

Directors' Report and Audited Financial Statements for the financial year ended 31 December 2024



Setting the pace



ZURICH[®]

Takaful

Company No.

200601012246 (731996-H)

ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

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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.

THE BOARD

The Board is responsible for the overall governance of the Company by ensuring strategic guidance, internal control, risk management and reporting procedures are in place. The Board exercises due diligence and care in discharging its duties and responsibilities to ensure compliance with relevant rules, regulations, directives, and guidelines in addition to adopting best practices and acting in the best interest of its shareholder.

THE BOARD CHARTER

The Board Charter sets out the Board’s roles, responsibilities and procedures of the Board and the Board Committees of the Company in accordance with the principles prescribed under the Policy Document on Corporate Governance issued by BNM. The Board regularly reviews the Charter and ensures it remains consistent and relevant to the Board’s objectives and responsibilities, and all regulations/laws in connection thereto.

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 Fairouz 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.

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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 Master's in Public Administration from Harvard University, USA in 1991. Cik Hasnah also holds a Master's 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 to 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. Cik Hasnah was also previously a member of the Appeals Committee of the Securities Industry Dispute Resolution Centre ("SIDREC").

Cik Hasnah also participated as a resource person for 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.

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PROFILE OF DIRECTORS (CONTINUED)

Hasnah binti Omar (continued)

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 MIDF Amanah Asset Management Berhad. She also sits on the Board of Bond Pricing Agency Malaysia Sdn Bhd. Cik Hasnah is a member of Global Association of Risk Professional as well as the member of Islamic Finance - Special Interest Group of FIDE Forum.

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 an 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's 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.

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, SBS Nexus Berhad and Southampton University Malaysia. She is also the Chairman of USAINS Holding Sdn Bhd and Women Leadership Foundation as well as a Member of Board of Trustees of Malaysia Innovation Foundation.

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

PROFILE OF DIRECTORS (CONTINUED)

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 an 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's 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 Bumiputera-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.

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

Dr Fairouz 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.

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PROFILE OF DIRECTORS (CONTINUED)

Dr Mohamed Fairouz bin Abdul Khir (continued)

Dr Fairouz 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 Fairouz also served the Center for Foundation Studies, International Islamic University ("IIUM") for 8 years as a lecturer at the Department of Islamic Revealed Knowledge and Human Sciences from 2002 to 2010.

Apart from serving INCEIF, Dr Fairouz also serves as a 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) and a member of Perak Islamic Religious Council and Malay Customs (Majlis Agama Islam dan Adat Melayu Perak). Dr Fairouz has also served Agrobank as a Shariah Committee member for nine years and a 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 Fairouz is also a registered Shariah adviser with Securities Commission, Malaysia for the Islamic Unit Trust Schemes and Islamic Securities (Sukuk).

As researcher, Dr Fairouz involves actively in research 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.

Matthew William Swinfen Cottrell

British, Male

Executive Director

Mr Matthew William Swinfen Cottrell ("Mr Matthew Cottrell") was appointed as an 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.

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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 2024 included areas of leadership, governance, risk management, climate change, finance, investment, takaful 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 2024, the Board met sixteen (16) times. All the Directors satisfied the minimum attendance of at least 75% of the Board meetings held during the financial year ended 31 December 2024.

The number of meetings attended by each member of the Board during the financial year ended 31 December 2024 is as follows:

<u>Name of Directors</u>	<u>No. of Attendance</u>
Hasnah binti Omar	16/16
Datuk Dr. Hafsah binti Hashim	16/16
Jan Yoke Lan	15/16
Dr Mohamed Fairouz bin Abdul Khir	16/16
Matthew William Swinfen Cottrell	15/16

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.

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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 Fairouz 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;
- (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.

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

Audit Committee ("AC") (continued)

The Audit Committee meets at least once every quarter, or more frequently as circumstances dictate. During the financial year ended 31 December 2024, the Audit Committee held five (5) 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 2024 is as follows:

<u>Name of Directors</u>	<u>No. of Attendance</u>
Jan Yoke Lan	5/5
Hasnah binti Omar	5/5
Datuk Dr. Hafsah binti Hashim	5/5
Dr Mohamed Fairouz bin Abdul Khir	5/5

During the financial year ended 31 December 2024, 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.

Nomination and Remuneration Committee ("NRC")

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

Dr. Mohamed Fairouz 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.

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

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

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.

The number of meetings attended by each member of the Nomination and Remuneration Committee during the financial year ended 31 December 2024 is as follows:

<u>Name of Directors</u>	<u>No. of Attendance</u>
Dr. Mohamed Fairouz bin Abdul Khir	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 Fairouz bin Abdul Khir	Member (Independent Non-Executive Director)

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

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

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 reviews risk management policies and 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;
- (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 the Company's sustainability strategy and objectives, review of the Company'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 2024 is as follows:

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

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

Shariah Committee ("SC")

The members of the Shariah Committee are as follows:

Assoc. Prof. Dr. Mohamed Fairouz bin Abdul Khir	Chairman
Assoc. Prof. Datin Dr. Wan Marhaini binti Wan Ahmad	Member
Dr. Zaharuddin bin Abdul Rahman	Member
Prof. Dr. Zurina binti Shafii	Member
Assoc. Prof. Dr. Mohamad Zaharuddin bin Zakaria	Member
Dr. Nur I'ffah Binti Muhammad Nasir (Appointed on 1 July 2024)	Member

SC consists of six (6) members with diverse backgrounds in terms of qualification, experience and knowledge, which includes the fields of Shariah, accounting and economics, to support the depth and breadth of the Shariah deliberations. Majority of the members are scholars with qualification, expertise and experience in the areas of Shariah especially Islamic Jurisprudence (Fiqh & Usul al-Fiqh).

The Shariah Committee is entrusted by the Board to ensure that the Company's aims and operations, business affairs, activities and products offered are in compliance with Shariah, and, in accordance with the advices or rulings of Shariah Advisory Council ("SAC"). 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 2024 is as follows:

<u>Name of members</u>	<u>No. of Attendance</u>
Assoc. Prof. Dr. Mohamed Fairouz bin Abdul Khir	7/7
Assoc. Prof. Datin Dr. Wan Marhaini binti Wan Ahmad	7/7
Dr. Zaharuddin bin Abdul Rahman	7/7
Prof. Dr. Zurina binti Shafii	7/7
Assoc. Prof Dr. Mohamed Zaharuddin bin Zakaria	7/7
Dr. Nur I'ffah binti Muhammad Nasir (appointed on 1 July 2024)	3/3

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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's aims and operations, business, affairs and activities 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 Risk, Shariah Compliance and Shariah audit
To assess the work carried out by Shariah Risk, Shariah Compliance 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.
- 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.

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ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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.

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 is taken in a timely manner, where necessary. 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.

Zurich promotes risk awareness and understanding of controls through communication and training. Risk management and internal control systems are designed at Group level and implemented across Zurich Malaysia. Management is responsible for identifying, evaluating, managing risk, designing, implementing and maintaining internal controls. Testing effectiveness of relevant internal controls by the second line of defense also forms part of the control life cycle.

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.

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ZURICH TAKAFUL MALAYSIA BERHAD

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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 seven (7) risk types affecting the Company namely (i) Family Takaful Risk, (ii) Market Risk, (iii) Credit Risk, (iv) Operational Risk, (v) Strategic, Reputation Risk, and Sustainability Risk, (vi) Capital Management and Liquidity Risk, and (vii) Shariah non-Compliance Risk.

The Company has established, within its risk management framework, a structural approach to enterprise-wide risk management. The process involves risk identification, assessment, mitigation and monitoring process whereby all department heads of the Company are required to assess 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.

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.

ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

REMUNERATION POLICY (CONTINUED)

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.

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.

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ZURICH TAKAFUL MALAYSIA BERHAD

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DIRECTORS' REPORT

The Directors are pleased to submit their report to the member together with the audited financial statements of the Company for the financial year ended 31 December 2024.

PRINCIPAL ACTIVITY

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

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

FINANCIAL RESULTS

RM'000

Net profit for the financial year

7,924

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

On 30 January 2024, the Company increased its paid-up share capital by RM50,000,000 via the issuance of 50,000,000 new ordinary shares for cash to its immediate holding company. Subsequently, on 30 September 2024, the Company increased its paid-up share capital by an additional RM60,000,000 via the issuance of 60,000,000 new ordinary shares for cash to its immediate holding company.

The new ordinary shares issued in the current financial year ranked pari passu with existing shares as of the respective issuance dates.

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:

<u>Name of Directors</u>	<u>Designation</u>
Hasnah binti Omar	Chairperson (Independent Non-Executive Director)
Datuk Dr. Hafsa binti Hashim	Member (Independent Non-Executive Director)
Jan Yoke Lan	Member (Independent Non-Executive Director)
Dr. Mohamed Fairouz bin Abdul Khir	Member (Independent Non-Executive Director)
Matthew William Swinfen Cottrell	Member (Executive Director)

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ZURICH TAKAFUL MALAYSIA BERHAD

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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 22(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.

INDEMNITY AND INSURANCE 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 USD375 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 RM5,752.

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

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 1.1.2024	Granted/ reinvested dividends	Exercised	At 31.12.2024
<u>Units in Zurich Insurance Group Ltd.</u>				
Direct interest:				
Matthew William Swinfen Cottrell	753	387	(410)	730

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.

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ZURICH TAKAFUL MALAYSIA BERHAD

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DIRECTORS' REPORT (CONTINUED)

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	187
	<u>607</u>

Details of Directors' remuneration are set out in Note 22(a) to the financial statements.

AUDITORS' REMUNERATION

The auditors' remuneration of the Company during the financial year was RM419,000 as disclosed in Note 22.

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Company were prepared, the Directors took reasonable steps:
- (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 known bad debts had been written off 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 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.

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ZURICH TAKAFUL MALAYSIA BERHAD

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DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION (CONTINUED)

(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.

AUDITORS

The auditors, Ernst & Young PLT (LLP0022760-LCA & AF 0039), have expressed their willingness to accept re-appointment as auditors.

Signed on behalf of the Board of the Directors in accordance with their resolution dated 27 March 2025.



HASNAH BINTI OMAR
CHAIRMAN



JAN YOKE LAN
DIRECTOR

Kuala Lumpur
27 March 2025

Company No.

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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 28 to 146 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2024 and of its financial performance and the cash flows for the financial year then ended in accordance with MFRS Accounting Standards, IFRS Accounting 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 27 March 2025.



HASNAH BINTI OMAR
CHAIRMAN



JAN YOE LAN
DIRECTOR

Kuala Lumpur
27 March 2025

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

I, Nur Fatimah 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 28 to 146 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 FATIMAH BINTI MUSTAFA

Subscribed and solemnly declared by the above named Nur Fatimah binti Mustafa at Kuala Lumpur in Malaysia on 27 March 2025.

Before me,



B-9-11, Plaza Mont' Kiara,
No.2, Jalan Kiara, Mont' Kiara,
50480 Kuala Lumpur.

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ZURICH TAKAFUL MALAYSIA BERHAD
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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 Document 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 2024.

The Management of the Company bears the responsibility to ensure that its objectives, operations, business activities, and affairs are in compliance with Shariah rules, principles, and rulings as laid down by the pertinent Shariah authorities. Consequently, it is incumbent upon us to provide an independent opinion, based on our comprehensive review of the Company's business and operations, to compile this report.

We had six (6) seating of scheduled meetings and one (1) special meeting for the financial year 2024 with all the members of SC satisfying the minimum attendance of at least 75% requirement as laid down in Paragraph 11.4 of the Shariah Governance Policy Document of BNM. 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 Research, 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 the 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 come 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.

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ZURICH TAKAFUL MALAYSIA BERHAD

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Shariah Committee's Report (continued)

Shariah Compliance Culture

In our efforts to elevate the professionalism and fortify the capabilities of the SC members, we have undertaken a series of strategic initiatives. Notably, we have enrolled in the Certified Shariah Advisor ("CSA") program organised by the Association of Shariah Advisors in Islamic Finance ("ASAS"). Furthermore, to remain at the forefront of industry advancements, we have actively participated in a variety of pertinent training programs, seminars, and events.

Various engagements and activities have been implemented to instill a strong compliance culture, integrity, and high ethical standards among the Company's staff. Throughout 2024, a total of seventeen sessions of Shariah training were conducted for the Company's stakeholders. In addition, Z-Fence Awareness program was conducted with strong participation from all three lines of defence.

Overall, we are confident that these programs will enhance the awareness of Shariah and Takaful principles and inculcate a culture of Shariah compliance 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. Their key functions are documented with clear roles and responsibilities, in accordance with Shariah Governance Policy Document of BNM and other relevant regulatory requirements. The Shariah control functions are as follows :

- (i) **Shariah Review (internally known as Shariah Compliance)**
In 2024, 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 in collaboration with Shariah Management Services Department.
- (ii) **Shariah Risk**
Shariah Risk Management presented initiatives aimed at enhancing awareness among staff and fostering a culture of Shariah risk within the Company. This involved spearheading the annual Z-Fence Awareness initiatives, which comprised both virtual and physical sessions, with robust participation from all three lines of defense. Additionally, Shariah Risk Management conducted awareness sessions on Operational Risk Reporting (ORR) and Shariah Non-Compliance (SNC) reporting for targeted functions, in collaboration with Risk Management. As part of an ongoing review process, the Shariah Risk Management Policy and Standard Operating Procedure (SOP) for SNC Event Reporting have been updated to reflect current arrangements for addressing potential Shariah non-compliance incidents.
- (iii) **Shariah Audit**
In the same period, Internal Audit had presented to us one report on Shariah Governance together with findings from other audits on Underwriting, Product Development Transparency and Disclosure, Verification of Reporting to Perbadanan Insurans Deposit Malaysia ("PIDM"), Billing and Collection, Business Resilience, Business Continuity Planning/ Disaster Recovery Planning ("BCP/DRP") Testing Phase 2 2023 and BCP/DRP Testing Phase 1 2024, Compliance to Replacement of Certificates and Cloud Applications including Deployment Process – which also covered Shariah requirements for our information. There were no Shariah non-compliance findings identified.

