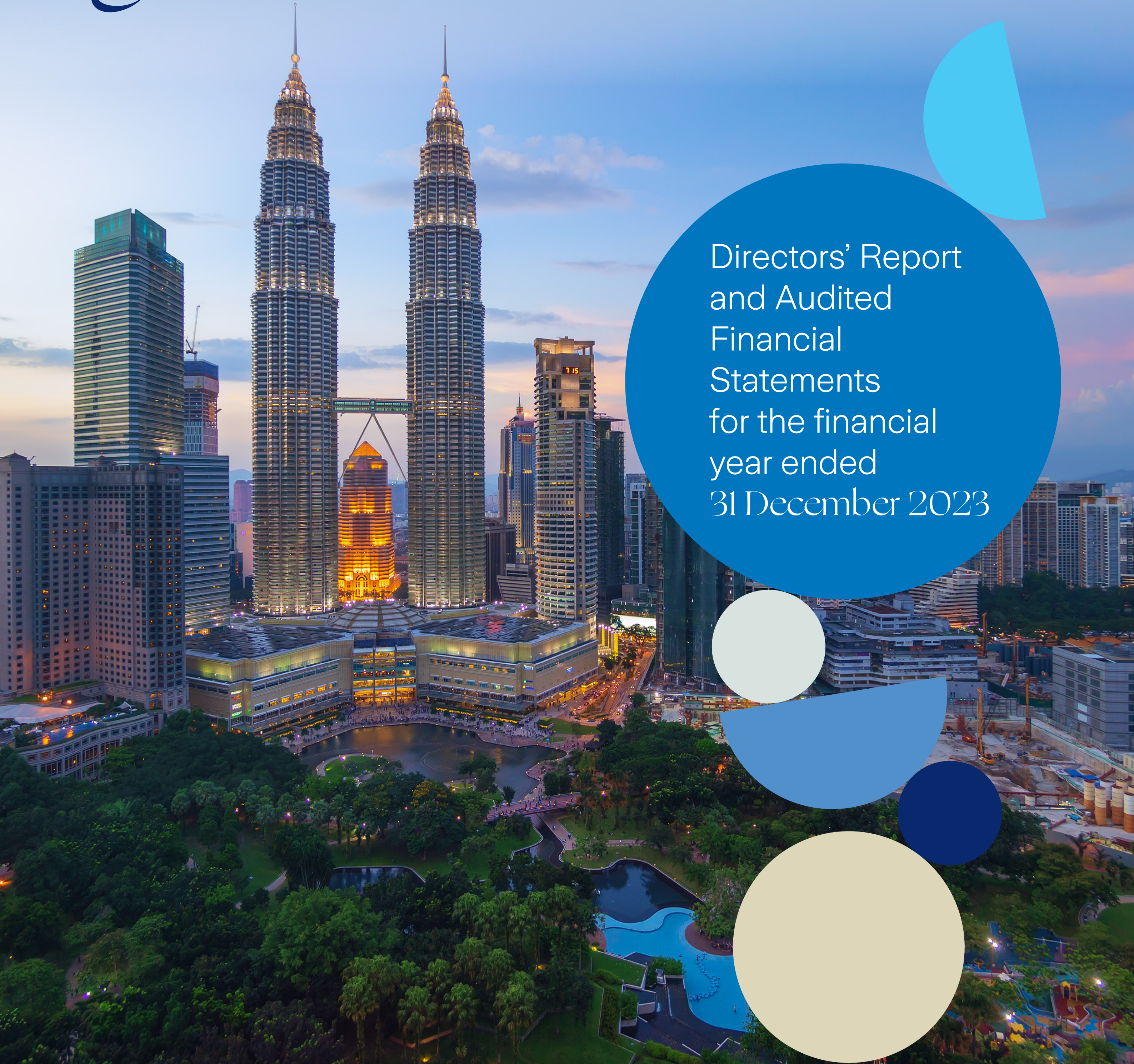
ZURICH Takaful

Adapt and grow.



Directors' Report and Audited Financial Statements for the financial year ended 31 December 2023

As the world around us continues to undergo dramatic change, Zurich is focused on responding positively and practically to the social, economic and environmental challenges we all face.

The ability to adapt is essential if we want to grow and thrive, as a business and for our customers, partners and people - now and in the future.

At Zurich, we draw on our heritage, expertise and track record of high performance to see things differently and drive the business forward.

Registration No.
200601012246 (731996-H)

ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

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Registration No.
200601012246 (731996-H)

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

Zurich Takaful Malaysia Berhad ("ZTMB" or "the Company") is committed to effective corporate governance for the benefit of its shareholders, customers, employees and other stakeholders based on the principles of fairness, transparency and accountability.

The Board of Directors ("the Board") is satisfied that the Company has complied with all prescriptive requirements including the principles of Shariah and adopts the Corporate Governance policy document issued by Bank Negara Malaysia ("BNM"). The Board has continued its commitment in ensuring that the highest principles and best practices in corporate governance are practised as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Company.

ROLES AND RESPONSIBILITIES OF THE BOARD

The Board is responsible for the overall governance of the Company by providing guidance, including setting the directions in terms of the Company's corporate objectives and business strategies, overseeing the conduct of business of the Company, implementing an appropriate system of risk management and ensuring the adequacy and integrity of the Company's internal control and reporting procedures.

COMPOSITION OF THE BOARD

The composition of the Board during the period since the date of the last report is as follows:

Hasnah binti Omar	Chairperson (Independent Non-Executive Director)
Datuk Dr. Hafsah binti Hashim	Member (Independent Non-Executive Director)
Jan Yoke Lan	Member (Independent Non-Executive Director)
Dr Mohamed Fairooz bin Abdul Khir	Member (Independent Non-Executive Director)
Matthew William Swinfen Cottrell	Member (Executive Director)

The Board currently comprises of five (5) Directors with skills and experience in a diverse range of business, financial, technical and public service background. The Board is represented by four Independent Non-Executive Directors and one Executive Director.

The appointments to the Board were approved by BNM. All appointments and reappointments of Board members are subject to evaluation and review by the Nomination and Remuneration Committee and approved by the Board before the applications are submitted to BNM for approval.

PROFILE OF DIRECTORS

Hasnah binti Omar
Malaysian, Female
Independent Non-Executive Director / Chairman
Member of Audit Committee
Member of Risk Management and Sustainability Committee
Member of Nomination and Remuneration Committee

Cik Hasnah binti Omar ("Cik Hasnah") was appointed as an Independent Non-Executive Director of the Company on 30 June 2016. She was appointed as Chairman of the Board of Directors of the Company on 14 May 2019. Cik Hasnah is a member of the Audit Committee, Risk Management and Sustainability Committee and Nomination and Remuneration Committee of the Company.

Cik Hasnah graduated and received her BA (Hons) from University of Malaya in 1981 and holds a Masters in Public Administration from Harvard University, USA in 1991. Cik Hasnah also holds a Masters in Banking Law Executive (Islamic and Conventional) from International Islamic University of Malaysia in 2010. She also completed Banking School II and III Training for Bank Examiners, Federal Reserve Banking System, DC, USA in 1989.

Cik Hasnah has vast experience in finance, banking and capital market having worked in various capacities with BNM, Securities Commission ("SC"), and the Asian Development Bank ("ADB"), Manila, Philippines.

In 1981, Cik Hasnah joined BNM, where she largely worked in the Bank Examination Department of BNM which was responsible for the examinations of commercial banks, merchant banks, discount houses and finance companies then. She led the examinations of a number of financially distressed banks during the mid-1980s. She was also involved in the rescue exercises of cooperative societies during the cooperative debacle. For about one and a half years, she served as the Head of Public Affairs Unit of the Bank, among others, assisting the Governor and Senior Management in managing the press and public perception of BNM's policies.

Cik Hasnah worked with SC from 1991 until 2013, culminating her career in SC as the Director of Market Oversight Business Group. She was actively involved in the Brokers Monitoring System/Brokers' solvency during the Asian Market Crisis 1997/1998. She was largely responsible for the formulation and implementation of the Compliance Function Framework for the equities/stockbrokers, derivatives and fund management industry and the formulation of Risk-based Capital for stockbroking companies. She was primarily responsible for the formulation and implementation of Brokers' Consolidation Policy and provided input to BNM in the formulation of regulatory framework for Investment Banks. Cik Hasnah represented SC as a member of Financial Stability Committee of Financial Services Authority of Labuan and as a Board Member of Capital Market Compensation Fund which she helped established.

PROFILE OF DIRECTORS (CONTINUED)

Hasnah binti Omar (continued)

Cik Hasnah also participated as a resource person for the various regional financial regulators seminars organised by the Asia Pacific Economic Cooperation ("APEC") including in Beijing, Shanghai, and Kuala Lumpur. Cik Hasnah spent two years, from January 2009 to December 2010 with the ADB in Manila on a secondment basis. Among others, she advised ADB on Islamic finance matters, she was a Mission Leader for the Financial Sector and Capital Markets Sovereign Loan Program and Technical Assistance ("TA") for Vietnam, and involved as a Mission Member in the sovereign loan programs and TA for Thailand, Indonesia, Philippines and Brunei (initial mission). She was a Co-Mission Leader for the ASEAN Regional Capital Markets Integration TA. She returned to serve the SC in January 2011 until May 2013.

Cik Hasnah is currently the Chairman and Independent Non-Executive Director of Zurich General Takaful Malaysia Berhad. She is also the Chairman and Independent Non-Executive Director of Malaysian Industrial Development Finance Berhad ("MIDF") Amanah Assets Management Berhad. She also sits on the Board MIDF and Bond Pricing Agency Malaysia Sdn Bhd. Cik Hasnah has been a member of the Appeals Committee of the Securities Industry Dispute Resolution Centre ("SIDREC") since 2015.

Cik Hasnah also serves as a Mentor for the Institute of Corporate Directors Malaysia's Aspiring Directors Immersion Program ("ADIP"), a program that aims, among others, to develop the next generation of governance leaders.

Datuk Dr. Hafsah binti Hashim
Malaysian, Female
Independent Non-Executive Director
Chairperson of Risk Management and Sustainability Committee
Member of Audit Committee
Member of Nomination and Remuneration Committee

Datuk Dr Hafsah binti Hashim ("Datuk Dr Hafsah") was appointed as Independent Non-Executive Director of the Company on 4 June 2019. She is the Chairperson of the Risk Management and Sustainability Committee of the Company. She is also a member of the Audit Committee and Nomination and Remuneration Committee of the Company.

Datuk Dr Hafsah obtained her Bachelor in Applied Science from Science University of Malaysia in 1982 and Masters in Business Administration from Aston University, United Kingdom in 1996.

Datuk Dr Hafsah has vast experience in public sector administration and has served in several ministries including Ministry of International Trade and Industry ("MITI"), Ministry of Agriculture and Ministry of Primary Industries. She also served as the Chief Executive Officer of SME Corporation Malaysia for nearly 14 years. In total, she served the Government of Malaysia for 36 years and 2 months before retiring on 15 August 2018.

PROFILE OF DIRECTORS (CONTINUED)

Datuk Dr. Hafsah binti Hashim (continued)

On the international front, Datuk Dr Hafsah is appointed as the Monsha'at International Advisory Board Committee of Small and Medium Enterprise General Authority ("SMEA") of the Kingdom of Saudi Arabia from 1 November 2017 until 1 November 2019.

Datuk Dr Hafsah currently sits on the Board of Directors of among others, Zurich Life Insurance Malaysia Berhad, Malaysia Rubber Board (Lembaga Getah Malaysia) and USains Holding Sdn Bhd. She is also the Chairman of SIRIM Technology Venture Sdn Bhd.

Jan Yoke Lan
Malaysian, Female
Independent Non-Executive Director
Chairperson of Audit Committee
Member of Nomination and Remuneration Committee
Member of Risk Management and Sustainability Committee

Jan Yoke Lan ("Madam Jan") was appointed as Independent Non-Executive Director of the Company on 23 June 2021. She is the Chairperson of the Audit Committee. Madam Jan is also a member of the Risk Management and Sustainability Committee and the Nomination and Remuneration Committee of the Company.

Madam Jan obtained her Master in Business Administration (Distinction) Degree Manchester Business School from Victoria University of Manchester, UK in 1989 and a Bachelor of Management Studies (Honours) Degree majoring in Accounting from University of Waikato, Hamilton, New Zealand in 1979.

Madam Jan has over 18 years of experience in research coverages among others, financial services sector, writing investment themes on the broad banking industry, regulatory developments in the banking industry, impact of the Asian financial crisis on the domestic banking sector, Mergers and Acquisitions situations and conglomerates, media industry, construction and consumer (gaming) sectors. Throughout her working experiences, Madam Jan worked as Senior Research Analyst with UBS Securities Malaysia Sdn Bhd, Senior General Manager with RHB Research Institute, Head of Research with Kim Eng Securities/Ke-Zan Securities and Senior Analyst, RHB Research Institute.

Madam Jan also worked with BNM for 10 years and involved in on-site inspections of banks and finance companies, special investigation into the collapse of deposit taking co-operatives (task force was headed by Datuk Seri Panglima Andrew Sheng), the examination of Bumiputra-Finance Ltd ("BMF") in Hong Kong, which eventually led to a full scale government- investigation of BMF, drafting and development of examination procedure manual for the Bank Examination Department.

PROFILE OF DIRECTORS (CONTINUED)

Dr Mohamed Fairooz bin Abdul Khir
Malaysian, Male
Independent Non-Executive Director
Chairman of Shariah Committee
Chairman of Nomination and Remuneration Committee
Member of Audit Committee
Member of Risk Management and Sustainability Committee

Dr Mohamed Fairooz bin Abdul Khir ("Dr Fairooz") was appointed as Independent Non-Executive Director of the Company on 23 June 2021. Dr Fairooz is currently the Chairman of Shariah Committee. He is also the Chairman of the Nomination and Remuneration Committee of the Company. Dr Fairooz is also a member of the Risk Management and Sustainability Committee and Audit Committee of the Company.

Dr Fairooz obtained his Bachelor of Islamic Revealed Knowledge and Heritage (Fiqhand Usulal-Fiqh) in 2000 from International Islamic University and Master of Shariah in 2005 from University of Malaya. Subsequently in 2011, he attained his PhD in Shariah (Islamic Finance) from University of Malaya.

Dr Fairooz is currently an Associate Professor at the International Centre for Education in Islamic Finance ("INCEIF") since 2020. Prior to joining INCEIF, he served Islamic University of Malaysia for Cluster of Islamic Accounting, Finance and Banking School as an Associate Professor from 2016-2020 as well as the International Shari'ah Research Academy for Islamic Finance ("ISRA") as researcher and Head of Islamic Banking Unit for more than six years. Dr Fairooz also served the Center for Foundation Studies, International Islamic University ("IIUM") for 8 years as lecturer at the Department of Islamic Revealed Knowledge and Human Sciences from 2002 to 2010.

Apart from serving INCEIF, Dr Fairooz also serves as member of Shariah Advisory Council ("SAC") of Securities Commission Malaysia, Chairman of Board Shariah Committee for CIMB Islamic Bank, Chairman of Shariah Committee for Co-opbank Pertama and Shariah Committee for Bank Simpanan Nasional ("BSN"). Additionally, he is also a member of Fatwa Committee of Perak (Ahli Jawatankuasa Fatwa Negeri Perak), member of Perak Islamic Religious Council and Malay Customs (Majlis Agama Islam dan Adat Melayu Perak) Dr Fairooz has also served Agrobank as Shariah Committee member for nine years and former Shariah adviser/Shariah Committee member of Maybank Islamic Berhad for seven years. Prior to joining Zurich Takaful Malaysia Berhad, he was the member of Group Shariah Committee ("GSC") to MNRB Holdings Berhad (Takaful Ikhlas Berhad and Malaysian Reinsurance Retakaful Division ("MRRD")) and Farmers Organisation Authority (Lembaga Pertubuhan Peladang).

Dr Fairooz is also a registered Shariah adviser with Securities Commission, Malaysia for the Islamic Unit Trust Schemes and Islamic Securities (Sukuk).

As researcher, Dr Fairooz involves actively in researches related to Islamic finance amongst others, "Ibra' and Its Implementation in Islamic Banking from the Perspective of Maqasid al-Shari'ah", "Parameter of Hiyal (Legal Stratagem) in Islamic Finance", "Personal Financing: An Alternative to Bay' al-'Inah", "Fatwa in Islamic Finance: A Comparative Study Between Malaysia and GCC" and a book on "Islamic Legal Maxims and Their Application in Islamic Finance". He has presented many academic papers at various conferences, locally as well as overseas.

PROFILE OF DIRECTORS (CONTINUED)

Matthew William Swinfen Cottrell
British, Male
Executive Director

Mr Matthew William Swinfen Cottrell ("Mr Matthew Cottrell") was appointed as Executive Director of the Company on 11 November 2021.

Mr Matthew Cottrell obtained his education from Heathfield Comprehensive School, East Sussex, United Kingdom in 1984 and 1986.

Mr Matthew Cottrell has more than 34 years of experience with Zurich in various roles especially in claims handling. He is currently the Regional Chief Claims Officer at Zurich Asia Pacific, a position he held since April 2016. In his current role, Mr Matthew Cottrell is accountable for the strategic, technical and operational execution for Life and non-Life Claims functions including new acquisitions such as One Path (ANZ Life Business), Covermore, Kono Insurance and Macquarie Life across Asia and Oceania ("APAC") where Zurich has a direct and indirect presence through the effective deployment of over 900 claims personnel. He is an active member of Zurich's APAC Regional Executive Committee and the Global Claims Executive Team, introducing and influencing wider Claims and other strategies.

Mr Matthew Cottrell also serves as a Board Member for Zurich General Takaful Malaysia Berhad.

DIRECTORS' TRAINING

The Directors are encouraged to attend programmes and seminars to keep abreast with the latest developments in the industry and marketplace and to enhance the discharge of their duties. The training programmes attended by the Directors during the financial year ended 31 December 2023 included areas of leadership, governance, risk management, climate change, finance, investment, insurance related matters and information technology.

BOARD MEETINGS

The Board is scheduled to meet at least six times a year with additional meetings being convened as necessary. For the financial year ended 31 December 2023, the Board met nine (9) times. All the Directors satisfied the minimum attendance of at least 75% of the Board meetings held during the financial year ended 31 December 2023.

The number of meetings attended by each member of the Board during the financial year ended 31 December 2023 is as follows:

Name of Directors	No. of Attendance
Hasnah binti Omar	9/9
Datuk Dr. Hafsah binti Hashim	9/9
Jan Yoke Lan	9/9
Dr Mohamed Fairooz bin Abdul Khir	9/9
Matthew William Swinfen Cottrell	7/9

BOARD COMMITTEES

The Board has established Board Committees and Senior Management Committees.

Each committee operates within defined terms of reference. Board Committees are Audit Committee, Nomination and Remuneration Committee, Risk Management and Sustainability Committee. Senior Management Committees include the Asset Liability Management and Investment Committee (“ALMIC”), the Risk and Control Committee (“RCC”) and various Senior Management Committees for Takaful businesses. The Board Committees are chaired by an Independent Non-Executive Director, while the Senior Management Committees are chaired by the Chief Executive Officer or a member of senior management team.

BOARD COMMITTEES (CONTINUED)

Audit Committee ("AC")

The members of the Audit Committee are as follows:

Jan Yoke Lan	Chairperson (Independent Non-Executive Director)
Hasnah binti Omar	Member (Independent Non-Executive Director)
Datuk Dr. Hafsah binti Hashim	Member (Independent Non-Executive Director)
Dr. Mohamed Fairooz bin Abdul Khir	Member (Independent Non-Executive Director)

The principal objectives are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company. The Audit Committee meets regularly with senior management, the internal auditors and the external auditors to review the Company's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance.

The Audit Committee functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of Audit Committee are:

(i) To approve internal auditors' audit plan, review the adequacy of the scope, functions, resources and competency and that it has the necessary authority to carry out its work;

(ii) To review the results of internal audit process and ensure that appropriate actions are taken on the recommendations given by the internal auditors;

(iii) To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;

(iv) To discuss with the external auditors before the audit commences, the nature and scope of audit:

(v) To ensure the financial information presented by management is relevant, reliable and timely;

(vi) To review the Compliance Policy and oversee its implementation, establish the Compliance function, review and evaluation the effectiveness of the overall management of compliance risk;

(vii) To oversee compliance with relevant laws and regulations and observance of a proper code of conduct;

(viii) To determine the quality, adequacy and effectiveness of the Company's internal control environment;

BOARD COMMITTEES (CONTINUED)

Audit Committee ("AC") (continued)

The Audit Committee functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of Audit Committee are: (continued)

(ix) To ensure that the officers who perform the Shariah review function are qualified to undertake compliance function responsibilities and have sound understanding of relevant Shariah requirements applicable to Islamic financial business; and

(x) To provide oversight over Shariah review related matters including the Shariah review plan on a yearly basis.

The Audit Committee meets at least once every quarter, or more frequently as circumstances dictate. During the financial year ended 31 December 2023, the Audit Committee held four (4) meetings with senior management, internal auditors, and the external auditors to review the Company's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance.

The number of meetings attended by each member of the Audit Committee during the financial year ended 31 December 2023 is as follows:

Name of Directors	No. of Attendance
Jan Yoke Lan	4/4
Hasnah binti Omar	4/4
Datuk Dr. Hafsah binti Hashim	4/4
Dr. Mohamed Fairooz bin Abdul Khir	4/4

During the financial year ended 31 December 2023, apart from reviewing the quarterly results and annual financial statements, the Audit Committee also approved the annual internal audit plan. The plan is developed to cover key operational areas, financial activities and information systems and regulatory compliance audit that are significant to the overall performance of the Company on a cyclical basis.

The Internal Audit Department also conducts audits on an ad-hoc basis based on special requests either by the Board of Directors or the senior management. It also works closely with the external auditors to resolve any internal control issues raised by them and assists in ensuring appropriate management-based actions are taken. The Audit Committee receives regular reports from the Head of the Internal Audit Department on the audit results.

BOARD COMMITTEES (CONTINUED)

Nomination and Remuneration Committee ("NRC")

The members of the Nomination and Remuneration Committee are as follows:

Dr Mohamed Fairooz bin Abdul Khir	Chairman (Independent Non-Executive Director)
Hasnah binti Omar	Member (Independent Non-Executive Director)
Datuk Dr. Hafsah binti Hashim	Member (Independent Non-Executive Director)
Jan Yoke Lan	Member (Independent Non-Executive Director)

The Nomination and Remuneration Committee is made up of Independent Non-Executive Directors. In considering the right candidate for appointment to the Board, the Nomination and Remuneration Committee takes into account the required mix of skills, experience and other core competencies that are necessary to enable the Company to achieve its corporate objectives and fulfil its fiduciary responsibilities. The Nomination and Remuneration Committee is also responsible for the annual review of the effectiveness of the Board and individual Directors.

The Nomination and Remuneration Committee functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of Nomination and Remuneration Committee are:

(i) Nomination matters concerning the Board, Senior Management (including Chief Executive Officer and expatriates) and Company Secretary on areas pertaining to appointments and removals, composition, fit and proper assessments, performance evaluation and development;

(ii) To develop and recommend a formal, clear and transparent remuneration policy and framework for fixing the remuneration for Directors, Chief Executive Officer and key senior officers (including the expatriates, if any) of the Company;

(iii) To recommend specific remuneration packages for Directors, Chief Executive Officer and key senior officers (including the expatriates, if any) of the Company;

(iv) To ensure that the remuneration for individuals within the Company be aligned with prudent risk-taking and appropriately adjusted for risks. The remuneration outcomes must be symmetric with risk outcome; and

(v) To review and assess the nomination and selection of the Board, Senior Management (including Chief Executive Officer and expatriates) and Company Secretary, the performance of the Board and Chief Executive, undertake fit and proper assessments, succession planning and training and development needs.

BOARD COMMITTEES (CONTINUED)

Nomination and Remuneration Committee ("NRC") (continued)

The number of meetings attended by each member of the Nomination and Remuneration Committee during the financial year ended 31 December 2023 is as follows:

Name of Directors	No. of Attendance
Dr Mohamed Fairooz bin Abdul Khir (Chairman)	9/9
Hasnah binti Omar	9/9
Datuk Dr. Hafsah binti Hashim	9/9
Jan Yoke Lan	9/9

In the opinion of the Nomination and Remuneration Committee, the Board has a balanced mix of skills and experience required for the businesses of the Company.

Risk Management and Sustainability Committee ("RMSC")

The members of the Risk Management and Sustainability Committee are as follows:

Datuk Dr. Hafsah binti Hashim	Chairperson (Independent Non-Executive Director)
Hasnah binti Omar	Member (Independent Non-Executive Director)
Jan Yoke Lan	Member (Independent Non-Executive Director)
Dr. Mohamed Fairooz bin Abdul Khir	Member (Independent Non-Executive Director)

The RMSC is made up of Non-Executive Directors. It reviews the risk management framework of the Company to ensure risks at all levels are managed effectively. It also formulates risk management policies, action plans and evaluates the adequacy of overall risk management policies and procedures.

The RMSC functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of RMSC are as follows:

(i) To review and recommend risk management strategies, policies and risk tolerance to the Board for approval;

(ii) To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks;

BOARD COMMITTEES (CONTINUED)

Risk Management and Sustainability Committee ("RMSC") (continued)

The RMSC functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of RMSC are as follows: (continued)

(iii) To ensure that there are adequate infrastructure, resources and systems in place for an effective risk management;

(iv) To review the management's periodic reports on risk exposure, risk portfolio composition and risk management activities;

(v) To provide oversight over technology-related matters which include review of technology frameworks, review and recommendation of technology risk appetite, risk tolerance for technology related events, ensure key performance indicators and forward-looking risk indicators are in place, ensure adequacy of IT and cybersecurity strategic plans and effective implementation of sound and robust technology risk management framework ("TRMF") and cyber resilience framework ("CRF") and ensure that risk assessments undertaken in relation to material technology applications submitted to BNM are robust and comprehensive; and

(vi) To provide oversight over sustainability-related matters which include review of Zurich's sustainability strategy and objectives, review of Zurich's approach and conduct concerning sustainability, assessing progress against agreed actions at least annually, review of legislative and regulatory developments and reporting requirements relating to sustainability, review of the proposal to the Board for approval targets on environmental, social and corporate governance ("ESG") matters which have a material impact on business strategy, underwriting or business performance.

