Prudential BSN Takaful Berhad

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

Unaudited condensed interim financial statements for the half-year ended 30 June 2023

Prudential BSN Takaful Berhad

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

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

Condensed interim financial statements
Unaudited statement of financial position as at 30 June 2023

		Family takaful fund			Company		
		30.6.2023	31.12.2022 (restated)	1.1.2022 (restated)	30.6.2023	31.12.2022 (restated)	1.1.2022 (restated)
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Property and equipment		-	-	-	25,038	26,535	25,762
Right-of-use assets		-	-	-	61,603	64,435	70,832
Intangible assets		-	-	-	151,636	152,924	146,505
Investments	2	5,260,638	5,264,935	4,803,287	5,914,575	5,857,829	5,125,192
Takaful certificate assets	3	263,380	199,427	-	311,945	308,169	275,797
Retakaful certificate assets	3	45,276	9,802	10,962	-	-	10,962
Trade and other receivables		38,792	42,505	38,839	58,467	63,185	62,931
Current tax assets		-	-	-	12,783	10,287	-
Deferred tax assets		18,321	10,307	-	-	-	-
Cash and cash equivalents		305,669	216,734	442,612	421,103	280,906	571,213
Total assets		5,932,076	5,743,710	5,295,700	6,957,150	6,764,270	6,289,194
Equity							
Share capital		-	-	-	100,000	100,000	100,000
Retained earnings		-	-	-	1,510,526	1,436,800	1,413,654
Revaluation reserve		-	-	-	1,925	1,925	1,925
Total equity		-	-	-	1,612,451	1,538,725	1,515,579
Liabilities							
Takaful certificate liabilities	3	5,462,994	5,316,515	4,849,009	4,784,820	4,726,912	4,230,369
Retakaful certificate liabilities	3	72,136	35,135	35,135	18,967	16,944	26,203
Trade and other payables		389,529	388,103	391,467	154,269	100,992	99,456
Lease liabilities		-	-	-	67,258	69,427	74,011
Current tax liabilities		7,417	3,957	6,717	-	-	5,885
Deferred tax liabilities		-	-	13,372	319,385	311,270	337,691
Total liabilities		5,932,076	5,743,710	5,295,700	5,344,699	5,225,545	4,773,615
Total equity and liabilities		5,932,076	5,743,710	5,295,700	6,957,150	6,764,270	6,289,194

The accompanying notes are an integral part of these condensed interim financial statements.

Prudential BSN Takaful Berhad

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

Condensed interim financial statements
Unaudited statement of profit or loss and other comprehensive income for the period ended 30 June 2023

	Family takaful fund		Company	
	30.06.2023	30.06.2022 (restated)	30.06.2023	30.06.2022 (restated)
	RM'000	RM'000	RM'000	RM'000
Takaful revenue	585,028	577,293	856,047	837,998
Takaful service expense	(627,755)	(472,273)	(854,025)	(655,076)
Takaful service result before retakaful certificates held	(42,727)	105,020	2,022	182,922
Net expense/(income) from retakaful certificates held	(10,467)	18,425	(10,962)	18,425
Takaful service result	(53,194)	123,445	(8,940)	201,347
Net investment income	95,245	83,151	103,448	88,461
Realised losses	(13,052)	(6,975)	(10,375)	(7,053)
Fair value losses	(101,875)	(438,763)	(96,493)	(443,493)
	(19,682)	(362,587)	(3,420)	(362,085)
Takaful finance expenses for takaful certificates issued	57,245	226,026	101,821	129,162
Retakaful finance expenses/(income) for retakaful certificates held	10,467	(18,425)	10,467	(18,425)
Net takaful financial result	67,712	207,601	112,288	110,737
Other income/(expenses)	611	1,219	(3,041)	(3,877)
(Loss)/Profit before zakat and taxation	(4,553)	(30,322)	96,887	(53,878)
Tax (credit)/expense attributable to participants	4,553	30,322	4,553	30,322
Tax (credit)/expense attributable to takaful operator	-	-	(26,907)	3,740
Zakat	-	-	(808)	(1,270)
Profit/(Loss) for the period	-	-	73,725	(21,086)

The accompanying notes are an integral part of these condensed interim financial statements.