Shariah Non-Compliance ("SNC")

In 2024, no SNC incident was reported to the Shariah Committee and the Board.

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ZURICH TAKAFUL MALAYSIA BERHAD

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Shariah Committee's Report (continued)

Business Zakat

During the financial year, the Company had carried out their responsibility to perform zakat guided by the internal policy that were approved by us. The zakat provision is calculated based on the profit before tax ("PBT") method.

Conclusion

Based on the above, in our opinion, and to the best of our knowledge, nothing has come to the Shariah Committee's attention that causes the Shariah committee to believe that the operations, business, affairs and activities of the Zurich Takaful Malaysia Berhad involve any material Shariah non-compliances.

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 2024 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 BIN ABDUL
KHIR

Shariah Committee

:



ASSOC. PROF. DATIN DR WAN MARHAINI WAN
AHMAD

Kuala Lumpur
27 March 2025

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 statement of financial position as at 31 December 2024, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 28 to 146.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and cash flows for the year then ended in accordance with MFRS Accounting Standards, IFRS Accounting 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, which we obtained prior to the date of this auditors' report, and the Sustainability Statement, which is expected to be made available to us after the date of this auditors' report.

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.



**Shape the future
with confidence**

200601012246 (731996-H)

**Independent auditors' report to the member of
Zurich Takaful Malaysia Berhad (cont'd.)**

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.

When we read the Sustainability Statement, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

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 MFRS Accounting Standards, IFRS Accounting 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.



**Shape the future
with confidence**

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**Independent auditors' report to the member of
Zurich Takaful Malaysia Berhad (cont'd.)**

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.



Shape the future
with confidence

200601012246 (731996-H)

Independent auditors' report to the member of
Zurich Takaful Malaysia Berhad (cont'd.)

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

Kuala Lumpur, Malaysia
27 March 2025



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

Company No.

200601012246 (731996-H)

ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	Note	Family Takaful Fund			Company		
		31.12.2024	31.12.2023	01.01.2023	31.12.2024	31.12.2023	01.01.2023
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS			Restated	Restated		Restated	Restated
Property and equipment	5	-	-	-	6,982	6,791	6,150
Right-of-use assets	6	-	-	-	2,020	3,062	4,659
Intangible assets	7	-	-	-	-	51	466
Investments	8	976,653	824,854	745,833	1,291,547	1,041,074	941,929
Retakaful certificate assets	13	6,936	-	3,010	6,936	-	3,010
Other receivables	9	1,028	829	1,201	1,982	5,846	3,778
Tax recoverable		1,595	2,404	2,712	12,599	8,120	4,514
Deferred tax assets	10	-	2,726	5,441	-	4,236	13,768
Cash and cash equivalents		83,415	82,112	93,029	105,213	97,265	118,942
TOTAL ASSETS		1,069,627	912,925	851,226	1,427,279	1,166,445	1,097,216

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

Company No.

200601012246 (731996-H)

ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

		Family Takaful Fund			Company		
	Note	31.12.2024 RM'000	31.12.2023 RM'000 Restated	01.01.2023 RM'000 Restated	31.12.2024 RM'000	31.12.2023 RM'000 Restated	01.01.2023 RM'000 Restated
EQUITY, PARTICIPANTS' FUND AND SHAREHOLDER'S EQUITY							
Share capital	14	-	-	-	290,000	180,000	180,000
Retained earnings		-	-	-	36,130	28,206	14,472
Other reserve		-	-	-	1,900	556	(653)
TOTAL SHAREHOLDER'S EQUITY		-	-	-	328,030	208,762	193,819
LIABILITIES							
Takaful certificate liabilities	13	1,029,186	874,946	808,343	1,032,018	897,744	856,515
Retakaful certificate liabilities	13	-	1,689	-	-	1,689	-
Lease liabilities	12	-	-	-	2,085	3,219	4,749
Tax payable		2,592	1,694	1,084	2,592	1,694	1,084
Deferred tax liabilities	10	4,327	-	-	2,862	-	-
Other liabilities	11	33,522	34,596	41,799	59,692	53,337	41,049
TOTAL LIABILITIES		1,069,627	912,925	851,226	1,099,249	957,683	903,397
TOTAL LIABILITIES, PARTICIPANTS' FUND AND SHAREHOLDER'S EQUITY							
		1,069,627	912,925	851,226	1,427,279	1,166,445	1,097,216

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

Company No.

200601012246 (731996-H)

ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	Note	Family Takaful Fund		Company	
		2024 RM'000	2023 RM'000 Restated	2024 RM'000	2023 RM'000 Restated
Takaful revenue	17	334,019	328,410	294,579	260,670
Takaful service expenses	18	(300,919)	(290,091)	(266,408)	(219,810)
Takaful service result before retakaful certificates held		33,100	38,319	28,171	40,860
Allocation of retakaful contributions	19	(23,967)	(31,321)	(23,967)	(31,321)
Amounts recoverable from retakaful operators for incurred claims	19	18,731	25,547	18,731	25,547
Net expense from retakaful certificates held		(5,236)	(5,774)	(5,236)	(5,774)
Takaful service result		27,864	32,545	22,935	35,086
Investment income	20(i)	29,516	25,740	40,141	34,235
Realised gains	20(ii)	9,071	2,978	9,180	2,916
Fair value gains	20(iii)	84,486	16,218	84,486	16,218
Reversal of impairment loss/ (impairment loss) on financial assets		663	(166)	801	(322)
Total investment income		123,736	44,770	134,608	53,047

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

Company No.

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ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	Note	Family Takaful Fund		Company	
		2024 RM'000	2023 RM'000 Restated	2024 RM'000	2023 RM'000 Restated
Takaful finance expense for takaful certificates issued	21	(165,383)	(78,480)	(140,296)	(48,515)
Retakaful finance income/(expense) for retakaful certificates held	21	19,240	(60)	19,240	(60)
Net takaful finance result		(146,143)	(78,540)	(121,056)	(48,575)
Fee income		3,951	3,641	3,951	3,641
Other operating income/(expenses)	22	-	461	(24,056)	(17,563)
Finance cost		-	-	(20)	(33)
Profit before zakat and taxation		9,408	2,877	16,362	25,603
Tax expense attributable to participants	23	(9,408)	(2,877)	(9,408)	(2,877)
Tax expense attributable to Takaful Operator	23	-	-	970	(8,031)
Zakat		-	-	-	(961)
Net profit for the financial year		-	-	7,924	13,734
Basic and diluted earnings per share (sen)	15	-	-	3.28	7.63

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

Company No.

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ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	Note	Family Takaful Fund		Company	
		2024 RM'000	2023 RM'000 Restated	2024 RM'000	2023 RM'000 Restated
Net profit for the financial year		-	-	7,924	13,734
Other comprehensive income, net of tax:					
<i>Items that may be subsequently reclassified to profit or loss in subsequent periods:</i>					
Fair value through other comprehensive income investments:					
Gross gains on fair value changes		1,890	11,408	1,848	14,685
Realised gains transferred to profit or loss		90	177	200	115
Change in allowance for Expected Credit Loss ("ECL")		(663)	166	(801)	321
Deferred tax expenses		(105)	(940)	(89)	(1,749)
Net gains on fair value changes		1,212	10,811	1,158	13,372
Takaful finance income for takaful certificates issued	21	479	3,721	1,877	2,369
Retakaful finance expense from retakaful certificates held	21	(71)	(29)	(71)	(29)
Other comprehensive loss attributable to participants	21	(1,620)	(14,503)	(1,620)	(14,503)
Total other comprehensive income, net of tax		-	-	1,344	1,209
Total comprehensive income for the financial year		-	-	9,268	14,943

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 2024

Company	Note	Issued and fully paid-up ordinary shares	Non-distributable		Distributable	Total
		Share capital	Fair value reserve	Takaful/ retakaful finance reserves	Retained earnings	
		RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2023 (As previously stated)		180,000	(1,980)	1,327	50,125	229,472
Effects of prior year adjustments	33	-	-	-	(35,653)	(35,653)
At 1 January 2023 (Restated)		180,000	(1,980)	1,327	14,472	193,819
Net profit for the financial year		-	-	-	13,734	13,734
Other comprehensive income for the year		-	2,561	(1,352)	-	1,209
At 31 December 2023		<u>180,000</u>	<u>581</u>	<u>(25)</u>	<u>28,206</u>	<u>208,762</u>
At 1 January 2024		180,000	581	(25)	28,206	208,762
Issuance of shares during the financial year	14	110,000	-	-	-	110,000
Net profit for the financial year		-	-	-	7,924	7,924
Other comprehensive income for the year		-	(54)	1,398	-	1,344
At 31 December 2024		<u>290,000</u>	<u>527</u>	<u>1,373</u>	<u>36,130</u>	<u>328,030</u>

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 2024

		Company	
	Note	2024 RM'000	2023 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operating activities	24	(124,723)	(36,667)
Profit income received		30,265	25,048
Income tax paid		(3,970)	(6,242)
Net cash flows used in operating activities		(98,428)	(17,861)
CASH FLOW FROM INVESTING ACTIVITY			
Purchase of property and equipment	5	(2,110)	(2,072)
Net cash flow used in investing activity		(2,110)	(2,072)
CASH FLOWS FINANCING ACTIVITIES			
Proceeds from issuance of shares	14	110,000	-
Payment of lease liabilities	12	(1,514)	(1,744)
Net cash flows generated from/ (used in) financing activities		108,486	(1,744)
Net increase/(decrease) in cash and cash equivalents		7,948	(21,677)
Cash and cash equivalents at the beginning of the financial year		97,265	118,942
Cash and cash equivalents at the end of the financial year		105,213	97,265
Cash and cash equivalents comprise:			
Cash and bank balances		105,213	89,265
Fixed deposit with licensed financial institutions with original maturities of less than 3 months		-	8,000
		105,213	97,265

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

Company No.

200601012246 (731996-H)

ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

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 27 March 2025.

ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**2. BASIS OF PREPARATION****(a) Statement of compliance**

The financial statements of the Company have been prepared in accordance with MFRS Accounting Standards, IFRS Accounting Standards, the 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 Takaful 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.

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new pronouncements as follows:

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

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

ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

The following are Standards, and Amendments to Standards issued by the Malaysian Accounting Standards Board ("MASB"), but are not yet effective, up to the date of issuance of the Company's financial statements. The Company intends to adopt these Standards and Amendments to Standards, if applicable, when they become effective.

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

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2026

- Amendments to MFRS 1 *First-time adoption of Malaysian Financial Reporting Standards*
- Amendments to MFRS 9 *Financial Instruments* and MFRS 7 *Financial Instruments: Disclosures* – Classification and Measurement of Financial Instruments
- Amendments to MFRS 9 *Financial Instruments* and MFRS 7 *Financial Instruments: Disclosures* – Contracts Referencing Nature-dependent Electricity
- Amendments to MFRS 10 *Consolidated Financial Statements*
- Amendments to MFRS 107 *Statement of Cash Flows*

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2027

- MFRS 18 *Presentation and Disclosure in Financial Statements*
- MFRS 19 *Subsidiaries without Public Accountability: Disclosures*

The adoption of the above pronouncements are not expected to have a material financial impact to the financial statements of the Company in the period of initial application.

(b) Basis of measurement

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

Company No.

200601012246 (731996-H)

ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

(d) Critical accounting estimates and judgements

The preparation of financial statements in conformity with MFRS Accounting Standards and IFRS Accounting Standards 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.

ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**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(i) 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) LeasesThe 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).

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.

ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****(b) Leases (continued)**The Company as a lessee (continued)**(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)(iv) 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.

(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.

ZURICH TAKAFUL MALAYSIA BERHAD

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****(b) Leases (continued)****(iii) Lease liabilities (continued)**

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 rate 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.

(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 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 assets**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.

ZURICH TAKAFUL MALAYSIA BERHAD

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****(c) Intangible assets (continued)**

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

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.

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 – debt 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.

ZURICH TAKAFUL MALAYSIA BERHAD

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****(d) Financial asset (continued)****Classification of financial assets (continued)**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.

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(d) Financial asset (continued)

Classification of financial assets (continued)

Business model assessment (continued)

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.

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.

(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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****(e) Fair value of financial assets (continued)**

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.

(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

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****(i) Impairment of financial assets (continued)**

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.

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.

(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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****(j) Impairment of non-financial assets (continued)**

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 ("PRF"). 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.

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 certificates issued by the Company are certificates 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 certificate.

(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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****(I) Takaful and retakaful certificates accounting treatment (continued)****(i) Separating components from takaful and retakaful certificates (continued)**

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.

(ii) Level of aggregation

MFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(I) 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 of certificates 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.

(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 a takaful certificate if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the participant to pay the contributions, or in which the Company has a substantive obligation to provide the participant with services.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

(v) Contract boundary (continued)

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:
 - (i) 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; and
 - (ii) 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.

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. While the Company operates on multiple funds, only a single risk adjustment is recognised in the Takaful Operator Fund, representing all non-financial risk associated with the takaful certificates.

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.

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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 participant.
- 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.