The number of meetings attended by each member of the Risk Management and Sustainability Committee during the financial year ended 31 December 2023 is as follows:

Name of Directors	No. of Attendance
Datuk Dr. Hafsah binti Hashim (Chairperson)	4/4
Hasnah binti Omar	4/4
Jan Yoke Lan	4/4
Dr Mohamed Fairooz bin Abdul Khir	4/4

BOARD COMMITTEES (CONTINUED)

Shariah Committee ("SC")

The members of the Shariah Committee are as follows:

Dr Mohamed Fairooz bin Abdul Khir	Chairman
Assoc. Prof. Dr Zulkifli bin Hasan	Member
Dr Wan Marhaini Binti Wan Ahmad	Member
Dr Zaharuddin Bin Abdul Rahman	Member
Prof Dr Zurina Binti Shafii	Member

The Shariah Committee is entrusted by the Board to ensure that the Company's operations and products offered are in accordance with the Shariah rules and principles. All matters which require Shariah Committee's opinion and decisions are deliberated at the Shariah Committee's meetings with the attendance of the Management and the representatives from the Shariah Department. Thereon, the said matters are brought to the attention of the Board for an informed decision making.

The number of meetings attended by each member of the Shariah Committee during the financial year ended 31 December 2023 is as follows:

Name of Members	No. of Attendance
Dr Mohamed Fairooz bin Abdul Khir	6/6
Assoc. Prof. Dr Zulkifli bin Hasan	5/6
Dr Wan Marhaini Binti Wan Ahmad	5/6
Dr Zaharuddin Bin Abdul Rahman	6/6
Prof Dr Zurina Binti Shafii	5/6

BOARD COMMITTEES (CONTINUED)

Shariah Committee ("SC") (continued)

The principal duties and responsibilities of Shariah Committee are:

1 Responsibility and accountability
The SC is expected to understand that 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. The SC is also expected to perform an oversight role on Shariah matters related to the Company's business operations and activities.

2 Advise the Board and the Company
The SC shall advise the Board and provide input to the Company on any matters related to Shariah in order for the Company to comply with Shariah rules and principles at all times.

3 Endorse Shariah policies and procedures
The SC is expected to endorse Shariah policies and procedures prepared by the Company and to ensure the contents do not contain any elements which are not in line with Shariah principles.

4 Endorse and validate relevant documentations
To ensure that the products of the Company comply with Shariah principles, the SC must approve:

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

ii. The product manual, marketing advertisements, sales illustrations and brochures used to describe the product.

5 Assess work carried out by Shariah review and Shariah audit
To assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah principles forms part of their duties in providing their assessment of Shariah compliance and accurate information in the annual report.

6 Assist related parties on Shariah matters
The related parties of the Company such as its legal counsel, auditor or consultant may seek advice on Shariah matters from the SC and the SC is expected to provide the necessary assistance to the requesting party.

7 Advise on matters to be referred to the Shariah Advisory Council ("SAC")
The SC may advise the Company to consult the SAC of Bank Negara Malaysia on Shariah matters that could not be resolved.

BOARD COMMITTEES (CONTINUED)

Shariah Committee ("SC") (continued)

The principal duties and responsibilities of Shariah Committee are: (continued)

8 Provide written Shariah opinions
The SC is required to record any opinion given. In particular, the SC shall prepare written Shariah opinions in the following circumstances:

i. Where the Company make reference to the SAC for advice, or

ii. Where the Company submit applications to BNM for new product approval.

MANAGEMENT ACCOUNTABILITY

The Company has an organisation structure showing all reporting lines as well as clearly documented job description for all management and executive employees. The officers of the Company have knowledge of their respective authority and operating limits, which are documented in the Company's Internal Control Procedures.

The human resource procedures of the Company provide for the setting of goals and training of each staff. The Company conducts formal appraisals for each staff on an annual basis.

The Company has established procedures to avoid and to deal with any conflict of interest situation. None of the Directors and senior management of the Company have, in any circumstances, conflict of interest referred to in Part B, paragraph 14 of BNM Guidelines on Corporate Governance, and paragraph 67 of the Islamic Financial Services Act, 2013 (“IFSA”).

The Board has approved a communication policy that is applicable to all levels of staff of the Company.

CORPORATE INDEPENDENCE

The Company has complied with the requirements of BNM’s Guidelines on Related Party Transactions (BNM/RH/GL 018-6) in respect of all its related party undertakings. Necessary disclosures were made to the Board and where required, the Board’s prior approval for the transaction has also been obtained. All material related party transactions have been disclosed in the financial statements.

INTERNAL CONTROLS

The responsibility of maintaining a system of internal controls rests with the Board. The Company has established internal controls which cover all levels of personnel and business processes that ensure the Company's operations are run in an effective and efficient manner as well as safeguarding the assets of the Company and stakeholders' interest.

INTERNAL CONTROLS (CONTINUED)

Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures corrective action where necessary, is taken in a timely manner. The internal audit function reports directly to the Board through the Audit Committee, and its findings and recommendations are communicated to the senior management and all levels of staff concerned. The Chief Internal Auditor has unrestricted access to the Chairman and members of the Audit Committee, and the internal audit function performs their duties within the ambit of the Audit Charter approved by the Audit Committee and the Board.

The Information Technology Steering Committee ("ITSC") is responsible for establishing effective information technology and information systems plans, authorising information technology ("IT") related expenditure based on authority limits, and monitoring the progress of approved projects. The Company has increased the security controls for the IT systems, and has put in place business resumption and contingency plans to ensure continued operations of mission critical functions. The requirements of BNM's Risk Management in Technology (RMiT) Policy Document (BNM/RH/PD 028-98) and Policy Document on Business Continuity Management (BNM/RH/PD 028-126) have been complied.

RISK MANAGEMENT

The Risk Management and Sustainability Committee ("RMSC") meets regularly, at least every quarter in a financial year, to review risk management reports of the Company. The RMSC has categorised risks into eight (8) risk types affecting the Company namely Family Takaful Business Risk, Market Risk, Credit Risk, Operational Risk, Strategic and Reputation Risk, Capital Management and Liquidity Risk, and Shariah Risk.

The Company has established, within its risk management framework, a structural approach to enterprise-wide risk management. The process involves risk identification and assessment process whereby all department heads of the Company are required to assess their operations and identify risks affecting their operations, identify existing controls in place to mitigate those risks and the probability of the risks occurring and its impact severity, and regularly monitor risks and actions in relation to identified risks.

PUBLIC ACCOUNTABILITY

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally. All staff and agents of the Company are required to comply with the Code of Ethics and Conduct.

FINANCIAL REPORTING

The Board is responsible for ensuring the proper maintenance of accounting records of the Company. Reports on the financial condition and performance of the Company are reviewed at the Board, Executive Committee and Management Committee meetings. Financial statements and reports are lodged with the regulatory and supervisory authorities, and annual financial statements prepared in accordance with applicable regulations and approved accounting standards are audited.

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

REMUNERATION POLICY

The Company's remuneration policy is based on Zurich Insurance Group Limited ("ZIGL")'s remuneration philosophy. The Company operates a balanced and effectively managed remuneration system, which aligns with risk considerations and provides for competitive total remuneration opportunities to attract, retain, motivate and reward employees to deliver outstanding performance.

The remuneration system is also an important element of the risk management framework and is designed to not encourage inappropriate risk taking through effective governance and a clearly defined performance management process which supports the overall business strategy and plans. Aligned with the Company's corporate governance standards, there are separate responsibilities for the business planning and performance management process and for the implementation of the remuneration system.

The Board of Directors reviews and approves the remuneration rules regularly, at least once a year, and amends them, as necessary, from time to time. The Board of Directors may approve amendments to the remuneration architecture in general or to the applicable plans including exceptions to the short-term incentive plan and/or long-term incentive plan target amounts, to the performance criteria, vesting and/or performance periods and related retention periods.

With respect to the regular review and the oversight of the implementation of the Zurich's Remuneration Rules ("ZRR") issued by the Group, the Board of Directors is supported by the Nomination and Remuneration Committee and respective monitoring process as stated in the ZRR.

The guiding principles of the remuneration philosophy as set out in the ZRR as follows:

- The remuneration architecture is simple, transparent and can be put into practice.
- Remuneration is tied to long-term results for individuals who have a material impact on the Company's risk profile.
- The structure and level of total remuneration are aligned with the Company's risk policies and risk-taking capacity.
- A high-performance culture is promoted by differentiating total remuneration based on the relative performance of business and individuals.
- Expected performance is clearly defined through a structured system of performance management and this is used as the basis for remuneration decision.
- Variable remuneration awards are linked to key performance factors which include the performance of the Company, business units, functions, as well as individual achievements.
- The Company's Short Term Incentive Plan ("STIP"), Family Takaful Performance Incentive Plan ("FLIPP") and Long Term Incentive Plan ("LTIP") are forms of variable remuneration which are linked to appropriate performance criteria and the overall expenditure on variable pay is considered in connection with the Company's long term economic performance.
- The structure of the LTIP links remuneration with the future development of performance and risk by including features for deferred remuneration.
- Employees are provided with a range of benefits based on local market policies, taking into account the ZIGL's risk capacity on pension funding and investments.
- Reward decisions are made on basis of merit – performance, skills, experience, qualifications and potential – and are free from discrimination towards or against particular diverse backgrounds. The remuneration system and practices ensure all employees have equal opportunities.

REMUNERATION POLICY (CONTINUED)

Total remuneration and its composition may be influenced by factors such as scope and complexity of the role, level of responsibility, risk exposure, business performance and affordability, individual performance, professional experience, internal equity, external competitiveness and legal requirements.

Total remuneration can include elements of base salary and variable remuneration.

- Base salary is the fixed pay for the role performed determined by the scope and complexity of the role and is reviewed regularly. Overall base salary structures are positioned to manage salaries around the relevant market medians. Key factors to be taken into account are the individual's overall experience and performance.

- The variable remuneration architecture is aligned with the achievement of the key financial objective and the execution of the business strategy, risk management framework and operational plans, via short-term and long-term incentive plans. The plan designs are reviewed regularly by the Nomination and Remuneration Committee and the Board. The incentive plans are discretionary and can be terminated, modified, changed or revised, at any time, except for previously awarded grants. A clawback framework is in place however, for members of the Executive Committee to allow for recovery, forfeiture and/or clawback, subject to specific conditions. Malus conditions are also in place to reduce or eliminate awards applicable to all STIP, FLIPP and LTIP participants.

- Variable remuneration is structured such that on average there is a higher weighting towards the longer-term sustainable performance for the most senior employees of the Company, including the individuals with the most impact on the Company's risk profile for the key takers. This ensures that a significant portion of the variable pay for the senior group is deferred to promote the risk awareness of the participants and to encourage the participants to operate the business in a sustainable manner.

SUSTAINABILITY STATEMENT

The Company is part of the Zurich Group which has the ambition to become one of the world's most environmentally responsible and impactful businesses in the world.

Zurich Group has intensified its focus on the United Nation Global Business Ambition Pledge to limit global temperature rise to 1.5°C. Zurich Group has been embedding sustainability into every fibre of the Company and has been operating as a carbon-neutral business since 2014. In 2020, Zurich Group has become one of the first large institutional investors to prioritise the goals – rather than the monetary amount. The Dow Jones Sustainability Index ("DJSI") named Zurich Group as No. 1 in the insurance industry for improving scores across all three components of the ranking: governance and economic, environmental, and social.

Locally, Zurich Malaysia has in place a Sustainability and Value-Based Intermediation for Takaful ("VBIT") Policy which sets out the governance and operational requirements relating to sustainability risks and initiatives taken by the in-scope entities. Zurich Malaysia as a Group is committed to play a major role as a insurance and takaful group, investor, employer and society.

SUSTAINABILITY STATEMENT (CONTINUED)

Sustainability is embedded in Zurich's governance. Zurich Malaysia adopts transparent risk communication via both bottom-up and top-down approach of reporting to and from the RMSC/Board at respective entities of Zurich Malaysia. The Sustainability Council ("SC") consists of CEOs and senior executives who are direct reports of the CEOs. The SC ensures that Zurich's approach to sustainability is effectively integrated in the way we do business and enables Zurich to live up to its code of conduct and purpose and values.

The SC is supported by Sustainability Teams ("Working Group"), consisting of internal working groups established to drive respective sustainability agenda within the Company. Externally, several regulatory bodies and industry-focused working groups have been established to facilitate knowledge sharing and foster capacity building among industry stakeholders. Within each of these working groups, Zurich employees actively engage in discussions and, when relevant, bring valuable insights and information back to the Company.

<u>Zurich's Sustainability Focus Area and Strategies</u>

In accordance with Zurich Group's Sustainability Framework, Zurich's sustainability ambitions are grouped across three focus areas – Planet, Customers and People with strategies set for each of the focus areas.

The three (3) focus areas are as follows:-

1. Planet Sustainability

   Climate change is the most pressing challenge of our time and Zurich is committed to tackling it through best conduct with every means available, as an insurer/takaful operator, an investor and an employer.

   Zurich will focus on achieving net-zero future across its business – underwriting, investments and operations, strengthening the resilience of our business and society in face of climate impacts, while also deepening our understanding of nature related risks and opportunities and use our position as insurer and investor to benefit nature and support customers to do the same.

2. Customer Sustainability

   Our purpose is to support our customers' transformation to a sustainable future across the insurance value chain. We care for what matters to our customers by fostering empathetic relationships and ethical stewardship of customer data and scaling solutions that shall empower our customers and make them feel confident that they are doing their best to protect themselves, their families, their businesses, and our world.

   In doing so, we position our positive impact as key differentiator that can educate and support our customers in their journey towards financial resilience.

SUSTAINABILITY STATEMENT (CONTINUED)

<u>Zurich's Sustainability Focus Area and Strategies (continued)</u>

3. People Sustainability

   As work sustainability is being prioritised, Zurich practices good self-governance by enabling life-long employability for our people, while delivering on customer and societal needs. Committed with a set of principles to prioritise capacity building to support our employees to grow their career and develop new skills while refreshing their existing ones, protect their physical, mental, financial, and social wellbeing as well as embrace diversity, equity, inclusion and belonging ("DEIB"), Zurich continues to grow and aims to create values-aligned working environment. These three focus areas are intertwined. Innovative underwriting and claims solutions offer positive results for customers that can also benefit people and planet. Through responsible investment, we can grow the positive impact of our invested assets. Strategic community investment helps build a brighter future for the most vulnerable.

<u>Integration of Value-Based Integration for Takaful ("VBIT") to Zurich's Sustainability Agenda</u>

Zurich's sustainability agenda entails integration of the VBIT. The VBIT Framework and Roadmap serves as guidance in ensuring Zurich's sustainability efforts not only create positive socio-economic impact but also fulfills the requirement of Maqasid Shariah.

Essential of Maqasid Shariah

Maqasid Shariah promotes the welfare of all humankind and prevents harm by preserving the Essentials of Shariah ("the Essentials"). The Essentials are deemed as basic human rights and are necessary for each human being to live a decent life. The Essentials are the interests of each human being, and these interests are firmly protected by Islamic Law.

VBIT Underpinning Thrust

The VBIT Framework and Roadmap outlines a set of clear underpinning thrusts to create positive value and sustainable impacts for the respective stakeholders. This integrated set of thrusts serves as a compass for Takaful Operators in the journey of implementing VBIT.

VBIT Roadmap Desired Outcome

There are 7 key outcomes that the VBIT Roadmap has identified, which is an industry commitment to creating values to takaful operators, government, regulator and society. In developing Zurich Malaysia's sustainability and VBIT agenda, the following desired outcomes should serve as a guide to tailor our strategies to achieve these goals.

These key outcomes are closely aligned with Zurich's sustainability focus areas: planet, customer and people. ZTMB will continue its efforts to achieve all the desired outcomes defined by the VBIT Roadmap.

SUSTAINABILITY STATEMENT (CONTINUED)

Zurich Community Investments

Community investment is a strategic commitment made by Zurich to foster positive social and economic change within the communities. It goes beyond traditional philanthropy, aiming to create sustainable and lasting impact by addressing the unique needs and aspirations of local communities.

1. Z Zurich Foundation ("ZZF")

   The ZZF is a charitable foundation funded by various members of the Zurich Insurance Group. It is the main vehicle by which Zurich delivers on its global community investment strategy. It aligns with Zurich's sustainability agenda, purpose and values, and culture.

   The ZZF focuses on adapting to climate change, improving mental wellbeing, and enabling social equity. These increasingly urgent and complex issues have far-reaching impacts on individuals, communities, and society as a whole.

2. Global Urban Climate Resilience Program ("UCRP")

   On 1 January 2023, ZZF launched the UCRP in nine countries around the world namely, Australia, Columbia, Ecuador, Italy, Spain, Turkey, the United Kingdom, the United States of America and Malaysia. This was built on ZZF's ongoing climate change work with the Zurich Flood Resilience Alliance in rural environments, with the intention to expand into urban spaces. The objective is to build sustainable, resilient communities that can withstand, recover from, and thrive in the face of climate related disasters.

Climate Action

Since 2021, Climate Month has been held in September on an annual basis to increase employees' awareness on the devastating effects of climate change and rally a call to action on combating climate change. Activities are organised to support capacity building and instilling care for the environment and nature.

In 2022, the Company collaborated with Tropical Rainforest Conservation and Research Centre ("TRCRC") to undertake and accelerate conservation efforts to save dipterocarps, an important family of timber trees, from extinction.

The combined efforts of Zurich Malaysia and TRCRC encompass the establishment of two 1.5 hectares Tropical Rainforest Living Collection ("TRLC") Plots housing a nursery for germination of seedlings and hardening the young plants before replanting, in Merisuli, on a gazetted forest reserve in Lahad Datu, Sabah. These plots are critical for the gathering of data and cultivation of endangered, rare, and threatened ("ERT") trees under a controlled environment to prevent their extinction. In addition, 26.8 hectares in Merisuli will be actively reforested with ERT dipterocarps by 2025, expanding TRCRC's existing 224 hectares site in the Ulu Segama-Malua Sustainable Forest Management Project. Zurich Malaysia's support will provide continuity in the maintenance, replanting, census and monitoring work.

SUSTAINABILITY STATEMENT (CONTINUED)

Digital Transformation

The 2020 crisis boosted digitalisation and technology use and created a need to build trust in digital society. As digital skills become more important, we need to shape a better digital world with high-quality practices for cyber security and data management. Besides taking care of data in a responsible way as stated in our Data Commitment, the Company wants to help society and customers, to improve cyber security through risk education, prevention and insurance solutions.

With the launch of notification of claims through WhatsApp, the Company is able to deliver an improved service to its customers, where customers are able to get immediate attention on their claims. The Company continues to look for possibility of insuring the transition while encouraging more sustainable lives so that the theme of thriving today means flourishing tomorrow can be achieved.

Decent Work and Economic Growth

Zurich Group decided to enhance sustainability and well-being in our offices worldwide in 2021. This resulted in the launch of a Sustainable Buildings Program and creation of a Sustainability Alignment Generating Exercise ("SAGE") tool. SAGE uses external best practices to evaluate our buildings, both from an environmental and well-being point of view. In 2022, 50 offices globally were assessed including Zurich Malaysia Head Office (i.e., KL Eco City) and Plaza Zurich Kuala Lumpur, both of which now, meet the standards and are certified under SAGE.

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors are pleased to submit their report to the members together with the audited financial statements of the Company for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is engaged principally in the management of Family Takaful business including Investment-linked business.

There have been no significant changes in the nature of the principal activities during the financial year.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	17,574

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividend was declared or paid since the end of the previous financial year. The Directors do not recommend the payment of any dividend for the current financial year.

SHARE CAPITAL

There was no issuance of new ordinary shares during the financial year.

DIRECTORS

The Directors of the Company who have held office for the period from the last report to the date of this report are as follows:

Name of Directors	Designation
Hasnah binti Omar	Chairperson (Independent Non-Executive Director)
Datuk Dr. Hafsah binti Hashim	Member (Independent Non-Executive Director)
Jan Yoke Lan	Member (Independent Non-Executive Director)
Dr Mohamed Fairooz bin Abdul Khir	Member (Independent Non-Executive Director)
Matthew William Swinfen Cottrell	Member (Executive Director)

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as disclosed in Note 21(a) to the financial statements) by reason of a contract made by the Company or a related corporation with a 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.

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects 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 corporate. The Director has interest in Zurich Insurance Group Ltd. shares as disclosed below.

INSURANCE AND INDEMNITY COST

The Company, through its ultimate holding company, Zurich Insurance Group Ltd. ("ZIGL" or "the Group") has maintained a Director's and Officers Liability Insurance ("Group's D&O Insurance") on a group basis up to an aggregate limit of USD350 million against any legal liability incurred by the Directors and Officers in the discharge of their duties while holding office in the Company. The Company has also placed a Directors' and Officers' Liability Insurance with a local insurer up to the deductible amount under the Group's D&O Insurance. The Directors and Officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

The total amount paid and payable for indemnity insurance affected for the Directors of the Company for the financial year amounting to RM5,201.

There was no indemnity given to, or insurance effected for the auditors of the Company during and at the end of the financial year.

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholding required to be kept under Section 59 of the Companies Act 2016, particulars of interests of Directors in office at the end of the financial year in shares in the ultimate holding company, Zurich Insurance Group Ltd, are as follows:

	Number deferred/restricted/performance share units			
	At 1.1.2023	**Granted/ Reinvested dividends**	**Exercised**	**At 31.12.2023**
Units in Zurich Insurance Group Ltd.				
Direct interest:				
Matthew William Swinfen Cottrell	842	458	(547)	753

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

Deferred, restricted and performance share units are granted to the Group's most senior executives under Zurich Insurance Group Ltd's Long Term Incentive Plan ("LTIP") and entitled the holder to receive cash payments equal to the value of the same number of common shares plus credited dividends upon retirement or termination of employment or as they are sold, subject to any performance conditions.

Other than as disclosed above, no other Directors in office at the end of the financial year held any interests in shares of the Company or its related corporations during the financial year.

DIRECTORS' REMUNERATION

The remuneration in aggregate for Directors of the Company for the financial year are as follow:

	RM'000
Directors' fees	420
Directors' other emoluments	135
	555

Details of Directors' remuneration are set out in Note 21(a) to the financial statements.

AUDITORS' REMUNERATION

The auditors' remuneration of the Company during the financial year was RM1,012,000 as disclosed in Note 21.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Company were prepared, the Directors took reasonable

(i) to ensure that there was adequate provision for its takaful liabilities in accordance with the requirements of MFRS 17 *Insurance Contracts,* as issued by the Malaysian Accounting Standards Board ("MASB");

(ii) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

(iii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and

OTHER STATUTORY INFORMATION (CONTINUED)

(b) At the date of this report, the Directors are not aware of any circumstances which would render: (continued)

(ii) the values attributed to the current assets in the financial statements of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

For the purposes of paragraphs e(ii) and f(i), contingent and other liabilities do not include liabilities arising from takaful certificates underwritten in the ordinary course of business of the Company.

IMMEDIATE, PENULTIMATE AND ULTIMATE HOLDING COMPANIES

The Directors regard Zurich Holdings Malaysia Berhad, a company incorporated in Malaysia, as the immediate holding company of the Company. The penultimate holding and ultimate holding companies are Zurich Insurance Company Ltd. and Zurich Insurance Group Ltd., respectively. Both companies are incorporated in Switzerland.

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

SUBSEQUENT EVENT

Details of the subsequent event are disclosed in Note 32 to the financial statements.

AUDITORS

The auditors, Ernst & Young PLT (LLP0022760-LCA & A7 0039), have expressed their willingness to accept re-appointment as auditors. The auditors' remuneration for the financial year ended was RM1,012,000 as disclosed in Note 21.

Signed on behalf of the Board of the Directors in accordance with their resolution dated 15 May 2024.

HASNAH BINTI OMAR
DIRECTOR

JAN YOKE LAN
DIRECTOR

Kuala Lumpur
15 May 2024

Registration No.
200601012246 (731996-H)

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Hasnah Binti Omar and Jan Yoke Lan, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 36 to 169 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2023 and of its financial performance and the cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the Directors on 15 May 2024.

HASNAH BINTI OMAR
DIRECTOR

JAN YOKE LAN
DIRECTOR

Kuala Lumpur
15 May 2024

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Nur Fatihah Binti Mustafa, being the officer primarily responsible for the financial management of Zurich Takaful Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 36 to 169 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

NUR FATIHAH BINTI MUSTAFA

Subscribed and solemnly declared by the above named Nur Fatihah binti Mustafa at Kuala Lumpur in Malaysia on 15 May 2024.

Before me,

PESURUHJAYA SUMPAH
W 465
KAPT (B) JASNI BIN YUSOFF
01 JAN 2023 - 31 DIS 2024
MALAYSIA

COMMISSIONER FOR OATHS

Lot 1.08, Tingkat 1,
Bangunan KWSP, Jln Raja Laut
50350 Kuala Lumpur.
Tel: 019-6680745

Registration No.
200601012246 (731996-H)

ZURICH
TAKAFUL

Shariah Committee's Report

In the name of Allah, the Beneficent, the Merciful

In carrying out the roles and the responsibilities of the Zurich Takaful Malaysia Berhad's Shariah Committee ("SC") as prescribed in the Shariah Governance Policy for Islamic Financial Institutions issued by Bank Negara Malaysia ("BNM") and in compliance with our letter of appointment, we hereby submit our report for the financial year ended 31 December 2023.

The Management of the Company is responsible to ensure that its business, operations, affairs, and activities are in accordance with the Shariah rules, principles and rulings made by the relevant Shariah authorities. Therefore, it is our responsibility to institute an independent opinion based on our review of the business and operations of the Company to produce this report.

