

Registration No.

201101007816 (935955-M)

**AIA PUBLIC TAKAFUL BHD.**

(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

Registration No.

201101007816 (935955-M)

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(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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## DIRECTORS' REPORT

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

### PRINCIPAL ACTIVITIES

The Company is engaged principally in managing Family Takaful business including investment-linked Takaful business.

There has been no significant change in the principal activity during the financial year.

### RESULTS

	RM'000
Net profit for the financial year	<u>155,012</u>

### DIVIDEND

No dividend was paid or declared by the Company since the date of incorporation and the Directors do not recommend any dividend for the current financial year.

### RESERVE AND PROVISIONS

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

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## **DIRECTORS' REPORT (CONTINUED)**

### **DIRECTORS**

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Mahani binti Amat (Chairperson)

Dato' Chang Kat Kiam

Dato' Seri Mohamed Hassan Bin Md Kamil (appointed on 21 February 2023)

Datuk Husni Zai bin Yaacob

Datin Dr. Rusnah binti Muhamad

Chong Kin Leong

Ng Kee Heng

### **DIRECTORS' BENEFITS**

Neither during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Company or by a related corporation with the 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.

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**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' INTERESTS**

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares in or debentures of the Company or its holding company or subsidiaries of the holding company during the financial year except as follows:

	<b>Number of ordinary shares</b>			
	<b>As at 1 January 2023</b>	<b>Acquired</b>	<b>Disposed</b>	<b>As at 31 December 2023</b>
<u>AIA Group Limited</u>				
Ng Kee Heng				
- Direct Interest	108,000	24,322	(91,194)	41,128
- Deemed Interest	99,225	91,195	-	190,420
<b>Number of matching restricted stock purchase units over ordinary shares under Employee Share Purchase Plan</b>				
	<b>As at 1 January 2023</b>	<b>Granted</b>	<b>Vested</b>	<b>As at 31 December 2023</b>
<u>AIA Group Limited</u>				
Ng Kee Heng	1,901	978	(785)	2,094
<b>Number of restricted share units over ordinary shares</b>				
	<b>As at 1 January 2023</b>	<b>Granted</b>	<b>Vested</b>	<b>As at 31 December 2023</b>
<u>AIA Group Limited</u>				
Ng Kee Heng	145,234	53,594	(50,862)	147,966
<b>Number of share options over ordinary shares</b>				
	<b>As at 1 January 2023</b>	<b>Granted</b>	<b>Vested</b>	<b>As at 31 December 2023</b>
<u>AIA Group Limited</u>				
Ng Kee Heng	314,930	20,336	-	335,266

Matching restricted stock purchase units and restricted share units and share options are granted to certain employees, directors and officers of the Company under the Employee Share Purchase Plan, Restricted Share Unit Scheme and Share Option Scheme of AIA Group Limited respectively.

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**DIRECTORS' REPORT (CONTINUED)**

**IMMEDIATE AND ULTIMATE HOLDING COMPANY**

The Directors regard AIA Bhd., a company incorporated in Malaysia and AIA Group Limited ("AIA GL"), a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited, as its immediate holding company and ultimate holding company respectively.

**STATEMENT ON CORPORATE GOVERNANCE**

The Board of Directors ("the Board") is satisfied that the Company has complied with all the prescriptive requirements of, and adopts the Corporate Governance Policy Document, issued by Bank Negara Malaysia ("BNM").

**(A) BOARD OF DIRECTORS**

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are, as follows:

1. Mahani binti Amat (Chairperson)  
*Independent Non-Executive Director*

Puan Mahani holds a Bachelor of Economics (majoring in Business Administration) from University of Malaya. She has over 27 years of working experience in the banking industry. She began her career with Bank Negara Malaysia in 1977 where she spent 7 years in Reserves Management. In 1984, she moved on to RHB Bank in Singapore and held various positions in the Treasury and Offshore Banking, and Consumer Banking. She returned to RHB Bank Kuala Lumpur in 2001, where she held senior management positions in premium banking and international division, up to her last designation in 2004 as Executive Vice President of operations and services.