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(I)(vi)(vi)(ii).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****(I) Takaful and retakaful certificates accounting treatment (continued)****(vi) Measurement – not measured under PAA (continued)****(i) Takaful certificates – initial measurement (continued)**

In estimating the fulfilment cash flows of the PRF, remaining surplus of the PRF are distributed to the Takaful Operator Fund and participants. Hence, there would be zero cash flows remaining in PRF i.e. no unearned profit in the PRF. The surplus outgo from the PRF would be treated as part of the fulfilment cash flows in the PRF. Similarly, the surplus income will be treated as fulfilment cash flows in the Takaful Operator Fund and Participant Investment Fund. Since the surplus of the PRF is reflected in the fulfilment cash flows of the Takaful Operator Fund, the resulting impact is that there will be one CSM recognised for a takaful certificates (i.e. in the Takaful Operator Fund) and no CSM will be recognised at Family Takaful Fund. Correspondingly, loss component should only be reflected in Takaful Operator Fund.

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 a 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.

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(I)(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(I)(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(I)(vi)(i)).

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

(ii) Takaful certificates – subsequent measurement (continued)

Takaful certificates without direct participation features (continued)

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 4(i)(b)) 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.
- 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 4(i)(b)).

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****(I) Takaful and retakaful certificates accounting treatment (continued)**

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

(ii) Takaful certificates – subsequent measurement (continued)

Takaful certificates with direct participation features

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.

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 certificates 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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

(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.
- 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.

There are no risk adjustments, CSM and loss recovery components for retakaful certificates held as the surplus arising from retakaful certificates held in the family takaful fund will be transferred to the underlying direct takaful certificates.

(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 PRF within the Family Takaful Fund is made good via a Qard, which is a profit free financing, granted by the Takaful Operator Fund to the PRF. In the PRF, 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 Takaful Operator Fund.

The Qard shall be repaid from future surpluses of the PRF.

ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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

(vi) Presentation of takaful certificates and retakaful certificates held

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.

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

ZURICH TAKAFUL MALAYSIA BERHAD

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****(I) Takaful and retakaful certificates accounting treatment (continued)****(vi) Measurement – not measured under PAA (continued)****(vi) Presentation of takaful certificates and retakaful certificates held (continued)****(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.

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 4(i)(d) for current discount rates.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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

(vi) Presentation of takaful certificates and retakaful certificates held (continued)

(iii) Takaful finance income and expense (continued)

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.

(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.

ZURICH TAKAFUL MALAYSIA BERHAD

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(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.

(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) 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.

ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(s) 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.

(t) 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.

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.

Realised gains and losses on investments

Realised gains and losses recorded in profit or loss on investments include gains and losses on financial assets and investment properties. Gains and losses on disposal of investments are calculated as the difference between net sales proceeds and the original or amortised cost, and are recorded on occurrence of the sale transaction.

ZURICH TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(u) 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.

(v) 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.

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 their 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").

ZURICH TAKAFUL MALAYSIA BERHAD

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****(w) Employee benefits (continued)**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.

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.

ZURICH TAKAFUL MALAYSIA BERHAD

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(x) Fair value measurements (continued)

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) Wakalah fee

The wakalah fee is defined as a fee arranged under wakalah contract where the Takaful Operator is entitled to receive fees for carrying out the authorised tasks that have been delegated to the Takaful Operator. The wakalah fee is an income to the Takaful Operator and is charged to the participants and correspondingly recognised as an expense in the respective funds' profit or loss.

The fee can be fixed amount or as a percentage ratio of the contribution or fund value. The manner of payment can be in one lump sum or in several payments. This is in accordance with the principal of wakalah as approved by the Shariah Committee and the fee is determined and agreed between the participants and the Takaful Operator at the time of entering into the contract.

Commission, acquisition costs and management expenses of the Family Takaful Fund are borne by the Takaful Operator and included as a component of wakalah fee income.

(z) 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.

ZURICH TAKAFUL MALAYSIA BERHAD

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**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.

(a) 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 certificate holder 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.

- 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) certificate holder gender, underwriting class and certificate type.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

(i) Takaful and retakaful certificates (continued)

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

- 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 certificate holders. 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.

(b) 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

(i) Takaful and retakaful certificates (continued)

(c) 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 certificates issued by insurance and takaful entities in the Zurich Group, in a way 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 takaful 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% (2023: 99.95%). The confidence level applied for retakaful certificates held is 99.95% (2023: 99.95%).

(d) 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 amortised and 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY AND EQUIPMENT

Company

	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Renovation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Cost</u>						
At 1 January 2023	4,698	4,294	214	2,014	4,010	15,230
Additions	1,938	-	-	134	-	2,072
At 31 December 2023/ 1 January 2024	6,636	4,294	214	2,148	4,010	17,302
Additions	1,191	-	377	-	542	2,110
Write-off	(310)	(1,446)	-	(506)	(647)	(2,909)
At 31 December 2024	7,517	2,848	591	1,642	3,905	16,503

	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Renovation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accumulated depreciation</u>						
At 1 January 2023	2,364	3,291	51	1,498	1,876	9,080
Charge for the financial year (Note 22)	864	123	43	105	296	1,431
At 31 December 2023/ 1 January 2024	3,228	3,414	94	1,603	2,172	10,511
Charge for the financial year (Note 22)	1,205	122	74	84	304	1,789
Write-off	(310)	(1,446)	-	(506)	(517)	(2,779)
At 31 December 2024	4,123	2,090	168	1,181	1,959	9,521

Net carrying amount

At 31 December 2023	3,408	880	120	545	1,838	6,791
At 31 December 2024	3,394	758	423	461	1,946	6,982

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ZURICH TAKAFUL MALAYSIA BERHAD

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	2024	2023
	RM'000	RM'000
<u>Cost</u>		
At 1 January	11,070	11,829
Remeasurement	267	82
Termination	(294)	(841)
At 31 December	<u>11,043</u>	<u>11,070</u>
<u>Accumulated depreciation</u>		
At 1 January	8,008	7,170
Depreciation during the financial year (Note 22)	1,309	1,679
Termination	(294)	(841)
At 31 December	<u>9,023</u>	<u>8,008</u>
<u>Net carrying amount</u>		
At 31 December	<u>2,020</u>	<u>3,062</u>

There are no short-term leases and leases of low-value assets as at 31 December 2024 and 2023.

The following are the amounts recognised in profit or loss:

Company

	2024	2023
	RM'000	RM'000
Depreciation of right-of-use assets (Note 22)	1,309	1,679
Interest expense on lease liabilities (Note 12)	113	132
Total amount recognised in profit or loss	<u>1,422</u>	<u>1,811</u>

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ZURICH TAKAFUL MALAYSIA BERHAD

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. INTANGIBLE ASSETS

Company

	2024 RM'000	2023 RM'000
<u>Cost</u>		
At 1 January	4,545	4,545
Disposals	(357)	-
At 31 December	4,188	4,545
<u>Accumulated amortisation</u>		
At 1 January	4,494	4,079
Amortisation for the financial year (Note 22)	51	415
Disposals	(357)	-
At 31 December	4,188	4,494
<u>Net carrying amount</u>		
At 31 December	-	51

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INVESTMENTS

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

	Family Takaful Fund		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
<u>At 31 December</u>				
(a) Financial assets at FVOCI	408,794	333,715	723,688	544,584
(b) Financial assets at FVTPL	567,859	491,139	567,859	491,139
(c) Financial assets at amortised cost	-	-	-	5,351
	<u>976,653</u>	<u>824,854</u>	<u>1,291,547</u>	<u>1,041,074</u>

The following investments mature after 12 months:

<u>At 31 December</u>				
Financial assets at FVOCI	408,284	330,631	685,653	516,065
Financial assets at FVTPL	75,839	71,600	75,839	71,600
	<u>484,123</u>	<u>402,231</u>	<u>761,492</u>	<u>587,665</u>

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

(a) Financial assets at FVOCI

	Family Takaful Fund		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
<u>At fair value</u>				
Government Investment Issues	17,575	12,363	17,575	12,363
Unquoted Islamic debt securities	391,219	321,352	706,113	532,221
	<u>408,794</u>	<u>333,715</u>	<u>723,688</u>	<u>544,584</u>

(b) Financial assets at FVTPL

	Family Takaful Fund		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
<u>At fair value</u>				
Government Investment Issues	2,418	314	2,418	314
Unquoted Islamic debt securities	75,412	71,794	75,412	71,794
Shariah-approved quoted equities	167,493	144,734	167,493	144,734
Unit trusts	322,536	274,297	322,536	274,297
	<u>567,859</u>	<u>491,139</u>	<u>567,859</u>	<u>491,139</u>

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

(c) Financial assets at amortised cost

	Family Takaful Fund		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
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 2024, the Company has fixed deposits of Nil (2023: RM5,351,000), placed with a licensed Islamic bank, with original maturity term of more than 3 months.

(d) Carrying value of investments

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

	Family Takaful Fund		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets at FVOCI</u>				
At 1 January	333,715	268,438	544,584	464,534
Purchases	101,284	70,948	241,405	114,439
Disposals (sales and redemption)	(27,665)	(17,612)	(63,818)	(48,719)
Realised gain	90	177	200	115
Fair value gain recorded in OCI	1,980	11,585	2,048	14,800
Movement in accrued profit	557	1,212	1,490	1,479
Amortisation of premium	(1,167)	(1,033)	(2,221)	(2,064)
At 31 December	408,794	333,715	723,688	544,584
<u>Financial assets at FVTPL</u>				
At 1 January	491,139	477,395	491,139	477,395
Purchases	103,848	106,517	103,849	106,517
Disposals (sales and redemption)	(120,446)	(111,694)	(120,446)	(111,694)
Realised gain	8,981	2,801	8,980	2,801
Fair value gain recorded in profit or loss	84,486	16,218	84,486	16,218
Movement in accrued profit	34	99	34	99
Amortisation of premium	(183)	(197)	(183)	(197)
At 31 December	567,859	491,139	567,859	491,139

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**9. OTHER RECEIVABLES**

	Family Takaful Fund		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Other receivables, deposits and prepayments	1,028	829	1,982	5,846
Receivable within 12 months	1,028	829	1,982	5,846

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 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 TAX ASSETS/(LIABILITIES)

	Family Takaful Fund		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
At 1 January (as previously stated)	2,726	5,441	(8,236)	2,508
Effects of prior year adjustments (Note 33)	-	-	12,472	11,260
At 1 January (restated)	2,726	5,441	4,236	13,768
Recognised in:				
Profit or loss	(6,948)	(1,775)	(7,009)	(7,783)
Other comprehensive income	(105)	(940)	(89)	(1,749)
At 31 December	(4,327)	2,726	(2,862)	4,236

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

	2024	2023
	RM'000	RM'000
Deferred tax assets	2,934	2,884
Deferred tax liabilities	(7,261)	(158)
	(4,327)	2,726

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**10. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)**Family Takaful Fund (continued)

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	Total
	RM'000	RM'000
At 1 January 2024	2,884	2,884
Recognised in:		
Profit or loss	50	50
Other comprehensive income	-	-
At 31 December 2024	<u>2,934</u>	<u>2,934</u>
At 1 January 2023	5,441	5,441
Recognised in:		
Profit or loss	(1,775)	(1,775)
Other comprehensive income	(782)	(782)
At 31 December 2023	<u>2,884</u>	<u>2,884</u>

(ii) Deferred tax liabilities

	Investments	Total
	RM'000	RM'000
At 1 January 2024	(158)	(158)
Recognised in:		
Profit or loss	(6,998)	(6,998)
Other comprehensive income	(105)	(105)
At 31 December 2024	<u>(7,261)</u>	<u>(7,261)</u>
At 1 January 2023	-	-
Recognised in:		
Profit or loss	-	-
Other comprehensive income	(158)	(158)
At 31 December 2023	<u>(158)</u>	<u>(158)</u>

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10. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Company

	31.12.2024 RM'000	31.12.2023 RM'000 Restated	1.1.2023 RM'000 Restated
Deferred tax assets	18,992	15,515	17,976
Deferred tax liabilities	(21,854)	(11,279)	(4,208)
	<u>(2,862)</u>	<u>4,236</u>	<u>13,768</u>

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 2024	4,255	11,260	15,515
Recognised in:			
Profit or loss	3,477	-	3,477
Other comprehensive income	-	-	-
At 31 December 2024	<u>7,732</u>	<u>11,260</u>	<u>18,992</u>
At 1 January 2023 (as previously stated)	6,716	-	6,716
Effects of prior year adjustments (Note 33)	-	11,260	11,260
At 1 January 2023 (restated)	<u>6,716</u>	<u>11,260</u>	<u>17,976</u>
Recognised in:			
Profit or loss	(1,679)	-	(1,679)
Other comprehensive income	(782)	-	(782)
At 31 December 2023	<u>4,255</u>	<u>11,260</u>	<u>15,515</u>

(ii) Deferred tax liabilities

	Property and equipment RM'000	Investments RM'000	Takaful certificate liabilities RM'000	Total RM'000
At 1 January 2024	(346)	(930)	(10,003)	(11,279)
Recognised in:				
Profit or loss	66	(6,945)	(3,607)	(10,486)
Other comprehensive income	-	(175)	86	(89)
At 31 December 2024	<u>(280)</u>	<u>(8,050)</u>	<u>(13,524)</u>	<u>(21,854)</u>
At 1 January 2023	(213)	-	(3,995)	(4,208)
Recognised in:				
Profit or loss	(133)	-	(5,971)	(6,104)
Other comprehensive income		(930)	(37)	(967)
At 31 December 2023	<u>(346)</u>	<u>(930)</u>	<u>(10,003)</u>	<u>(11,279)</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. OTHER LIABILITIES