We had six (6) seating of scheduled meetings for the financial year 2023 with all the members of SC satisfying the minimum attendance of at least 75%. We reviewed inter alia products, services, processes, documents, reports, and proposals presented to us.

In carrying out our roles and responsibilities, we have sought all the relevant information and explanations which we consider necessary in order to provide us with fair evidence to give reasonable assurance that the Company has complied with the relevant Shariah rules and principles.

At the management level, the Head of Shariah Management Services who reports to us, oversees the conduct and effectiveness of the internal Shariah functions i.e., Shariah Advisory and Business Development, Center of Takaful Excellence, and Communications to provide operational support for effective functioning of the Shariah committee, which includes coordinating communications and disseminating information, providing day-to-day advice to relevant parties, and providing Shariah trainings.

This is further substantiated by Shariah Compliance function which resides in the Compliance Department, Shariah Risk function in the Risk Management Department and Shariah Audit function in the Internal Audit Department. The roles of control functions are managing Shariah non-compliance risks, conducting Shariah review and audit, and coordinating with us on any matter that requires our decision.

The following are the major developments that took place during the financial year which comes under our purview:

Shariah Governance

We have approved in our meetings, initiatives in strengthening the Shariah governance of the Company following the issuance of Policy Document on Shariah Governance and other related guidelines by BNM. This includes the review, revision and update of the existing relevant Shariah policies and procedures that aim, among others, to improve and strengthen the Shariah governance and compliance culture within the Company.

Shariah Committee's Report (continued)

Shariah Training & Awareness

Throughout 2023, 22 sessions of Shariah trainings were held for the Company’s stakeholders. Overall, we are of the view that these programs would nourish the awareness of Shariah and Takaful and inculcate the Shariah compliance culture within the Company.

Shariah Control Functions

The Shariah Control functions play a vital role in achieving the objective of ensuring Shariah compliance in the Company.

In 2023, the Shariah Compliance function had presented to us, amongst others, the Shariah Compliance plan and its progress updates, the result of the review conducted by the Shariah Compliance and the rectification action taken by the business management to close the findings. In addition, Shariah Compliance also conducted Shariah Compliance Training and Awareness which was enrolled out in myDevelopment system to all staff in August 2023.

Shariah Risk Management presented to us, the Shariah risk initiatives to increase awareness among staff and to promote the Shariah risk culture in the Company. This included leading the Z-Fence Awareness virtual and physical initiatives with strong participation from all three lines of defence. Shariah Risk Management had conducted awareness sessions on Operational Risk Integrated Online Network ("ORION") and Shariah Non-Compliance ("SNC") reporting for targeted functions in collaboration with Risk Management. From a Governance framework perspective, Shariah Risk Management Policy and Standard Operating Procedure ("SOP") - SNC Event Reporting have been updated as part of a regular review process to reflect current arrangements of potential Shariah non-compliance incidents.

In the same period, Internal Audit had presented to us one (1) report on Shariah Risks and Governance for 2022 together with findings for six (6) other audits on Procurement Process, IT Services, Incident Reporting including Backup Processes, Business Continuity Planning/ Disaster Recovery Planning ("BCP/DRP") Testing Phase 1 2023, Cyber Security Management, Outsourcing, and Account Reconciliation and Receivable Management – which were non-Shariah related for our information.

Shariah Non-Compliance ("SNC")

In 2023, no SNC incident was reported to the Shariah Committee.

Business Zakat and Purification

During the financial year, the Company had done their responsibility to perform zakat guided by the internal policy as well as purification of tainted dividend income that were approved by us. The zakat provision is calculated based on the Profit Before Tax ("PBT") method.

Registration No.
200601012246 (731996-H)

Shariah Committee's Report (continued)

Conclusion

Based on the above, in our opinion, the overall operations, business, affairs and activities of the Zurich Takaful Malaysia Berhad are in compliance with Shariah.

On that note, we, being the members of Shariah Committee of Zurich Takaful Malaysia Berhad do hereby certify that to our best knowledge the businesses and activities of the Company for the financial year ended 31 December 2023 have been conducted in conformity with the Shariah rules and principles.

On behalf of the Committee:

Chairman of the Shariah Committee :

ASSOC. PROF. DR. MOHAMED FAIROOZ ABDUL KHIR

Shariah Committee :

ASSOC. PROF. DATIN DR WAN MARHAINI WAN AHMAD

Kuala Lumpur
15 May 2024

EY
Building a better working world

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200601012246 (731996-H)

Independent auditors' report to the member of Zurich Takaful Malaysia Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Zurich Takaful Malaysia Berhad, which comprise the statements of financial position as at 31 December 2023, and the statements of profit or loss, statements of other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 36 to 169.

In our opinion, the accompanying financial statements give 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 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 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 Corporate Governance Statement and Shariah Committee's Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

200601012246 (731996-H)

Independent auditors' report to the member of
Zurich Takaful Malaysia Berhad
(Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon (cont'd.)

In connection with our audit of the financial statements 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 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 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 Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing 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 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 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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**Independent auditors' report to the member of
Zurich Takaful Malaysia Berhad
(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 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 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 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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Building a better
working world

**Independent auditors' report to the member of
Zurich Takaful Malaysia Berhad
(Incorporated in Malaysia)**

Other matters

This report is made solely to the member 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.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Brandon Bruce Sta Maria
No. 02937/09/2025 J
Chartered Accountant

Kuala Lumpur, Malaysia
15 May 2024

Registration No.
200601012246 (731996-H)

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		Family Takaful Fund			Company		
		31.12.2023	**31.12.2022**	**01.01.2022**	**31.12.2023**	**31.12.2022**	**01.01.2022**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
	Note		**Restated**	**Restated**		**Restated**	**Restated**
ASSETS							
Property and equipment	5	-	-	-	6,791	6,150	6,143
Right-of-use assets	6	-	-	-	3,062	4,659	1,906
Intangible assets	7	-	-	-	51	466	1,286
Investments	8	824,854	745,833	744,008	1,041,074	941,929	937,431
Retakaful certificate assets	13	-	3,010	-	-	3,010	-
Other receivables	9	829	1,201	2,060	5,846	3,778	3,236
Tax recoverable		2,404	2,712	2,077	8,120	4,514	2,243
Deferred tax assets	10	2,726	5,441	2,350	-	2,508	4,334
Cash and cash equivalents		82,112	93,029	110,751	97,265	118,942	126,722
TOTAL ASSETS		**912,925**	**851,226**	**861,246**	**1,162,209**	**1,085,956**	**1,083,301**
EQUITY, PARTICIPANTS' FUND AND SHAREHOLDER'S EQUITY							
Share capital	14	-	-	-	180,000	180,000	180,000
Retained earnings		-	-	-	67,699	50,345	21,955
Other reserves		-	-	-	556	(873)	(17)
TOTAL SHAREHOLDER'S EQUITY		**-**	**-**	**-**	**248,255**	**229,472**	**201,938**
Takaful certificate liabilities	13	874,946	808,343	818,096	845,779	809,602	838,782
Retakaful certificate liabilities	13	1,689	-	1,294	1,689	-	1,294
Lease liabilities	12	-	-	-	3,219	4,749	2,076
Tax payable		1,694	1,084	1,381	1,694	1,084	1,381
Deferred tax liabilities	10	-	-	-	8,236	-	-
Other payables	11	34,596	41,799	40,475	53,337	41,049	37,830
TOTAL LIABILITIES		**912,925**	**851,226**	**861,246**	**913,954**	**856,484**	**881,363**
TOTAL LIABILITIES, PARTICIPANTS' FUNDS AND SHAREHOLDER'S EQUITY		**912,925**	**851,226**	**861,246**	**1,162,209**	**1,085,956**	**1,083,301**

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

Registration No.
200601012246 (731996-H)

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF PROFIT AND LOSS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		Family Takaful Fund		Company	
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
	Note		Restated		Restated
Takaful revenue	16	468,892	506,945	605,571	637,260
Takaful service expense	17	(426,726)	(453,028)	(519,877)	(521,518)
Takaful service result before retakaful certificates held		42,166	53,917	85,694	115,742
Allocation of retakaful contributions	18	(31,321)	(40,783)	(31,321)	(40,783)
Amounts recoverable from retakaful operators for incurred claims	18	25,547	34,034	25,547	34,034
Net expense from retakaful certificates held		(5,774)	(6,749)	(5,774)	(6,749)
Takaful service result		**36,392**	**47,168**	**79,920**	**108,993**
Investment income	19(a)	25,740	23,924	34,235	31,081
Realised gains/(losses)	19(b)	2,978	(5,000)	2,916	(5,016)
Fair value gains/(losses)	19(c)	16,218	(29,634)	16,218	(29,634)
Investment expenses		(166)	-	(322)	-
Total investment income/(expenses)		**44,770**	**(10,710)**	**53,047**	**(3,569)**
Takaful finance expenses for takaful certificates issued	20	(82,327)	(41,564)	(88,297)	(49,561)
Retakaful finance expenses for retakaful certificates held	20	(60)	(13)	(60)	(13)
Net takaful financial result		**(82,387)**	**(41,577)**	**(88,357)**	**(49,574)**
Fee income/(expense)		3,641	(152)	3,641	(152)
Other income/(expenses)	21	461	3,631	(17,563)	(15,062)
Other finance cost	21	-	-	(33)	(54)
Profit/(loss) before zakat and taxation		**2,877**	**(1,640)**	**30,655**	**40,582**
Tax (expense)/income attributable to participants	22	(2,877)	1,640	(2,877)	1,640
Tax expense attributable to Takaful Operator	22	-	-	(9,243)	(13,307)
Zakat		-	-	(961)	(525)
Net profit for the year		**-**	**-**	**17,574**	**28,390**
Basic and diluted earnings per share (sen)	14	**-**	**-**	9.76	15.77

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

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ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Family Takaful Fund 2023 RM'000	Family Takaful Fund 2022 RM'000 Restated	Company 2023 RM'000	Company 2022 RM'000 Restated
Net profit for the financial year		-	-	17,574	28,390
Other comprehensive income/(loss), net of tax:					
Items that may be subsequently reclassified to profit or loss in subsequent periods:					
Fair value through other comprehensive income investments:					
Gross gains/(losses) on fair value changes		11,408	(10,343)	14,685	(12,604)
Realised losses transferred to profit or loss		177	232	115	248
Change in allowance for Expected Credit Loss ("ECL")		166	-	321	-
Deferred tax (expenses)/income		(940)	809	(1,749)	1,348
Net gains/(losses) on fair value changes		**10,811**	**(9,302)**	**13,372**	**(11,008)**
Takaful finance income for takaful certificates issued		3,721	3,735	2,369	4,585
Retakaful finance expense from retakaful certificates held		(29)	(35)	(29)	(35)
Other comprehensive (loss)/income attributable to participants		(14,503)	5,602	(14,503)	5,602
Total other comprehensive income/(loss), net of tax		**-**	**-**	**1,209**	**(856)**
Total comprehensive income for the financial year		**-**	**-**	**18,783**	**27,534**

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

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ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Issued and fully paid-up ordinary shares	Non-distributable	Non-distributable	Distributable	
		Share capital RM'000	Fair value reserves RM'000	Takaful/ retakaful finance reserves RM'000	Retained earnings RM'000	Total RM'000
Company						
At 1 January 2022 (As previously stated)		180,000	(494)	-	7,836	187,342
Impact of initial application of MFRS 17	2(a)(i)	-	-	477	14,119	14,596
At 1 January 2022 (Restated)		180,000	(494)	477	21,955	201,938
Net profit for the financial year		-	-	-	28,390	28,390
Other comprehensive loss for the year		-	(1,706)	850	-	(856)
Total comprehensive (loss)/income for the year		-	(1,706)	850	28,390	27,534
At 31 December 2022		180,000	(2,200)	1,327	50,345	229,472
At 1 January 2023 (As previously stated)		180,000	(2,200)	-	22,180	199,980
Impact of initial application of MFRS 17	2(a)(i)	-	-	1,327	28,165	29,492
At 1 January 2023		180,000	(2,200)	1,327	50,345	229,472
Impact of initial application of MFRS 9	2(a)(ii)	-	220	-	(220)	-
At 1 January 2023 (Restated)		180,000	(1,980)	1,327	50,125	229,472
Net profit for the year		-	-	-	17,574	17,574
Other comprehensive income/(loss) for the year		-	2,561	(1,352)	-	1,209
Total comprehensive income/(loss) for the year		-	2,561	(1,352)	17,574	18,783
At 31 December 2023		180,000	581	(25)	67,699	248,255

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

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ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		Company	
	Note	**2023 RM'000**	**2022 RM'000 Restated**
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operating activities	23	(36,677)	(19,377)
Profit income received		25,048	23,663
Interest expenses on lease liabilities		(132)	(53)
Income tax paid		(6,241)	(9,262)
Net cash flows used in operating activities		(18,002)	(5,030)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property and equipment		-	169
Purchase of property and equipment		(2,072)	(1,623)
Net cash flows used in investing activities		(2,072)	(1,454)
CASH FLOWS FROM FINANCING ACTIVITY			
Payment of lease liabilities (principal portion)		(1,603)	(1,296)
Net cash flows used in financing activity		(1,603)	(1,296)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(21,677)	(7,780)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		118,942	126,722
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		97,265	118,942
Cash and cash equivalents consist of:			
Cash and bank balances		89,265	113,744
Fixed deposit with licensed financial institutions with original maturities of less than 3 months		8,000	5,198
		97,265	118,942

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

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

Registered office

Level 25, Mercu 3
No.3 Jalan Bangsar
KL Eco City
59200 Kuala Lumpur

Principal place of business

Level 23A, Mercu 3
No.3 Jalan Bangsar
KL Eco City
59200 Kuala Lumpur

The Company is engaged principally in the management of Family Takaful business including Investment-linked business. There have been no significant changes in the nature of these principal activities during the financial year.

The Directors regard Zurich Holdings Malaysia Berhad as the immediate holding company, a company incorporated and domiciled in Malaysia. The penultimate holding and ultimate holding companies are Zurich Insurance Company Ltd. and Zurich Insurance Group Ltd., respectively. Both companies are incorporated in Switzerland.

Zurich Insurance Group Ltd is listed on the SIX Swiss Exchange and produces financial statements available for public use.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 15 May 2024.

2 BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards ("IFRS"), Islamic Financial Services Act ("IFSA") 2013 and the requirements of the Companies Act 2016 in Malaysia.

The inclusion of separate financial information of the Takaful fund together with the Company-level financial statements in the statement of financial position, statement of profit or loss and the statement of other comprehensive income as well as the related notes to the financial statements represents additional supplementary information presented in accordance with the requirements of Bank Negara Malaysia ("BNM") pursuant to IFSA 2013 in Malaysia to separate assets, liabilities, income and expenses of the Takaful fund from that of the Company. The accounting policies adopted for the Takaful fund are uniform for like transactions and events in similar circumstances.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework for Takaful Operators (“the RBCT Framework”) issued by BNM as at the date of the statement of financial position.

Takaful operations and its fund

Under the concept of Takaful, individuals make contributions to a pool which is managed by a third party with the overall aim of using the monies to aid fellow participants in times of need. Accordingly, as a Takaful Operator, the Company manages the Family Takaful Fund in line with the principles of Wakalah (agency), which is the main business model adopted by the Company. Under the Wakalah model, the Takaful Operator is not a participant in the fund but manages the funds (including the relevant assets and liabilities) towards the purpose outlined above. In accordance with the IFSA 2013, the assets and liabilities of the Takaful fund is segregated from those of the Takaful Operator: a concept known as segregation of funds. However, in compliance with MFRS 10 *Consolidated Financial Statements*, the assets, liabilities, income and expenses of the Takaful fund is consolidated with those of the Takaful Operator to represent the control possessed by the operator over the respective funds. The inclusion of separate information of the Takaful fund and the Takaful Operator together with the consolidated financial information of the Company in the statement of financial position, the statement profit or loss, the statement of comprehensive income as well as certain relevant notes to the financial statements represents additional supplementary information required for Bank Negara Malaysia reporting.

2 BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

- MFRS 17 *Insurance Contracts*
- MFRS 9 *Financial Instruments*
- Amendments to MFRS 17 *Insurance Contracts* – Initial applications of MFRS 17 and MFRS 9 – Comparative Information
- Amendments to MFRS 101 *Presentation of Financial Statements* (Reference to Classification of Liabilities as Current or Non-Current)
- Amendments to MFRS 101 *Presentation of Financial Statements* (Disclosures of Accounting Policies)
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of Accounting Estimates
- Amendments to MFRS 112 *Income Taxes* – Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform – Pillar Two Model Rules

In these financial statements, the Company has applied MFRS 17 *Insurance Contracts* and MFRS 9 *Financial Instruments* for the first time. There was no significant impact from adoption of other amendments to standards effective from 1 January 2023. The Company has not early adopted the amendments to standards that have been issued by the Malaysian Accounting Standards Board ("MASB") which are not yet effective. These are as follows:

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16 *Leases* – Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101 *Presentation of Financial Statements* - Non-Current Liabilities with Covenants)
- Amendments to MFRS 107 *Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures* – Supplier Finance Arrangements

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121 *The Effects of Changes in Foreign Exchange Rates* – Lack of Exchangeability

2 BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

Amendments to MFRSs effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10 *Consolidated Financial Statement and* MFRS 128 *Investments in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Company plans to apply the abovementioned amendments to standards when effective.

The initial application of the applicable accounting standards and amendments to standards or interpretations did not have any material financial impact to the current year and prior year's financial statements of the Company except as mentioned below:

(i) MFRS 17 *Insurance Contracts*

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

Changes to classification and measurement

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

In adopting MFRS 17, the Company:

- Identified takaful certificates as those under which the Company accepts significant takaful risk from another party (the certificateholders) by agreeing to compensate the certificateholder if a specified uncertain future event (the covered event) adversely affects the certificateholders.
- Separated specified embedded derivatives, distinct investment components and distinct non-takaful goods or services from takaful certificates and accounted for them in accordance with other standards.
- Divided the takaful and retakaful certificates into groups it recognised and measured.

2 BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

Changes to classification and measurement (continued)

In adopting MFRS 17, the Company: (continued)

- Recognised and measured groups of takaful certificates at:
  - A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporated all available information about the fulfilment cash flows in a way that was consistent with observable market information.

  Plus
  - If necessary, recognised an amount representing the unearned profit in the group of contracts (the contractual service margin or CSM).
- Recognised profit from a group of takaful certificates over the period the Company provided takaful coverage, as the Company was released from risk. If a group of contracts was expected to be onerous (i.e., loss-making) over the remaining coverage period, the Company recognised the loss immediately.
- Recognised an asset for takaful acquisition cash flows in respect of acquisition cash flows paid, or incurred, before the related group of takaful certificates was recognised. Such asset was derecognised when the takaful acquisition cash flows were included in the measurement of the related group of takaful certificates.

The Company's classification and measurement of takaful and retakaful certificates is explained in Note 3(k) and 3(l).

Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregated takaful and retakaful certificates issued and retakaful certificates held, respectively and presented separately:

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

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

Portfolios of takaful certificates issued include any assets for takaful acquisition cash flows.

2 BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

Changes to presentation and disclosure (continued)

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with previous years. Previously the Company reported the following main line items: MFRS 17 requires separate presentation of:

- Gross and net earned contributions
- Gross and net benefits and claims paid

MFRS 17 required instead, separate disclosures of the following:

- Takaful revenue
- Takaful service expense
- Allocation of retakaful contributions
- Amounts recoverable from retakaful operators for incurred claims
- Takaful finance income or expense for takaful certificates issued
- Retakaful finance income or expense for retakaful certificates held

The Company has also provided disaggregated qualitative and quantitative information in the notes to the financial statements about:

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

Transition

The Company determined the transition approach at groups of takaful certificates levels, depending on availability of reasonable and supportable historical information. The Company applied a retrospective transition approach and expects that most groups of takaful certificates follow either a full retrospective approach or fair value approach.

On transition date of 1 January 2022, the Company:

- identified, recognised and measured each group of takaful certificates as if MFRS 17 had always been applied.
- identified, recognised and measured assets for takaful acquisition cash flows as if MFRS 17 has always been applied. However no asset recoverability assessment was performed before the transition date. At transition date, an asset recoverability assessment was performed and no impairment loss was identified.

2 BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

Transition (continued)

On transition date of 1 January 2022, the Company: (continued)

- derecognised any existing balances that would not exist had MFRS 17 always applied.
- recognised any tax arising from the temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases, as if MFRS 17 had always been applied.
- recognised any resulting net difference thereon in equity.

Full retrospective approach ("FRA")

The Company applied the FRA for the measurement of the CSM as at the transition date of 1 January 2023 for all the groups of takaful contracts.

Fair value approach ("FVA")

FVA is used to estimate the initial CSM for the groups of certificates when the Company was acquired by Zurich Insurance Company Limited ("ZICL") on 1 July 2016. In the subsequent measurement, the groups of certificates accepted prior to the acquisition date and certificates written after the acquisition date was measured using the FRA.

The Company has aggregated contracts issued more than one year apart in determining groups of takaful certificates under the FVA at transition, as it did not have reasonable and supportable information to aggregate groups of takaful contracts into contracts issued within one year.

For the application of the FVA, the Company has used reasonable and supportable information available at the transition date in order to:

- Identify groups of takaful certificates;
- Determine whether any contracts are direct participating takaful certificates; and
- Identify any discretionary cash flows for takaful certificates without direct participation features.

The discount rate for the group of contracts applying the FVA was determined at the transition date. Therefore, for the measurement of fulfilment cash flows at the date of transition, the locked-in discount rate is the weighted average of the rates applicable at the date of initial recognition of contracts within 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.

2 BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

Fair value approach ("FVA") (continued)

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

The Company used the income approach to fair value the takaful certificates at the transition date.

2 BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

Financial Impact

The impact of transitioning to MFRS 17 on the relevant balance sheet captions impacted, as at 31 December 2022 is as follows:

	MFRS 4 31.12.2022	Derecog- nition	Remeasure- ment effect of MFRS 17	MFRS 17 31.12.2022
	RM'000	RM'000	RM'000	RM'000
Family Takaful Fund				
ASSETS				
Retakaful certificate assets	26,235	-	(23,225)	3,010
Takaful receivables	2,747	-	(2,747)	-
Other receivables	1,212	(11)	-	1,201
Tax recoverable	2,712	-	-	2,712
Deferred tax assets	5,441	-	-	5,441
LIABILITIES				
Takaful certificate liabilities	821,778	6,059	(19,494)	808,343
Qard payables	3,337	-	(3,337)	-
Other payables	47,869	(6,070)	-	41,799
Takaful payables	6,478	-	(6,478)	-
Tax payable	1,084	-	-	1,084
EQUITY				
Accumulated losses	(3,337)	-	3,337	-

2 BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

Financial Impact (continued)

The impact of transitioning to MFRS 17 on the relevant balance sheet captions impacted, as at 31 December 2022 is as follows: (continued)

	MFRS 4 31.12.2022 RM'000	Derecognition RM'000	Remeasurement effect of MFRS 17 RM'000	MFRS 17 31.12.2022 RM'000
Company				
ASSETS				
Retakaful certificate assets	26,235	-	(23,225)	3,010
Takaful receivables	2,747	-	(2,747)	-
Other receivables	2,859	919	-	3,778
Deferred tax assets	10,768	-	(8,260)	2,508
LIABILITIES				
Takaful certificate liabilities	821,778	7,012	(19,187)	809,602
Expense liabilities	24,482	-	(24,482)	-
Other payables	47,142	(6,093)	-	41,049
Takaful payables	20,054	-	(20,054)	-
Tax payable	1,084	-	-	1,084
EQUITY				
Retained earnings	22,180	-	28,165	50,345
Other reserves	(2,200)	-	1,327	(873)

2 BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

Financial Impact (continued)

The following section sets out the impact of adopting MFRS 17 on the statement of profit or loss for the financial year ended 31 December 2022.

	As previously stated for the financial year ended 31 December 2022	Classification and measurement*	As restated for the financial year ended 31 December 2022
		RM'000	RM'000
Company			
Profit before taxation and zakat	21,073	19,509	40,582
Net profit for the financial year	14,344	14,046	28,390

** Impact of derecognition of MFRS 4 liabilities and recognition MFRS 17 liabilities and assets.*

2 BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

Financial Impact (continued)

The impact of transitioning of MFRS 17 on the relevant balance sheet captions impacted, as at 1 January 2022 is as follows:

	MFRS 4 01.01.2022 RM'000	Derecog-nition RM'000	Remeasure-ment effect of MFRS 17 RM'000	MFRS 17 01.01.2022 RM'000
Family Takaful Fund				
ASSETS				
Retakaful certificate assets	23,403	(23,403)	-	-
Other receivables	2,060	-	-	2,060
Tax recoverable	2,077	-	-	2,077
Deferred tax assets	2,350	-	-	2,350
LIABILITIES				
Takaful certificate liabilities	829,422	(10,032)	(1,294)	818,096
Retakaful certificate liabilities	-	-	1,294	1,294
Qard payables	15,390	-	(15,390)	-
Other payables	49,057	(8,582)	-	40,475
Takaful payables	4,789	(4,789)	-	-
Tax payables	1,381	-	-	1,381
EQUITY				
Accumulated losses	(15,390)	-	15,390	-

2 BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

Financial Impact (continued)

The impact of transitioning of MFRS 17 on the relevant balance sheet captions impacted, as at 1 January 2022 is as follows: (continued)

	MFRS 4 01.01.2022 RM'000	Derecog-nition RM'000	Remeasure-ment effect of MFRS 17 RM'000	MFRS 17 01.01.2022 RM'000
Company				
ASSETS				
Retakaful certificate assets	23,403	(23,403)	-	-
Other receivables	3,808	(572)	-	3,236
Tax recoverable	2,243	-	-	2,243
Deferred tax assets	7,131	-	(2,797)	4,334
LIABILITIES				
Takaful certificate liabilities	829,422	28,003	(18,643)	838,782
Expense liabilities	25,948	(25,948)	-	-
Other payables	46,456	(8,582)	(44)	37,830
Takaful payables	17,448	(17,448)	-	-
Retakaful certificate liabilities	-	-	1,294	1,294
Tax payable	1,381	-	-	1,381
EQUITY				
Retained earnings	7,836	-	14,119	21,955
Other reserves	(494)	-	477	(17)

2 BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

Financial Impact (continued)

The following table show the nature and amount of the measurement adjustments made to the opening balance sheet:

	Description
Derecognition	The items include: Takaful receivables, takaful payables, retakaful certificate assets, takaful certificate liabilities and other payables were removed on transition and are net off within MFRS 17 equivalents.
Remeasurement effects of MFRS 17	The items include: *Transition contractual service margin ("CSM")* CSM is a new liability component that represents the future unearned profits associated with takaful certificates and net gain/loss on retakaful certificates written which will be released to the profit and loss over the certificate coverage period.
	Fulfilment cash flows ("FCF") The measurement of takaful certificate assets/liabilities under MFRS 17 is based on groups of takaful certificates and includes a liability for fulfilling the certificate obligations associated with the takaful certificate, such as contributions, expenses, and takaful benefits and claims. These are recorded within the FCF component of the takaful certificate liabilities, together with the risk adjustment.
	Tax effect New deferred tax were reported, where appropriate, on temporary differences between the new MFRS 17 accounting balances and associated tax bases.