2. Dato' Chang Kat Kiam  
*Non-Independent Non-Executive Director*

Dato' Chang was appointed to the Board of AIA PUBLIC Takaful Bhd. since the Company's inception on 11 March 2011. Dato' Chang holds a Master's degree in Business Administration from the University of Hull, United Kingdom. He is also a Chartered Banker of the Chartered Banker Institute (CBI), United Kingdom. Dato' Chang has over 45 years of experience in the banking and finance industry. Dato' Chang is currently the Deputy Chief Executive Officer of Public Bank Berhad.

3. Dato' Seri Mohamed Hassan Bin Md Kamil (appointed on 21 February 2023)  
*Independent Non-Executive Director*

Dato' Seri Mohamed Hassan Bin Md Kamil was the Group CEO of Syarikat Takaful Malaysia Keluarga Bhd and had retired from the Group on 31 December 2021. At the helm of Takaful Malaysia since 2007, Dato' Seri Mohamed Hassan Bin Md Kamil has propelled the company to become one of the top Takaful operators in Malaysia and had steered the Group to a higher level with proven and sustainable financial performance. He graduated with a Bachelor of Science degree in Actuarial Science and Master in Business Administration from the University of Iowa, USA. He is a Fellow of the Society of Actuaries, USA and a Chartered Life Underwriter.

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**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

**(A) BOARD OF DIRECTORS (CONTINUED)**

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are, as follows: (continued)

4. **Datuk Husni Zai bin Yaacob**  
*Independent Non-Executive Director*

Datuk Husni holds a Bachelor of Science (Hons.) Resource Economics from University Putra Malaysia. Datuk Husni had served at Malaysian missions in the Philippines, Pakistan and United Kingdom and was an Ambassador of Malaysia to Kuwait and Ambassador of Malaysia to Thailand. Datuk Husni was appointed as the High Commissioner of Malaysia to Singapore on 23 August 2013 before his retirement from government service in 2016. Datuk Husni has over 34 years of experience and expertise in managing international relations as a diplomat and Senior Management team of the Malaysian Ministry of Foreign Affairs.

5. **Datin Dr. Rusnah binti Muhamad**  
*Independent Non-Executive Director*

Datin Dr. Rusnah holds a Ph.D in Accounting from University of Malaya. She obtained her first degree in Accounting from the same university and obtained her Master of Science in Accounting and Finance from University of Stirling, Scotland. She also holds an Executive Diploma in Syariah from University Malaya Centre of Continuing Education and was accorded the Best Student Award. She was until October 2022 an Associate Professor of the Faculty of Business and Accountancy at University of Malaya.

6. **Chong Kin Leong**  
*Independent Non-Executive Director*

Mr Chong graduated in Accounting from the University of Malaya in 1981 and is a Member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. Mr Chong has more than 40 years of experience in all aspects of financial and business management in the corporate sector, financial institutions and auditing. His last executive position prior to retirement was Chief Financial Officer of Genting Berhad, where he worked for 16 years.

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**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

**(A) BOARD OF DIRECTORS (CONTINUED)**

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are, as follows: (continued)

**7. Ng Kee Heng**  
*Executive Director*

Mr. Ng is a Fellow of the Society of Actuaries and Fellow of the Casualty Actuarial Society in the United States. He holds a bachelor's degree in Business Administration with highest distinctions from the University of Nebraska-Lincoln, United States. Mr. Ng has more than 26 years of experience in the insurance industry. He joined AIA in 2011 and was appointed as CEO of AIA Bhd. on 15 August 2019. Prior to his current appointment, he was the President Director and CEO of AIA Indonesia since June 2014. Mr. Ng also served as CEO of AIA Group's Corporate Solutions business and Regional Business Development Director and Interim CEO for AIA Taiwan. Mr. Ng has held an extensive range of leadership roles across both business and finance functions including Chief Financial Officer, Chief Operating Officer and Chief Marketing Officer.