	Family Takaful Fund		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Accruals for agency related expenses	-	-	26,491	19,516
Accruals for staff costs	-	-	2,495	3,054
Other liabilities and accruals	7,299	6,997	30,706	30,767
	<u>7,299</u>	<u>6,997</u>	<u>59,692</u>	<u>53,337</u>
Balances payable to the Takaful Operator*:				
Wakalah fee payable	13,083	13,146	-	-
Tharawat fees payable	949	280	-	-
Other amounts payable	12,191	14,173	-	-
	<u>26,223</u>	<u>27,599</u>	<u>-</u>	<u>-</u>
Total other liabilities	<u>33,522</u>	<u>34,596</u>	<u>59,692</u>	<u>53,337</u>
Payable within 12 months	<u>33,522</u>	<u>34,596</u>	<u>59,692</u>	<u>53,337</u>

* Amounts due to the 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

	2024	2023
	RM'000	RM'000
At 1 January	3,219	4,749
Remeasurement	267	82
Interest expense (Note 6)	113	132
Payment for lease liabilities	(1,514)	(1,744)
At 31 December	<u>2,085</u>	<u>3,219</u>
Repayable within 12 months	1,494	1,560
Repayable after 12 months	591	1,659
	<u>2,085</u>	<u>3,219</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. TAKAFUL AND RETAKAFUL CERTIFICATES ASSETS/LIABILITIES

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:

	31.12.2024			31.12.2023			01.01.2023		
	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
<u>Family Takaful Fund</u>									
Takaful certificates									
Takaful certificates issued	-	(1,029,186)	(1,029,186)	-	(874,946)	(874,946)	-	(808,343)	(808,343)
Retakaful certificates held	6,936	-	6,936	-	(1,689)	(1,689)	3,010	-	3,010
Takaful and retakaful certificates assets/(liabilities)	6,936	(1,029,186)	(1,022,250)	-	(876,635)	(876,635)	3,010	(808,343)	(805,333)
	31.12.2024			31.12.2023 (Restated)			01.01.2023 (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
<u>Company</u>									
Takaful certificates									
Takaful certificates issued*	-	(1,032,018)	(1,032,018)	-	(897,744)	(897,744)	-	(856,515)	(856,515)
Retakaful certificates held	6,936	-	6,936	-	(1,689)	(1,689)	3,010	-	3,010
Takaful and retakaful certificates assets/(liabilities)	6,936	(1,032,018)	(1,025,082)	-	(899,433)	(899,433)	3,010	(856,515)	(853,505)

*The takaful certificate liabilities of the Company as at 31 December 2023 and 1 January 2023 have been restated as a result of the prior year adjustments disclosed in Note 33.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. TAKAFUL AND RETAKAFUL CERTIFICATES ASSETS/LIABILITIES (CONTINUED)

(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:

Note	2024				2023			
	Liabilities for remaining coverage				Liabilities for remaining coverage			
	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	815,236	-	59,710	874,946	751,494	-	56,849	808,343
Net family takaful certificate liabilities as at 1 January	815,236	-	59,710	874,946	751,494	-	56,849	808,343
Takaful revenue	(334,019)	-	-	(334,019)	(328,410)	-	-	(328,410)
Expected incurred claims and other takaful service expenses	(326,870)	-	-	(326,870)	(327,549)	-	-	(327,549)
Other amount	(7,149)	-	-	(7,149)	(861)	-	-	(861)
Takaful service expense	-	-	300,919	300,919	-	-	290,091	290,091
Incurred claims and other takaful service expenses	-	-	300,919	300,919	-	-	290,091	290,091
Investment components	(88,612)	-	88,612	-	(86,340)	-	86,340	-

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13. TAKAFUL AND RETAKAFUL CERTIFICATES ASSETS/LIABILITIES (CONTINUED)

(a) Takaful certificates issued (continued)

		2024				2023			
		Liabilities for remaining coverage				Liabilities for remaining coverage			
	Note	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component	Loss component	Liabilities for incurred claims	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family Takaful Fund (continued)									
Takaful service result		(422,631)	-	389,531	(33,100)	(414,750)	-	376,431	(38,319)
Takaful finance expenses		166,595	-	-	166,595	89,291	-	-	89,291
Total changes in the statement of profit or loss and OCI		(256,036)	-	389,531	133,495	(325,459)	-	376,431	50,972
Cash flows									
Contributions and contribution tax received		422,483	-	-	422,483	392,538	-	-	392,538
Qard repaid	a	-	-	-	-	(3,337)	-	-	(3,337)
Claims and other expenses paid including investment components		-	-	(383,871)	(383,871)	-	-	(373,570)	(373,570)
Total cash flows		422,483	-	(383,871)	38,612	389,201	-	(373,570)	15,631
Other movements		(17,867)	-	-	(17,867)	-	-	-	-
Net takaful certificate liabilities as at 31 December		963,816	-	65,370	1,029,186	815,236	-	59,710	874,946

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. TAKAFUL AND RETAKAFUL CERTIFICATES ASSETS/LIABILITIES (CONTINUED)

(a) Takaful certificates issued (continued)

Notes:

- (a) Fulfilment cash flows include obligations to repay Qard advanced by the Takaful Operator Fund to the Family Takaful Fund. Qard was advanced by the Takaful Operator 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.

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13. TAKAFUL AND RETAKAFUL CERTIFICATES ASSETS/LIABILITIES (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:

Note	2024				2023 (Restated)			
	Liabilities for remaining coverage				Liabilities for remaining coverage			
	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
Company								
Net takaful certificate liabilities as at 1 January (As previously stated)	777,162	59,249	61,333	897,744	684,057	68,442	57,103	809,602
Effects of prior year adjustments	-	-	-	-	36,353	10,560	-	46,913
Net takaful certificate liabilities as at 1 January (As restated)	777,162	59,249	61,333	897,744	720,410	79,002	57,103	856,515
Takaful revenue	(294,579)	-	-	(294,579)	(260,670)	-	-	(260,670)
Expected incurred claims and other takaful service expenses	(202,391)	-	-	(202,391)	(182,284)	-	-	(182,284)
Change in risk adjustment for non-financial risk expired	(3,325)	-	-	(3,325)	(3,396)	-	-	(3,396)
CSM recognised for services provided	(25,978)	-	-	(25,978)	(29,091)	-	-	(29,091)
Recovery of takaful acquisitions cashflows	(55,736)	-	-	(55,736)	(45,038)	-	-	(45,038)
Other amount	(7,149)	-	-	(7,149)	(861)	-	-	(861)

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13. TAKAFUL AND RETAKAFUL CERTIFICATES ASSETS/LIABILITIES (CONTINUED)

(a) Takaful certificates issued (continued)

2024					2023				
Note	Liabilities for remaining coverage				Liabilities for remaining coverage				
	Excluding	Loss	Liabilities	Total	Excluding	Loss	Liabilities	Total	
	loss	component	for incurred		loss	component	for incurred		
	component		claims		component		claims		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Company									
Takaful service expense	18	55,736	5,262	205,410	266,408	45,038	(23,596)	198,368	219,810
Incurred claims and other takaful service expenses		-	-	205,410	205,410	-	-	198,368	198,368
Net losses recognised on onerous certificates and reversals of those losses		-	5,262	-	5,262	-	(23,596)	-	(23,596)
Amortisation of takaful acquisition cash flows		55,736	-	-	55,736	45,038	-	-	45,038
Investment components		(88,612)	-	88,612	-	(86,340)	-	86,340	-
Takaful service result		(327,455)	5,262	294,022	(28,171)	(301,972)	(23,596)	284,708	(40,860)
Takaful finance expenses		139,216	894	-	140,110	56,835	3,843	-	60,678
Total changes in the statement of profit or loss and OCI		(188,239)	6,156	294,022	111,939	(245,137)	(19,753)	284,708	19,818
Cash flows									
Contributions and contribution tax received		407,385	-	-	407,385	373,114	-	-	373,114
Claims and other expenses paid including investment components		-	-	(288,054)	(288,054)	-	-	(208,478)	(280,478)
Takaful acquisitions cash flows		(79,129)	-	-	(79,129)	(71,225)	-	-	(71,225)
Total cash flows		328,256	-	(288,054)	40,202	301,889	-	(280,478)	21,411
Other movements		(17,867)	-	-	(17,867)	-	-	-	-
Net takaful certificate liabilities as at 31 December		899,312	65,405	67,301	1,032,018	777,162	59,249	61,333	897,744

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. TAKAFUL AND RETAKAFUL CERTIFICATES ASSETS/LIABILITIES (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:

Note	2024				2023			
	Assets for remaining coverage		Amounts recoverable on incurred claims	Total	Assets for remaining coverage		Amounts recoverable on incurred claims	Total
	Excluding loss-recovery component	Loss-recovery component			Excluding loss-recovery component	Loss-recovery component		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful Fund</u>								
Retakaful certificate assets as at 1 January	-	-	-	-	21,885	-	(24,895)	(3,010)
Retakaful certificate liabilities as at 1 January	30,928	-	(29,239)	1,689	-	-	-	-
Net retakaful certificate liabilities/(assets) as at 1 January	30,928	-	(29,239)	1,689	21,885	-	(24,895)	(3,010)
Allocation of retakaful contributions	23,967	-	-	23,967	31,321	-	-	31,321
Amounts recoverable from retakaful operators	-	-	(18,731)	(18,731)	-	-	(25,547)	(25,547)
Net (income)/expense from retakaful certificates held	23,967	-	(18,731)	5,236	31,321	-	(25,547)	5,774
Retakaful finance income	(19,069)	-	-	(19,069)	129	-	-	129
Effect of changes in non-performance risk of retakaful operators	(171)	-	-	(171)	(69)	-	-	(69)
Total changes in the statement of profit or loss and OCI	4,727	-	(18,731)	(14,004)	31,381	-	(25,547)	5,834

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13. TAKAFUL AND RETAKAFUL CERTIFICATES ASSETS/LIABILITIES (CONTINUED)

(b) Retakaful certificates held (continued)

	2024				2023			
	Assets for remaining coverage				Assets for remaining coverage			
	Excluding loss-recovery component	Loss-recovery component	Amounts recoverable on incurred claims	Total	Excluding loss-recovery 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
<u>Family Takaful Fund</u>								
Cash flows								
Contributions and similar expenses paid	(31,984)	-	-	(31,984)	(22,338)	-	-	(22,338)
Amounts received from retakaful operators	-	-	19,496	19,496	-	-	21,203	21,203
Total cash flows	(31,984)	-	19,496	(12,488)	(22,338)	-	21,203	(1,135)
Other movements	17,867	-	-	17,867	-	-	-	-
Net retakaful certificate liabilities/(assets) as at 31 December	21,538	-	(28,474)	(6,936)	30,928	-	(29,239)	1,689

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13. TAKAFUL AND RETAKAFUL CERTIFICATES ASSETS/LIABILITIES (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	2024				2023			
	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
Retakaful certificate assets as at 1 January	-	-	-	-	21,885	-	(24,895)	(3,010)
Retakaful certificate liabilities as at 1 January	30,928	-	(29,239)	1,689	-	-	-	-
Net retakaful certificate (assets)/liabilities as at 1 January	30,928	-	(29,239)	1,689	21,885	-	(24,895)	(3,010)
Allocation of retakaful contributions	23,967	-	-	23,967	31,321	-	-	31,321
Amounts recoverable from retakaful operators	-	-	(18,731)	(18,731)	-	-	(25,547)	(25,547)
Net income or expense from retakaful certificates held	23,967	-	(18,731)	5,236	31,321	-	(25,547)	5,774
Retakaful finance income	(19,069)	-	-	(19,069)	129	-	-	129
Effect of changes in non-performance risk of retakaful operators	(171)	-	-	(171)	(69)	-	-	(69)
Total changes in the statement of profit or loss and OCI	4,727	-	(18,731)	(14,004)	31,381	-	(25,547)	5,834

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. TAKAFUL AND RETAKAFUL CERTIFICATES ASSETS/LIABILITIES (CONTINUED)

(b) Retakaful certificates held (continued)

	2024				2023			
	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
<u>Company</u>								
Cash flows								
Contributions and similar expenses paid	(31,984)	-	-	(31,984)	(22,338)	-	-	(22,338)
Amounts received from retakaful operators	-	-	19,496	19,496	-	-	21,203	21,203
Total cash flows	(31,984)	-	19,496	(12,488)	(22,338)	-	21,203	(1,135)
Other movements	17,867	-	-	17,867	-	-	-	-
Net retakaful certificate liabilities/(assets) as at 31 December	21,538	-	(28,474)	(6,936)	30,928	-	(29,239)	1,689

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. TAKAFUL AND RETAKAFUL CERTIFICATES ASSETS/LIABILITIES (CONTINUED)

(c) Takaful certificates issues – analysis by measurement components

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 by the Family Takaful Fund:

	2024				2023			
	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
<u>Family Takaful Fund</u>								
Takaful certificate liabilities as at 1 January	874,946	-	-	874,946	808,343	-	-	808,343
Net takaful certificate liabilities as at 1 January	874,946	-	-	874,946	808,343	-	-	808,343
Changes that relate to current services:	(34,587)	-	-	(34,587)	(40,039)	-	-	(40,039)
Experience adjustments	(34,587)	-	-	(34,587)	(40,039)	-	-	(40,039)
Changes that relate to past services:	1,487	-	-	1,487	1,720	-	-	1,720
Adjustments to liabilities for incurred claims	1,487	-	-	1,487	1,720	-	-	1,720
Takaful service result	(33,100)	-	-	(33,100)	(38,319)	-	-	(38,319)
Takaful finance expenses	166,595	-	-	166,595	89,291	-	-	89,291
Total changes in the statement of profit or loss and OCI	133,495	-	-	133,495	50,972	-	-	50,972