Prudential BSN Takaful Berhad

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Condensed interim financial statements
Unaudited statement of changes in equity for the period ended 30 June 2023

	Share capital RM'000	Revaluation reserves RM'000	Retained earnings RM'000	Total RM'000
Company				
As at 1 January 2023 (as previously reported)	100,000	1,925	394,313	496,238
Impact of initial application of MFRS 17*	-	-	1,042,488	1,042,488
Restated balance as at 1 January 2023	100,000	1,925	1,436,801	1,538,726
Profit for the period	-	-	73,725	73,725
As at 30 June 2023	100,000	1,925	1,510,526	1,612,451
As at 1 January 2022 (as previously reported)	100,000	1,925	386,451	488,376
Impact of initial application of MFRS 17*	-	-	1,027,203	1,027,203
Restated balance as at 1 January 2022	100,000	1,925	1,413,654	1,515,579
Loss for the period	-	-	(21,086)	(21,086)
Restated balance as at 30 June 2022	100,000	1,925	1,392,568	1,494,493

* There are no changes to the equity due to the adoption of MFRS 9.

Prudential BSN Takaful Berhad

(Company No. 200601020898 (740651-H))
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Condensed interim financial statements
Unaudited statement of cash flows for the period ended 30 June 2023

	Company	
	30.06.2023	**30.06.2022 (restated)**
	RM'000	**RM'000**
Cash flows from operating activities		
Profit/(Loss) before zakat and taxation	96,887	(53,878)
Adjustments for:		
Depreciation on property and equipment	1,870	1,477
Depreciation of right-of-use assets	2,832	2,979
Intangible assets and property and equipment written off	-	33
Reversal of provisions of intangible assets and property and equipment	-	3,348
Amortisation of intangible assets	9,308	7,547
Investment income	(103,448)	(88,461)
Realised losses on disposal on investments	10,375	7,053
Fair value losses on investments	96,493	443,493
Loss on disposal of property and equipment	-	847
Profit from operations before changes in operating assets and liabilities	114,317	324,438
Increase in takaful certificate assets	(3,776)	-
Increase in retakaful asset	-	(9,703)
Decrease in trade and other receivables	4,497	43,399
Increase/(decrease) in takaful certificate liabilities	57,908	(116,928)
Increase in retakaful certificate liabilities	2,023	-
Increase in trade and other payables	52,469	134,222
Tax paid	(16,734)	(22,354)
Net cash generated from operating activities	210,704	353,074
Cash flows from investing activities		
Investment in intangible asset	(8,020)	(9,230)
Investment income received	103,669	65,252
Proceeds from maturity/disposal of investments	34,747,688	29,027,183
Proceeds from disposal of property and equipment	-	66
Purchase of property and equipment	(373)	(3,517)
Purchase of investments	(34,911,302)	(29,534,706)
Net cash used in investing activities	(68,338)	(454,952)
Cash flows from financing activities		
Payment of lease liabilities	(2,169)	(1,914)
Net cash used in financing activities	(2,169)	(1,914)
Net increase/(decrease) in cash and cash equivalents	140,197	(103,792)
Cash and cash equivalents at 1 January	280,906	571,213
Cash and cash equivalents at 30 June	421,103	467,421

The accompanying notes are an integral part of these condensed interim financial statements.

Prudential BSN Takaful Berhad

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

1. Basis of preparation

The unaudited condensed interim financial statements of the Company for the period ended 30 June 2023 have been prepared in accordance with MFRS 134 *Interim Financial Reporting* .

The significant accounting policies applied in the unaudited condensed interim financial statements are consistent with those adopted in the audited annual financial statement of the Company for the financial year ended 31 December 2022, except for the adoption of the following accounting standards, amendments and interpretations that are effective during the current financial period:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 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 108, Accounting Policies, Changes in Accounting Estimates and Errors - *Definition of Accounting Estimates*
(iv) Amendments to MFRS 112, Income Taxes - *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
(v) Amendments to MFRS 101 - Presentation of Financial Statements - *Disclosure of Accounting Policies*

The adoption of the above standard and amendments to standards issued by Malaysian Accounting Standards Board (“MASB”) in the current financial period do not have any material impact to the financial statements of the Company, except as discussed below:

(i) 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 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 2022.