In promoting independent oversight by the Board, the tenure limit for Independent Directors is nine (9) years from the date of the Director's initial appointment. The Board is also discouraged from having more than seven (7) Directors. However, a maximum of ten (10) Directors may be allowed provided the additional Directors are Independent Directors.

During the financial year, a total number of twenty eight (28) Board and Board Committee Meetings were held, as follows:

	Audit Committee	Risk Management Committee	Nominating Committee	Remuneration Committee	Board
Number of meetings	5	5	6	3	9



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## DIRECTORS' REPORT (CONTINUED)

### STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

#### (A) BOARD OF DIRECTORS (CONTINUED)

The Directors' attendance to the Board and Board Committee Meetings during the financial year was as follows:

	Audit Committee Member	Risk Management Committee Member	Nominating Committee Member	Remuneration Committee Member	Board Member
Mahani binti Amat	5/5	5/5	3/3	N/A	9/9
Dato' Chang Kat Kiam	5/5	5/5	6/6	3/3	9/9
Dato' Seri Mohamed Hassan bin Md Kamil	2/2	2/2	3/3	N/A	8/8
Datuk Husni Zai bin Yaacob	2/2	5/5	6/6	3/3	9/9
Datin Dr Rusnah binti Muhamad	5/5	5/5	6/6	N/A	9/9
Chong Kin Leong	5/5	5/5	6/6	3/3	9/9
Ng Kee Heng	N/A	N/A	6/6	N/A	9/9

\* N/A – Not Applicable (Not a Member)

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**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

**(A) BOARD OF DIRECTORS (CONTINUED)**

The Directors had attended briefings, conferences, seminars and trainings during the financial year, which include the following:

<b>No.</b>	<b>Description</b>
1.	Distinguished Board Leadership Series for 2023
2.	Contextualising Net Zero by PwC Malaysia
3.	Maybank & Ogier Global Sustainable Investment Consulting: Growth of ESG Regulation in Asia - Trends, Opportunities and Implications for Sustainable Investing in 2023
4.	Getting Started with Climate Related Financial Reporting
5.	Building Experience and Expertise in Climate Related Financial Reporting
6.	FIDE Elective: Risk Management Committee – Banking Sector
7.	Global Economic Outlook 2023 by Prof Antonio Fatas of INSEAD
8.	Engagement Session for BNM Annual Report 2022, Economic & Monetary Review 2022, and Financial Stability Review Second Half 2022
9.	AIA Directors Investment Training Session.
10.	FIDE Elective: Market Risk Management - Banking Sector
11.	The Generational Divide: Bridging Differences and Building Collaboration by Ms Fyiona
12.	Capitalising on Windows of Opportunity
13.	Navigating Economic Shifts to Capture Investment Opportunities
14.	Climate Governance Malaysia Chairperson Masterclass Series: Scaling Up the Circular Economy
15.	How Can Financial Institutions Shape a More Sustainable Future?
16.	Building and Managing Crypto Portfolios - Considerations and Risks
17.	Cyber and Technology Risk Training & Talkbot Live Demo
18.	Introduction to Climate Risk Management
19.	Fide Forum: Operationalising Resolution Planning – A perspective from the Trenches
20.	iERP's Global Conference 2023
21.	Board of Directors Programme Cohort 4

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## **DIRECTORS' REPORT (CONTINUED)**

### **STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

#### **(A) BOARD OF DIRECTORS (CONTINUED)**

The Directors had attended briefings, conferences, seminars and trainings during the financial year, which include the following (continued):