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13. TAKAFUL AND RETAKAFUL CERTIFICATES ASSETS/LIABILITIES (CONTINUED)

(c) Takaful certificates issues – analysis by measurement components (continued)

	2024				2023			
	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
<u>Family Takaful Fund (continued)</u>								
Cash flows								
Contributions and contribution tax received	422,483	-	-	422,483	392,538	-	-	392,538
Qard repaid	-	-	-	-	(3,337)	-	-	(3,337)
Claims and other takaful service expenses paid	(383,871)	-	-	(383,871)	(373,570)	-	-	(373,570)
Total cash flows	38,612	-	-	38,612	15,631	-	-	15,631
Other movements	(17,867)	-	-	(17,867)	-	-	-	-
Net takaful certificate liabilities as at 31 December	1,029,186	-	-	1,029,186	874,946	-	-	874,946

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13. TAKAFUL AND RETAKAFUL CERTIFICATES ASSETS/LIABILITIES (CONTINUED)

(c) Takaful certificates issues – analysis by measurement components (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 by the Company:

Note	2024				2023			
	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								
Net takaful certificate liabilities as at 1 January (As previously stated)	628,109	24,918	244,717	897,744	582,024	22,368	205,210	809,602
Effects of prior year adjustments	-	-	-	-	46,913	-	-	46,913
Net takaful certificate liabilities as at 1 January (As restated)	628,109	24,918	244,717	897,744	628,937	22,368	205,210	856,515
Changes that relate to current services:	(8,618)	(3,663)	(25,978)	(38,259)	(13,285)	(2,021)	(29,091)	(44,397)
Contractual service margin recognised for services provided	-	-	(25,978)	(25,978)	-	-	(29,091)	(29,091)
Risk adjustment for the risk expired	-	(3,663)	-	(3,663)	-	(2,021)	-	(2,021)
Experience adjustments	(8,618)	-	-	(8,618)	(13,285)	-	-	(13,285)
Changes that relate to future services:	71,556	3,323	(66,278)	8,601	(68,023)	2,445	67,394	1,816
Certificates initially recognised in the period	(40,717)	2,878	37,839	-	(28,022)	1,893	26,129	-
Changes in estimates that adjust the contractual service margin	104,662	(545)	(104,117)	-	(41,860)	595	41,265	-
Changes in estimates that do not adjust the contractual service margin	7,611	990	-	8,601	1,859	(43)	-	(1,816)

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13. TAKAFUL AND RETAKAFUL CERTIFICATES ASSETS/LIABILITIES (CONTINUED)

(c) Takaful certificates issues – analysis by measurement components (continued)

	2024				2023 (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
<u>Company (continued)</u>								
Changes that relate to past services:	1,487	-	-	1,487	1,721	-	-	1,721
Adjustments to liabilities for incurred claims	1,487	-	-	1,487	1,721	-	-	1,721
Takaful service result	64,425	(340)	(92,256)	(28,171)	(79,587)	424	38,303	(40,860)
Takaful finance expenses	138,028	887	1,195	140,110	57,348	2,126	1,204	60,678
Total changes in the statement of profit or loss and OCI	202,453	547	(91,061)	111,939	(22,239)	2,550	39,507	19,818
Cash flows								
Contributions and contribution tax received	407,385	-	-	407,385	373,114	-	-	373,114
Claims and other takaful service expenses paid	(288,054)	-	-	(288,054)	(280,478)	-	-	(280,478)
Takaful acquisition cash flows	(79,129)	-	-	(79,129)	(71,225)	-	-	(71,225)
Total cash flows	40,202	-	-	40,202	21,411	-	-	21,411
Other movements	(17,867)	-	-	(17,867)	-	-	-	-
Net takaful certificate liabilities as at 31 December	852,897	25,465	153,656	1,032,018	628,109	24,918	244,717	897,744

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13. TAKAFUL AND RETAKAFUL CERTIFICATES ASSETS/LIABILITIES (CONTINUED)

(d) Retakaful certificates held – analysis by measurement components

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:

	2024				2023			
	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
<u>Family Takaful Fund</u>								
Retakaful certificate assets as at 1 January	-	-	-	-	(3,010)	-	-	(3,010)
Retakaful certificate liabilities as at 1 January	1,689	-	-	1,689	-	-	-	-
Net retakaful certificate liabilities/(assets) as at 1 January	1,689	-	-	1,689	(3,010)	-	-	(3,010)
Changes that relate to current services:	4,702	-	-	4,702	4,456	-	-	4,456
Experience adjustments	4,702	-	-	4,702	4,456	-	-	4,456
Changes that relate to past services:	534	-	-	534	1,318	-	-	1,318
Changes in amounts recoverable arising from changes in liability for incurred claims	534	-	-	534	1,318	-	-	1,318
Retakaful finance expense	(19,069)	-	-	(19,069)	129	-	-	129
Effect of changes in non-performance risk of retakaful operators	(171)	-	-	(171)	(69)	-	-	(69)
Total changes in the statement of profit or loss and OCI	(14,004)	-	-	(14,004)	5,834	-	-	5,834

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13. TAKAFUL AND RETAKAFUL CERTIFICATES ASSETS/LIABILITIES (CONTINUED)

(d) Retakaful certificates held – analysis by measurement components (continued)

	2024				2023			
	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
<u>Family Takaful Fund</u>								
Cash flows								
Contributions and similar expenses paid	(31,984)	-	-	(31,984)	(22,338)	-	-	(22,338)
Amounts received from retakaful operators	19,496	-	-	19,496	21,203	-	-	21,203
Total cash flows	(12,488)	-	-	(12,488)	(1,135)	-	-	(1,135)
Other movements	17,867	-	-	17,867	-	-	-	-
Net retakaful certificate (assets)/liabilities as at 31 December	(6,936)	-	-	(6,936)	1,689	-	-	1,689

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13. TAKAFUL AND RETAKAFUL CERTIFICATES ASSETS/LIABILITIES (CONTINUED)

(d) Retakaful certificates held – analysis by measurement components (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:

	2024				2023			
	Estimates of present value of future cash flows RM'000	Risk adjustment RM'000	Contractual service margin RM'000	Total RM'000	Estimates of present value of future cash flows RM'000	Risk adjustment RM'000	Contractual service margin RM'000	Total RM'000
<u>Company</u>								
Retakaful certificate assets as at 1 January	-	-	-	-	(3,010)	-	-	(3,010)
Retakaful certificate liabilities as at 1 January	1,689	-	-	1,689	-	-	-	-
Net retakaful certificate liabilities/(assets) as at 1 January	1,689	-	-	1,689	(3,010)	-	-	(3,010)
Changes that relate to current services:	4,702	-	-	4,702	4,456	-	-	4,456
Experience adjustments	4,702	-	-	4,702	4,456	-	-	4,456
Changes that relate to past services:	534	-	-	534	1,318	-	-	1,318
Changes in amounts recoverable arising from changes in liability for incurred claims	534	-	-	534	1,318	-	-	1,318
Retakaful finance expense	(19,069)	-	-	(19,069)	129	-	-	129
Effect of changes in non-performance risk of retakaful operators	(171)	-	-	(171)	(69)	-	-	(69)
Total changes in the statement of profit or loss and OCI	(14,004)	-	-	(14,004)	5,834	-	-	5,834

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13. TAKAFUL AND RETAKAFUL CERTIFICATES ASSETS/LIABILITIES (CONTINUED)

(d) Retakaful certificates held – analysis by measurement components (continued)

	2024				2023			
	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
<u>Company</u>								
Cash flows								
Contributions and similar expenses paid	(31,984)	-	-	(31,984)	(22,338)	-	-	(22,338)
Amounts received from retakaful operators	19,496	-	-	19,496	21,203	-	-	21,203
Total cash flows	(12,488)	-	-	(12,488)	(1,135)	-	-	(1,135)
Other movements	17,867	-	-	17,867	-	-	-	-
Net retakaful certificate (assets)/liabilities as at 31 December	(6,936)	-	-	(6,936)	1,689	-	-	1,689

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13. TAKAFUL AND RETAKAFUL CERTIFICATES ASSETS/LIABILITIES (CONTINUED)

(e) Family Takaful certificates issued

The Company has applied the fully retrospective approach ("FRA") on transition to MFRS 17, to all contracts issued. The impact on the current year results and balance of CSM and retakaful CSM at the end of respective financial years is as disclosed in Notes 13(c) and (d).

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:

	<u>2024</u>	<u>2023</u>
	<u>RM'000</u>	<u>RM'000</u>
<u>Company</u>		
Contractual service margin as at 1 January	<u>244,717</u>	<u>205,210</u>
Changes that relate to current services:		
Contractual service margin recognised for services provided	(25,978)	(29,091)
Changes that relate to future services:		
Certificates initially recognised in the year	37,839	26,129
Changes in estimates that adjust the contractual service margin	(104,117)	41,265
Takaful service result	<u>(92,256)</u>	<u>38,303</u>
Takaful finance expenses	<u>1,195</u>	<u>1,204</u>
Total changes in the statement of profit or loss and OCI	<u>(91,061)</u>	<u>39,507</u>
Contractual service margin as at 31 December	<u><u>153,656</u></u>	<u><u>244,717</u></u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. TAKAFUL AND RETAKAFUL CERTIFICATES ASSETS/LIABILITIES (CONTINUED)

(f) Components of new business

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

	2024			2023		
	Certificates issued			Certificates issued		
	Non-onerous	Onerous	Total	Non-onerous	Onerous	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful Fund</u>						
Family takaful certificate liabilities						
Estimates of present value of future cash outflows	(460,653)	-	(460,653)	(453,972)	-	(453,972)
Estimates of present value of future cash inflows	460,653	-	460,653	453,972	-	453,972
Amount included in takaful certificate liabilities for the year	-	-	-	-	-	-
<u>Company</u>						
Family takaful certificate liabilities						
Estimates of present value of future cash outflows, excluding takaful acquisition cash flows	(524,855)	-	(524,855)	(510,803)	-	(510,803)
Estimates of takaful acquisition cash flows	(56,725)	-	(56,725)	(47,552)	-	(47,552)
Estimates of present value of future cash outflows	(581,580)	-	(581,580)	(558,355)	-	(558,355)
Estimates of present value of future cash inflows	622,297	-	622,297	586,377	-	586,377
Risk adjustment	(2,878)	-	(2,878)	(1,893)	-	(1,893)
CSM	(37,839)	-	(37,839)	(26,129)	-	(26,129)
Amount included in takaful certificate liabilities for the year	-	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. TAKAFUL AND RETAKAFUL CERTIFICATES ASSETS/LIABILITIES (CONTINUED)

(f) Components of new business (continued)

The components of new business for portfolios of retakaful certificates held is disclosed in the table below:

	2024			2023		
	Certificates purchased	Certificates acquired	Total	Certificates purchased	Certificates acquired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful Fund</u>						
Retakaful certificates held						
Estimates of present value of future cash outflows	(35,621)	-	(35,621)	(11,555)	-	(11,555)
Estimates of present value of future cash inflows	35,621	-	35,621	11,555	-	11,555
Amount included in retakaful certificates held for the year	-	-	-	-	-	-
<u>Company</u>						
Retakaful certificates held						
Estimates of present value of future cash outflows	(35,621)	-	(35,621)	(11,555)	-	(11,555)
Estimates of present value of future cash inflows	35,621	-	35,621	11,555	-	11,555
Amount included in retakaful certificates held for the year	-	-	-	-	-	-

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13. TAKAFUL AND RETAKAFUL CERTIFICATES ASSETS/LIABILITIES (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	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company</u>							
31 December 2024							
Family Takaful certificates issued	19,304	16,677	14,365	12,958	11,441	78,911	153,656
	19,304	16,677	14,365	12,958	11,441	78,911	153,656
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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. SHARE CAPITAL

	Company			
	2024		2023	
	Amount	Number of shares	Amount	Number of shares
	RM '000	'000	RM '000	'000
<u>Issued and fully paid ordinary shares</u>				
At the beginning of the financial year	180,000	180,000	180,000	180,000
Issued during the financial year	110,000	110,000	-	-
At the end of the financial year	<u>290,000</u>	<u>290,000</u>	<u>180,000</u>	<u>180,000</u>

On 30 January 2024, the Company increased its paid-up share capital by RM50,000,000 via the issuance of 50,000,000 new ordinary shares for cash to its immediate holding company. Subsequently, on 30 September 2024, the Company increased its paid-up share capital by an additional RM60,000,000 via the issuance of 60,000,000 new ordinary shares for cash to its immediate holding company.

The new ordinary shares issued in the current financial year ranked pari passu with existing shares as of the respective issuance date.

15. EARNINGS PER SHARE

The basic earnings per ordinary share is calculated by dividing the net 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 is not presented as there was no dilutive potential ordinary shares as at the date of the statement of financial position.

	2024	2023
	RM'000	RM'000
		Restated
Profit attributable to ordinary equity holders	7,924	13,734
Weighted average number of ordinary shares	241,284	180,000
Basic and diluted earnings per share (sen)	<u>3.28</u>	<u>7.63</u>

There have been no other transaction involving ordinary shares between the reporting date and the date of completion of this financial statement.

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16. 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.