(a) *Significant changes in accounting policies*

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

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

- Identifies takaful certificates as those under which 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.

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

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

1. Basis of preparation (continued)

(i) 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 Company applied: (continued)

- 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 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 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 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 Company can compel the participant to pay the contributions, or in which the Company have a substantive obligation to provide the participant with takaful certificate services.

- 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.

- The takaful and retakaful certificates are recognised and measured by 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 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 Company will recognise as it provides takaful certificate services under the takaful certificates in the group.

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

1. Basis of preparation (continued)

(i) 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 Company applied: (continued)

- The takaful and retakaful certificates are recognise and measure by the following measurement models: (continued)

  - Variable fee approach ("VFA") - takaful certificates (continued)
    The following are the criteria for takaful certificates to be measured under VFA:
    - The certificateual terms specify that the participant participates in a share of a clearly identified pool of underlying items;
    - 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. Subseqeuently 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.

  - 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 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 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 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.

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

1. Basis of preparation (continued)

(i) 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 Company applied: (continued)

- Divides the takaful and retakaful certificates into groups it will recognise and measure by the following measurement models: (continued)

  - Retakaful certificates (continued)
    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 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 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. 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 Company has estimated the risk adjustment using 75% confidence level. The risk adjustment represents the return required by 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.

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

1. Basis of preparation (continued)

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

(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.

- 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 transition date, 1 January 2022, the Company:

- Applied the fair value approach on transition to all certificates issued.

  Obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort.

  The Company has determined the CSM of the liability for remaining coverage at the transition date, as the difference between the fair value of the group of takaful certificates and the fulfilment cash flows measured at that date. 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.

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

1. Basis of preparation (continued)

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

(d) *Transition (continued)*

The table below illustrates the impact of transition to equity (after tax) as at 1 January 2022:

	MFRS 4 RM'000	**MFRS 17 RM'000**	**Net impact to equity RM'000**
Net takaful certificate liabilities	4,621,504	3,449,105	1,172,399
- Estimates of the present value of future cash flows		2,021,022	
- Risk adjustment		255,337	
- CSM		1,172,747	
Net retakaful certificate liabilities		65,349	(65,349)
- Estimates of the present value of future cash flows		83,405	
- Risk adjustment		(11,268)	
- CSM		(6,788)	
Unallocated surplus*			(79,846)
Net increase to equity as at 1 January 2022			1,027,203

* Under MFRS 4, unallocated surplus is reported within Takaful certificate liabilities. Under MFRS 17, it is being reported as part of restricted equity of the Company, until the declaration of surplus by the Appointed Actuary.

(ii) 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 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.

Upon the adoption of MFRS 9, 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 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 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.

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

1. Basis of preparation (continued)

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

- 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 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 fair value through profit or loss ("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 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 hold and collect contractual cash flows.

- Impairment
  The adoption of MFRS 9 has fundamentally changed 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.

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

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

1. Basis of preparation (continued)

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

(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 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 Company's financial assets has no impact to the retained earnings.

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2. Investments

	Family takaful fund			Company		
	30.6.2023	31.12.2022 (restated)	1.1.2022 (restated)	30.6.2023	31.12.2022 (restated)	1.1.2022 (restated)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysian government investment issue	266,606	236,716	176,952	266,606	236,716	184,972
Islamic debts securities	1,735,884	1,766,113	1,544,284	1,766,081	1,814,466	1,626,173
Equity securities	2,170,353	2,210,552	2,163,132	2,170,353	2,210,552	2,163,132
Collective investment schemes	378,316	316,879	224,759	738,776	672,748	280,785
Deposits with financial institutions	709,479	734,675	694,160	972,759	923,347	870,130
	5,260,638	5,264,935	4,803,287	5,914,575	5,857,829	5,125,192