2 BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

(ii) MFRS 9 *Financial Instruments*

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

The Company has applied MFRS 9 prospectively from 1 January 2023, without restating prior periods' information. Differences arising from the adoption of MFRS 9 were recognised in retained earnings as of 1 January 2023.

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

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

The MFRS 139 measurement categories for financial assets fair value through profit or loss ("FVTPL"), available-for-sale ("AFS"), held-to-maturity ("HTM") and loans and receivables ("LAR") at amortised cost have been replaced by:

- Financial assets at fair value through profit or loss ("FVTPL")
- Financial assets at fair value through other comprehensive income ("FVOCI"), with gains or losses recycled to profit or loss on derecognition
- Financial assets at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at amortised cost

The Company's classification of its financial assets is explained in Note 3(d). The quantitative impact of applying MFRS 9 as at 1 January 2023 is disclosed in Note 2(a)(ii).

Changes to the impairment calculation

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

MFRS 9 requires the Company to record an allowance for ECLs for all debt instruments not held at FVTPL.

2 BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

Changes to the impairment calculation (continued)

For debt instruments, the ECL is based on the portion of lifetime ECLs ("LTECL") that would result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination or purchase of the assets, the allowance is based on the full lifetime ECL.

The Company's debt instruments at FVOCI comprise solely of Government Investment Issues and Islamic debt securities that are graded in the top investment category by MARC and RAM therefore, are considered to be low credit risk investments. It is the Company's policy to measure such instruments on a 12-month ECL ("12m ECL") basis. The Company does, however, consider if there has been a significant increase in credit risk for a previously assessed low credit risk investment when any contractual payments on these instruments are more than 30 days past due. Where the credit risk of any debt securities deteriorates, the Company will dispose of all its holdings or trim the position based on a best efforts basis, subject to liquidity, availability and conditions of the market.

The Company considers an instrument to be in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. There were no such instances observed in 2023 upon adoption of MFRS 9.

The adoption of the ECL requirements of MFRS 9 resulted in increases in impairment allowances related to the Company's debt instruments of RM289,000, due to the application of the ECL method. The increase in allowance was adjusted to retained earnings.

Details of the Company's impairment methodology are disclosed in Note 3(i). The quantitative impact of applying MFRS 9 as at 1 January 2023 is disclosed in the subsequent page.

Transition

The following section sets out the impact of adopting MFRS 9 on the statement of financial position, including the effect of replacing MFRS 139's incurred credit loss calculations with MFRS 9's ECLs.

2 BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

A reconciliation between the carrying amounts under MFRS 139 to the balances reported under MFRS 9 as of 1 January 2023 is, as follows:

	Before MFRS 9 adjustments RM'000	Re-classification RM'000	Remeasure-ment ECL RM'000	After MFRS 9 adjustments RM'000
Family Takaful Fund				
Financial assets				
AFS financial assets	268,438	(268,438)	-	-
- Government Investment Issues	*8,119*	*(8,119)*	-	-
- Unquoted Islamic debt securities	*260,319*	*(260,319)*	-	-
Financial assets at FVOCI	-	268,438	-	268,438
- Government Investment Issues	-	*8,119*	-	*8,119*
- Unquoted Islamic debt securities	-	*260,319*	-	*260,319*
Financial assets at FVTPL	477,395	-	-	477,395
- Unquoted Islamic debt securities	*68,126*	-	-	*68,126*
- Shariah approved quoted equities	*132,502*	-	-	*132,502*
- Unquoted Shariah-approved equities	*996*	-	-	*996*
- Unit trusts	*275,771*	-	-	*275,771*
Total financial assets	745,833	-	-	745,833

2 BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

A reconciliation between the carrying amounts under MFRS 139 to the balances reported under MFRS 9 as of 1 January 2023 is, as follows: (continued)

	Before MFRS 9 adjustments RM'000	**Re-classification RM'000**	**Remeasure-ment ECL RM'000**	**After MFRS 9 adjustments RM'000**
Company				
Financial assets				
AFS financial assets	464,534	(464,534)	-	-
- Government Investment Issues	*8,119*	*(8,119)*	-	-
- Unquoted Islamic debt securities	*456,415*	*(456,415)*	-	-
Financial assets at FVOCI	-	464,534	-	464,534
- Government Investment Issue	-	*8,119*	-	*8,119*
- Unquoted Islamic debt securities	-	*456,415*	-	*456,415*
Financial assets at FVTPL	477,395	-	-	477,395
- Unquoted Islamic debt securities	*68,126*	-	-	*68,126*
- Shariah approved quoted equities	*132,502*	-	-	*132,502*
- Unquoted Shariah-approved equities	*996*	-	-	*996*
- Unit trusts	*275,771*	-	-	*275,771*
Total financial assets	941,929	-	-	941,929

2 BASIS OF PREPARATION (CONTINUED)

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

Movement of the fair value reserve and retained earnings upon application of MFRS 9 are as below:

	Reserves and retained earnings
	RM'000
Company	
Fair value reserve	
Closing balance under MFRS 139 (31 December 2022)	(2,200)
Recognition of ECL under MFRS 9 for financial assets at FVOCI	289
Deferred tax in relation to MFRS 9 application	(69)
Opening balance under MFRS 9 (1 January 2023)	(1,980)
Retained earnings	
Closing balance under MFRS 139 (31 December 2022)	22,180
Impact of initial application of MFRS 17	28,165
Closing balance under MFRS 139 (31 December 2022)	50,345
Recognition of MFRS 9 ECLs for debt instruments at FVOCI	(289)
Deferred tax in relation to MFRS 9 application	69
Opening balance under MFRS 9 (1 January 2023)	50,125
Total change in equity due to application MFRS 17	28,165
Total change in equity due to application of MFRS 9	-

The transition impact of MFRS 9 for Family Takaful Fund is recognised in the takaful certificate liabilities.

The following table reconciles the aggregate opening loss provision allowances under MFRS 139 to the ECL allowances under MFRS 9:

	Remeasure-ment	ECLs under MFRS 9 as at 1 January 2023
	RM'000	RM'000
Family Takaful Fund		
Impairment allowance for:		
AFS financial assets/ debt instruments at FVOCI	-	-
	-	-
Company		
Impairment allowance for:		
AFS financial assets/ debt instruments at FVOCI	289	289
	289	289

2. BASIS OF PREPARATION (CONTINUED)

(b) Basis of measurement

The financial statements of the Company have been prepared on a historical cost basis, unless otherwise as disclosed in the summary of material accounting policies information.

(c) Functional and presentation currency

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

(d) Critical accounting estimates and judgements

The preparation of financial statements in conformity with MFRSs 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.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

3 MATERIAL ACCOUNTING POLICY INFORMATION

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

(a) Property and equipment and depreciation

Property and equipment are initially stated at cost. These include expenditure that is directly attributed to the acquisition of the assets.

Subsequent cost is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Subsequent to initial recognition, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property and equipment are depreciated on a straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives. The expected useful lives of the assets are as follows:

Computer hardware	5 years
Furniture, fittings and office equipment	5 to 10 years
Motor vehicles	5 to 10 years
Renovation	10 years

Residual values and useful lives of assets are reviewed and adjusted, if appropriate, at each date of the statement of financial position.

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. The accounting policy on impairment of non-financial assets is disclosed in Note 3(j) to the financial statements.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged to profit or loss.

(b) Leases

The Company as a lessee

Leases are recognised as right-of-use ("ROU") assets and a corresponding liability at the date on which the leased asset is available for use by the Company (i.e. the commencement date).

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(b) Leases (continued)

The Company as a lessee (continued)

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Company is a lessee, it has elected to apply the practical expedient provided in MFRS 16 so as not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of the lease liability.

(i) Lease term

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Company reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and affects whether the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. Please refer to note 3(b)(iii) on reassessment of lease liabilities.

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

The ROU assets are subsequently measured at cost less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurements of the lease liabilities.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(b) Leases (continued)

The Company as a lessee (continued)

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments) less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of purchase and extension options if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Company presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of profit or loss.

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

(iv) Reassessment of lease liabilities

The Company is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(b) Leases (continued)

The Company as a lessee (continued)

(v) Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of IT equipment, printing and photostat machines. The Company has elected not to recognise ROU assets and lease liabilities for leases of low-value assets and short-term leases hich have lease terms of 12 months or less. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

(c) Intangible asset

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring in use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with the establishment of identifiable and unique software systems controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads to prepare the asset for its intended use.

Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives, not exceeding a period of three years.

Computer software under development is not amortised until the asset is ready for its intended use. In the interim, it is reviewed for impairment at each reporting date.

(d) Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instruments.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Classification of financial assets from 1 January 2023

On initial recognition, a financial asset is classified as measured at amortised cost ("AC"), fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(d) Financial assets (continued)

Classification of financial assets from 1 January 2023 (continued)

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Financial assets at FVOCI - debts securities

A debt security is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

Debt securities are subsequently measured at fair value. Profit income calculated using the effective profit method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Financial assets at FVOCI - equity securities

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI on an investment-by-investment basis. Equity investments designated as not held for trading are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are not reclassified to profit or loss.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment assessment.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(d) Financial assets (continued)

Classification of financial assets from 1 January 2023 (continued)

Business model assessment

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 Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support takaful certificate liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

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

- how the performance of the portfolio and the financial assets held within that business model are evaluated and reported to the 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); and
- the expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stressed case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Change in business model is not expected to be frequent; but should such event take place, it must be:

(i) determined by the Company's senior management as a result of external or internal changes;
(ii) significant to the Company's operations; and
(iii) demonstrable to external parties.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(d) Financial assets (continued)

Classification of financial assets from 1 January 2023 (continued)

Business model assessment (continued)

A change in the Company's business model will occur only when the Company begin or cease to perform an activity that is significant to its operations. A change in the objective of the business model must be effected before the reclassification date.

The Solely Payments of Principal and Interest ("SPPI") test

As a second step of its classification process, the Company assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a debt arrangement are typically the consideration for the time value of money and credit risk. To perform the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

Classification of financial assets before 1 January 2023

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables ("LAR") and available-for-sale ("AFS") financial assets. The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investments at initial recognition.

(i) *Financial assets measured at fair value through profit or loss ("FVTPL")*

The Company classifies assets acquired for the purpose of selling in the short-term as held-for trading or it is part of a portfolio of identified investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Investments held by investment-linked funds are designated as FVTPL at inception as they are managed and evaluated on a fair value basis, in accordance with the respective investment strategy and mandate.

Financial assets classified as FVTPL are initially recorded at fair value and transaction costs are expense in profit or loss. Subsequent to initial recognition, these financial assets are remeasured at fair value and any gain or loss arising from the change in fair values is recognised in profit or loss.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(d) Financial assets (continued)

Classification of financial assets before 1 January 2023 (continued)

(i) *Financial assets measured at fair value through profit or loss ("FVTPL") (continued)*

Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost.

(ii) Loan and receivables ("LAR")

LAR category comprises debt instruments that are not quoted in an active market (including fixed deposits with licensed Islamic financial institutions with maturities more than 3 months).

Financial assets categorised as LAR are subsequently measured at amortised cost using the effective profit method.

(iii) Available-for-sale ("AFS") financial assets

AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other assets categories. These assets are initially recognised at fair value. After initial measurement AFS financial assets are remeasured at fair value.

Fair value gains and losses of monetary and non-monetary financial assets are reported in the statement of comprehensive income and reported as a separate component of equity until the asset is derecognised or asset is determined to be impaired, except for the Family Takaful Fund, where such fair value gains or losses are reported as a separate component of takaful certificate liabilities.

Fair value gains and losses of monetary instruments denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost of the instrument and the changes in the carrying amount of the instrument. The translation differences on monetary instruments are recognised in profit or loss, translation differences on non-monetary instruments are reported in the statement of comprehensive income and shown as a separate component of equity except for the Family Takaful Fund, where such fair value gains or losses are reported as a separate component of takaful certificate liabilities until the asset is derecognised.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity are transferred through the statement of comprehensive income or from takaful certificate liabilities to profit or loss.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(e) Fair value of financial assets

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market prices for assets at the close of business at the reporting date.

For financial assets both quoted and unquoted unit and real estate investment trusts, fair value is determined by reference to published (closing) prices at the close of business at the reporting date.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flows analysis and/or option pricing models. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate, over-night and time deposits with financial institutions is their carrying value. The carrying value is the amount of the deposit/placement and accrued profit. The fair value of fixed profit/yield-bearing deposits is measured using estimated discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the date of the statement of financial position.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(f) Recognition of financial assets

All regular way of purchases and sales of financial assets are recognised on trade date which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or market convention.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(g) Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred, and the Company has also transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that was recognised in other comprehensive income is reclassified to profit or loss.

(h) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

(i) Impairment of financial assets

Impairment of financial assets after 1 January 2023

The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective profit rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL or 12mECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL or LTECL).

Allowance for impairment for takaful and retakaful receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information, where available.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(i) Impairment of financial assets (continued)

Impairment of financial assets after 1 January 2023 (continued)

For other receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Measurement of ECLs

ECLs 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 entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective profit rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI 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 borrower or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Company on terms that the Company would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Impairment of financial assets before 1 January 2023

The Company assesses at each date of the statement of financial position, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(i) Impairment (continued)

Impairment of financial assets before 1 January 2023 (continued)

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective profit rate/yield. The carrying amount of the asset is reduced through the use of an allowance account and the impairment loss is recorded in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at the date of the statement of financial position.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) AFS financial assets

In the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the financial asset below its cost is objective evidence of impairment, resulting in the recognition of an impairment loss.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(i) Impairment (continued)

Impairment of financial assets before 1 January 2023 (continued)

(ii) AFS financial assets (continued)

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity through the statement of comprehensive income or from takaful certificate liabilities to profit or loss. Reversals in respect of equity instruments classified as AFS are not recognised in profit or loss. Reversals of impairment losses on debt instruments classified as AFS are reversed through profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in profit or loss.

(j) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value-in-use. For the purposes of impairment assessment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

An impairment loss is charged to profit or loss immediately. A subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

(k) Takaful and retakaful certificates classification

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 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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(k) Takaful and retakaful certificates classification (continued)

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

- the contractual 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
- the Company expects a substantial proportion of any change in the amounts to be paid to the participant to vary with the change in fair value of the underlying items.

Direct participating contracts issued by the Company are contracts with direct participation features where the Company holds the pool of underlying assets.

The Company also enters into retakaful certificates to cede takaful risks arising from the certificates it underwrites. Certificates held by the Company under which it transfers significant takaful risk related to takaful certificates are classified as retakaful certificates.

(l) Takaful and retakaful certificates accounting treatment

(i) Separating components from takaful and retakaful certificates

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 Company's products do not include distinct components that require separation.

Some term family takaful certificates issued by 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 one of a part of the product 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 the Company is unable to measure the value of the surrender option component separately from the family takaful portion of the certificate.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

(ii) Level of aggregation (continued)

MFRS 17 requires an entity to determine the level of aggregation for applying its requirements. 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. This means that, in determining the level of aggregation, the Company identifies a certificate as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of certificates can be treated together in making the profitability assessment based on reasonable and supportable information, or whether a single certificate contains components that need to be separated and treated as if they were stand-alone certificates.

As such, what is treated as a certificate for accounting purposes may differ from what is considered as a certificate for other purposes (i.e., legal or management). MFRS 17 also notes that no groups of certificates for level of aggregation purposes may contain certificates issued more than one year apart.

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 certificates, the Company has elected to include in the same group of certificates where its ability to set prices or levels of benefits for participants with different characteristics is constrained by regulation.

The groups of certificates for which the full retrospective approach and the fair value approach has been adopted on transition include certificates issued more than one year apart. Please refer to the transition approaches applied by the Company in Note 2(a)(i).

The takaful certificates portfolios are divided into:
- A group of certificates that are onerous at initial recognition;
- A group of certificates that at initial recognition have no significant possibility of becoming onerous subsequently; and
- A group of the remaining certificates in the portfolio.

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

(iii) Recognition

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; or
- For a group of onerous certificates, as soon as facts and circumstances indicate that the group is onerous.

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; or
- In all other cases, from the beginning of the coverage period of the first certificate in the group.

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

The Company adds new certificates to the group when they are issued or initiated.

(iv) Onerous groups of certificates

The Company issues some certificates before the coverage period starts and the first contribution becomes due. Therefore, the Company has determined whether any certificates 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 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

If the facts and circumstances indicate that a group is expected to be onerous, a loss component should be recognised in the statement of financial position and the corresponding loss should be recognised in profit or loss accordingly.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

(v) Contract boundary

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 an 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 has a substantive obligation to provide the participant with services.

A substantive obligation to provide services ends when:

- 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 Company has the practical ability to reassess the risks of the portfolio of takaful certificates that contain the certificate 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 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 Company by considering all the risks covered for the participant by the Company. The Company considers when underwriting equivalent certificates on the renewal dates for the remaining coverage. The Company reassess contract boundary of each group at the end of each reporting period.

(vi) Measurement - not measured under PAA

(i) Takaful certificates – initial measurement

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

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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

(i) Takaful certificates – initial measurement (continued)

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 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 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.

When estimating future cash flows, the Company includes all cash flows that are within the certificate 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 certificate 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 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 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 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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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

(i) Takaful certificates – initial measurement (continued)

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 based on CSM amortisation.

The Company's CSM is a component of the asset or liability for the group of takaful certificates that represents the unearned profit the Company will recognise as it provides services in the future. 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.

For groups of certificates assessed as onerous, 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 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 3(l)(iv)(ii).

The liability for remaining coverage is 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 an takaful certificate plus the CSM for that certificate.

The liability for incurred claims is 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 certificates, the liability for incurred claims is usually nil as no covered event has occurred.

(ii) Takaful certificates – subsequent measurement

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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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

(ii) Takaful certificates – subsequent measurement (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 certificates added to the group (see Note 3(l)(iii)).
- 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 3(l)(vi)(vi)(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 3(l)(vi)(vi)(i)).

The locked-in discount rate is the weighted average of the rates applicable at the date of initial recognition of certificates 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 (Note N2(a)(i)) 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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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

(ii) Takaful certificates – subsequent measurement (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 and other comprehensive income 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 (see Note N2(a)(i)).

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 Company comprised the fulfilment cash flows related to past service allocated to the group at that date.

Direct participating certificates are certificates under which the 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 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.

When measuring a group of direct participating certificates, 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 Company then adjusts any CSM for changes in the Company's share of the fair value of the underlying items, which relate to future services, as described below.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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

(ii) Takaful certificates – subsequent measurement (continued)

The carrying amount of the CSM at the end period for direct participating certificates is adjusted for:

- the CSM of any new certificates that are added to the Company in the period;
- the Company's share of the change in the fair value of the underlying items fulfilment cash flows that relate to future services, except to the extent that:
  - the Company has chosen to exclude from the CSM changes in the effect of financial risk on its share of the underlying items;
  - the Company's share of a decrease in 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
  - the Company's share of an increase in 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); 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 contracts with direct participation features (measured at current discount rates) and changes in the effect of time value of money and financial risks that do not arise from underlying items for example the effect of financial guarantees.

(iii) 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 retakaful operators, including the effects of collateral and losses from disputes.
- 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 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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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

(iii) Retakaful certificates (continued)

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

- 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. Alternatively, changes in the fulfilment cash flows adjust the CSM.

(iv) Takaful certificates - modification and derecognition

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 certificate. In such cases, the Company derecognises the initial certificate and recognises the modified certificate as a new certificate.

(v) Qard

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

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

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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

(vi) Presentation

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 recognised are included in the carrying amount of the related groups of takaful certificates issued.

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 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 Company separately presents income or expenses from takaful certificates issued from the expenses or income from retakaful certificates held.

(i) Takaful revenue

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 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 certificates, (i.e., the amount of contributions paid to 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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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

(vi) Presentation (continued)

(i) Takaful revenue (continued)

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

(ii) Loss component

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. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. 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 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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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

(vi) Presentation (continued)

(iii) Takaful finance income and expense (continued)

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.

The Company has opted to disaggregate takaful finance income or expenses on takaful certificates issued between profit or loss and OCI. The impact of changes in market profit rates on the value of the family takaful and related retakaful assets and liabilities are reflected in OCI in order to minimise accounting mismatches between the accounting for financial assets and takaful assets and liabilities. The Company's financial assets backing the takaful issued portfolios are predominantly measured at amortised cost or FVOCI.

The Company systematically allocates expected total takaful finance income or expenses over the duration of the group of certificates to profit or loss using discount rates determined on initial recognition of the group of certificates, see Note 3(l)(vi)(ii) for current discount rates.

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

(iv) Net income or expense from retakaful certificates held

The Company presents separately on the face of the statement of profit or loss and other comprehensive, income the amounts expected to be recovered from retakaful operators, and an allocation of the retakaful contributions paid. The Company treats retakaful cash flows that are contingent on claims on the underlying certificates 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 and other comprehensive income.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(m) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, balances and deposits with financial institutions with original maturity of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

(n) Equity instruments

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

Ordinary shares
Ordinary shares are classified as equity.

Dividends
Dividend on ordinary shares is recognised and accounted for in equity in the year in which they are declared.

(o) Earnings per share (“EPS”)

The Company presents basic EPS data for its ordinary shares.

Basic EPS are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own share held.

No diluted EPS is disclosed in the financial statements as there are no dilutive potential ordinary shares.

(p) Provisions

Provisions are recognised when the Company has a present obligation, either legal or constructive, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(q) Other financial liabilities

Other financial liabilities are recognised when due and measured on initial recognition at the fair value of the consideration payable less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially modified terms, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(r) Impairment of Qard

At each reporting date, the balance of the Qard and the ability of the affected fund to generate sufficient surpluses to repay the shareholder's fund is assessed. The likelihood that the Qard will be repaid and the duration of time that will be required to repay the Qard is determined and ascertained via projected cashflows which take into account past experience of the Family Takaful Fund. The projected cash flows are then discounted to determine the recoverable value of the Qard.

If the carrying amount of the Qard exceeds its recoverable amount, the difference is recognised as an impairment loss and the Qard is written down to its recoverable amount. Impairment losses are subsequently reversed in profit or loss if objective evidence exists that the Qard is no longer impaired.

(s) Contingent liabilities and contingent assets

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one of more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(t) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in 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 substantially 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.

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 assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

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 the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(u) Other income recognition

Profit income
Profit income including the amount of amortisation of premium and accretion of discount is recognised on a time proportion basis taking into account the principal outstanding and the effective rate over the period of maturity, when it is determined that such income will accrue to the Company. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective profit rate of the investment and continues unwinding the discount as profit income.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(u) Other income recognition (continued)

Dividend income
Dividend income is recognised as investment income when the right to receive payment is established, which in case of quoted equity securities is the ex-dividend date, unless the dividend clearly represents a recovery of part of the cost of the investment.

Gains or losses arising on disposal of financial assets are credited or charged to profit or loss.

(v) Foreign currencies

The financial statements are presented in Ringgit Malaysia which is also the functional and presentation currency of the Company.

Foreign currency transactions in the Company are initially translated to Ringgit Malaysia at the exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities at the date of the statement of financial position are translated to Ringgit Malaysia at exchange rates prevailing at the date of the statement of financial position.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency assets and liabilities are included in profit or loss for the financial year except for differences arising on the translation of items in respect of which gains and losses are recognised directly in other comprehensive income. Exchange differences arising from such items are also recognised directly in other comprehensive income.

(w) Employee benefits

Short-term employee benefits
Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave is recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave is recognised when the absences occur.

Long-term employee benefits
Long-term employee benefits are benefits that are not expected to be settled wholly before twelve months after the end of the reporting date in which employees render the related services.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(w) Employee benefits (continued)

Long-term employee benefits (continued)
The cost of long-term employee benefits is accrued to match the services rendered by employees of the Company using the recognition and measurement bases similar to that for defined contribution plans disclosed as below, except that there measurements of the net defined contribution liability or asset are recognised immediately in profit or loss.

Defined contribution plans
Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions or variable contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to the employee services in the current and preceding financial year. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, the Company makes such contributions to the Employees Provident Fund ("EPF").

Share-based long-term incentive plan
The ultimate holding company, Zurich Insurance Group Ltd ("ZIGL"), operates a global long- term incentive plan wherein performance-based target shares administered by a central shareholding vehicle are granted to eligible directors and senior executives of the ZIGL and its subsidiary companies ("ZIGL Group") based on the financial and performance criteria and such conditions as it may deem fit. The Company purchases the right to shares from this holding vehicle for Malaysian resident directors and senior executives who participate in the plan. When shares vest with the participants, the central share vehicle transfers those shares directly to the participants. The Company does not bear any exchange or price risk in relation to payments for these rights to shares.

The cost of this equity-settled share-based compensation for the Company (being the fair value at grant date) is recognised in the statement of profit or loss over the vesting period of the grant.