<b>No.</b>	<b>Description</b>
22.	BNM's industry engagement on health-related risks and transition pathway for mySalam
23.	Fide Forum: Sustainability In The Digital Age
24.	Ignite Your Sustainability Journey with the New ISSB Standards
25.	From Numbers to Impact: A Decarbonisation Remit for Finance Function
26.	Fide Forum: Chairperson Masterclass Series 2023
27.	The New Cyber Threat Landscape by Professor Oyuku of IMD
28.	Vision Business Solutions: AML/CFT: Evolving Challenges & Expectations In Regulatory Compliance
29.	Joint Committee on Climate Change (JC3): Journey to Zero Conference 2023
30.	Elements of ESG
31.	Focus session on the new MFRS17
32.	Business Considerations for Human Rights
33.	AML/CFT Updates: Evolving Challenges and Expectations In Regulatory Compliance.
34.	Shariah Principles and its Application in Takaful
35.	Budget 2024 Snapshots and E-Invoicing
36.	BNM-FIDE Forum Virtual Dialogue
37.	Climate Risk Management and Scenario Analysis (CRMSA) for CEOs. Chairperson: Deputy Governor Datuk Jessica Chew

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**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

**(A) BOARD OF DIRECTORS (CONTINUED)**

The Directors were also regularly updated on the issuance of new related Acts and regulations as well as the requirements to be observed both by the Company and Directors.

The Company provides an in-house orientation to newly appointed Directors and the Directors may request trainings on specific subjects in facilitating the Directors to discharge their duties effectively. On an annual basis, the Nominating Committee ("NC") will conduct annual review of trainings attended by the Directors during each financial year.

The Board is responsible for the overall governance of the Company and discharges this responsibility through compliance with the Islamic Financial Services Act, 2013 ("the Act") and Corporate Governance Policy Document issued by BNM and other directives, in addition to adopting other best practices on corporate governance.

The Board has an overall responsibility to lead the Company, including setting the strategic future direction, review viability of the corporate objective and overseeing the conduct and performance of business.

As an Islamic financial institution, the Board also has an oversight accountability for Shariah governance implementation and the Company's overall compliance with Shariah. This responsibility is discharged through compliance with the Act, Shariah Governance Policy Document and other related regulations and directives issued by BNM, as well as the Company's internal policies and procedures. In discharging this responsibility, the Board must have due regard to any decisions or advice of the Shariah Committee.

As at the date of the report, the Board comprises five (5) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and one (1) Executive Director to enable a balanced and objective consideration of issues, hence facilitating optimal decision-making.

The Board met nine (9) times during the financial year, eight (8) of which were scheduled and one (1) Special Board Meeting. All Directors in office at the end of the financial year complied with the 75% minimum attendance requirement at such meeting.

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**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

**(A) BOARD OF DIRECTORS (CONTINUED)**

To support sound corporate governance and processes, the Board formed various Board Committees namely the Nominating Committee, the Remuneration Committee, the Risk Management Committee and the Audit Committee ("the Committees") in accordance with the requirements of BNM's Corporate Governance Policy Document.

The roles and members of the Committees are as provided below.

Nominating Committee

As at the date of this report, the Nominating Committee ("NC") comprises seven (7) members, as follows:

Datuk Husni Zai bin Yaacob	Chairman (Independent Non-Executive)
Dato' Chang Kat Kiam	Member (Non-Independent Non-Executive)
Ng Kee Heng	Member (Executive Director)
Chong Kin Leong	Member (Independent Non-Executive)
Datin Dr Rusnah binti Muhamad	Member (Independent Non-Executive)
Dato' Seri Mohamed Hassan Bin Md Kamil (appointed on 22 June 2023)	Member (Independent Non-Executive)
Mahani Binti Amat (appointed on 22 June 2023)	Member (Independent Non-Executive)

The objective of the NC is to establish a documented, formal and transparent procedure for the appointment of Directors, Chief Executive Officer ("CEO"), senior management and Shariah Committee members and to assess the effectiveness of individual Directors, the Board as a whole (including various committees of the Board), CEO, senior management and Shariah Committee members on an on-going basis.