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

	Family takaful fund			Company		
	30.6.2023	31.12.2022 (restated)	1.1.2022 (restated)	30.6.2023	31.12.2022 (restated)	1.1.2022 (restated)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Amortised cost						
- Deposits with financial institutions	709,479	734,675	694,160	972,759	923,347	870,130
Fair value through profit or loss ("FVTPL")						
Malaysian government investment issue	266,606	236,716	176,952	266,606	236,716	184,972
Islamic debts securities	1,735,884	1,766,113	1,544,284	1,766,081	1,814,466	1,626,173
Equity securities	2,170,353	2,210,552	2,163,132	2,170,353	2,210,552	2,163,132
Collective investment schemes	378,316	316,879	224,759	738,776	672,748	280,785
	4,551,159	4,530,260	4,109,127	4,941,816	4,934,482	4,255,062
	5,260,638	5,264,935	4,803,287	5,914,575	5,857,829	5,125,192

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2. Investments (continued)

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

Company	**Amortised cost RM'000**	**FVTPL RM'000**	**Total RM'000**
Restated balance 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	-	(297,209)	(297,209)
As at 31 December 2022/ 1 January 2023	923,347	4,934,482	5,857,829
Purchases	21,069,697	13,841,605	34,911,302
Maturities/disposals	(21,020,285)	(13,737,778)	(34,758,063)
Fair value losses recognised in profit or loss	-	(96,493)	(96,493)
At 30 June 2023	972,759	4,941,816	5,914,575

(c) Fair value information

The carrying amounts of cash and cash equivalents, deposits, 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. There are no financial instruments which are not carried at fair value.

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2. Investments (continued)

(c) 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**
Company						
At 30 June 2023						
Malaysian government investment issue	-	266,606	-	266,606	266,606	266,606
Islamic debt securities	-	1,760,439	5,642	1,766,081	1,766,081	1,766,081
Equity securities	2,170,353	-	-	2,170,353	2,170,353	2,170,353
Unit trust funds	738,776	-	-	738,776	738,776	738,776
	2,909,129	2,027,045	5,642	4,941,816	4,941,816	4,941,816
At 31 December 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
Unit trust funds	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

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2. Investments (continued)

(c) Fair value information (continued)

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

Level 1 fair value

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

Level 2 fair value

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

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial period (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:

	30 June 2023 RM'000	31 December 2022 RM'000
Islamic debt securities		
As at 1 January 2023/2022	5,642	11,283
Changes in fair value	-	(5,641)
Balance as at 30 June 2023/31 December 2022	5,642	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 sukuk is based on estimated recovery rates measure against trading prices referenced from a credit rating agency report.	Estimated recovery rate (2022: <40%)	The estimated fair value would increase/decrease if the estimated recovery rate were higher/lower.

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3. 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:

	30.6.2023			31.12.2022		
	Assets RM'000	Liabilities RM'000	Net RM'000	Assets RM'000	Liabilities RM'000	Net RM'000
Family Takaful Fund						
Takaful certificates	(263,380)	5,462,994	5,199,614	(199,427)	5,316,515	5,117,088
Retakaful certificates issued	(45,276)	72,136	26,860	(9,802)	35,135	25,333
Company						
Takaful certificates	(311,945)	4,784,820	4,472,875	(308,169)	4,726,912	4,418,743
Retakaful certificates issued	-	18,967	18,967	-	16,944	16,944

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 Company is managed.

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4. Related parties

Identity of related parties

For the purposes of these condensed interim financial statements, parties are considered to be related to the Company if the 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 comprises the following:

(a) a company having an equity interest of between 20% to 50% in the Company and including other corporations related to the first mentioned corporation.

(b) a company that has a number of common Directors with the Company.