Termination benefits
Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates:

- when the Company can no longer withdraw the offer of those benefits; and
- when the Company recognises costs for a restructuring that is within the scope of MFRS 137 *Onerous Contract* and involves the payment of termination benefits.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(w) Employee benefits (continued)

Termination benefits (continued)
In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Benefits due more than 12 months after the end of the reporting period are discounted to their present value.

(x) Fair value measurements

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 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 Company can assess 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 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.

(y) Zakat

Zakat represents tithes payable by the Company to comply with Shariah principles and as approved by the Shariah Committee of the Company. Zakat provision is calculated on 2.5775% of the profit before zakat and taxation of the Takaful Operator for the financial year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with MFRSs 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.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are critical to the financial statements are as outlined 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 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 Company. Such changes are reflected in the assumptions when they occur.

(i) The methods used to measure takaful certificates

The Company primarily uses deterministic projections to estimate the present value of future cash flows. The assumptions used in the deterministic scenarios are derived to approximate the probability-weighted mean of a full range of scenarios.

The following assumptions were used when estimating future cash flows:

- **Mortality and morbidity rates**

  Assumptions are based on standard industry and national tables, according to the type of certificate written and the territory in which the covered person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. An appropriate, but not excessive, allowance is made for expected future improvements. Assumptions are differentiated by certificateholder gender, underwriting class and certificate type.

  An increase in expected mortality and morbidity rates will increase the expected claim cost which will reduce future expected profits of the Company.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(i) Takaful and retakaful certificates (continued)

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

- **Longevity**

  Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Company's own risk experience. An appropriate, but not excessive, allowance is made for expected future improvements. Assumptions are differentiated by a number of factors including (but not limited to) certificateholder gender, underwriting class and certificate type.

- **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 if appropriate.

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

  The cash flows within the certificate boundary include an allocation of fixed and variable overheads directly attributable to fulfilling takaful certificates. (Such overheads are allocated to groups of certificates using methods that are systematic and rational, and are consistently applied to all costs that have similar characteristics).

- **Lapse and surrender rates**

  Lapses relate to the termination of certificates due to non–payment of contributions. Surrenders relate to the voluntary termination of certificates by certificateholders. Certificate termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, certificate duration and sales trends.

  An increase in lapse rates early in the life of the certificate would tend to reduce profits of the Company, but later increases are broadly neutral in effect.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(i) Takaful and retakaful certificates (continued)

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

- **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 observable market yields of Government Investment Issues in the currency of the Family takaful certificate liabilities. The illiquidity premium is determined by reference to observable market rates.

The Company adopts a bottom-up approach in which discount rates are based on risk-free yield curve and an adjustment for illiquidity premium.

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

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

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

- **Risk adjustment for non-financial risk**

The risk adjustment for non-financial risk represents the compensation that 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. Risk adjustments for non-financial risk reflect the diversification benefits from all contracts issued by insurance and takaful entities in the Zurich Group, in away that is consistent with the compensation that it would require and that reflects its degree of risk aversion. This diversification benefit is then allocated to the each of the respective entity. This is defined as the Value at Risk at the specified confidence level of the distribution of the underlying cash flows for the defined insurance and other non-financial risks. The Company applies different shocks at a confidence level specified by Zurich Group and apply diversification to determine the risk adjustment. The confidence level applied are 99.95% (2022:99.95%).The confidence level applied for reinsurance certificates held is 99.95% (2022: 99.95%).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(i) Takaful and retakaful certificates (continued)

- **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 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) equally 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 certificates, the quantity of benefit is the contractually agreed sum covered over the duration of the certificates. 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.

5 PROPERTY AND EQUIPMENT

Company

	Computer equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Total RM'000
Cost						
At 1 January 2022	3,927	3,442	558	2,014	4,010	13,951
Additions	771	852	-	-	-	1,623
Disposals	-	-	(344)	-	-	(344)
At 31 December 2022 / 1 January 2023	4,698	4,294	214	2,014	4,010	15,230
Additions	1,938	-	-	134	-	2,072
At 31 December 2023	6,636	4,294	214	2,148	4,010	17,302
Accumulated depreciation						
At 1 January 2022	1,609	3,042	237	1,380	1,540	7,808
Charge for the financial year (Note 21)	755	249	79	118	336	1,537
Disposal	-	-	(265)	-	-	(265)
At 31 December 2022 / 1 January 2023	2,364	3,291	51	1,498	1,876	9,080
Charge for the financial year (Note 21)	864	123	43	105	296	1,431
At 31 December 2023	3,228	3,414	94	1,603	2,172	10,511
Net carrying amount						
At 31 December 2022	2,334	1,003	163	516	2,134	6,150
At 31 December 2023	3,408	880	120	545	1,838	6,791

6 RIGHT-OF-USE ASSETS

The Company's leases are operating lease agreements entered in respect of rented premises. Rental contracts are typically made for fixed periods of 2 to 6 years but may have extension periods.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes.

Company

	2023 RM'000	2022 RM'000
Cost		
At 1 January	11,829	7,214
Remeasurement	82	4,860
Termination	(841)	(245)
At 31 December	11,070	11,829
Accumulated depreciation		
At 1 January	7,170	5,308
Depreciation during the financial year (Note 21)	1,679	2,107
Termination	(841)	(245)
At 31 December	8,008	7,170
Net carrying amount		
At 31 December	3,062	4,659

There are no short-term leases and leases of low-value assets as at 31 December 2023 and 2022.

The following are the amounts recognised in profit or loss:

Company

	2023 RM'000	2022 RM'000
Depreciation of right-of-use assets (Note 21)	1,679	2,107
Interest expense on lease liabilities (Note 12)	132	53
Total amount recognised in profit or loss	1,811	2,160

7 INTANGIBLE ASSETS

Company

	2023 RM'000	2022 RM'000
Cost		
At 1 January/31 December	4,545	4,545
Accumulated amortisation		
At 1 January	4,079	3,259
Amortisation during the financial year (Note 21)	415	820
At 31 December	4,494	4,079
Net carrying amount		
At 31 December	51	466

The intangible assets consist mainly of development costs and costs that are directly associated with identifiable software systems controlled by the Company that do not form an integral part of the hardware, and that will generate economic benefits exceeding costs beyond one year.

8 INVESTMENTS

The Family Takaful Fund's and the Company’s investments are summarised by measurement categories as

	Family Takaful Fund		Company	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 31 December				
(a) Financial assets at FVOCI	333,715	-	544,584	-
(b) AFS financial assets	-	268,438	-	464,534
(c) Financial assets at FVTPL	491,139	477,395	491,139	477,395
(d) Financial assets at amortised cost	-	-	5,351	-
	824,854	745,833	1,041,074	941,929

The following investments mature after 12 months:

	Family Takaful Fund 2023	Family Takaful Fund 2022	Company 2023	Company 2022
Financial assets at FVOCI	330,631	-	516,065	-
AFS financial assets	-	267,426	-	437,268
Financial assets at FVTPL	71,600	62,967	71,600	62,967
	402,231	330,393	587,665	500,235

The breakdown of the financial assets by measurement categories are set out in the table below:

(a) Financial assets at FVOCI

	Family Takaful Fund		Company	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At fair value				
Government Investment Issues	12,363	-	12,363	-
Unquoted Islamic debt securities	321,352	-	532,221	-
	333,715	-	544,584	-

(b) AFS financial assets

	Family Takaful Fund 2023	Family Takaful Fund 2022	Company 2023	Company 2022
At fair value				
Government Investment Issues	-	8,119	-	8,119
Unquoted Islamic debt securities	-	260,319	-	456,415
	-	268,438	-	464,534

8 INVESTMENTS (CONTINUED)

(c) Financial assets at FVTPL

	Family Takaful Fund		Company	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At fair value				
Government Investment Issues	314	-	314	-
Unquoted Islamic debt securities	71,794	68,126	71,794	68,126
Shariah-approved quoted equities	144,734	132,502	144,734	132,502
Unquoted Shariah-approved equities	-	996	-	996
Unit trusts	274,297	275,771	274,297	275,771
	491,139	477,395	491,139	477,395

(d) Financial assets at amortised cost

Amortised cost				
Fixed deposits with licensed financial institutions	-	-	5,351	-

The carrying amounts of financial assets at amortised cost are reasonable approximations of fair values due to the short-term maturity of the financial assets.

As at 31 December 2023, the Company has fixed deposits of RM5,351,000 (2022: Nil), placed with a licensed Islamic bank, with original maturity term of more than 3 months.

8 INVESTMENTS (CONTINUED)

(e) Carrying value of investments

The movement of financial assets are summarised in the table below by measurement category:

	Family Takaful Fund		Company	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets at FVOCI/AFS				
At 1 January	268,438	232,955	464,534	426,378
Purchases	70,948	66,517	114,439	127,065
Disposals (sales and redemptions)	(17,612)	(19,707)	(48,719)	(73,876)
Realised gain/(loss)	177	(232)	115	(248)
Fair value gain recorded in OCI	11,585	-	14,800	-
Fair value loss recorded in takaful certificate liabilities	-	(10,111)	-	(12,356)
Movement in accrued profit	1,212	108	1,479	61
Amortisation of premium	(1,033)	(1,092)	(2,064)	(2,490)
At 31 December	333,715	268,438	544,584	464,534
Financial assets at FVTPL				
At 1 January	477,395	511,053	477,395	511,053
Purchases	106,517	85,871	106,517	85,871
Disposals (sales and redemptions)	(111,694)	(84,968)	(111,694)	(84,968)
Realised gain/(loss)	2,801	(4,768)	2,801	(4,768)
Fair value gain/(loss) recorded in profit or loss	16,218	(29,634)	16,218	(29,634)
Movement in accrued profit	99	77	99	77
Amortisation of premium	(197)	(236)	(197)	(236)
At 31 December	491,139	477,395	491,139	477,395

9 OTHER RECEIVABLES

	Family Takaful Fund			Company		
	31.12.2023 RM'000	31.12.2022 RM'000 Restated	01.01.2022 RM'000 Restated	31.12.2023 RM'000	31.12.2022 RM'000 Restated	01.01.2022 RM'000 Restated
Other receivables, deposits and prepayments	829	1,201	2,060	5,846	3,778	3,236
Receivable within 12 months	829	1,201	2,060	5,846	3,778	3,236

These balances are trade in nature, unsecured, not subject to any profit elements and are repayable in the short-term.

The carrying amounts of financial assets (excluding prepayments) disclosed above approximate their fair values as at the date of the statement of financial position due to the relatively short-term maturity of these balances.

10 DEFERRED TAXATION

	Family Takaful Fund		Company	
	2023 RM'000	**2022 RM'000 Restated**	**2023 RM'000**	**2022 RM'000 Restated**
At 1 January (as previously stated)	5,441	2,350	10,768	7,131
Effects of adoption of MFRS 17	-	-	(8,260)	(2,797)
At 1 January (restated)	5,441	2,350	2,508	4,334
Recognised in:				
Profit or loss	(1,775)	2,282	(8,996)	(3,174)
Other comprehensive income	(940)	809	(1,748)	1,348
At 31 December	2,726	5,441	(8,236)	2,508

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Net deferred tax assets shown on the statement of financial position have been determined after considering appropriate offsetting as follows:

Family Takaful Fund

	31.12.2023 RM'000	**31.12.2022 RM'000 Restated**
Deferred tax assets	2,884	5,441
Deferred tax liabilities	(158)	-
	2,726	5,441

The components and movements of deferred tax assets and liabilities of the Family Takaful Fund during the financial year prior to offsetting are as follows:

(i) Deferred tax assets

	Investments RM'000	**Total RM'000**
At 1 January 2023 (as previously stated)	5,441	5,441
Effects of adoption of MFRS 9	-	-
At 1 January 2023 (restated)	5,441	5,441
Recognised in:		
Profit or loss	(1,775)	(1,775)
Other comprehensive income	(782)	(782)
At 31 December 2023	2,884	2,884
At 1 January 2022 (as previously stated)	2,461	2,461
Effects of adoption of MFRS 17	-	-
At 1 January 2022 (restated)	2,461	2,461
Recognised in:		
Profit or loss	2,171	2,171
Other comprehensive income	809	809
At 31 December 2022 (restated)	5,441	5,441

10 DEFERRED TAXATION (CONTINUED)

(ii) Deferred tax liabilities

	Investments RM'000	Total RM'000
At 1 January 2023 (as previously stated)	-	-
Effects of adoption of MFRS 9	-	-
At 1 January 2023 (restated)	-	-
Recognised in:		
Profit or loss	-	-
Other comprehensive income	(158)	(158)
At 31 December 2023	(158)	(158)
At 1 January 2022 (as previously stated)	(111)	(111)
Effects of adoption of MFRS 17	-	-
At 1 January 2022 (restated)	(111)	(111)
Recognised in:		
Profit or loss	111	111
Other comprehensive income	-	-
At 31 December 2022 (restated)	-	-

10 DEFERRED TAXATION (CONTINUED)

Company

	31.12.2023 RM'000	31.12.2022 RM'000 Restated
Deferred tax assets	3,558	6,716
Deferred tax liabilities	(11,794)	(4,208)
	(8,236)	2,508

The components and movements of deferred tax assets and liabilities of the Company during the financial year prior to offsetting are as follows:

(i) Deferred tax assets

	Investments RM'000	Takaful certificate liabilities RM'000	Total RM'000
At 1 January 2023 (as previously stated)	6,716	5,873	12,589
Effects of adoption of MFRS 17	-	(5,873)	(5,873)
At 1 January 2023 (restated)	6,716	-	6,716
Recognised in:			
Profit or loss	(1,642)	-	(1,642)
Other comprehensive income	(1,516)	-	(1,516)
At 31 December 2023	3,558	-	3,558
At 1 January 2022 (as previously stated)	2,998	6,225	9,223
Effects of adoption of MFRS 17	-	(2,797)	(2,797)
At 1 January 2022 (restated)	2,998	3,428	6,426
Recognised in:			
Profit or loss	2,370	(3,428)	(1,058)
Other comprehensive income	1,348	-	1,348
At 31 December 2022 (restated)	6,716	-	6,716

10 DEFERRED TAXATION (CONTINUED)

(ii) Deferred tax liabilities

	Property and equipment RM'000	Investments RM'000	Takaful certificate liabilities RM'000	Total RM'000
At 1 January 2023 (as previously stated)	(213)	-	(1,608)	(1,821)
Effects of adoption of MFRS 17	-	-	(2,387)	(2,387)
At 1 January 2023 (restated)	(213)	-	(3,995)	(4,208)
Recognised in:				
Profit or loss	(133)	-	(7,221)	(7,354)
Other comprehensive income	-	(232)	-	(232)
At 31 December 2023	(346)	(232)	(11,216)	(11,794)
At 1 January 2022 (as previously stated)	(167)	(111)	(1,814)	(2,092)
Effects of adoption of MFRS 17	-	-	-	-
At 1 January 2022 (restated)	(167)	(111)	(1,814)	(2,092)
Recognised in:				
Profit or loss	(46)	111	(2,181)	(2,116)
At 31 December 2022 (restated)	(213)	-	(3,995)	(4,208)

11 OTHER PAYABLES

	Family Takaful Fund			Company		
	31.12.2023 RM'000	31.12.2022 RM'000 Restated	01.01.2022 RM'000 Restated	31.12.2023 RM'000	31.12.2022 RM'000 Restated	01.01.2022 RM'000 Restated
Amount due to a related company *	-	-	-	4,276	2,480	3,112
Accruals for agency related expenses	-	-	-	19,516	13,797	10,124
Accruals for staff costs	-	-	-	3,054	3,113	2,590
Other payables and accruals	6,996	8,302	11,051	26,491	21,659	22,004
	6,996	8,302	11,051	53,337	41,049	37,830
Inter-fund balances:						
Wakalah fee payable to Takaful Operator *	13,146	11,391	13,243	-	-	-
Tharawat fees payable to Takaful Operator *	280	411	491	-	-	-
Amount due to Takaful Operator *	14,174	21,695	15,690	-	-	-
	27,600	33,497	29,424	-	-	-
Total other payables	34,596	41,799	40,475	53,337	41,049	37,830
Payable within 12 months	34,596	41,799	40,475	53,337	41,049	37,830

* Amount due to related company and amount due to Takaful Operator are non-trade/trade in nature, not subject to any profit elements and are repayable in the short-term.

The carrying amounts of financial liabilities approximate their fair values as at the date of the statement of financial position due to the relatively short-term maturity of these balances.

12 LEASE LIABILITIES

	Company	
	2023 RM'000	2022 RM'000
At 1 January	4,749	2,076
Remeasurement	82	4,860
Interest expense (Note 6)	132	53
Lease payment	(1,744)	(2,240)
At 31 December	3,219	4,749
Repayable within 12 months	1,560	1,228
Repayable after 12 months	1,659	3,521
	3,219	4,749

Registration No.
200601012246 (731996-H)

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 TAKAFUL AND RETAKAFUL CERTIFICATES

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

	31.12.2023			31.12.2022 (Restated)			01.01.2022 (Restated)		
	Assets RM'000	**Liabilities RM'000**	**Net RM'000**	**Assets RM'000**	**Liabilities RM'000**	**Net RM'000**	**Assets RM'000**	**Liabilities RM'000**	**Net RM'000**
Family Takaful Fund									
Takaful certificates									
Takaful certificates issued	-	(874,946)	(874,946)	-	(808,343)	(808,343)	-	(818,096)	(818,096)
Retakaful certificates held	-	(1,689)	(1,689)	3,010	-	3,010	-	(1,294)	(1,294)
Takaful and retakaful certificates (liabilities)/assets	**-**	**(876,635)**	**(876,635)**	**3,010**	**(808,343)**	**(805,333)**	**-**	**(819,390)**	**(819,390)**
Company									
Takaful certificates									
Takaful certificates issued	-	(845,779)	(845,779)	-	(809,602)	(809,602)	-	(838,782)	(838,782)
Retakaful certificates held	-	(1,689)	(1,689)	3,010	-	3,010	-	(1,294)	(1,294)
Takaful and retakaful certificates (liabilities)/assets	**-**	**(847,468)**	**(847,468)**	**3,010**	**(809,602)**	**(806,592)**	**-**	**(840,076)**	**(840,076)**

13 TAKAFUL AND RETAKAFUL CERTIFICATES

(a) Takaful certificates issued

The roll-forward of the liabilities for takaful certificates issued, showing the liabilities for remaining coverage and the liabilities for incurred claims for portfolios included in the Family Takaful Fund, is disclosed in the table below:

		2023				2022 (Restated)			
		Liabilities for remaining coverage				Liabilities for remaining coverage			
	Note	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component	Loss component	Liabilities for incurred claims	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family Takaful Fund									
Takaful certificate liabilities as at 1 January		751,494	-	56,849	808,343	757,619	-	60,477	818,096
Net family takaful certificate liabilities as at 1 January		**751,494**	**-**	**56,849**	**808,343**	**757,619**	**-**	**60,477**	**818,096**
Takaful revenue	**16**	(468,892)	-	-	(468,892)	(506,945)	-	-	(506,945)
Expected incurred claims and other takaful service expenses		(468,031)	-	-	(468,031)	(509,743)	-	-	(509,743)
Other amount		(861)	-	-	(861)	2,798	-	-	2,798
Takaful service expense	**17**	-	-	426,726	426,726	-	-	453,028	453,028
Incurred claims and other takaful service expenses		-	-	426,726	426,726	-	-	453,028	453,028
Investment components		**(86,340)**	**-**	**86,340**	**-**	**(78,903)**	**-**	**78,903**	**-**
Takaful service result		**(555,232)**	**-**	**513,066**	**(42,166)**	**(585,848)**	**-**	**531,931**	**(53,917)**
Takaful finance expenses	**a**	**82,327**	**-**	**-**	**82,327**	**41,564**	**-**	**-**	**41,564**
Other movements		**10,811**	**-**	**-**	**10,811**	**(9,302)**	**-**	**-**	**(9,302)**
Total changes in the statement of profit or loss and OCI		**(462,094)**	**-**	**513,066**	**50,972**	**(553,586)**	**-**	**531,931**	**(21,655)**
Cash flows									
Contributions and contribution tax received	**b**	529,173	-	-	529,173	559,514	-	-	559,514
Qard repaid	**c**	(3,337)	-	-	(3,337)	(12,053)	-	-	(12,053)
Claims and other expenses paid including investment components		-	-	(510,205)	(510,205)	-	-	(535,559)	(535,559)
Total cash flows		**525,836**	**-**	**(510,205)**	**15,631**	**547,461**	**-**	**(535,559)**	**11,902**
Net takaful certificate liabilities as at 31 December		**815,236**	**-**	**59,710**	**874,946**	**751,494**	**-**	**56,849**	**808,343**
Net takaful certificate liabilities as at 31 December		**815,236**	**-**	**59,710**	**874,946**	**751,494**	**-**	**56,849**	**808,343**

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

(a) Takaful certificates issued (continued)

The roll-forward of the liabilities for takaful certificates issued, showing the liabilities for remaining coverage and the liabilities for incurred claims for portfolios included in the Company, is disclosed in the table below:

		2023				2022 (Restated)			
		Liabilities for remaining coverage				Liabilities for remaining coverage			
	Note	Excluding loss component RM'000	Loss component RM'000	Liabilities for incurred claims RM'000	Total RM'000	Excluding loss component RM'000	Loss component RM'000	Liabilities for incurred claims RM'000	Total RM'000
Company									
Takaful certificate liabilities as at 1 January		684,057	68,442	57,103	809,602	682,733	95,299	60,750	838,782
Net family takaful certificate liabilities as at 1 January		**684,057**	**68,442**	**57,103**	**809,602**	**682,733**	**95,299**	**60,750**	**838,782**
Takaful revenue	**16**	(605,571)	-	-	(605,571)	(637,260)	-	-	(637,260)
Expected incurred claims and other takaful service expenses		(527,531)	-	-	(527,531)	(568,327)	-	-	(568,327)
Change in risk adjustment for non-financial risk expired		(3,050)	-	-	(3,050)	(3,868)	-	-	(3,868)
CSM recognised for service provided		(29,091)	-	-	(29,091)	(43,075)	-	-	(43,075)
Recovery of takaful acquisition cashflows		(45,038)	-	-	(45,038)	(24,788)	-	-	(24,788)
Other amount		(861)	-	-	(861)	2,798	-	-	2,798
Takaful service expense	**17**	45,038	(25,440)	500,279	519,877	24,788	(32,057)	528,787	521,518
Incurred claims and other takaful service expenses		-	-	500,279	500,279	-	-	528,787	528,787
Net losses recognised on onerous certificates and reversals of those losses		-	(25,440)	-	(25,440)	-	(32,057)	-	(32,057)
Amortisation of takaful acquisition cash flows		45,038	-	-	45,038	24,788	-	-	24,788
Investment components		**(86,340)**	**-**	**86,340**	**-**	**(78,903)**	**-**	**78,903**	**-**
Takaful service result		**(646,873)**	**(25,440)**	**586,619**	**(85,694)**	**(691,375)**	**(32,057)**	**607,690**	**(115,742)**
Takaful finance expenses	**a**	**82,291**	**6,006**	**-**	**88,297**	**44,361**	**5,200**	**-**	**49,561**
Other movements		**11,952**	**-**	**-**	**11,952**	**(9,695)**	**-**	**-**	**(9,695)**
Total changes in the statement of profit or loss and OCI		**(552,630)**	**(19,434)**	**586,619**	**14,555**	**(656,709)**	**(26,857)**	**607,690**	**(75,876)**
Cash flows									
Contributions and contribution tax received	**b**	675,235	-	-	675,235	724,056	-	-	724,056
Claims and other expenses paid including investment components		-	-	(582,388)	(582,388)	-	-	(611,337)	(611,337)
Takaful acquisition cash flows		(71,225)	-	-	(71,225)	(66,023)	-	-	(66,023)
Total cash flows		**604,010**	**-**	**(582,388)**	**21,622**	**658,033**	**-**	**(611,337)**	**46,696**
Net takaful certificate liabilities as at 31 December		**735,437**	**49,008**	**61,334**	**845,779**	**684,057**	**68,442**	**57,103**	**809,602**

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

(a) Takaful certificates issued (continued)

Notes:

a. The Company disaggregates takaful finance expenses between profit or loss and other comprehensive income. The Company does not disaggregates changes in the risk adjustment for non-financial risk between takaful service result and takaful finance expenses. Please refer to Note 3(l)(vi)(vi)(iii) of the Material Accounting Policy Information for details.