The principal duties and responsibilities of NC are:

- (a) establishing the minimum requirements of the Directors, Shariah Committee, senior management and company secretary at the time of his/her appointment and on a continuing basis;
- (b) ensuring that each Board Committee comprises Directors who have the necessary skill, knowledge and experience relevant to the responsibilities of the Board Committee;

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**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

**(A) BOARD OF DIRECTORS (CONTINUED)**

Nominating Committee (continued)

The principal duties and responsibilities of NC are: (continued)

- (c) establishing and regularly reviewing succession plans for Directors, Shariah Committee, senior management and company secretary to promote Board renewal and address any vacancies;
- (d) establishing a rigorous process for the appointment and removal of Directors, Shariah Committee, senior management and company secretary. The process must involve the assessment of candidates against the minimum requirement as set out in the Corporate Governance Policy Documents. To maintain the engagement between a candidate and the NC to ascertain the suitability of each candidate for the Board;
- (e) assessing against the minimum requirements for each Director, Shariah Committee member and senior management on an annual basis, and as and when the Board becomes aware of information that may materially compromise the individual/Director's fitness and propriety, or any circumstance that suggests that the Director is ineffective, errant or otherwise unsuited to carry out his/her responsibilities;
- (f) recommending and assessing the appointment and reappointment of Directors, Shariah Committee and senior management as per the minimum requirement as set out in the Corporate Governance Policy Documents before an application for approval is submitted to BNM;
- (g) assessing the Board and the Board Committees in terms of the appropriate size that promotes effective deliberation and encourages the active participation of all Directors and allows the work of the various Board Committees to be discharged without giving rise to an over-extension of Directors that are required to serve on multiple Board Committees;
- (h) assessing the performance and effectiveness of the Board, Board Committees, individual Directors and Shariah Committee. This is important to enable the Board to identify areas for professional development and process improvements, having regard to the changing needs of the Company;
- (i) ensuring effective communication in addressing any queries made by BNM for the application process of appointment and reappointment of Directors and CEO of the Company; and
- (j) overseeing the effective implementation of the transfer of knowledge of expatriates to local employees.

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**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

**(A) BOARD OF DIRECTORS (CONTINUED)**

Remuneration Committee

As at the date of this report, the Remuneration Committee ("RC") comprises six (6) members as follows:

Datuk Husni Zai bin Yaacob	Chairman (Independent Non-Executive)
Dato' Chang Kat Kiam	Member (Non-Independent Non-Executive)
Chong Kin Leong	Member (Independent Non-Executive)
Dato' Seri Mohamed Hassan Bin Md Kamil (appointed on 22 June 2023)	Member (Independent Non-Executive)
Datuk Husni Zai bin Yaacob (appointed on 22 June 2023)	Member (Independent Non-Executive)
Mahani binti Amat (appointed on 22 June 2023)	Member (Independent Non-Executive)

The objective of the RC is to provide a formal and transparent procedure for developing a remuneration policy for Directors, CEO, senior management and Shariah Committee members and ensuring that their compensation is competitive and consistent with the Company's culture, objectives and strategy.

The principal duties and responsibilities of RC are:

- (a) recommending a framework for the remuneration of Directors, the CEO, senior management and Shariah Committee members. The remuneration policy should:
  - be documented and approved by the full Board and any changes thereto should be subject to the endorsement of the full Board;
  - reflect the experience and level of responsibility borne by individual Directors, the CEO, senior management and Shariah Committee members;
  - be sufficient to attract and retain Directors, CEO, senior management and Shariah Committee members of calibre needed to manage the Company successfully; and
  - be balanced against the need to ensure that the funds of the Company are not used to subsidise excessive remuneration packages and should not create incentives for irresponsible behaviour or insider excesses.
- (b) recommending specific remuneration packages for each Director, member of Shariah Committee, senior management and other material risk takers. The remuneration packages should:
  - be based on objective considerations and approved by the full Board;
  - take due consideration of the assessments of the Nominating Committee of the effectiveness and contribution of the Directors, CEO, senior management or Shariah Committee members concerned including relating to compliance with Shariah as per the applicable regulatory requirements;
  - not be decided by the exercise of sole discretion by any one individual or restricted group of individuals; and
  - be competitive and consistent with the Company's culture, objectives and strategy.