(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 Executive Committee (EXCO) of the Company and Other Material Risk Taker (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 Company are as follows:

	Transaction amount for the period ended 30 June (Income)/Expense	
	2023 RM'000	**2022 RM'000**
Holding company - Malaysia		
Investment income		
(i) Profit from deposit placements	(2,242)	(3,892)
Operating Expenditure		
(i) Commission expenses	12,540	10,264
(ii) Sales related expenses	8,859	8,663
Affiliated companies - Malaysia		
Operating Expenditure		
(i) Other management expenses	5,968	7,791
(ii) Sales related expenses	37,053	30,385
(iii) Information Technology (IT) related expenses and services	12,518	3,499
(iv) Operation and other services	668	(105)
(v) Office rental	466	303
(vi) Fund management fees	4,552	4,958
(vii) Project management	1,516	438

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4. Related parties (continued)

Significant related party transactions (continued)

		Transaction amount for the period ended 30 June (Income)/Expense 2023 RM'000	2022 RM'000
Affiliated companies - Malaysia			
	Operating Expenditure (continued)		
(viii)	Zakat and donation	3,500	2,268
(ix)	Personnel and other expenses	-	64
(x)	Reimbursement on marketing expenses	-	2,155
Capital Expenditure			
(i)	Hardware and software development	1,980	16,063
(ii)	Renovation	-	105

		Gross balance outstanding 30 June 2023 RM'000	31 December 2022 RM'000
Amount due to related companies			
(i)	Prudential Assurance Malaysia Berhad	62,295	38,525
(ii)	Prudential Singapore Services Pte. Ltd.	2,031	1,636
(iii)	Prudential Corporation Asia	6,413	3,110
(iv)	Eastspring Al-Wara' Investments Berhad	2,188	1,706
(v)	Prudential Services Asia Sdn Bhd	4,054	1,917
Balances with Holding Company			
(i)	Cash and cash equivalents	180,592	265,117
(ii)	Deposits with financial institutions	214,332	18,110
(iii)	Amount due from holding company	165	4

5. Investment-linked business

Unaudited statement of financial position as at 30 June 2023

	30 June 2023 RM'000	31 December 2022 RM'000
Assets		
Investments	3,012,054	2,984,513
Income due and accrued	4,524	8,832
Amount due from family takaful fund	1,389	95,394
Other receivables	327	161
Current tax assets	245	484
Deferred tax assets	18,791	7,211
Cash and bank balances	6,409	5,904
Total investment-linked business assets	3,043,739	3,102,499
Liabilities		
Other payables	4,138	6,075
Amount due to takaful operator	6,115	6,114
Total investment-linked business liabilities	10,253	12,189
Net asset value of funds	3,033,486	3,090,310
Represented by:		
Unit holders' account	3,033,486	3,090,310

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5. Investment-linked business (continued)

Unaudited statement of profit or loss and other comprehensive income for the period ended 30 June 2023

	30 June 2023 RM'000	30 June 2022 RM'000
Investment income	64,326	45,428
Realised losses	(16,718)	(4,937)
Fair value losses	(144,708)	(375,095)
Investment management fees	(21,053)	(19,416)
Other operating income	3,049	2,742
Deficit before taxation	(115,104)	(351,278)
Tax (expenses)/income	(239)	(638)
Deficit after taxation	(115,343)	(351,916)

6. Regulatory capital requirement

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

	30 June 2023 RM'000	31 December 2022 RM'000
Eligible Tier 1 Capital		
Ordinary share	100,000	100,000
Reserves, including retained earnings	488,264	477,435
	588,264	577,435
Tier 2 Capital		
Revaluation reserves	1,925	1,925
Amounts deducted from capital	(217,053)	(205,046)
Total capital available	373,136	374,314

7. Seasonal or cyclical factors

The Company's business operations were not materially affected by any seasonal or cyclical factors during the period ended 30 June 2023.

8. Unusual items

There were no items of unusual nature and amount affecting assets, liabilities, equity, net income or cash flows of the Company during the period ended 30 June 2023.

9. Change in estimates

There were no material changes in the basis used for the accounting estimates during the period ended 30 June 2023, except the change in estimate in Note 1(i)(b).

10. Debt and equities securities

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

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11. Dividends

No dividend was declared and paid during the period ended 30 June 2023.

12. Subsequent events

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

13. Changes in the composition of the Company

There was no change in the composition of the Company during the period ended 30 June 2023.

14. Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2022 was not qualified.