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

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

	Family Takaful Fund	
Nominal amount	**2023**	**2022**
	RM'000	**RM'000**
Opening balance	3,337	15,390
Qard repaid during the year	(3,337)	(12,053)
Closing balance	-	3,337

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

(b) Retakaful certificates held

The roll-forward of the net liabilities or assets for retakaful certificates held, 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:

		2023				2022 (Restated)			
		Assets for remaining coverage				Assets for remaining coverage			
	Note	Excluding loss-recovery component RM'000	Loss-recovery component RM'000	Amounts recoverable on incurred claims RM'000	Total RM'000	Excluding loss-recovery component RM'000	Loss-recovery component RM'000	Amounts recoverable on incurred claims RM'000	Total RM'000
Family Takaful Fund									
Retakaful certificate assets as at 1 January		21,885	-	(24,895)	(3,010)	-	-	-	-
Retakaful certificate liabilities as at 1 January		-	-	-	-	18,765	-	(17,471)	1,294
Net retakaful certificate (assets)/liabilities as at 1 January		**21,885**	**-**	**(24,895)**	**(3,010)**	**18,765**	**-**	**(17,471)**	**1,294**
Allocation of retakaful contributions	**18**	31,321	-	-	31,321	40,783	-	-	40,783
Amounts recoverable from retakaful operators	**18**	-	-	(25,547)	(25,547)	-	-	(34,034)	(34,034)
Net income or expense from retakaful certificates held		**31,321**	**-**	**(25,547)**	**5,774**	**40,783**	**-**	**(34,034)**	**6,749**
Retakaful finance income		**129**	**-**	**-**	**129**	**131**	**-**	**-**	**131**
Effect of changes in non-performance risk of retakaful operators		**(69)**	**-**	**-**	**(69)**	**(118)**	**-**	**-**	**(118)**
Total changes in the statement of profit or loss and OCI		**31,381**	**-**	**(25,547)**	**5,834**	**40,796**	**-**	**(34,034)**	**6,762**
Cash flows									
Contributions and similar expenses paid		(22,338)	-	-	(22,338)	(37,676)	-	-	(37,676)
Amounts received from retakaful operators		-	-	21,203	21,203	-	-	26,610	26,610
Total cash flows		**(22,338)**	**-**	**21,203**	**(1,135)**	**(37,676)**	**-**	**26,610**	**(11,066)**
Net retakaful certificate liabilities/(assets) as at 31 December		**30,928**	**-**	**(29,239)**	**1,689**	**21,885**	**-**	**(24,895)**	**(3,010)**

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

(b) Retakaful certificates held (continued)

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

	Note	2023				2022 (Restated)			
		Assets for remaining coverage				Assets for remaining coverage			
		Excluding loss-recovery component/ gain component	Loss-recovery component	Amounts recoverable on incurred claims	Total	Excluding loss-recovery component/ gain component	Loss-recovery component	Amounts recoverable on incurred claims	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company									
Retakaful certificate assets as at 1 January		21,885	-	(24,895)	(3,010)	-	-	-	-
Retakaful certificate liabilities as at 1 January		-	-	-	-	18,765	-	(17,471)	1,294
Net retakaful certificate (assets)/liabilities as at 1 January		**21,885**	**-**	**(24,895)**	**(3,010)**	**18,765**	**-**	**(17,471)**	**1,294**
Allocation of retakaful contributions	**16**	31,321	-	-	31,321	40,783	-	-	40,783
Amounts recoverable from retakaful operators		-	-	(25,547)	(25,547)	-	-	(34,034)	(34,034)
Net income or expense from retakaful certificates held	**18**	**31,321**	**-**	**(25,547)**	**5,774**	**40,783**	**-**	**(34,034)**	**6,749**
Retakaful finance income		**129**	**-**	**-**	129	**131**	**-**	**-**	131
Effect of changes in non-performance risk of retakaful operators		**(69)**	**-**	**-**	(69)	**(118)**	**-**	**-**	(118)
Total changes in the statement of profit or loss and OCI		**31,381**	**-**	**(25,547)**	**5,834**	**40,796**	**-**	**(34,034)**	**6,762**
Cash flows									
Contributions and similar expenses paid		(22,338)	-	-	(22,338)	(37,676)	-	-	(37,676)
Amounts received from retakaful operators		-	-	21,203	21,203	-	-	26,610	26,610
Total cash flows		**(22,338)**	**-**	**21,203**	**(1,135)**	**(37,676)**	**-**	**26,610**	**(11,066)**
Net retakaful certificate liabilities/(assets) as at 31 December		**30,928**	**-**	**(29,239)**	**1,689**	**21,885**	**-**	**(24,895)**	**(3,010)**

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

(c) Takaful certificates issued

The table below presents a roll-forward of the liabilities for takaful certificates issued, showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios of takaful certificates issued in the Family Takaful Fund:

		2023				**2022 (Restated)**			
	Note	**Estimates of present value of future cash flows**	**Risk adjustment**	**Contractual service margin**	**Total**	**Estimates of 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**
Family Takaful Fund									
Takaful certificate liabilities as at 1 January		808,343	-	-	808,343	818,096	-	-	818,096
Net takaful certificate liabilities as at 1 January		**808,343**	**-**	**-**	**808,343**	**818,096**	**-**	**-**	**818,096**
Changes that relate to current services:		(196,213)	-	-	(196,213)	(216,134)	-	-	(216,134)
Experience adjustments		(196,213)	-	-	(196,213)	(216,134)	-	-	(216,134)
Changes that relate to past services:		154,047	-	-	154,047	162,217	-	-	162,217
Adjustments to liabilities for incurred claims		154,047	-	-	154,047	162,217	-	-	162,217
Takaful service result		**(42,166)**	**-**	**-**	**(42,166)**	**(53,917)**	**-**	**-**	**(53,917)**
Takaful finance expenses	**a**	**82,327**	**-**	**-**	**82,327**	**41,564**	**-**	**-**	**41,564**
Other movements		**10,811**	**-**	**-**	**10,811**	**(9,302)**	**-**	**-**	**(9,302)**
Total changes in the statement of profit or loss and OCI		**50,972**	**-**	**-**	**50,972**	**(21,655)**	**-**	**-**	**(21,655)**
Cash flows									
Contributions and contribution tax received		529,173	-	-	529,173	559,514	-	-	559,514
Qard repaid		(3,337)	-	-	(3,337)	(12,053)	-	-	(12,053)
Claims and other takaful service expenses paid		(510,205)	-	-	(510,205)	(535,559)	-	-	(535,559)
Total cash flows		**15,631**	**-**	**-**	**15,631**	**11,902**	**-**	**-**	**11,902**
Net takaful certificate liabilities as at 31 December		**874,946**	**-**	**-**	**874,946**	**808,343**	**-**	**-**	**808,343**

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

(c) Takaful certificates issued (continued)

The table below presents a roll-forward of the liabilities for takaful certificates issued, showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios of takaful certificates issued in the Company:

	Note	2023				2022 (Restated)			
		Estimates of present value of future cash flows	Risk adjustment	Contractual service margin	Total	Estimates of 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
Company									
Takaful certificate liabilities as at 1 January		582,024	22,368	205,210	809,602	545,840	25,427	267,515	838,782
Net takaful certificate liabilities as at 1 January		**582,024**	**22,368**	**205,210**	**809,602**	**545,840**	**25,427**	**267,515**	**838,782**
Changes that relate to current services:		(200,592)	(2,021)	(29,091)	(231,704)	(218,734)	(4,403)	(43,075)	(266,212)
Contractual service margin recognised for services provided		-	-	(29,091)	(29,091)	-	-	(43,075)	(43,075)
Risk adjustment for the risk expired		-	(2,021)	-	(2,021)	-	(4,403)	-	(4,403)
Experience adjustments		(200,592)	-	-	(200,592)	(218,734)	-	-	(218,734)
Changes that relate to future services:		(77,874)	2,445	67,394	(8,035)	8,269	1,892	(21,909)	(11,748)
Certificates initially recognised in the period		(28,022)	1,893	26,129	-	(36,093)	2,182	33,911	-
Changes in estimates that adjust the contractual service margin		(41,860)	595	41,265	-	55,122	698	(55,820)	-
Changes in estimates that do not adjust the contractual service margin		(7,992)	(43)	-	(8,035)	(10,760)	(988)	-	(11,748)
Changes that relate to past services:		154,045	-	-	154,045	162,218	-	-	162,218
Adjustments to liabilities for incurred claims		154,045	-	-	154,045	162,218	-	-	162,218
Takaful service result		**(124,421)**	**424**	**38,303**	**(85,694)**	**(48,247)**	**(2,511)**	**(64,984)**	**(115,742)**
Takaful finance expenses	a	**86,252**	**841**	**1,204**	**88,297**	**46,098**	**784**	**2,679**	**49,561**
Other movements		**10,667**	**1,285**	**-**	**11,952**	**(8,363)**	**(1,332)**	**-**	**(9,695)**
Total changes in the statement of profit or loss and OCI		**(27,502)**	**2,550**	**39,507**	**14,555**	**(10,512)**	**(3,059)**	**(62,305)**	**(75,876)**
Cash flows									
Contributions and contribution tax received		675,235	-	-	675,235	724,056	-	-	724,056
Claims and other takaful service expenses paid		(582,388)	-	-	(582,388)	(611,337)	-	-	(611,337)
Takaful acquisition cash flows		(71,225)	-	-	(71,225)	(66,023)	-	-	(66,023)
Total cash flows		**21,622**	**-**	**-**	**21,622**	**46,696**	**-**	**-**	**46,696**
Net takaful certificate liabilities as at 31 December		**576,144**	**24,918**	**244,717**	**845,779**	**582,024**	**22,368**	**205,210**	**809,602**

Notes:

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

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

(d) Retakaful certificates held

The table below presents a roll-forward of the net liabilities/(assets) for retakaful certificates held, showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios of retakaful certificates held by the Family Takaful Fund:

		2023				2022 (Restated)			
	Note	Estimates of present value of future cash flows	Risk adjustment	Contractual service margin	Total	Estimates of 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
Family Takaful Fund									
Retakaful certificate assets as at 1 January		(3,010)	-	-	(3,010)		-	-	-
Retakaful certificate liabilities as at 1 January		-	-	-	-	1,294	-	-	1,294
Net retakaful certificate (assets)/liabilities as at 1 January		(3,010)	-	-	(3,010)	1,294	-	-	1,294
Changes that relate to current services:									
Experience adjustments		31,321	-	-	31,321	40,783	-	-	40,783
Changes that relate to past services:									
Changes in amounts recoverable arising from changes in liability for incurred claims		(25,547)	-	-	(25,547)	(34,034)	-	-	(34,034)
Retakaful finance expense		**129**	-	-	**129**	**131**	-	-	**131**
Effect of changes in non-performance risk of retakaful operators		**(69)**	-	-	**(69)**	**(118)**	-	-	**(118)**
Total changes in the statement of profit or loss and OCI		**5,834**	**-**	**-**	**5,834**	**6,762**	**-**	**-**	**6,762**
Cash flows									
Contributions and similar expenses paid		(22,338)	-	-	(22,338)	(37,676)	-	-	(37,676)
Amounts received from retakaful operators		21,203	-	-	21,203	26,610	-	-	26,610
Total cash flows		**(1,135)**	**-**	**-**	**(1,135)**	**(11,066)**	**-**	**-**	**(11,066)**
Net retakaful certificate liabilities/(assets) as at 31 December		**1,689**	**-**	**-**	**1,689**	**(3,010)**	**-**	**-**	**(3,010)**

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

(d) Retakaful certificates held (continued)

The table below presents a roll-forward of the net liabilities/(assets) for retakaful certificates held, showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios of retakaful certificates held by the Company:

	Note	2023				2022 (Restated)			
		Estimates of present value of future cash flows	Risk adjustment	Contractual service margin	Total	Estimates of 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
Company									
Retakaful certificate assets as at 1 January		(3,010)	-	-	(3,010)	-	-	-	-
Retakaful certificate liabilities as at 1 January		-	-	-	-	1,294	-	-	1,294
Net retakaful certificate (assets)/liabilities as at 1 January		(3,010)	-	-	(3,010)	1,294	-	-	1,294
Changes that relate to current services:									
Experience adjustments		31,321	-	-	31,321	40,783	-	-	40,783
Changes that relate to past services:									
Changes in amounts recoverable arising from changes in liability for incurred claims		(25,547)	-	-	(25,547)	(34,034)	-	-	(34,034)
Retakaful finance expense		**129**	**-**	**-**	**129**	**131**	**-**	**-**	**131**
Effect of changes in non-performance risk of retakaful operators		**(69)**	**-**	**-**	**(69)**	**(118)**	**-**	**-**	**(118)**
Total changes in the statement of profit or loss and OCI		**5,834**	**-**	**-**	**5,834**	**6,762**	**-**	**-**	**6,762**
Cash flows									
Contributions and similar expenses paid		(22,338)	-	-	(22,338)	(37,676)	-	-	(37,676)
Amounts received from retakaful operators		21,203	-	-	21,203	26,610	-	-	26,610
Total cash flows		**(1,135)**	**-**	**-**	**(1,135)**	**(11,066)**	**-**	**-**	**(11,066)**
Net retakaful certificate liabilities/(assets) as at 31 December		**1,689**	**-**	**-**	**1,689**	**(3,010)**	**-**	**-**	**(3,010)**

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

(e) Family Takaful certificates issued

The Company has applied the FRA for the measurement of the CSM as at the transition date. The impact on the current year results and balance of CSM at the financial year end, due to the use of the FRA at the transition date, for portfolios of takaful certificates issued by the Family Takaful Fund is disclosed in the table below:

	2023		**2022 (Restated)**	
	All other certificates	**Total**	**All other certificates**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Company				
Contractual service margin as at 1 January	**205,210**	**205,210**	**267,515**	**267,515**
Changes that relate to current services:				
Contractual service margin recognised for services provided	(29,091)	(29,091)	(43,075)	(43,075)
Changes that relate to future services:				
Certificates initially recognised in the period	26,129	26,129	33,911	33,911
Changes in estimates that adjust the contractual service margin	41,265	41,265	(55,820)	(55,820)
Takaful service result	38,303	38,303	(64,984)	(64,984)
Takaful finance expenses	1,204	1,204	2,679	2,679
Total changes in the statement of profit or loss and OCI	39,507	39,507	(62,305)	(62,305)
Contractual service margin as at 31 December	**244,717**	**244,717**	**205,210**	**205,210**

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

(f) Family takaful certificates issued

The components of new business for portfolios of takaful certificates issued by the Family Takaful Fund is disclosed in the table below:

	2023			2022 (Restated)		
	Certificates issued			Certificates issued		
	Non-onerous	Onerous	Total	Non-onerous	Onerous	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family Takaful Fund						
Family takaful certificate liabilities						
Estimates of present value of future cash outflows	(453,972)	-	(453,972)	(491,965)	-	(491,965)
Estimates of present value of future cash inflows	453,972	-	453,972	491,965	-	491,965
Amount included in takaful certificate liabillities for the year	**-**	**-**	**-**	**-**	**-**	**-**
Company						
Family takaful certificate liabilities						
Estimates of present value of future cash outflows, excluding takaful acquisition cash flows	(510,803)	-	(510,803)	(563,860)	-	(563,860)
Estimates of takaful acquisition cash flows	(47,552)	-	(47,552)	(56,358)	-	(56,358)
Estimates of present value of future cash outflows	(558,355)	-	(558,355)	(620,218)	-	(620,218)
Estimates of present value of future cash inflows	586,377	-	586,377	656,311	-	656,311
Risk adjustment	(1,893)	-	(1,893)	(2,182)	-	(2,182)
CSM	(26,129)	-	(26,129)	(33,911)	-	(33,911)
Amount included in takaful certificate liabillities for the year	**-**	**-**	**-**	**-**	**-**	**-**

13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

(g) CSM recognition in profit or loss

The disclosure of when the CSM is expected to be recognised in profit or loss in future years is presented below:

	Less than 1 year RM'000	1-2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	More than 5 years RM'000	Total RM'000
Company							
31 December 2023							
Family Takaful certificates issued	28,793	25,022	21,918	19,389	17,067	132,528	244,717
	28,793	25,022	21,918	19,389	17,067	132,528	244,717
31 December 2022 (Restated)							
Family Takaful certificates issued	24,144	20,982	18,380	16,259	14,312	111,133	205,210
	24,144	20,982	18,380	16,259	14,312	111,133	205,210

14 SHARE CAPITAL

	Company			
	2023		**2022**	
	Amount	**Number of shares**	**Amount**	**Number of shares**
	RM '000	**'000**	**RM '000**	**'000**
Issued and fully paid ordinary shares:				
At the beginning/end of the financial year	180,000	180,000	180,000	180,000

Earnings per share

The basic earnings per ordinary share are calculated by dividing the profit for the financial year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the date of the statement of financial position.

	2023	**2022**
	RM'000	**RM'000**
Profit attributable to ordinary equity holders	17,574	28,390
Weighted average number of ordinary shares	180,000	180,000
Basic and diluted earnings per share (sen)	9.76	15.77

On 30 January 2024, the Board of Directors has approved the allotment of 50,000,000 new shares of the Company for a total consideration of RM50 million to Zurich Holdings Malaysia Berhad.

15 RESERVES

(a) Retained earnings

The Company is under the single-tier tax system wherein dividends paid are tax exempted in the hands of the shareholder. The Company may distribute single-tier exempt dividends to its shareholder out of its retained earnings. Pursuant to Section 60(1) of the Islamic Financial Services Act 2013, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend. Pursuant to the RBC Framework for Takaful Operators, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

(b) Fair value reserve

The fair value reserve of the Company represents the fair value gains or losses of financial assets at fair value through other comprehensive income ("FVOCI"), net of deferred tax.

(c) Takaful finance reserve

The takaful finance reserve of the Company represents the cumulative changes to the carrying amount of takaful certificates issued and retakaful certificates held arising from the effect and changes in the time value of money and financial risks.

16 TAKAFUL REVENUE

The table below presents an analysis of the total takaful revenue recognised in the year:

		2023		2022 (Restated)	
		Takaful certificates	Total	Takaful certificates	Total
Family Takaful Fund	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 in the year:	a	(468,031)	(468,031)	(509,743)	(509,743)
Expected wakalah fees incurred in the year		*(137,600)*	*(137,600)*	*(140,935)*	*(140,935)*
Expected claims incurred in the year		*(131,770)*	*(131,770)*	*(155,583)*	*(155,583)*
Expected surplus to Shareholder's Fund incurred in the year		*(21,017)*	*(21,017)*	*(19,265)*	*(19,265)*
Expected surplus to participants incurred in the year		*(18,367)*	*(18,367)*	*(16,196)*	*(16,196)*
Expected maintenance expenses incurred in the year		*(159,275)*	*(159,275)*	*(177,751)*	*(177,751)*
Expected investment profits to Shareholder's Fund incurred in the year		*(2)*	*(2)*	*(13)*	*(13)*
Other amount		(861)	(861)	2,798	2,798
Total takaful revenue		**(468,892)**	**(468,892)**	**(506,945)**	**(506,945)**

Notes:

a. *Expected takaful service expenses incurred during the year comprise of claims and other expenses in which the Family Takaful Fund expects to pay on covered events that occurred during the year.*

16 TAKAFUL REVENUE (CONTINUED)

The table below presents an analysis of the total takaful revenue recognised in the year: (continued)

		2023		2022 (Restated)	
Company	Note	Takaful certificates RM'000	Total RM'000	Takaful certificates RM'000	Total RM'000
Certificates not measured under PAA					
Amounts relating to the changes in the liability for remaining coverage					
Expected claims and takaful service expenses incurred in the year:	a	(527,531)	(527,531)	(568,327)	(568,327)
Expected claims incurred in the year		*(152,787)*	*(152,787)*	*(174,848)*	*(174,848)*
Expected surplus to participants incurred in the year		*(18,367)*	*(18,367)*	*(16,196)*	*(16,196)*
Expected maintenance expenses incurred in the year		*(373,436)*	*(373,436)*	*(397,073)*	*(397,073)*
Allocation of losses on onerous contracts		*17,059*	*17,059*	*19,790*	*19,790*
Change in the risk adjustment for non-financial risk	b	(3,050)	(3,050)	(3,868)	(3,868)
Amount of CSM recognised in profit or loss	c	(29,091)	(29,091)	(43,075)	(43,075)
Other amount		(861)	(861)	2,798	2,798
Amounts relating to recovery of takaful acquisition cash flows	d	(45,038)	(45,038)	(24,788)	(24,788)
Total takaful revenue		**(605,571)**	**(605,571)**	**(637,260)**	**(637,260)**

Notes:

a. *Expected takaful service expenses incurred during the year comprise of claims and other expenses in which the Family Takaful Fund expects to pay on covered events that occurred during the year.*

b. *Change in risk adjustment shows amount of risk which expired during the year. Refer to Note 3(l)(vi)(ii) for the details of accounting policy.*

c. *The CSM is recognised in profit or loss over the coverage period of the corresponding group of certificates based on coverage units. Refer to Note 3(l)(ii).*

d. *Acquisition cash flows are allocated based on CSM amortisation rate over the coverage period of the group of certificates. Refer to Note 3(l)(vi)(i) for details of accounting policy.*

17 TAKAFUL SERVICE EXPENSES

The table below presents an analysis of the total takaful service expenses recognised in the year:

		Family Takaful Fund		Company	
	Note	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
Incurred claims and other takaful service expenses		275,785	293,962	481,383	513,502
Incurred wakalah fees	a	118,420	123,766	-	-
Incurred surplus to Shareholder's Fund	b	15,000	20,000	-	-
Incurred surplus to participants	b	15,000	20,000	15,000	20,000
Changes to liabilities for incurred claims		2,521	(4,700)	3,896	(4,715)
Amortisation of acquisition cash flows		-	-	45,038	24,788
Losses on onerous contracts and reversal of losses on onerous contracts		-	-	(25,440)	(32,057)
Total takaful service expenses		**426,726**	**453,028**	**519,877**	**521,518**
Represented by:					
Contracts not measured under PAA		426,726	453,028	519,877	521,518
		426,726	**453,028**	**519,877**	**521,518**

Notes:

a. *The wakalah fees paid to the Shareholder's Fund during the year is RM118,420,000 (2022: RM123,766,000).*

b. *The surplus paid to the Shareholder's Fund during the year is RM15,000,000 (2022: RM20,000,000). The surplus paid to certificate holders during the year is RM15,000,000 (2022: RM20,000,000).*

18 NET EXPENSE FROM RETAKAFUL CERTIFICATES HELD

The Company has voluntarily disclosed an analysis of the net expenses from retakaful certificates held recognised in the year in the table below:

		Family Takaful Fund		Company	
Contracts not measured under PAA	**Note**	**2023 RM'000**	**2022 RM'000 Restated**	**2023 RM'000**	**2022 RM'000 Restated**
Amounts relating to the changes in the assets for remaining coverage					
Expected recovery for takaful service expenses incurred in the year:	a	21,978	28,626	21,978	28,626
Other amount		9,343	12,157	9,343	12,157
Allocation of retakaful contributions		**31,321**	**40,783**	**31,321**	**40,783**
Amounts recoverable for claims and other expenses incurred in the year:					
Amounts recoverable for claims		(27,447)	(31,183)	(27,447)	(31,183)
Changes in amounts recoverable arising from changes in liability for incurred claims		1,900	(2,851)	1,900	(2,851)
Amounts recoverable from retakaful operators		**(25,547)**	**(34,034)**	**(25,547)**	**(34,034)**
Net expense from retakaful certificates held		**5,774**	**6,749**	**5,774**	**6,749**

Notes:

a. *Expected recovery for takaful service expenses incurred in the period comprise recovery for claims and other expenses which the Family Takaful Fund/Company expects to receive from retakaful operators on covered events occurred during the year.*

19(a) INVESTMENT INCOME

	Family Takaful Fund		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
FVOCI financial assets				
Profit income	15,670	-	25,196	-
Amortisation of premiums on investments	(1,033)	-	(2,064)	-
	14,637	-	23,132	-
AFS financial assets				
Profit income	-	13,543	-	22,098
Amortisation of premiums on investments	-	(1,092)	-	(2,490)
	-	12,451	-	19,608
FVTPL financial assets				
Profit income	3,808	3,431	3,808	3,431
Dividend income	7,295	8,042	7,295	8,042
	11,103	11,473	11,103	11,473
	25,740	23,924	34,235	31,081

19(b) REALISED GAINS/(LOSSES)

	Family Takaful Fund		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
FVOCI financial assets				
Realised gains on investments	177	-	115	-
AFS financial assets				
Realised losses on investments	-	(232)	-	(248)
FVTPL financial assets				
Realised gains/(losses) on investments	2,801	(4,768)	2,801	(4,768)
	2,978	(5,000)	2,916	(5,016)

19(c) FAIR VALUE GAINS/(LOSSES)

	Family Takaful Fund		Company	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
FVTPL financial assets				
Unrealised gains/(losses) on investments	16,218	(29,634)	16,218	(29,634)
	16,218	(29,634)	16,218	(29,634)

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 NET TAKAFUL FINANCE RESULT

The table below presents an analysis of the takaful/retakaful finance result recognised during the year:

	2023			2022 (Restated)		
	Takaful certificates issued RM'000	Retakaful certificates held RM'000	Total RM'000	Takaful certificates issued RM'000	Retakaful certificates held RM'000	Total RM'000
Family Takaful Fund						
Takaful finance expenses from takaful certificates issued						
Profit accreted to takaful certificates using current financial assumptions	3,748	(92)	3,656	8,587	(100)	8,487
Loss accreted to takaful certificates using locked-in rate	(2,302)	(66)	(2,368)	(13)	(66)	(79)
Due to changes in the value of underlying items	(80,052)	-	(80,052)	(46,403)	-	(46,403)
Changes in non-performance risk of retakaful operators	-	69	69	-	118	118
	(78,606)	**(89)**	**(78,695)**	**(37,829)**	**(48)**	**(37,877)**
Represented by :						
Amount recognised in profit or loss	(82,327)	(60)	(82,387)	(41,564)	(13)	(41,577)
Amount recognised in OCI	3,721	(29)	3,692	3,735	(35)	3,700
	(78,606)	**(89)**	**(78,695)**	**(37,829)**	**(48)**	**(37,877)**

20 NET TAKAFUL FINANCE RESULT (CONTINUED)

The table below presents an analysis of the takaful/retakaful finance result recognised during the year:

	2023			2022 (Restated)		
	Takaful certificates issued	Retakaful certificates held	Total	Takaful certificates issued	Retakaful certificates held	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
Takaful finance expenses from takaful certificates issued						
Profit accreted to takaful certificates using current financial assumptions	1,192	(92)	1,100	1,894	(100)	1,794
Loss accreted to takaful certificates using locked-in rate	(7,424)	(66)	(7,490)	(721)	(66)	(787)
Due to changes in the value of underlying items	(79,696)	-	(79,696)	(46,149)	-	(46,149)
Changes in non-performance risk of retakaful operators	-	69	69	-	118	118
	(85,928)	**(89)**	**(86,017)**	**(44,976)**	**(48)**	**(45,024)**
Represented by :						
Amount recognised in profit or loss	(88,297)	(60)	(88,357)	(49,561)	(13)	(49,574)
Amount recognised in OCI	2,369	(29)	2,340	4,585	(35)	4,550
	(85,928)	**(89)**	**(86,017)**	**(44,976)**	**(48)**	**(45,024)**

21 OTHER INCOME/(EXPENSES)

	Family Takaful Fund		Company	
	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
Finance cost	-	-	(33)	(54)
Non-attributable expenses	-	-	(18,045)	(18,816)
Other income	461	3,631	482	3,754
	461	3,631	(17,596)	(15,116)

Details of the expenses incurred by the Company is provided below:

	2023 RM'000	2022 RM'000
Staff costs:		
Staff salaries and bonus	12,025	8,352
Staff and retirement benefits contributions	2,664	2,476
Auditors' remuneration:		
Statutory audit	333	238
Regulatory-related services	37	37
Other assurance services	642	160
Non-Executive Directors' remuneration (Note 21(a)):		
Fees	420	420
Other emoluments	135	126
Shariah Committee remuneration (Note 21(b)):		
Fees	81	83
Other emoluments	22	22
Depreciation of property and equipment (Note 5)	1,431	1,537
Amortisation of intangible assets (Note 7)	415	820
Depreciation of right-of-use assets (Note 6)	1,679	2,107
Commission	66,593	44,024
Wakalah expense	118,420	123,766
Tabarru expense	136,634	149,828
Other miscellaneous expense	65,638	77,806
Total expenses	407,169	411,801
Represented by expenses recognised in:		
Takaful Service Expenses:	389,124	392,985
Maintenance expenses	307,783	324,174
Acquisition expenses	81,341	68,811
Other non-attributable expenses	18,045	18,816
	407,169	411,801

21 OTHER INCOME/(EXPENSES) (CONTINUED)

(a) Directors' and Chief Executive Officer's remuneration

The Directors' and Chief Executive Officer's remuneration and other emoluments during the financial year are as follows:

	Company						
	Fees	**Salary**	**Bonus**	**Allowance**	**Others**	**Benefits - in kind**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2023							
Chief Executive Officer							
- Nazrul Hisham Abdul Hamid	-	821	615	-	170	14	1,620
	-	821	615	-	170	14	1,620
Executive Director							
- Matthew William Swinfen Cottrell	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Non-Executive Directors							
- Hasnah binti Omar	150	-	-	31	-	-	181
- Datuk Dr. Hafsah binti Hashim	90	-	-	33	-	-	123
- Jan Yoke Lan	90	-	-	33	2	-	125
- Assoc. Prof. Dr Mohamed Fairooz bin Abdul Khir	90	-	-	36	-	-	126
	420	-	-	133	2	-	555

For the Executive Director of the Company, Matthew William Swinfen Cottrell, his remunerations were paid by Zurich Insurance Company Ltd. ("ZICL") during the financial year.