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**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

**(A) BOARD OF DIRECTORS (CONTINUED)**

**Risk Management Committee**

As at the date of this report, the Risk Management Committee ("RMC") comprises six (6) members as follows:

Dato' Seri Mohamed Hassan Bin Md Kamil (appointed on 22 June 2023)	Chairman (Independent Non-Executive)
Chong Kin Leong	Member (Independent Non-Executive)
Mahani binti Amat	Member (Independent Non-Executive)
Datuk Husni Zai bin Yaacob	Member (Independent Non-Executive)
Dato' Chang Kat Kiam	Member (Non-Independent Non-Executive)
Datin Dr. Rusnah binti Muhamad	Member (Independent Non-Executive)

The objective of the RMC is to oversee the senior management's activities in managing the key risk areas of the Company and to ensure that an appropriate risk management process is in place and functioning effectively.

The principal duties and responsibilities of RMC are:

- (a) reviewing and recommending risk management strategies, policies and risk tolerance levels for the Board's approval;
- (b) reviewing and assessing the adequacy of the risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- (c) ensuring that adequate infrastructure, resources and systems are in place for effective risk management; e.g. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Company's risk taking activities;
- (d) reviewing the management's periodic reports on risk exposure, risk portfolio composition and risk management activities; and
- (e) establishing and approving the technology risk appetite and risk tolerance, overseeing the adequacy of the Company's IT and cybersecurity strategic plans covering a period of no less than three (3) years, overseeing the effective implementation of a sound and robust technology risk management framework and cyber resilience framework and discussing cyber risks and related issues, including the strategic and reputational risks associated with a cyber-incident.



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**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

**(A) BOARD OF DIRECTORS (CONTINUED)**

**Audit Committee**

As at the date of this report, the Audit Committee ("AC") comprises six (6) members as follows:

Chong Kin Leong (appointed on 22 June 2023)	Chairman (Independent Non-Executive)
Mahani binti Amat	Member (Independent Non-Executive)
Dato' Chang Kat Kiam	Member (Non-Independent Non-Executive)
Datin Dr. Rusnah binti Muhamad (appointed on 22 June 2023)	Member (Independent Non-Executive)
Dato' Seri Mohamed Hassan Bin Md Kamil (appointed on 22 June 2023)	Member (Independent Non-Executive)
Datuk Husni Zai bin Yaacob (appointed on 22 June 2023)	Member (Independent Non-Executive)

The primary objective of the AC is to ensure the integrity and transparency of the financial reporting process.

The principal duties and responsibilities of the AC are:

- (a) ensuring that the internal audit department is distinct and has the appropriate status within the overall organisational structure for the internal auditors to effectively accomplish their audit objectives;
- (b) reviewing and concurring the annual audit plan, audit charter and annual budget of the internal audit department and the appointment of the external auditors;
- (c) ensuring that internal audit staff have free and unrestricted access to the Company's records, assets, personnel or processes relevant to and within the scope of the audits;
- (d) reviewing various relationships between the external auditors and the Company or any other entity that may impair or appear to impair the external auditors' judgment or independence in respect of the Company;
- (e) reviewing with the external auditors that appropriate audit plans are in place and the scope of the audit plans reflect the terms of the engagement letter for the audits;
- (f) reviewing with the external auditors the financial statements, audit reports, including obligation reports to BNM and discuss the findings and issues arising from the external audit;
- (g) ensuring that management's remediation efforts with respect to all findings and recommendations are resolved effectively and in a timely manner;

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**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

**(A) BOARD OF DIRECTORS (CONTINUED)**

Audit Committee (continued)

The principal duties and responsibilities of the AC are: (continued)

- (h) approving the provision of non-audit services by the external auditors and ensuring that the level of provision of non-audit services is compatible with maintaining auditor independence;
- (i) reviewing the Chairman's statement, interim financial reports, preliminary announcements and corporate governance disclosures in the Directors' Report;
- (j) reviewing any related party transactions and conflicts of interest situations that may arise including any transaction, procedure or conduct that raises questions of management integrity; and
- (k) ensuring that the Company's accounts are prepared and published in a timely and accurate manner for regulatory, management and general reporting purposes.