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17. TAKAFUL REVENUE

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

	Family Takaful Fund		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
				Restated
Amounts relating to the changes in the liability for remaining coverage:				
Expected claims and takaful service expenses incurred in the year	(326,870)	(327,549)	(202,391)	(182,284)
Change in the risk adjustment for non-financial risk	-	-	(3,325)	(3,396)
Amount of CSM recognised in profit or loss	-	-	(25,978)	(29,091)
Release of expected and experience adjustment relating to policyholders' tax	(7,149)	(861)	(7,149)	(861)
Amounts relating to recovery of takaful acquisition cash flows	-	-	(55,736)	(45,038)
Total takaful revenue*	(334,019)	(328,410)	(294,579)	(260,670)

*The takaful revenue of the Company for the financial year ended 31 December 2023 has been restated as a result of the prior year adjustments disclosed in Note 33.

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18. TAKAFUL SERVICE EXPENSE

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

	Note	Family Takaful Fund		Company	
		2024	2023	2024	2023
		RM'000	RM'000	RM'000	RM'000 Restated
Incurred claims and other takaful service expenses		141,594	139,150	199,880	194,473
Incurred wakalah fees	a	127,956	118,420	-	-
Incurred surplus to Shareholder's Fund	b	12,750	15,000	-	-
Incurred surplus to participants	b	12,750	15,000	-	-
Changes to liabilities for incurred claims		5,869	2,521	5,530	3,895
Amortisation of acquisition cash flows		-	-	55,736	45,038
Losses on onerous contracts and reversal of losses on onerous contracts		-	-	5,262	(23,596)
Total takaful service expenses*		300,919	290,091	266,408	219,810

Notes:

- The wakalah fees paid to the Shareholder's Fund during the year is RM127,956,000 (2023: RM118,420,000).
- The surplus paid to the Shareholder's Fund during the year is RM12,750,000 (2023: RM15,000,000). The surplus paid to certificate holders during the year is RM12,750,000 (2023: RM15,000,000).

*The takaful service expenses of the Company for the financial year ended 31 December 2023 has been restated as a result of the prior year adjustments disclosed in Note 33.

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19. NET EXPENSE FROM RETAKAFUL CERTIFICATES HELD

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

	Family Takaful Fund		Company	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Amounts relating to the changes in the assets for remaining coverage:				
Expected recovery for takaful service expenses incurred in the year	22,875	21,978	22,875	21,978
Other amount	1,092	9,343	1,092	9,343
Allocation of retakaful contributions	23,967	31,321	23,967	31,321
Amounts recoverable for claims and other expenses incurred in the year:				
Amounts recoverable for claims	(17,066)	(27,447)	(17,066)	(27,447)
Changes in amounts recoverable arising from changes in liability for incurred claims	(1,665)	1,900	(1,665)	1,900
Amounts recoverable from retakaful operators	(18,731)	(25,547)	(18,731)	(25,547)
Net expense from retakaful certificates held	5,236	5,774	5,236	5,774

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20. INVESTMENT INCOME

i. Investment Income

	Family Takaful Fund		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Financial assets at FVOCI				
Profit income	18,505	15,670	30,185	25,196
Amortisation of premiums on investments	(1,167)	(1,033)	(2,221)	(2,064)
	<u>17,338</u>	<u>14,637</u>	<u>27,964</u>	<u>23,132</u>
Financial assets at FVTPL				
Profit income	4,165	3,808	4,164	3,808
Dividend income	8,013	7,295	8,013	7,295
	<u>12,178</u>	<u>11,103</u>	<u>12,177</u>	<u>11,103</u>
	<u>29,516</u>	<u>25,740</u>	<u>40,141</u>	<u>34,235</u>

ii. Realised gains

	Family Takaful Fund		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
FVOCI financial assets				
Realised gains on investments	90	177	200	115
FVTPL financial assets				
Realised gains on investments	8,981	2,801	8,980	2,801
	<u>9,071</u>	<u>2,978</u>	<u>9,180</u>	<u>2,916</u>

iii. Fair value gains

	Family Takaful Fund		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
FVTPL financial assets				
Unrealised gains on investments	84,486	16,218	84,486	16,218

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. NET TAKAFUL FINANCE RESULT

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

	2024			2023		
	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
<u>Family Takaful Fund</u>						
Takaful finance (expenses)/income from takaful and retakaful certificates issued and retakaful certificates held						
Profit accreted to takaful certificates using current financial assumptions	(479)	-	(479)	(3,693)	(63)	(3,756)
Profit accreted to takaful certificates using locked-in rate	(3,644)	132	(3,512)	(2,302)	(66)	(2,368)
Changes in the value of underlying items	(133,831)	-	(133,831)	(81,731)	-	(81,731)
Changes in non-performance risk of retakaful operators	-	171	171	-	69	69
Others	(28,641)	18,937	(9,704)	(1,565)	-	(1,565)
	(166,595)	19,240	(147,355)	(89,291)	(60)	(89,351)
Represented by:						
Amount recognised in profit or loss	(165,383)	19,240	(146,143)	(78,480)	(60)	(78,540)
Amount recognised in OCI	(1,212)	-	(1,212)	(10,811)	-	(10,811)
	(166,595)	19,240	(147,355)	(89,291)	(60)	(89,351)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. NET TAKAFUL FINANCE RESULT (CONTINUED)

	2024			2023 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
Takaful finance (expenses)/income from takaful and retakaful certificates issued and retakaful certificates held*						
Profit accreted to takaful certificates using current financial assumptions	(276)	-	(276)	(6,250)	(63)	(6,313)
Profit accreted to takaful certificates using locked-in rate	(3,881)	132	(3,749)	(2,626)	(66)	(2,692)
Changes in the value of underlying items	(107,312)	-	(107,312)	(50,237)	-	(50,237)
Changes in non-performance risk of retakaful operators	-	171	171	-	69	69
Unallocated surplus	(28,641)	18,937	(9,704)	(1,565)	-	(1,565)
	(140,110)	19,240	(120,870)	(60,678)	(60)	(60,738)
Represented by:						
Amount recognised in profit or loss	(140,296)	19,240	(121,056)	(48,515)	(60)	(48,575)
Amount recognised in OCI	186	-	186	(12,163)	-	(12,163)
	(140,110)	19,240	(120,870)	(60,678)	(60)	(60,738)

*The net takaful finance result of the Company for the financial year ended 31 December 2023 has been restated as a result of the prior year adjustments disclosed in Note 33.

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22. OTHER OPERATING INCOME/(EXPENSES)

	Family Takaful Fund		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Non-attributable expenses	-	-	(25,045)	(18,045)
Other income	-	461	989	482
	<u>-</u>	<u>461</u>	<u>(24,056)</u>	<u>(17,563)</u>

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

	2024	2023
	RM'000	RM'000
Staff costs:		
Staff salaries and bonus	7,029	12,025
Staff and retirement benefits contributions	3,888	2,664
Auditors' remuneration:		
Statutory audit	382	333
Regulatory-related services	37	37
Other assurance services	-	642
Non-Executive Directors' remuneration (Note 22(a)):		
Fees	420	420
Other emoluments	187	135
Shariah Committee remuneration (Note 22(b)):		
Fees	91	81
Other emoluments	27	22
Depreciation of property and equipment (Note 5)	1,789	1,431
Amortisation of intangible assets (Note 7)	51	415
Depreciation of right-of-use assets (Note 6)	1,309	1,679
Interest expense on lease liabilities (Note 6)	113	132
Commission	75,617	66,593
Outsourcing expenses	31,562	26,651
Other miscellaneous expense	33,608	22,000
Total expenses	<u>156,110</u>	<u>135,260</u>

Represented by expenses recognised in:

Takaful service expenses:	131,065	117,215
Maintenance expenses	37,958	35,874
Acquisition expenses	93,107	81,341
Other non-attributable expenses	25,045	18,045
	<u>156,110</u>	<u>135,260</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. 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
2024							
Chief Executive Officer							
- Nur Fatimah binti Mustafa	-	501	71	51	270	15	908
	-	501	71	51	270	15	908
Executive Director							
- Matthew William Swinfen Cottrell	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Non-Executive Directors							
- Hasnah binti Omar	150	-	-	44	-	-	194
- Datuk Dr. Hafsah binti Hashim	90	-	-	46	-	-	136
- Jan Yoke Lan	90	-	-	45	4	-	139
- Assoc. Prof. Dr Mohamed Fairouz bin Abdul Khir	90	-	-	48	-	-	138
	420	-	-	183	4	-	607

For the Executive Director of the Company, Matthew William Swinfen Cottrell, his remunerations were paid by the penultimate holding company during the financial year.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. OTHER INCOME/(EXPENSES) (CONTINUED)

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

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

For the Executive Director of the Company, Matthew William Swinfen Cottrell, his remunerations were paid by the penultimate holding company during the financial year.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**22. 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	
	2024	2023
<u>Non-Executive Directors:</u>		
RM100,001 – RM200,000	4	4

(b) Shariah Committee' remuneration

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

	2024		
	Fees RM'000	Allowance RM'000	Total RM'000
Shariah Committee Members			
- Assoc. Prof. Dr Mohamed Fairouz bin Abdul Khir	23	5	28
- Dr. Wan Marhaini binti Wan Ahmad	15	5	20
- Dr. Zaharuddin bin Abdul Rahman	15	5	20
- Prof. Dr. Zurina Shafii	15	5	20
- Dr. Mohamad Zaharuddin bin Zakaria	15	5	20
- Dr. Nur I'ffah binti Muhammad Nasir	8	2	10
	<u>91</u>	<u>27</u>	<u>118</u>
	2023		
	Fees RM'000	Allowance RM'000	Total RM'000
Shariah Committee Members			
- Assoc. Prof. Dr Mohamed Fairouz bin Abdul Khir	23	5	28
- 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	4
	<u>81</u>	<u>22</u>	<u>106</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**23. TAXATION**

	2024 RM'000	2023 RM'000 Restated
<u>Family Takaful Fund</u>		
Current income tax:		
Current year provision	2,786	1,507
Over provision of tax expense in prior year	(326)	(405)
	<u>2,460</u>	<u>1,102</u>
Deferred income tax:		
Deferred tax relating to origination and reversal of temporary differences	6,948	1,775
	<u>9,408</u>	<u>2,877</u>
Tax expense for the year		
<u>Company</u>		
Current income tax:		
Current year provision	2,786	4,453
Over provision of tax expense in prior year	(1,357)	(1,328)
	<u>1,429</u>	<u>3,125</u>
Deferred income tax:		
Deferred tax relating to origination and reversal of temporary differences	7,009	7,783
	<u>8,438</u>	<u>10,908</u>
Tax borne by participants	9,408	2,877
Tax borne by Takaful Operators	(970)	8,031
Tax expense for the year	<u>8,438</u>	<u>10,908</u>

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:

	2024 RM'000	2023 RM'000 Restated
<u>Company</u>		
Profit before taxation attributable to Takaful Operator, after zakat	<u>16,362</u>	<u>24,642</u>
Tax at Malaysian statutory tax rate of 24% (2023: 24%)	3,927	5,914
Expenses non-deductible for tax purpose	5,868	6,322
Over provision of tax expense in prior year	(1,357)	(1,328)
Tax expense for the year	<u>8,438</u>	<u>10,908</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**24. CASH UTILISED IN OPERATING ACTIVITIES**

	Note	Company	
		2024 RM'000	2023 RM'000 Restated
Cash flow from operating activities			
Net profit for the financial year		7,924	13,734
Adjustments for:			
Depreciation of property and equipment	5	1,789	1,431
Depreciation of right-of-use assets	6	1,309	1,679
Write-off of property and equipment		130	-
Amortisation of intangible assets	7	51	415
Investment income	20(i)	(40,141)	(34,235)
Realised gains from disposal of investments	20(ii)	(9,180)	(2,916)
Fair value gains recorded in profit or loss	20(iii)	(84,486)	(16,218)
Investment (income)/expenses		(801)	322
Interest expenses on lease liabilities	12	113	132
Tax expense attributable to Takaful Operator	23	(970)	8,031
Tax expense attributable to participants	23	9,408	2,877
Net cash flows from operating activities before changes in working capital		(114,854)	(24,748)
Changes in working capital:			
Decrease in financial assets at FVTPL		25,500	13,169
Increase in financial assets at FVOCI		(177,035)	(76,403)
Decrease/ (increase) in financial assets at amortised cost		5,351	(5,351)
Decrease/(increase) in other receivables		3,864	(2,068)
Increase in takaful certificate liabilities		135,672	39,877
(Decrease)/ increase in retakaful certificate liabilities		(8,625)	4,699
Increase in other liabilities		5,404	14,158
Cash utilised in operating activities		(124,723)	(36,667)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationships

The related parties of, and their relationship with the Company as at 31 December 2024, are as follows:

<u>Name of company</u>	<u>Relationship</u>
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

	2024	2023
	RM '000	RM'000
(Expenses)/income		
Transactions with ultimate holding company:		
- Outsourcing fees and reimbursement costs	(38,706)	(32,700)
Transactions with subsidiaries of the immediate holding company:		
- Outsourcing and reimbursement costs	(2,840)	(3,475)
- Outsourcing income and reimbursement of expenses paid on behalf	1,183	1,666
Transactions with subsidiaries of penultimate holding company:		
- Outsourcing and reimbursement costs	(9,886)	(4,412)
Transactions with penultimate holding company:		
- Reimbursement of expenses paid on behalf	953	948

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Related party balances

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

Company

	2024 RM '000	2023 RM '000
Amount due from related companies		
Penultimate holding company	-	954
Subsidiary of immediate holding company	78	93
	<u>78</u>	<u>1,047</u>
Amount due to related companies		
Penultimate holding company	(2)	-
Subsidiary of ultimate holding company	(3,611)	(3,496)
Subsidiary of penultimate holding company	(775)	(386)
Subsidiary of ZSM	(38)	(37)
Subsidiary of immediate holding company	(230)	(356)
	<u>(4,656)</u>	<u>(4,275)</u>

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:

<u>Company</u>	2024 RM'000	2023 RM'000
Salary	1,288	2,171
Bonus	331	731
Defined contribution plans	232	460
Other benefits	-	14
	<u>1,851</u>	<u>3,376</u>
Directors' emoluments and CEO's remuneration (Note 22(a))	<u>1,213</u>	<u>2,175</u>

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 includes 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 RM15,000 (2023: RM14,000).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**26. 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 Policy. The Policy 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 Policy is the responsibility of the Board with some of the responsibilities delegated to the Risk Management and Sustainability Committee including oversight over technology-related 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 for overseeing 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.