21 OTHER INCOME/(EXPENSES) (CONTINUED)

(a) Directors' and Chief Executive Officer's remuneration (continued)

The Directors' and Chief Executive Officer's remuneration and other emoluments during the financial year are as follows: (continued)

	Company						
	Fees	**Salary**	**Bonus**	**Allowance**	**Others**	**Benefits - in kind**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2022							
Chief Executive Officer							
- Nazrul Hisham Abdul Hamid	-	915	525	-	116	28	1,584
	-	915	525	-	116	28	1,584
Executive Director							
- Matthew William Swinfen Cottrell	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Non-Executive Directors							
- Hasnah binti Omar	150	-	-	29	-	-	179
- Datuk Dr. Hafsah binti Hashim	90	-	-	31	-	-	121
- Jan Yoke Lan	90	-	-	32	2	-	124
- Assoc. Prof. Dr Mohamed Fairooz bin Abdul Khir	90	-	-	32	-	-	122
	420	-	-	124	2	-	546

For the Executive Director of the Company, Matthew William Swinfen Cottrell, his remunerations were paid by Zurich Insurance Company Ltd. ("ZICL") during the financial yea

21 OTHER INCOME/(EXPENSES) (CONTINUED)

(a) Directors' and Chief Executive Officer's remuneration (continued)

The number of Executive and Non-Executive Directors whose total remuneration received or receivable during the financial year fall within the following bands are analysed as follows:

	Number of Directors	
	2023	**2022**
Non-Executive Directors:		
RM100,000 or less	-	-
RM100,001 – RM200,000	4	4

(b) Shariah Committee remuneration

The Shariah Committee remuneration and other emoluments during the financial year are as follows:

	2023		
	Fees RM'000	**Allowance RM'000**	**Total RM'000**
Shariah Committee Members			
- Assoc. Prof. Dr Mohamed Fairooz bin Abdul Khir	23	5	27
- Assoc. Prof. Dr. Zulkifli bin Hasan	11	4	15
- Dr. Wan Marhaini binti Wan Ahmad	15	5	20
- Dr. Zaharuddin bin Abdul Rahman	15	4	19
- Prof. Dr. Zurina Shafii	15	5	20
- Dr. Mohamad Zaharuddin bin Zakaria	3	1	3
	81	22	103

	2022		
	Fees RM'000	**Allowance RM'000**	**Total RM'000**
Shariah Committee Members			
- Assoc. Prof. Dr Mohamed Fairooz bin Abdul Khir	23	5	28
- Assoc. Prof. Dr. Zulkifli bin Hasan	15	4	19
- Dr. Wan Marhaini binti Wan Ahmad	15	4	19
- Dr. Zaharuddin bin Abdul Rahman	15	5	20
- Prof. Dr. Zurina Shafii	15	4	19
	83	22	105

22 TAXATION

	2023 RM'000	2022 RM'000 Restated
Family Takaful Fund		
Current income tax:		
Current year provision	1,507	1,120
Over provision of tax expense in prior year	(405)	(478)
	1,102	642
Deferred income tax:		
Deferred tax relating to origination and reversal of temporary differences	1,775	(2,282)
Tax expense/(credit) for the year	2,877	(1,640)
Company		
Current income tax:		
Current year provision	2,946	8,186
Over provision of tax expense in prior year	(924)	(335)
	2,022	7,851
Deferred income tax:		
Deferred tax relating to origination and reversal of temporary differences	7,221	5,456
Tax expense for the year	9,243	13,307

The income tax for Family Takaful Fund is calculated based on the tax rate of 8% of the estimated assessable investment income net of allowable deductions for the financial year.

The income tax for the Company is calculated based on the tax rate of 24% of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expenses at the effective income tax rate of the Company is as follows:

	2023 RM'000	2022 RM'000 Restated
Company		
Profit before taxation attributable to Takaful Operator, after zakat	29,694	40,057
Tax at Malaysian statutory tax rate of 24% (2022: 24%)	7,127	9,614
Expenses non-deductible for tax purpose	3,040	4,028
Over provision of tax expense in prior year	(924)	(335)
Tax expense for the year	9,243	13,307

23 CASH USED IN OPERATING ACTIVITIES

	Note	Company 2023 RM'000	Company 2022 RM'000 Restated
Cash flow from operating activities			
Net profit for the financial year		17,574	28,390
Adjustments for:			
Depreciation of property and equipment	5	1,431	1,537
Depreciation of right-of-use assets	6	1,679	2,107
Amortisation of intangible assets	7	415	820
Investment income	19(a)	(34,235)	(31,081)
Realised (gains)/losses from disposal of investments	19(b)	(2,916)	5,016
Fair value (gains)/losses recorded in profit or loss	19(c)	(16,218)	29,634
Investment expenses		322	-
Realised gain from disposal of property and equipment		-	(91)
Interest expenses on lease liabilities	12	132	53
Tax expense attributable to Takaful Operator	22	9,243	13,307
Tax expense/(income) attributable to participants	22	2,877	(1,640)
Net cashflows from operating activities before changes in working capital		(19,696)	48,052
Changes in working capital:			
Increase in financial assets at FVTPL		13,169	7,623
Increase in available-for-sale financial assets/FVOCI		(76,403)	(41,059)
Increase in financial assets at amortised cost		(5,351)	-
Decrease in other receivables		(2,068)	(542)
Increase/(decrease) in takaful certificate liabilities		34,825	(28,330)
Increase/(decrease) in retakaful certificate liabilities		4,699	(4,304)
Increase/(decrease) in other payables		14,148	(818)
Cash used in operating activities		(36,677)	(19,377)

24 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationship

The related parties of, and their relationship with the Company as at 31 December 2023, are as follows:

Name of company	Relationship
Zurich Insurance Group Limited (“ZIGL”)	Ultimate holding company
Zurich Insurance Company Ltd. (“ZICL”)	Penultimate holding company
Zurich Holdings Malaysia Berhad (“ZHMB”)	Immediate holding company
Zurich Services Malaysia Sdn. Bhd. (“ZSM”)	Subsidiary of penultimate holding company
Zurich Shared Services Malaysia Sdn. Bhd. (“ZSSM”)	Subsidiary of ZSM
Zurich Life Insurance Malaysia Berhad ("ZLIMB")	Subsidiary of penultimate holding company
Zurich General Takaful Malaysia Berhad ("ZGTMB")	Subsidiary of immediate holding company
Zurich General Insurance Malaysia Berhad ("ZGIMB")	Subsidiary of immediate holding company

(b) Significant related party transactions

The significant related party transactions during the financial year are as follows:

Company

Non-trade	2023 RM '000	2022 RM '000
(Expenses)/income		
Transactions with ultimate holding company:		
- Outsourcing fees and reimbursement costs	(32,700)	(27,919)
Transactions with subsidiaries of immediate holding company:		
- Outsourcing and reimbursement costs	(3,475)	(1,948)
- Outsourcing income and reimbursement of expenses paid on behalf	1,666	1,075
Transactions with subsidiaries of penultimate holding company:		
- Outsourcing and reimbursement costs	(4,412)	(3,898)
Transactions with penultimate holding company:		
- Reimbursement of expenses paid on behalf	948	-

(c) Related party balances

The significant outstanding balances of the Company with its related parties as at 31 December are as follows:

Company

	2023 RM '000	2022 RM '000
Balance with Zurich Life Insurance Malaysia Berhad:		
- Outsourcing fees	(2,329)	(2,112)
- Reimbursement of expenses paid on behalf	(1,145)	263
	(3,475)	(1,849)
Balance with Zurich General Insurance Malaysia Berhad:		
- Outsourcing fees	(331)	(83)
- Reimbursement of expenses paid on behalf	-	(267)
	(331)	(350)

24 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Related party balances (continued)

The significant outstanding balances of the Company with its related parties as at 31 December are as follows (continued):

Company

	2023 RM '000	2022 RM '000
Balance with Zurich General Takaful Malaysia Berhad:		
- Outsourcing income	67	121
- Reimbursement of expenses paid on behalf	1	21
	68	142
Balance with Zurich Services Malaysia Sdn Bhd:		
- Outsourcing fees	(375)	-
- Reimbursement of expenses paid on behalf	(12)	(182)
	(386)	(182)
Balance with Zurich Shared Service Malaysia Berhad:		
- Reimbursement of expenses paid on behalf	(37)	89
Balance with Zurich Insurance Company Limited:		
- Reimbursement of expenses paid on behalf	954	-

These related party balances are unsecured, non profit-bearing and payable within 12 months.

(d) Key management personnel's remuneration

The remuneration of the key management personnel including CEO during the financial year are as follows:

Company	2023 RM'000	2022 RM'000
Salary	2,171	2,058
Bonus	731	663
Defined contribution plans	460	304
Other benefits	14	28
	3,376	3,053
Directors' emoluments and CEO's remuneration (Note 21(a))	2,175	2,130

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The key management personnel of the Company including the Directors, Chief Executive Officer, members of the Executive Committee and other key responsible persons of the Company.

The estimated cash value of benefits-in-kind provided to CEO amounted to RM14,000 (2022: RM28,000).

25 RISK MANAGEMENT FRAMEWORK

Risk Governance Structure

The Company adopts the three lines of defence model approach to governance and enterprise risk management. The Company's risk governance structure and risk reporting requirements are incorporated in the Company's Risk Management Framework. The Framework explains the underlying approach and defines an on-going and consistent process for identifying, analysing, evaluating, treating, monitoring and reporting significant risks faced by the business units, divisions, stakeholders and, ultimately, the Company. It also outlines the key aspects of the risk management process and identifies the main reporting procedures.

The adoption of the Framework is the responsibility of the Board with some of the responsibilities delegated to the Risk Management and Sustainability Committee including oversight over technology-related matters and sustainability related matters. The Company has established senior management committees which act as a platform for two-way communication between the Management and the Board. The Committees are the Asset Liability Management and Investment Committee ("ALMIC"), Human Resource Committee ("HRC"), Information Technology Steering Committee ("ITSC"), Business Continuity Management ("BCM"), Risk and Control Committee ("RCC"), Occupational Safety and Health Committee ("OSHC") and the various Senior Management Committees for Family Takaful. All these committees are chaired by the Chief Executive Officer or a member of the senior management team.

They are responsible to oversee the development and assess the effectiveness of risk management policies, review risk exposures and portfolio composition, and ensure that infrastructure, resources and systems are put in place for effective risk management activities.

Governance and Regulatory Framework

The Company is required to comply with the IFSA and BNM Regulations, as applicable.

The Company is also required to comply with all Zurich Group's policies and standards. If there is any conflict with the local laws or regulations, the local laws and regulations have priority while the stricter rules will apply, where possible.

The Board exercises oversight on investments to safeguard the interests of participants and shareholders while ensuring compliance with Shariah.

25 RISK MANAGEMENT FRAMEWORK (CONTINUED)

Capital Management

The Company's capital management policy is to create shareholder value, maintain a strong capital position to enable it to meet its obligation to certificate holders, as well as regulatory requirements and make strategic investments for business growth.

The minimum Capital Adequacy Ratio ("CAR") under the RBC Framework for Takaful Operators ("RBCT") regulated by BNM is 130% for each takaful operator. The Company complied with the minimum CAR as at 31 December 2023.

The Total Capital Available of the Company as at 31 December 2023 was RM210,653,000 (2022: RM200,558,000).

The capital structure of the Company as at 31 December 2023, as prescribed under the RBCT Framework, is shown below:

	2023 RM'000	2022 RM'000
Tier 1 Capital		
Paid-up share capital	180,000	180,000
Valuation surplus in takaful fund	15,941	9,014
Retained earnings	19,536	25,517
	215,477	214,531
Tier 2 Capital		
Fair value through other comprehensive income ("FVOCI") reserves	1,032	(8,525)
Qard	-	3,337
	1,032	(5,188)
Less:		
Amount deducted from capital	(5,856)	(8,785)
Total capital available	**210,653**	**200,558**

26 TAKAFUL RISK

The Company accepts Takaful risk through its written Takaful certificates. The Company writes Family Takaful certificates (health, group family, mortgage and investment-linked). Takaful risk is the inherent uncertainty regarding the fluctuations in the timing, frequency and severity of insured events, relative to our expectations at the time of underwriting. It can also refer to fluctuations in the timing and amount of claim settlements. The Takaful risk appetite is defined through the review of portfolio size, underwriting criteria, product limits, retakaful arrangements, underwriting authorities, claims signing authorities, delegation of authorities, pricing adequacy, aggregate risks and loss scenarios.

Retakaful offers financial protection to takaful operators against large and catastrophic events. It allows efficient use of capital to support future business growth, whilst reducing the volatility of financial results and solvency. Risks associated with retakaful companies are the counterparty risk of retakaful operators failing to honor their obligations. The Company monitors the retakaful operators' creditworthiness on a regular basis.

Underwriting is managed through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks. Medical selection is part of the Company’s underwriting procedures, whereby contributions are charged to reflect the health condition and family medical history of the applicants. Pricing is based on assumptions, such as mortality and persistency, which consider past experience and current trends. Certificates including specific risks and guarantees are tested for profitability according to predefined procedures before approval. Products are reviewed by the Management Committee on periodic basis to confirm, or otherwise, that pricing assumptions remain appropriate. Analysis is performed on earnings and liability movements to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

Geographically, the Company’s risks are concentrated in Malaysia.

26 TAKAFUL RISK (CONTINUED)

The table below sets out the concentration of the Company's net takaful liabilities, by type of takaful certificates issued and retakaful certificates held:

	2023			2022		
	Takaful certificates issued	Retakaful certificates held	Net	Takaful certificates issued	Retakaful certificates held	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
Protection medical	(457,767)	(675)	(458,442)	(417,107)	2,799	(414,308)
Protection non medical	(319,493)	(1,014)	(320,507)	(307,944)	211	(307,733)
Savings	(68,519)	-	(68,519)	(84,551)	-	(84,551)
	(845,779)	(1,689)	(847,468)	(809,602)	3,010	(806,592)
Family takaful fund						
Protection medical	(429,613)	(675)	(430,288)	(378,340)	2,799	(375,541)
Protection non medical	(351,021)	(1,014)	(352,035)	(326,689)	211	(326,478)
Savings	(94,312)	-	(94,312)	(103,314)	-	(103,314)
	(874,946)	(1,689)	(876,635)	(808,343)	3,010	(805,333)

Key assumptions

Material judgments are required in determining the liabilities and in the choice of assumptions. Assumptions used are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. Assumptions are further evaluated on a continuous basis in order to arrive at realistic and reasonable valuations.

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions affecting the determination of the takaful certificate liabilities with all other assumptions (as details in Note 3(i)(i)) held constant, showing the impact on gross and net takaful liabilities. The correlation of assumptions will have a significant effect on the sensitivity analysis 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 analysis will also vary according to the current economic assumptions.

26 TAKAFUL RISK (CONTINUED)

Sensitivities (continued)

2023	**Change in assumptions**	**Impact on profit before tax gross of retakaful**	**Impact on profit before tax net of retakaful**	**Impact on equity gross of retakaful**	**Impact on equity net of retakaful**
		RM'000	**RM'000**	**RM'000**	**RM'000**
		< ------------- (Decrease) / increase ------------->			
Mortality/morbidity rate	+10%	(21,410)	(21,410)	(22,235)	(22,235)
Expenses	+10%	(7,813)	(7,813)	(7,173)	(7,173)
Lapse and surrenders rate	+10%	2,589	2,589	1,733	1,733
Discount rate	+1%	863	863	114	114
Mortality/morbidity rate	-10%	23,944	23,944	24,747	24,747
Expenses	-10%	7,813	7,813	7,173	7,173
Lapse and surrenders rate	-10%	(2,819)	(2,819)	(1,871)	(1,871)
Discount rate	-1%	(753)	(753)	365	365

2022	**Change in assumptions**	**Impact on profit before tax gross of retakaful**	**Impact on profit before tax net of retakaful**	**Impact on equity gross of retakaful**	**Impact on equity net of retakaful**
		RM'000	**RM'000**	**RM'000**	**RM'000**
		< ------------- (Decrease) / increase ------------->			
Mortality/morbidity rate	+10%	(25,615)	(25,615)	(25,591)	(25,591)
Expenses	+10%	(12,299)	(12,299)	(11,511)	(11,511)
Lapse and surrenders rate	+10%	(2,149)	(2,149)	(3,090)	(3,090)
Discount rate	+1%	1,484	1,484	1,277	1,277
Mortality/morbidity rate	-10%	17,030	17,030	16,935	16,935
Expenses	-10%	8,074	8,074	7,295	7,295
Lapse and surrenders rate	-10%	1,241	1,241	2,325	2,325
Discount rate	-1%	(1,395)	(1,395)	(1,081)	(1,081)

26 TAKAFUL RISK (CONTINUED)

Sensitivities (continued)

		2023		2022	
	Change in assumptions	Impact on CSM before tax gross of retakaful	Impact on CSM before tax net of retakaful	Impact on CSM before tax gross of retakaful	Impact on CSM before tax net of retakaful
		RM'000	RM'000	RM'000	RM'000
		< ------------- (Decrease) / increase ------------->			
Mortality/morbidity rate	+10%	(22,308)	(22,308)	(14,629)	(14,629)
Expenses	+10%	(15,223)	(15,223)	(13,744)	(13,744)
Lapse and surrenders rate	+10%	(14,070)	(14,070)	(6,551)	(6,551)
Discount rate	+1%	(8,392)	(8,392)	(5,060)	(5,060)
Mortality/morbidity rate	-10%	29,515	29,515	30,863	30,863
Expenses	-10%	15,223	15,223	17,959	17,959
Lapse and surrenders rate	-10%	15,410	15,410	8,374	8,374
Discount rate	-1%	9,305	9,305	5,316	5,316

27 FINANCIAL RISK

The Company is exposed to financial risks, including credit risk, liquidity risk, market risk and operational risk during the normal course of its business. The Company has put in place established procedures and guidelines to monitor the risks on an on-going basis.

Credit Risk

The Company has exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk is assumed through three (3) main mechanisms.

i) The assumption of credit risk through investment strategies relating to financial assets;
ii) Credit risk created through retakaful, where a retakaful asset represents an obligation of the retakaful operator to the Company; and
iii) Receivables within the business, where the Company is owed payment or services by a third party. Most typically this arises from a sale of takaful policies.

Minimum credit quality applies to investments in private debt securities/bonds with a minimum rating of A- or A2 (at the date of investment) provided by Malaysian Rating Corporation Berhad ("MARC") and Rating Agency Malaysia Berhad ("RAM") respectively. The Company however intends to maintain an average rating of AA in the overall bond portfolio under current investment strategy and objectives. The Company does not solely depend on the rating report provided but also depends on publicly available issuer information together with in-house analysis based on information provided by the borrower/issuer, peer group comparisons, industry comparisons and other quantitative tools.

Retakaful is used to manage takaful risk. This does not, however, discharge the Company's liability as primary takaful operator. If a retakaful operator fails to pay a claim for any reason, the Company remains liable for the payment to the participants. The creditworthiness of retakaful operator is considered on an annual basis by reviewing their financial strength prior to finalisation of any certificate.

The Company manages its credit risk in respect of receivables by establishing defined tolerance on credit periods, putting in place collection procedures and rigorously monitoring its credit portfolio.

The Company issues Investment-linked investment certificates. In the Investment-linked funds, the holders of these certificates bear the investment risks on the assets held in the Investment-linked funds as the certificate benefits are directly linked to the value of the assets in the fund. Therefore, the Company has no material credit risk on Investment-linked financial assets.

27 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Exposure to credit risk

The credit risk analysis below is presented in line with how the Company manages the risk. The Company manages its credit exposure based on the carrying value of the financial instruments and takaful and retakaful certificate assets.

The table below show the maximum exposure to credit risk for the components on the statement of financial position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

	2023		**2022 (Restated)**	
	Family Takaful Fund	**Company**	**Family Takaful Fund**	**Company**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and cash equivalents	82,112	97,265	93,029	118,942
Investments:				
Debt instruments at FVTPL	72,108	72,108	68,126	68,126
Debt instruments at FVOCI / AFS	333,715	544,584	268,438	464,534
Debt instruments at amortised cost	-	5,351	-	-
Other receivables*	829	2,662	1,201	2,346
	488,764	721,970	430,794	653,948

*Excludes prepayments of RM3,184,000 of the Company as at 31 December 2023 (2022: RM1,428,000).

27 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by credit rating

The table below provides information regarding the credit risk exposure of Family Takaful Fund and the Company by classifying assets according to the Company's credit rating of counterparties.

	Neither past-due nor impaired							
	Investment grade		Non-investment grade					
31 December 2023	Government Guaranteed RM'000	(AAA to BBB) RM'000	(BB to C) RM'000	Not rated RM'000	Not subject to credit risk RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
Family takaful fund								
Cash and cash equivalents	-	82,112	-	-	-	-	-	82,112
Investments:								
Debt instruments at FVTPL	313	71,275	-	-	-	-	520	72,108
Debt instruments at FVOCI	12,363	315,923	5,429	-	-	-	-	333,715
Other receivables*	-	-	-	829	-	-	-	829
	12,676	469,310	5,429	829	-	-	520	488,764
Company								
Cash and cash equivalents	-	97,265	-	-	-	-	-	97,265
Investments:								
Debt instruments at FVTPL	313	71,275	-	-	-	-	520	72,108
Debt instruments at FVOCI	12,363	526,792	5,429	-	-	-	-	544,584
Debt instruments at amortised cost	-	5,351	-	-	-	-	-	5,351
Other receivables*	-	-	-	2,662	-	-	-	2,662
	12,676	700,683	5,429	2,662	-	-	520	721,970

*Excludes prepayments of RM3,184,000 of the Company as at 31 December 2023 (2022: RM1,428,000).

27 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of Family Takaful Fund and the Company by classifying assets according to the Company's credit rating of counterparties. (continued)

	Neither past-due nor impaired							
	Investment grade		Non-investment grade					
31 December 2022	Government Guaranteed RM'000	(AAA to BBB) RM'000	(BB to C) RM'000	Not rated RM'000	Not subject to credit risk RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
Family takaful fund								
Cash and cash equivalents	-	93,029	-	-	-	-	-	93,029
Investments:								
Debt instruments at FVTPL	-	65,120	2,486	-	-	-	520	68,126
Debt instruments at AFS	8,119	260,319	-	-	-	-	-	268,438
Other receivables*	-	-	-	1,201	-	-	-	1,201
	8,119	418,468	2,486	1,201	-	-	520	430,794
Company								
Cash and cash equivalents	-	118,942	-	-	-	-	-	118,942
Investments:								
Debt instruments at FVTPL	-	65,120	2,486	-	-	-	520	68,126
Debt instruments at AFS	8,119	456,415	-	-	-	-	-	464,534
Other receivables*	-	-	-	2,346	-	-	-	2,346
	8,119	640,477	2,486	2,346	-	-	520	653,948

*Excludes prepayments of RM3,184,000 of the Company as at 31 December 2023 (2022: RM1,428,000).

27 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of Family Takaful Fund and the Company by classifying assets according to the RAM and MARC credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

	Government Guaranteed	AAA to AA RM'000	A1 to A3 RM'000	BBB1 to BBB3 RM'000	BB and below RM'000	Not subject to credit risk RM'000	Not rated RM'000	Impaired RM'000	Total RM'000
31 December 2023									
Family takaful fund									
Cash and cash equivalents	-	82,112	-	-	-	-	-	-	82,112
Investments:									
Debt instruments at FVTPL	313	71,275	-	-	-	-	-	520	72,108
Debt instruments at FVOCI	12,363	312,902	3,021	-	5,429	-	-	-	333,715
Other receivables*	-	-	-	-	-	-	829	-	829
	12,676	466,289	3,021	-	5,429	-	829	520	488,764
Company									
Cash and cash equivalents	-	97,265	-	-	-	-	-	-	97,265
Investments:									
Debt instruments at FVTPL	313	71,275	-	-	-	-	-	520	72,108
Debt instruments at FVOCI	12,363	519,727	7,065	-	5,429	-	-	-	544,584
Debt instruments at amortised cost	-	5,351	-	-	-	-	-	-	5,351
Other receivables*	-	-	-	-	-		2,662	-	2,662
	12,676	693,618	7,065	-	5,429	-	2,662	520	721,970

*Excludes prepayments of RM3,184,000 of the Company as at 31 December 2023 (2022: RM1,428,000).

