046,146
Equity securities	2,415,821	-	-	2,415,821	2,415,821	2,415,821
Collective investment schemes	425,939	-	-	425,939	425,939	425,939
	2,841,760	2,876,243	-	5,718,003	5,718,003	5,718,003
2022						
Malaysian government investment issue	-	352,543	-	352,543	352,543	352,543
Islamic debt securities	-	1,808,824	5,642	1,814,466	1,814,466	1,814,466
Equity securities	2,210,552	-	-	2,210,552	2,210,552	2,210,552
Collective investment schemes	467,334	-	-	467,334	467,334	467,334
	2,677,886	2,161,367	5,642	4,844,895	4,844,895	4,844,895

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30. Financial Instruments (continued)

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 year (2022: no transfer in either directions).

Level 3 fair value

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

Financial assets measured at fair value based on Level 3:

	2023	2022
Company	**RM'000**	**RM'000**
Islamic debt securities		
As at 1 January	5,642	-
Transferred into level 3	-	5,642
Changes in fair value	(5,642)	-
Balance as at 31 December	-	5,642

The following table shows the valuation techniques used in the determination of fair values within level 3, as well as the key observable inputs used in the valuation models.

Financial instruments carried at fair value

Type	Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Islamic debt securities	The fair value of unquoted/defaulted debt security is based on estimated recovery rates measure against trading prices referenced from a credit rating agency report.	Estimated recovery rate (2023: 0%; 2022: < 40%)	The estimated fair value would increase/decrease if the estimated recovery rate were higher/lower.

31. Capital commitments

	2023 RM'000	2022 RM'000
Capital expenditure commitments		
Intangible assets		
Authorised but not contracted for	3,475	913
Contracted but not provided for	-	3,039
	3,475	3,952

32. Regulatory capital requirements

The capital structure of the Company as at 31 December 2023, as prescribed under the Risk Based Capital Framework for takaful operators (RBCT) is provided below:

	2023 RM'000	2022 RM'000
Eligible Tier 1 Capital		
Ordinary share	100,000	100,000
Reserves, including retained earnings	501,912	477,435
	601,912	577,435
Tier 2 Capital		
Revaluation Reserve	1,925	1,925
Subordinated sukuk	100,000	-
Amounts deducted from capital	(259,249)	(205,046)
Total capital available	444,588	374,314

Prudential BSN Takaful Berhad

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(Incorporated in Malaysia)

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 42 to 152 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2023 and of its financial performance and cash flows for the financial year then ended.

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

....

Rossana Annizah binti Ahmad Rashid
Director

....

Solmaz Altin
Director

Date: 13 March 2024

Prudential BSN Takaful Berhad
(Company No. 200601020898 (740651-H))
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Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, Wong Wei Win, the officer primarily responsible for the financial management of Prudential BSN Takaful Berhad, do solemnly and sincerely declare that the financial statements set out on pages 42 to 152 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed, Wong Wei Win, NRIC: 821029-71-5009 at Kuala Lumpur in the Federal Territory on 13 March 2024.

....
Wong Wei Win

Before me:

PESURUHJAYA SUMPAH
W 711
SYED KHAIRIL ANUAR
B. SYED ZAINUDIN
01/01/2024-31/12/2026
MALAYSIA
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200601020898 (740651-H)

Independent auditors' report to the members of Prudential BSN Takaful Berhad (Incorporated in Malaysia)

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Prudential BSN Takaful Berhad, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year ended 31 December 2023, and notes to the financial statements, including material accounting policy information, as set out on pages 42 to 152.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, the Shariah Committee's Report and the Corporate Governance disclosures, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company do not cover the other information and we do not express any form of assurance conclusion thereon.

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200601020898 (740651-H)

Independent auditors' report to the members of
Prudential BSN Takaful Berhad (cont'd.)
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Information other than the financial statements and auditors' report thereon (cont'd.)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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200601020898 (740651-H)

Independent auditors' report to the members of
Prudential BSN Takaful Berhad (cont'd.)
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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Independent auditors' report to the members of
Prudential BSN Takaful Berhad (cont'd.)
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

The financial statements of Prudential BSN Takaful Berhad for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on 15 February 2023.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Brandon Bruce Sta Maria
02937/09/2025 J
Chartered Accountant

Kuala Lumpur, Malaysia
13 March 2024