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 2024.

The Total Capital Available of the Company as at 31 December 2024 was RM269,976,000 (2023: RM212,581,000).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. RISK MANAGEMENT FRAMEWORK (CONTINUED)

Capital Management (continued)

The capital structure of the Company as at 31 December 2024, as prescribed under the RBC Framework, is shown below:

	2024	2023
	RM'000	RM'000
<u>Tier-1 Capital</u>		
Paid-up share capital	290,000	180,000
Valuation surplus in takaful fund	12,745	15,941
Retained earnings	(15,876)	19,536
	<u>286,868</u>	<u>215,477</u>
<u>Tier-2 Capital</u>		
Fair value through other comprehensive income ("FVOCI") reserves	1,629	1,032
	<u>1,629</u>	<u>1,032</u>
Less:		
Amount deducted from capital	(18,522)	(3,928)
Total capital available	<u><u>269,976</u></u>	<u><u>212,581</u></u>

27. 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.

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27. 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:

	2024			2023		
	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
<u>Company</u>						
Protection medical	(483,391)	130	(483,261)	(486,072)	(675)	(486,747)
Protection non-medical	(456,746)	6,806	(449,940)	(337,465)	(1,014)	(338,479)
Savings	(91,881)	-	(91,881)	(74,207)	-	(74,207)
	<u>(1,032,018)</u>	<u>6,936</u>	<u>(1,025,082)</u>	<u>(897,744)</u>	<u>(1,689)</u>	<u>(899,433)</u>
<u>Family takaful fund</u>						
Protection medical	(458,605)	130	(458,475)	(429,613)	(675)	(430,288)
Protection non-medical	(466,275)	6,806	(459,469)	(351,021)	(1,014)	(352,035)
Savings	(104,306)	-	(104,306)	(94,312)	-	(94,312)
	<u>(1,029,186)</u>	<u>6,936</u>	<u>(1,022,250)</u>	<u>(874,946)</u>	<u>(1,689)</u>	<u>(876,635)</u>

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. TAKAFUL RISK (CONTINUED)

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 4(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.

2024

<u>2024</u>		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
	Change in assumptions	RM'000	RM'000	RM'000	RM'000
<u>Company</u>		< ----- (Decrease)/ increase ----- >			
Mortality/morbidity rate	+10%	(20,046)	(20,046)	(16,032)	(16,032)
Expenses	+10%	(14,209)	(14,209)	(11,154)	(11,154)
Lapse and surrenders rate	+10%	(2,909)	(2,909)	(2,255)	(2,255)
Discount rate	+1%	(303)	(303)	(799)	(799)
Mortality/morbidity rate	-10%	16,858	16,858	13,384	13,384
Expenses	-10%	13,043	13,043	10,268	10,268
Lapse and surrenders rate	-10%	1,838	1,838	1,446	1,446
Discount rate	-1%	422	422	1,061	1,061

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27. TAKAFUL RISK (CONTINUED)

Sensitivities (continued)

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 4(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. (continued)

2023		Impact on profit before tax gross of retakaful RM'000	Impact on profit before tax net of retakaful RM'000	Impact on equity gross of retakaful RM'000	Impact on equity net of retakaful RM'000
Change in assumptions		< ----- (Decrease)/ increase ----- >			
<u>Company</u>					
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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. TAKAFUL RISK (CONTINUED)

Sensitivities (continued)

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 4(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. (continued)

Change in assumptions		2024		2023	
		Impact on	Impact on	Impact on	Impact on
		CSM	CSM	CSM	CSM
		before tax	before tax	before tax	before tax
		gross of	net of	gross of	net of
		retakaful	retakaful	retakaful	retakaful
		RM'000	RM'000	RM'000	RM'000
< ----- (Decrease)/ increase ----- >					
Mortality/morbidity rate	+10%	(21,870)	(21,870)	(22,308)	(22,308)
Expenses	+10%	(17,711)	(17,711)	(15,223)	(15,223)
Lapse and surrenders rate	+10%	(10,193)	(10,193)	(14,070)	(14,070)
Discount rate	+1%	(4,285)	(4,285)	(8,392)	(8,392)
Mortality/morbidity rate	-10%	24,685	24,685	29,515	29,515
Expenses	-10%	18,877	18,877	15,223	15,223
Lapse and surrenders rate	-10%	13,007	13,007	15,410	15,410
Discount rate	-1%	4,732	4,732	9,305	9,305

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**28. FINANCIAL RISK**

The Company is exposed to financial risks, including credit risk, liquidity risk and 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

	2024		2023	
	Family Takaful Fund	Company	Family Takaful Fund	Company
	RM'000	RM'000	RM'000	RM'000
Cash and cash equivalents	83,415	105,213	82,112	97,265
Investments:				
Debt instruments at FVTPL	77,830	77,830	72,108	72,108
Debt instruments at FVOCI	408,794	723,688	333,715	544,584
Debt instruments at amortised cost	-	-	-	5,351
Other receivables*	1,028	1,878	829	2,662
Retakaful certificate assets	6,936	6,936	-	-
	<u>578,003</u>	<u>915,545</u>	<u>488,764</u>	<u>721,970</u>

*Excludes prepayments of RM104,000 of the Company as at 31 December 2024 (2023: RM3,184,000).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. 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 financial and takaful assets according to the Company's credit rating of counterparties.

	Neither past-due nor impaired			Not rated	Not subject to credit risk	Past due but not impaired	Impaired	Total
	Investment grade		Non- investment grade					
	Government Guaranteed	(AAA to BBB)	(BB to C)					
31 December 2024	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful Fund</u>								
Cash and cash equivalents	-	83,415	-	-	-	-	-	83,415
Investments:								
Debt instruments at FVTPL	2,418	74,892	-	-	-	-	520	77,830
Debt instruments at FVOCI	45,780	354,233	8,781	-	-	-	-	408,794
Other receivables*	-	-	-	1,028	-	-	-	1,028
Retakaful certificate assets	-	6,936	-	-	-	-	-	6,936
	<u>48,198</u>	<u>519,476</u>	<u>8,781</u>	<u>1,028</u>	<u>-</u>	<u>-</u>	<u>520</u>	<u>578,003</u>
<u>Company</u>								
Cash and cash equivalents	-	105,213	-	-	-	-	-	105,213
Investments:								
Debt instruments at FVTPL	2,418	74,892	-	-	-	-	520	77,830
Debt instruments at FVOCI	45,780	669,025	15,883	-	-	-	-	723,688
Other receivables*	-	-	-	1,878	-	-	-	1,878
Retakaful certificate assets	-	6,936	-	-	-	-	-	6,936
	<u>48,198</u>	<u>849,066</u>	<u>15,883</u>	<u>1,878</u>	<u>-</u>	<u>-</u>	<u>520</u>	<u>915,545</u>

*Excludes prepayments of RM104,000 of the Company as at 31 December 2024 (2023: RM3,184,000).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. 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 financial and takaful assets according to the Company's credit rating of counterparties. (continued)

	Neither past-due nor impaired							
	Investment grade		Non-investment grade					
	Government				Not subject to credit risk	Past due but not impaired	Impaired	Total
31 December 2023	Guaranteed	(AAA to BBB)	(BB to C)	Not rated				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	26,545	262,226	44,944	-	-	-	-	333,715
Other receivables*	-	-	-	829	-	-	-	829
	26,858	415,613	44,944	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	440,233	91,888	-	-	-	-	544,584
Debt instruments at amortised cost	-	5,351	-	-	-	-	-	5,351
Other receivables*	-	-	-	2,662	-	-	-	2,662
	12,676	614,124	91,888	2,662	-	-	520	721,970

*Excludes prepayments of RM104,000 of the Company as at 31 December 2024 (2023: RM3,184,000).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. 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 12-month ECL ("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 unlikelihood 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 (2023: 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 12mECL. 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.

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28. 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.

2024						
	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	387,102	12,911	400,013	694,894	12,911	707,805
Non-investment grade	3,086	5,695	8,781	9,163	6,720	15,883
Total gross amount	<u>390,188</u>	<u>18,606</u>	<u>408,794</u>	<u>704,057</u>	<u>19,631</u>	<u>723,688</u>
ECL	<u>(207)</u>	<u>(948)</u>	<u>(1,155)</u>	<u>(479)</u>	<u>(982)</u>	<u>(1,461)</u>
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	<u>310,224</u>	<u>23,491</u>	<u>333,715</u>	<u>520,068</u>	<u>24,616</u>	<u>544,584</u>
ECL	<u>(354)</u>	<u>(1,464)</u>	<u>(1,818)</u>	<u>(754)</u>	<u>(1,508)</u>	<u>(2,262)</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

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

Debt instruments measured at FVOCI (continued)

An analysis of changes in the fair value is as follows:

	2024					
	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
At 1 January	310,223	23,492	333,715	520,068	24,516	544,584
New assets originated or purchased	101,283	-	101,283	241,405	-	241,405
Assets derecognised or matured	(27,665)	-	(27,665)	(63,818)	-	(63,818)
Accrued interest capitalised	645	(88)	557	1,578	(88)	1,490
Realised gain in profit or loss	90	-	90	200	-	200
Fair value gain in OCI	1,731	250	1,981	1,798	250	2,048
Amortisation adjustment	(1,090)	(77)	(1,167)	(2,144)	(77)	(2,221)
Movement between 12m ECL and Lifetime ECL	4,972	(4,972)	-	4,972	(4,972)	-
At 31 December	<u>390,189</u>	<u>18,605</u>	<u>408,794</u>	<u>704,059</u>	<u>19,629</u>	<u>723,688</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

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

Debt instruments measured at FVOCI (continued)

An analysis of changes in the fair value is as follows: (continued)

	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
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 or 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 Lifetime ECL	(1,798)	1,798	-	(2,798)	2,798	-
At 31 December	<u>310,224</u>	<u>23,491</u>	<u>333,715</u>	<u>520,069</u>	<u>24,515</u>	<u>544,584</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**28. FINANCIAL RISK (CONTINUED)****Credit Risk (continued)****Impairment losses on financial investments subject to impairment assessment (continued)****Debt instruments measured at FVOCI (continued)**

An analysis of changes in the ECLs is as follows:

	2024					
	Family Takaful Fund			Company		
	Lifetime			Lifetime		
	12m ECL	ECL	Total	12m ECL	ECL	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	(354)	(1,464)	(1,818)	(754)	(1,508)	(2,262)
New assets originated or purchased	(64)	-	(64)	(238)	-	(238)
Assets derecognised or matured (excluding write-offs)	21	-	21	87	-	87
Unwinding of discount	381	325	706	617	335	952
Movement between 12m ECL and Life Time ECL	(191)	191	-	(191)	191	-
At 31 December	(207)	(948)	(1,155)	(479)	(982)	(1,461)

	2023					
	Family Takaful Fund			Company		
	Lifetime			Lifetime		
	12m ECL	ECL	Total	12m ECL	ECL	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. 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 Company based on remaining undiscounted contractual cash flows, including profit receivable

	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
<u>31 December 2024</u>						
<u>Family Takaful Fund</u>						
Cash and cash equivalents	83,415	83,415	-	-	-	83,415
Debt instruments at FVOCI	408,794	19,238	171,963	381,402	-	572,603
Equity and debt instruments at FVTPL	567,859	5,462	49,444	41,965	490,028	586,899
Other receivables	1,028	1,028	-	-	-	1,028
	<u>1,061,096</u>	<u>109,143</u>	<u>221,407</u>	<u>423,367</u>	<u>490,028</u>	<u>1,243,945</u>
Other liabilities	33,522	33,522	-	-	-	33,522
	<u>33,522</u>	<u>33,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,522</u>

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).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL RISK (CONTINUED)

Maturity analysis (continued)

Maturity analysis for financial assets and financial 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.

	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
<u>31 December 2024</u>						
<u>Company</u>						
Cash and cash equivalents	105,213	105,213	-	-	-	105,213
Debt instruments at FVOCI	723,688	69,187	428,570	430,985	-	928,742
Equity and debt instruments at FVTPL	567,859	5,462	49,444	41,965	490,028	586,899
Other receivables*	1,878	1,878	-	-	-	1,878
	<u>1,398,638</u>	<u>181,740</u>	<u>478,014</u>	<u>472,950</u>	<u>490,028</u>	<u>1,622,732</u>
Lease liabilities	2,085	1,494	597	-	-	2,091
Other liabilities	59,692	59,692	-	-	-	59,692
	<u>61,777</u>	<u>61,186</u>	<u>597</u>	<u>-</u>	<u>-</u>	<u>61,783</u>

*Excludes prepayments of RM104,000 of the Company as at 31 December 2024 (2023: RM3,184,000).

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).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL RISK (CONTINUED)

Maturity analysis (continued)

Maturity analysis for financial assets and financial 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.