27 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of Family Takaful Fund and the Company by classifying assets according to the RAM and MARC credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade. (continued)

	Government Guaranteed	AAA to AA RM'000	A1 to A3 RM'000	BBB1 to BBB3 RM'000	BB and below RM'000	Not subject to credit risk RM'000	Not rated RM'000	Impaired RM'000	Total RM'000
31 December 2022									
Family takaful fund									
Cash and cash equivalents	-	93,029	-	-	-	-	-	-	93,029
Investments:									
Debt instruments at FVTPL	-	64,629	491	-	2,486	-	-	520	68,126
Debt instruments at AFS	8,119	249,924	2,945	7,450	-	-	-	-	268,438
Other receivables*	-	-	-	-	-	-	1,201	-	1,201
	8,119	407,582	3,436	7,450	2,486	-	1,201	520	430,794
Company									
Cash and cash equivalents	-	118,942	-	-	-	-	-	-	118,942
Investments:									
Debt instruments at FVTPL	-	64,629	491	-	2,486	-	-	520	68,126
Debt instruments at AFS	8,119	437,742	11,223	7,450	-	-	-	-	464,534
Other receivables*	-	-	-	-	-	-	2,346	-	2,346
	8,119	621,313	11,714	7,450	2,486	-	2,346	520	653,948

*Excludes prepayments of RM3,184,000 of the Company as at 31 December 2023 (2022: RM1,428,000).

27 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment assessment

The Company's ECL assessment and measurement method is set out below.

Significant increase in credit risk, default and cure

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or lifetime ECLs ("LTECL"), the Company assesses whether there has been a significant increase in credit risk since initial recognition.

The Company considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Company also considers a variety of instances that may indicate unlikeliness to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- Internal rating of the counterparty indicating default or near-default.
- The counterparty having past due liabilities to public creditors or employees.
- The counterparty (or any legal entity within the debtor's group) filing for bankruptcy application/protection.
- Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties.

The Company considers a financial instrument defaulted and, therefore, credit-impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognises a lifetime ECL.

In rare cases when an instrument identified as defaulted, it is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

There has been no significant increase in credit risk or default for financial assets during the year.

To-date, there is one (2022: one) occurrence of rating default event where the corporate debt securities was defaulted since the financial year ended 31 December 2021. The bondholders are pursuing recovery actions through negotiations and taking legal actions against the issuers.

No credit exposure limits were exceeded during the financial year.

Expected credit loss

The Company assesses the possible default events within 12 months for the calculation of the 12months 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.

27 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment losses on financial investments subject to impairment assessment

Debt instruments measured at FVOCI

The table below shows the fair value of the Company's debt instruments measured at FVOCI by credit risk, based on the Company's internal credit rating system.

	2023					
	Family Takaful Fund			Company		
	12m ECL	Lifetime ECL	Total	12m ECL	Lifetime ECL	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Internal rating grade						
Investment grade	280,603	8,168	288,771	444,428	8,168	452,596
Non-investment grade	29,621	15,323	44,944	75,640	16,348	91,988
Total gross amount	**310,224**	**23,491**	**333,715**	**520,068**	**24,516**	**544,584**
ECL	**(354)**	**(1,464)**	**(1,818)**	**(754)**	**(1,508)**	**(2,262)**

An analysis of changes in the fair value and the corresponding ECLs is, as follows:

	2023					
	Family Takaful Fund			Company		
	12m ECL	Lifetime ECL	Total	12m ECL	Lifetime ECL	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fair value as at 1 January	245,600	22,838	268,438	441,696	22,838	464,534
New assets originated or purchased	70,417	531	70,948	113,908	531	114,439
Assets derecognised or matured	(17,124)	(488)	(17,612)	(48,169)	(488)	(48,657)
Accrued interest capitalised	1,103	109	1,212	1,298	119	1,417
Realised gain/(loss) in profit and loss	207	(30)	177	145	(30)	115
Fair value gain/(loss) in OCI	12,803	(1,218)	11,585	16,004	(1,204)	14,800
Amortisation adjustment	(984)	(49)	(1,033)	(2,015)	(49)	(2,064)
Movement between 12m ECL and Life Time ECL	(1,798)	1,798	-	(2,798)	2,798	-
At 31 December	310,224	23,491	333,715	520,069	24,515	544,584

	2023					
	Family Takaful Fund			Company		
	12m ECL	Lifetime ECL	Total	12m ECL	Lifetime ECL	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ECL as at 1 January	(199)	(1,453)	(1,652)	(488)	(1,453)	(1,941)
New assets originated or purchased	(50)	(12)	(62)	(81)	(12)	(93)
Assets derecognised or matured (excluding write-offs)	11	40	51	64	40	104
Unwinding of discount	12	(168)	(156)	(126)	(207)	(333)
Movement between 12m ECL and Life Time ECL	(128)	129	1	(123)	124	1
At 31 December	(354)	(1,464)	(1,818)	(754)	(1,508)	(2,262)

27 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Impairment losses on financial investments subject to impairment assessment (continued)

Debt instruments measured at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk per based on the Company's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	2023					
	Family Takaful Fund			Company		
	12m ECL	Lifetime ECL	Total	12m ECL	Lifetime ECL	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Internal rating grade						
Investment grade	-	-	-	5,351	-	5,351
Total gross amount	-	-	-	5,351	-	5,351
ECL	-	-	-	-	-	-
Total net amount	-	-	-	5,351	-	5,351

An analysis of changes in the gross amount and the corresponding ECLs is, as follows:

	2023					
	Family Takaful Fund			Company		
	12m ECL	Lifetime ECL	Total	12m ECL	Lifetime ECL	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross amount as at 1 January	-	-	-	-	-	-
New assets originated or purchased	-	-	-	10,546	-	10,546
Assets derecognised or matured (excluding write-offs)	-	-	-	(5,236)	-	(5,236)
Accrued interest capitalised	-	-	-	41	-	41
At 31 December	-	-	-	5,351	-	5,351

27 FINANCIAL RISK (CONTINUED)

Liquidity Risk

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. The Company's policy is to maintain adequate liquidity to meet its liquidity needs under all conditions.

Guidelines on asset allocations, portfolio limit structures and maturity profiles of assets are in place to ensure sufficient funding is available to meet takaful and investment certificates obligations.

As part of its liquidity management, the Company maintains sufficient level of cash and cash equivalents to meet expected and to a lesser extent unexpected outflows.

27 FINANCIAL RISK (CONTINUED)

Maturity analysis

Maturity analysis for financial assets and financial liabilities (contractual undiscounted cash flow basis)

The following table summarises the maturity profile of financial assets and liabilities of the Family Takaful Fund based on remaining undiscounted contractual cash flows, including profit receivable.

For takaful certificates issued and retakaful certificates held, maturity profile are determined based on estimates of the present value of the future cash flows expected to be paid out in the periods presented.

	Carrying value	Up to a year	1-5 years	>5 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2023						
Family Takaful Fund						
Cash and cash equivalents	82,112	82,112	-	-	-	82,112
Debt instruments at FVOCI	333,715	18,626	106,569	347,835	-	473,030
Equity and debt instruments at FVTPL	491,139	3,835	42,451	44,576	419,031	509,893
Other receivables	829	829	-	-	-	829
	907,795	105,402	149,020	392,411	419,031	1,065,864
Other payables	34,596	34,596	-	-	-	34,596
	34,596	34,596	-	-	-	34,596

Other non-financial assets and liabilities of the Family Takaful Fund are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).

27 FINANCIAL RISK (CONTINUED)

Maturity analysis (continued)

Maturity analysis for financial assets and liabilities (contractual undiscounted cash flow basis)

The following table summarises the maturity profile of financial assets and liabilities of the Company based on remaining undiscounted contractual cash flows, including profit receivable. (continued)

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	>5 years RM'000	No maturity date RM'000	Total RM'000
31 December 2023						
Company						
Cash and cash equivalents	97,265	97,265	-	-	-	97,265
Debt instruments as amortised cost	5,351	5,351	-	-	-	5,351
Debt instruments at FVOCI	544,584	52,677	272,582	385,642	-	710,901
Equity and debt instruments at FVTPL	491,139	3,835	42,451	44,576	419,031	509,893
Other receivables*	2,662	2,662				2,662
	1,141,001	161,790	315,033	430,218	419,031	1,326,072
Lease liabilities	3,219	1,655	1,716	-	-	3,371
Other payables	53,337	53,337	-	-	-	53,337
	56,556	54,992	1,716	-	-	56,708

*Excludes prepayments of RM3,184,000 of the Company as at 31 December 2023 (2022: RM1,428,000).

Other non-financial assets and liabilities of the Company are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).

27 FINANCIAL RISK (CONTINUED)

Maturity analysis (continued)

Maturity analysis for financial assets and liabilities (contractual undiscounted cash flow basis) (continued)

The following table summarises the maturity profile of financial assets and liabilities of the Family Takaful Fund based on remaining undiscounted contractual cash flows, including profit receivable. (continued)

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	>5 years RM'000	No maturity date RM'000	Total RM'000
31 December 2022 (Restated)						
Family Takaful Fund						
Cash and cash equivalents	93,029	93,029	-	-	-	93,029
Debt instruments at AFS	268,438	14,227	103,395	277,018	-	394,640
Equity and debt instruments at FTVPL	477,395	8,415	29,433	53,931	409,269	501,048
Retakaful certificate assets held	3,010	1,318	4,545	(2,853)	-	3,010
Other receivables	1,201	1,201	-	-	-	1,201
	843,073	118,190	137,373	328,096	409,269	992,928
Other payables	41,799	41,799	-	-	-	41,799
	41,799	41,799	-	-	-	41,799

Other non-financial assets and liabilities of the Family Takaful Fund are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).

27 FINANCIAL RISK (CONTINUED)

Maturity analysis (continued)

Maturity analysis for financial assets and liabilities (contractual undiscounted cash flow basis) (continued)

The following table summarises the maturity profile of financial assets and liabilities of the Company based on remaining undiscounted contractual cash flows, including profit receivable. (continued)

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	>5 years RM'000	No maturity date RM'000	Total RM'000
31 December 2022 (Restated)						
Company						
Cash and cash equivalents	118,942	118,942	-	-	-	118,942
Debt instruments at AFS	464,534	48,264	269,816	300,652	-	618,732
Equity and debt instruments at FVTPL	477,395	8,415	29,433	53,931	409,269	501,048
Retakaful certificate assets held	3,010	1,318	4,545	(2,853)	-	3,010
Other receivables*	2,346	2,346	-	-	-	2,346
	1,066,227	179,285	303,794	351,730	409,269	1,244,078
Lease liabilities	4,749	1,657	3,295	-	-	4,952
Other payables	41,049	41,049	-	-	-	41,049
	45,798	42,706	3,295	-	-	46,001

*Excludes prepayments of RM3,184,000 of the Company as at 31 December 2023 (2022: RM1,428,000).

Other non-financial assets and liabilities of the Company are generally expected to be recovered or settled more than twelve months after the reporting date (non-current in nature).

27 FINANCIAL RISK (CONTINUED)

Maturity analysis (continued)

Maturity analysis on expected maturity bases

The table below summarises the current/non-current classification of assets.

	2023		2022 (Restated)	
	Family Takaful Fund	Company	Family Takaful Fund	Company
	RM'000	RM'000	RM'000	RM'000
31 December				
Non-current assets				
Property and equipment	-	6,791	-	6,150
Right-of-use assets	-	3,062	-	4,659
Intangible assets	-	51	-	466
Debit instruments at amortised cost	-	5,351	-	-
Debt instruments at FVOCI/AFS	330,631	516,065	267,426	437,268
Equity and debt instruments at FVTPL	71,600	71,600	62,967	62,967
Retakaful certificate assets held	-	-	3,010	3,010
	402,231	602,920	333,403	514,520
Current assets **				
Debt instruments at FVOCI/AFS	3,084	28,519	1,012	27,266
Equity and debt instruments at FVTPL	419,539	419,539	414,428	414,428
Other receivables *	829	5,846	1,201	3,778
Tax recoverable	2,404	8,120	2,712	4,514
Deferred tax asset	2,726	-	5,441	2,508
Cash and cash equivalents	82,112	97,265	93,029	118,942
	510,694	559,289	517,823	571,436

* Excludes prepayments of RM3,184,000 of the Company as at 31 December 2023 (2022: RM1,428,000).

** Expected recovery or settlement within 12 months from the date of the statement of financial position.

27 FINANCIAL RISK (CONTINUED)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of exposures i.e. foreign exchange rates (currency risk), market profit rates (profit rate risk) and market prices (price risk).

The Company manages market risk through setting of investment policy and asset allocation, approving portfolio limit structures and risk management methodologies, approving hedging, and alternative risk transfer strategies. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Company's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework.

The Company also issues unit-linked investment policies in a number of its products. In unit-linked business, the participants bear the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the funds. The Company's exposure to market risk on this business is limited to the extent of income arising from fee earned by the Company based on the value of the assets in the funds.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument, takaful certificate assets and / or liabilities will fluctuate because of changes in foreign exchange rates.

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the IFSA and, hence, primarily denominated in the same currency (the local RM) as its takaful certificate liabilities. Thus, the main currency risk from recognised assets and liabilities arises from transactions other than those in which takaful certificate liabilities are expected to be settled.

Profit Rate Risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument or takaful certificate or retakaful certificate will fluctuate because of changes in market profit rates.

Floating rate instruments expose the Company to cash flow profit risk, whereas fixed profit rate instruments expose the Company to fair value profit rate risk.

The Company has no significant concentration of profit rate risk.

The Company manages its profit rate risk by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from profit rate movements. The Company monitors its profit rate risk exposure through periodic reviews of the asset and liability position, as well as through stress testing by using duration and convexity measurements. The nature of the Company's exposures to profit rate risk and its objectives, policies and processes for managing profit rate risk have not changed significantly from the prior period.

27 FINANCIAL RISK (CONTINUED)

Profit Rate Risk (continued)

Exposure to profit rate risk

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact of profit before tax (due to changes in fair value of fixed and floating rate/yield financial instruments) and equity (that reflects adjustments to profit before tax and re-valuing fixed rate/yield FVOCI financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on profit rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on CSM		**Impact on profit before tax**		**Impact on equity***	
	+100 Basis points	**-100 Basis points**	**+100 Basis points**	**-100 Basis points**	**+100 Basis points**	**-100 Basis points**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
<u>Company</u>						
2023						
Takaful certificates issued	(8,392)	9,305	863	(753)	362	(194)
Financial instruments^	-	-	(74)	48	22,288	(29,196)
2022						
Takaful certificates issued	(5,060)	5,316	1,484	(1,395)	1,027	(886)
Financial instruments^	-	-	-	-	11,766	(12,304)

^ Impact on Islamic money market instruments and Islamic debt instruments.
* Impact on equity/Takaful certificate liabilities reflects adjustments for tax, when applicable.

The method used for deriving sensitivity information and significant variables did not change from previous year.

27 FINANCIAL RISK (CONTINUED)

Other Price Risk

Price risk is the risk that the fair value of future cash flows of a financial instrument or takaful certificate assets and/or liabilities will fluctuate because of changes in market prices (other than those arising from profit yield risk or currency risk), regardless whether those changes are caused by factors specific to the individual financial instrument or certificate, or by factors affecting similar certificates or financial instruments traded in the market.

The Company's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices. The Company monitors and manages the exposure against investment guidelines set and agreed by the ALMIC. These investment guidelines include monitoring the exposure against benchmarks set and single security exposure of the portfolio against the limits set. The Company complies with BNM stipulated limits during the financial year and has no significant concentration of price risk.

The Company invests in equity and unit trust funds which fair value is quoted as the Net Asset Value ("NAV") per unit in circularisation. The Company is exposed to the changes in NAV/unit of these funds.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets and liabilities whose changes in fair values are recorded in profit or loss) and equity (that reflects adjustments to profit before tax and changes in fair value of AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

		Impact on takaful certificate liabilities*	
	Change in variables	**2023**	**2022**
		RM'000	**RM'000**
Family Takaful Fund / Company			
Market Price	FBM KLCI + 15% - gain	19,973	18,285
Market Price	FBM KLCI - 15% - loss	(19,973)	(18,285)
Market Price	NAV +15% - gain	37,853	38,056
Market Price	NAV -15% - loss	(37,853)	(38,056)

* Impact on equity/takaful certificate liabilities reflects adjustments for tax, when applicable.

The method used for deriving sensitivity information and significant variables did not change from previous year.

28 OPERATIONAL RISK

Operational risk arises from inadequate or failed performance of business functions or internal processes. Exposure to this risk can cause deficiencies or breakdowns in internal controls or processes, technology and external events such as interruption of business operations due to a breakdown of IT systems, cybersecurity incident, landslide or flood.

The Company has developed comprehensive Standard Operating Procedures ("SOP") to enable all relevant departments to implement measures to monitor and control the risk in order to avoid or reduce future losses. The Risk Management Department is assigned to facilitate the relevant departments in identifying and evaluating their operational risks and control weaknesses via structured risk assessment process.

29 COMPLIANCE RISK

Compliance risk is the risk arising from violations of, or non-conformance with business principles, internal policies and procedures, related laws, rules and regulations issued by regulatory bodies i.e. BNM, Malaysian Takaful Association ("MTA"), Perbadanan Insurans Deposit Malaysia ("PIDM") governing the takaful industry, products and activities.

Consequently, the exposure to this risk can damage the Company's reputation and lead to legal or regulatory sanctions and/or financial loss.

The Legal Department and Compliance Department are assigned to look into all compliance aspects in observing the regulatory requirements prescribed by the regulators i.e. BNM, MTA, PIDM. It has developed internal policies and procedures (e.g. Anti-Money Laundering Framework, Introduction of New Products Framework, Outsourcing Framework) to align with the laws and guidelines issued by the authorities.

30 STRATEGIC, REPUTATION RISK AND SUSTAINABILITY RISK

Strategic Risk

Strategic risk refers to the unintended risk that can emerge as a by-product of planning or executing Zurich Malaysia's strategy.

Strategic risks can arise from:
- Inadequate risk-reward assessment of strategic plans.
- Improper execution of strategic plans.
- Unexpected changes to underlying assumptions, including those about the external environment.

Zurich Malaysia works to manage risks associated with strategic business decisions through the risk assessment processes and tools, including the Total Risk Profiling™ process. As part of Zurich Malaysia's annual assessment of strategic risks, the senior management assesses potential risk from both external and internal factors, looking at current year and beyond. The senior management defines actions to respond as appropriate and reviews changes to the key risks and the status of their actions at least quarterly.

Reputation Risk

Reputation risk is the risk that an act or omission by the Company or any of its employees could result in a reputational damage or loss of trust in Zurich Malaysia among any of its stakeholders. It includes potential negative publicity regarding Zurich Malaysia's business practices.

Zurich Malaysia aims to preserve its reputation by:
- Adhering to applicable laws and regulations.
- Following the core values and principles of Zurich Malaysia's code of conduct that promotes integrity and good business practice.
- Living up to its sustainability commitments.

Zurich Malaysia centrally manages certain aspects of the risk of reputation, for example, communications through functions with the appropriate expertise. Potential risks to Zurich Malaysia's reputation are included in its risk assessment processes and tools, including the Total Risk Profiling™ process.

Sustainability Risk

Sustainability risk is the risk to Zurich Group's brand and reputation resulting from not responsibly taking environmental, social and governance issues into account throughout the business and for not seeking to create sustainable value for all stakeholders.

Sustainability means doing business today in a way that safeguards the future of our Company and our society. Sustainability risks and opportunities emanate both from the effects that environmental, social and governance ("ESG") challenges have on the Company, as well as from how the Company handles its positive or negative impact on ESG issues. To protect against financial and reputation impacts, both perspectives are included in the identification and assessment of sustainability issues.

30 STRATEGIC, REPUTATION RISK AND SUSTAINABILITY RISK (CONTINUED)

Sustainability Risk (continued)

Climate change, as one of the most complex risks facing society today, is intergenerational and interdependent. As a takaful operator, the Company faces risks from climate change and shall discloses its climate risk in line with the recommendation of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TFCD") and BNM's Policy Document on Climate Risk Management and Disclosures.

Sustainability topics associated with ESG challenges are also becoming more complex and interconnected as a result of these trends, takaful operators are increasingly becoming agents of change and playing a more impactful role in addressing sustainability risk.

The Company works with its customers and investee companies to support responsible and sustainable business practices while promoting best practices managing ESG risks. The Company has policies in place that define the sustainability positions for which Zurich has no underwriting or investment appetite, and this is also applicable locally. Zurich continuously works to develop relevant products and services that help solve the most pressing societal and environmental issues of today.

Sustainability risk approach

To support the Company's businesses in applying its purposes and values, as well as mitigating reputation risk impacts, the Company has established a systematic and integrated approach to identify, assess and recommend actions on potential risks and opportunity areas from a sustainability perspective across all the Company's activities, in particular for operations, investment management and underwriting.

This is a three-step process:

- Issue identification: Identify relevant issues to be considered within the risk assessment process by monitoring channels such as media, social media, information from non-governmental organisation and Zurich's business.

- Risk assessment: Assess issues related to public commitments, the role of takaful underwriting, market exposure and materiality. The Chief Executive Officer approves position statements, recommended business actions, and reputational management decisions.

- Implementation: Implement mitigating actions, including managing reputational impacts locally in the business. Mobilise expert support available across the Company and escalate as necessary, according to governance procedures.

Zurich applies these steps across portfolios based on stated thresholds and verified data. Wherever possible, Zurich engages and works together with relevant stakeholders on the margins of Zurich's thresholds to ensure responsible and sustainable business practices.

Clear roles and responsibilities, starting with the Board of Directors of the Company and management, support effective oversight and actions with respect to climate change and other sustainability risks.

31 FAIR VALUE INFORMATION

Determination of fair value and fair value hierarchy

The Company classifies fair value measurement using a fair value hierarchy that reflects the significant of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted market price

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

Level 2 - Valuation Techniques - Market observable input

Financial instruments in this category are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. It includes financial instruments for which pricing is obtained via pricing services, but where prices have not been determined in an active market, instruments with fair values based on broker quotes and discounted cash flows, the price of the most recent transactions may be used provided that there has not been a significant change in economic circumstances since the time of the transaction, or if the conditions have changed, that price should be adjusted to reflect the change in conditions by reference to current prices for similar financial instruments and investment in structured products with fair values obtained via investment bankers and/or fund managers.

Level 3 - Valuation Techniques - Unobservable input

Non-market observable inputs mean that fair values are determined in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Example of main asset classes in this category are unquoted equity securities, un-rated securities, investment properties, non-performing loans and debt securities from organisations in default. Valuation techniques of these portfolios are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data and judgments.

31 FAIR VALUE INFORMATION (CONTINUED)

Financial instruments and non-financial assets carried at fair value

The following tables show the Company's and Family Takaful Fund's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Family Takaful Fund				
2023				
Financial assets at FVOCI:				
Government Investment Issues	-	12,363	-	12,363
Unquoted Islamic debt securities	-	321,352	-	321,352
Financial assets at FVTPL:				
Government Investment Issues	-	314	-	314
Unquoted Islamic debt securities	-	71,274	520*	71,794
Shariah-approved quoted equities	144,734	-	-	144,734
Unit trusts	274,297	-	-	274,297
	419,031	405,303	520	824,854

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2022				
AFS financial assets:				
Government Investment Issues	-	8,119	-	8,119
Unquoted Islamic debt securities	-	260,319	-	260,319
Financial assets at FVTPL:				
Unquoted Islamic debt securities	-	67,606	520*	68,126
Shariah-approved quoted equities	132,502	-	-	132,502
Unquoted Shariah-approved equities	-	996	-	996
Unit trusts	275,771	-	-	275,771
	408,273	337,040	520	745,833

* There were no movements in fair value of Level 3 financial instrument of the Company during the current and previous financial year.

31 FAIR VALUE INFORMATION (CONTINUED)

Financial instruments and non-financial assets carried at fair value (continued)

The following tables show the Company's and Family Takaful Fund's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy (continued):

Company	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2023				
Financial assets at FVOCI:				
Government Investment Issues	-	12,363	-	12,363
Unquoted Islamic debt securities	-	532,221	-	532,221
Financial assets at FVTPL:				
Government Investment Issues	-	314	-	314
Unquoted Islamic debt securities	-	71,274	520*	71,794
Shariah-approved quoted equities	144,734	-	-	144,734
Unit trusts	274,297	-	-	274,297
Financial assets at amortised cost	5,351			5,351
	424,382	616,172	520	1,041,074
2022				
AFS financial assets:				
Government Investment Issues	-	8,119	-	8,119
Unquoted Islamic debt securities	-	456,415	-	456,415
Financial assets at FVTPL:				
Unquoted Islamic debt securities	-	67,606	520*	68,126
Shariah-approved quoted equities	132,502	-	-	132,502
Unquoted Shariah-approved equities	-	996	-	996
Unit trusts	275,771	-	-	275,771
	408,273	533,136	520	941,929

* There were no movements in fair value of Level 3 financial instrument of the Company during the current and previous financial year.

32 SUBSEQUENT EVENT

On 30 January 2024, the Board of Directors has approved the allotment of 50,000,000 new shares of the Company for a total consideration of RM50 million to Zurich Holdings Malaysia Berhad.

33 COMPARATIVE

Certain comparative amounts have been reclassified to conform to the current year's presentation. As disclosed in Note 2.1(a) of financial effects due to the adoption of MFRS 17 *Insurance Contracts*, certain comparative amount have been prepared and presented in accordance with the transition provisions of MFRS 17, as disclosed in the statement of changes in equity and Note 2.1(a), which for adoption impacts of MFRS 17.

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