	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
<u>31 December 2023</u>						
<u>Family Takaful Fund</u>						
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 FTVPL	491,139	3,835	42,451	44,576	419,031	509,893
Other receivables	829	829	-	-	-	829
	<u>907,795</u>	<u>105,402</u>	<u>149,020</u>	<u>392,411</u>	<u>419,031</u>	<u>1,065,864</u>
Other liabilities	34,596	34,596	-	-	-	34,596
	<u>34,596</u>	<u>34,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,596</u>

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).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL RISK (CONTINUED)

Maturity analysis (continued)

Maturity analysis for financial assets and financial 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

	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
<u>31 December 2023</u>						
<u>Company</u>						
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
	<u>1,141,001</u>	<u>161,790</u>	<u>315,033</u>	<u>430,218</u>	<u>-</u>	<u>1,326,072</u>
Lease liabilities	3,219	1,655	1,716	-	-	3,371
Other liabilities	53,337	53,337	-	-	-	53,337
	<u>56,556</u>	<u>54,992</u>	<u>1,716</u>	<u>-</u>	<u>-</u>	<u>56,708</u>

*Excludes prepayments of RM104,000 of the Company as at 31 December 2024 (2023: RM3,184,000).

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).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL RISK (CONTINUED)

Maturity analysis (continued)

The following table summarises the maturity profile of portfolios of takaful certificates issued and portfolios of retakaful certificates held of the Company based on the estimates of the present value of the future cash flows expected to be paid out in the financial years 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
<u>31 December 2024</u>						
<u>Family Takaful Fund</u>						
Retakaful certificate assets	6,936	4,895	2,041	-	-	6,936
Takaful certificate liabilities	1,029,186	55,822	93,080	880,283	-	1,029,185
	<u>1,036,122</u>	<u>60,717</u>	<u>95,121</u>	<u>880,283</u>	<u>-</u>	<u>1,036,121</u>
<u>Company</u>						
Retakaful certificate assets	6,936	4,895	2,041	-	-	6,936
Takaful certificate liabilities	1,032,018	58,609	82,295	891,114	-	1,032,018
	<u>1,038,954</u>	<u>63,504</u>	<u>84,336</u>	<u>891,114</u>	<u>-</u>	<u>1,038,954</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL RISK (CONTINUED)

Maturity analysis (continued)

The following table summarises the maturity profile of portfolios of takaful certificates issued and portfolios of retakaful certificates held of the Company based on the estimates of the present value of the future cash flows expected to be paid out in the financial years presented. (continued)

	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
<u>31 December 2023</u>						
<u>Family Takaful Fund</u>						
Retakaful certificate assets	1,689	(2,279)	2,745	1,223	-	1,689
Takaful certificate liabilities	874,946	28,377	(73,562)	920,131	-	874,946
	<u>876,635</u>	<u>26,098</u>	<u>(70,817)</u>	<u>921,354</u>	<u>-</u>	<u>876,635</u>
<u>Company</u>						
Retakaful certificate assets	1,689	(2,279)	2,745	1,223	-	1,689
Takaful certificate liabilities	897,744	15,996	(79,469)	961,217	-	897,744
	<u>899,433</u>	<u>13,717</u>	<u>(76,724)</u>	<u>962,440</u>	<u>-</u>	<u>899,433</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**28. FINANCIAL RISK (CONTINUED)****Maturity analysis (continued)****Maturity analysis on expected maturity bases**

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

	2024		2023	
	Family Takaful Fund	Company	Family Takaful Fund	Company
	RM'000	RM'000	RM'000	RM'000
<u>31 December</u>				
Non-current assets				
Debit instruments at amortised cost	-	-	-	5,351
Debt instruments at FVOCI	408,284	685,653	330,631	516,065
Equity and debt instruments at FVTPL	75,839	75,839	71,600	71,600
Retakaful certificate assets held	6,936	6,936	-	-
	<u>491,059</u>	<u>768,428</u>	<u>402,231</u>	<u>593,016</u>
Current assets **				
Debt instruments at FVOCI	510	38,035	3,084	28,519
Equity and debt instruments at FVTPL	492,020	492,020	419,539	419,539
Other receivables *	1,028	1,878	829	2,662
Cash and cash equivalents	83,415	105,213	82,112	97,265
	<u>576,973</u>	<u>637,146</u>	<u>505,564</u>	<u>547,985</u>
Non-current liabilities				
Lease liabilities	-	591	-	1,659
Current liabilities				
Lease liabilities	-	1,494	-	1,560
Other liabilities	33,522	59,692	34,596	53,337
	<u>33,522</u>	<u>61,186</u>	<u>34,596</u>	<u>54,897</u>

* Excludes prepayments of RM104,000 of the Company as at 31 December 2024 (2023: RM3,184,000).

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**28. 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL RISK (CONTINUED)

Profit Rate Risk (continued)

The Company's exposure to profit rate risk sensitive takaful and retakaful certificates held and debt instruments are, as follows:

	2024	2023
	RM'000	RM'000
<u>Company</u>		
Financial assets		
Debt instruments at FVTPL	77,830	72,108
Debt instruments at FVOCI	723,688	544,584

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>						
2024						
Financial instruments^	-	-	-	-	13,934	(15,806)
2023						
Financial instruments^	-	-	(74)	48	11,100	(12,535)

^ Impact on Islamic money market instruments and Islamic debt instruments.

* Impact on equity/Takaful certificate liabilities reflect adjustments for tax, when applicable.

The method used for deriving sensitivity information and significant variables did not change from previous year.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**28. FINANCIAL RISK (CONTINUED)****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 FVOCI 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*	
		2024	2023
Change in variables		RM'000	RM'000
<u>Family Takaful Fund / Company</u>			
Market Price	FBM KLCI + 15% - gain	23,114	19,973
Market Price	FBM KLCI - 15% - loss	(23,114)	(19,973)
Market Price	NAV + 15% - gain	44,510	37,853
Market Price	NAV - 15% - loss	(44,510)	(37,853)

* 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. OPERATIONAL RISK

Operational risk arises from inadequate or failed internal processes, people and system or from external events. 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. The Risk Management Department is assigned to facilitate the relevant departments in identifying and evaluating their operational risks and control weaknesses via a structured risk assessment process.

30. 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.

31. 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. STRATEGIC, REPUTATION RISK AND SUSTAINABILITY RISK (CONTINUED)

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 pertains to the potential adverse impact on the Company's brand and reputation due to the failure to responsibly consider environmental, social, and governance issues throughout its business operations. Additionally, it encompasses the risks associated with not striving to create sustainable value for all stakeholders.

Sustainability involves conducting business today in a manner that ensures the preservation of the Company's and society's future. The risks and opportunities associated with sustainability arise from the effects of environmental, social, and governance (ESG) challenges on the Company, as well as from the Company's management of its positive or negative impacts on ESG matters. To safeguard against financial and reputational repercussions, both perspectives are incorporated in the identification and assessment of sustainability issues.

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 disclose 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 Scenario Analysis ("CRMSA") on disclosures.

Sustainability topics associated with ESG challenges are also becoming more complex and interconnected. As a result, takaful operators are increasingly becoming agents of change and playing a more impactful role in addressing sustainability risk.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. STRATEGIC, REPUTATION RISK AND SUSTAINABILITY RISK (CONTINUED)

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 integrated sustainability risk assessment into the existing risk management cycle to identify, assess and respond to potential risks and opportunity areas from a sustainability perspective across all the Company's activities, in particular for operations and investment management.

This is a three-step process:

- Risk Identification and Assessment: Sustainability risks are identified and assessed at least annually through various processes such as risk appetite review and annual TRP exercise.
- Risk response: Risk response can include sustainability risk positions, which describes Zurich's appetite for a sustainability risk and may also trigger the development of new policies, guidelines, products, processes, projects or other management actions. It can also entail a new strategic sustainability priority in line with the Total Risk Profiling™ methodology.
- Risk Monitoring and Reporting: Sustainability risks are monitored at least quarterly and reported to Senior Management and Board.

The Company applies these steps across portfolios based on stated thresholds and verified data. Wherever possible, it engages and works together with relevant stakeholders on the margins of its 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.

32. 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 significance 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**32. FAIR VALUE INFORMATION (CONTINUED)****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.

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	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful Fund</u>				
2024				
Financial assets at FVOCI:				
Government Investment Issues	-	17,575	-	17,575
Unquoted Islamic debt securities	-	391,219	-	391,219
Financial assets at FVTPL:				
Government Investment Issues	-	2,418	-	2,418
Unquoted Islamic debt securities	-	74,892	520*	75,412
Shariah-approved quoted equities	167,493	-	-	167,493
Unit trusts	322,536	-	-	322,536
	<u>490,029</u>	<u>486,104</u>	<u>520</u>	<u>976,653</u>

* There were no movements in fair value of Level 3 financial instrument of the Company during the current and previous financial year.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**32. FAIR VALUE INFORMATION (CONTINUED)****Financial instruments and non-financial assets carried at fair value (continued)**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Family Takaful Fund</u>				
2023				
Financial assets at FVOCI:				
Government Investment Issues		12,363		12,363
Unquoted Islamic debt securities		321,352		321,352
Financial assets at FVTPL:				
Unquoted Islamic debt securities	-	314	-	314
Shariah-approved quoted equities	-	71,274	520*	71,794
Unquoted Shariah-approved equities	144,734	-	-	144,734
Unit trusts	274,297	-	-	274,297
	<u>419,031</u>	<u>405,303</u>	<u>520</u>	<u>824,854</u>
<u>Company</u>				
2024				
Financial assets at FVOCI:				
Government Investment Issues	-	17,575	-	17,575
Unquoted Islamic debt securities	-	706,113	-	706,113
Financial assets at FVTPL:				
Government Investment Issues	-	2,418	-	2,418
Unquoted Islamic debt securities	-	74,892	520*	75,412
Shariah-approved quoted equities	167,493	-	-	167,493
Unit trusts	322,536	-	-	322,536
	<u>490,029</u>	<u>800,998</u>	<u>520</u>	<u>1,291,547</u>
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	-	312	-	314
Unquoted Islamic debt securities	-	71,274	520*	71,794
Shariah-approved quoted equities	144,734	-	-	144,734
Unit trusts	274,297	-	-	274,297
	<u>419,031</u>	<u>616,170</u>	<u>520</u>	<u>1,035,723</u>

* There were no movements in fair value of Level 3 financial instrument of the Company during the current and previous financial year.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**33. COMPARATIVES****Prior year adjustments and reclassifications**

The comparatives figures have been restated due to:

- (a) Upon adoption of MFRS 17 in the previous financial year, losses on onerous contracts had been erroneously set-off against Takaful certificate liabilities on the statement of financial position of the Company. Such losses should have been recognised in profit or loss of the previous financial years. This incorrect accounting entry, had resulted in the losses on onerous contracts arising being incorrectly reported as part of Takaful certificates liabilities instead of being recognised immediately in profit or loss, in prior financial years. This had resulted in the Takaful certificates liabilities being understated and profit for the previous financial years being overstated, with a consequential impact to Retained Earnings, and other profit or loss line items.
- (b) Reclassifications of takaful revenue, takaful service expense and takaful finance expense made to the prior year statement of profit or loss to conform with current year presentation.

The relevant comparative figures have been restated in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The effects of the adjustments on the assets, liabilities and equity on the statement of financial position of the Company as at 1 January 2023 and 31 December 2023 and on the impacted components of statement of profit or loss for the financial year ended 31 December 2023 are presented below:

Statement of financial position as at 31 December 2023 and 1 January 2023Company

	As previously stated as at 31 December 2023	Adjustment (a)	As restated as at 31 December 2023	As previously stated as at 1 January 2023	Adjustment (a)	As restated as at 1 January 2023
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Asset						
Deferred tax assets	-	4,236	4,236	2,508	11,260	13,768
Equity						
Retained earnings	67,699	(39,493)	28,206	50,125	(35,653)	14,472
Liabilities						
Takaful certificate liabilities	845,779	51,965	897,744	809,602	46,913	856,515
Deferred tax liabilities	8,236	(8,236)	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. COMPARATIVES (CONTINUED)

Prior year adjustments and reclassifications (continued)

The relevant comparative figures have been restated in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The effects of the adjustments on the assets, liabilities and equity on the statement of financial position of the Company as at 1 January 2023 and 31 December 2023 and on the impacted components of statement of profit or loss for the financial year ended 31 December 2023 are presented below (continued):

Statement of profit or loss for the financial year ended 31 December 2023

Company

	As previously stated Financial year ended 31 December 2023	Adjustment (a)	Reclassification (b)	As restated Financial year ended 31 December 2023
	RM'000	RM'000	RM'000	RM'000
Takaful revenue	605,571	(8,007)	(336,894)	260,670
Takaful service expense	(519,877)	(1,843)	301,910	(219,810)
Takaful service result before retakaful certificates held	85,694	(9,850)	(34,984)	40,860
Allocation of retakaful contributions	(31,321)	-	-	(31,321)
Amounts recoverable from retakaful operators for incurred claims	25,547	-	-	25,547
Net expense from retakaful certificates held	(5,774)	-	-	(5,774)
Takaful service result	79,920	(9,850)	(34,984)	35,086
Takaful finance expense for takaful certificates issued	(88,297)	4,798	34,984	(48,515)
Retakaful finance expense for retakaful certificates held	(60)	-	-	(60)
Net takaful finance result	(88,357)	4,798	34,984	(48,575)
Tax expense attributable to Takaful Operator	(9,243)	1,212	-	(8,031)
Net loss for the financial year	17,574	(3,840)	-	(13,734)
Total comprehensive income for the financial year	18,783	(3,840)	-	14,943

Zurich Takaful Malaysia Berhad

Registration No. 200601012246 (731996-H)

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