The AC has the authority to investigate any matter within its terms of reference and has unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to employees and agents of the Company.

During the financial year, the AC members have met twice with the external auditors without the presence of the management.

**(B) SHARIAH COMMITTEE**

The Company is advised by a Shariah Committee as required under the Act and Shariah Governance Policy Document.

Functionally, the Shariah Committee reports to the Board. The principal responsibility of the Shariah Committee is to provide objective and sound advice to the Company to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah principles at all times.

The Shariah Committee comprises Shariah scholars and experts in Islamic finance. The Shariah scholars have the relevant qualification, expertise and experience in Islamic jurisprudence (usul al-fiqh) and Islamic commercial laws (fiqh al-mu'amalat) who form the majority of the Shariah Committee. The other members of the Shariah Committee are the Islamic finance experts with accounting / finance as well as business administration background.

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**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

**(B) SHARIAH COMMITTEE (CONTINUED)**

The Shariah Committee members in office during the financial year and during the period from the end of the financial year to the date of the report are:

Dr. Ab Mumin bin Ab Ghani (Chairman) (retired on 31 March 2023)  
 Ir. Dr. Muhamad Fuad bin Abdullah (appointed as Chairman on 1 April 2023)  
 YM Engku Ahmad Fadzil bin Engku Ali  
 Khairil Anuar bin Mohd Noor  
 Shabnam binti Mohamad Mokhtar  
 Professor Dr. Muhamad Rahimi Osman (appointed on 12 May 2023)

During the financial year, a total number of ten (10) Shariah Committee Meetings were held. The Shariah Committee members' attendance to the Shariah Committee Meetings during the financial year was as follows:

<u>Name of Shariah Committee Members</u>	<u>No. of attendance</u>
Dr. Ab Mumin bin Ab Ghani	3/3
Ir. Dr. Muhamad Fuad bin Abdullah	10/10
YM Engku Ahmad Fadzil bin Engku Ali	10/10
Khairil Anuar bin Mohd Noor	10/10
Shabnam binti Mohamad Mokhtar	10/10
Professor Dr. Muhamad Rahimi Osman	7/7

**(C) MANAGEMENT ACCOUNTABILITY**

The Company has an organisational structure that clearly establishes the job descriptions, authority limits and other operating boundaries of each management and executive employee and formal performance appraisal is done annually. Information is effectively communicated to the relevant employee within the Company. The Company has a formal and transparent procedure for developing the policy on executive remuneration. None of the Directors and senior management of the Company has, in any circumstances, conflict of interest referred to in Section 67 of the Act.

The Management meets all prescriptive requirements under this section and has already adopted best practices in the areas of organisational structure and allocation of responsibilities, conflicts of interest, goal setting and the area of communication.

**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

**(D) CORPORATE INDEPENDENCE**

All material related party transactions are conducted on agreed terms as specified under BNM's Guidelines on Related-Party Transactions for Takaful Operators. Related parties' transactions and balances have been disclosed in the financial statements in compliance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

**(E) INTERNAL CONTROL FRAMEWORK**

The Board is responsible for the overall direction and management of the Company and the formulation of the policies to be applied to the Company and the business. Enterprise Risk Management, Compliance and Internal Audit functions, among others, provide assessment, reporting and assurance on the effectiveness of the Company's policies and operations as well as its compliance with legal and regulatory obligations.

Such processes are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The criteria applied by the Directors in judging the effectiveness of these controls are that they allow the maximisation of shareholder value by exploiting business opportunities whilst ensuring that risks are properly identified and managed. The controls are regularly reviewed to ensure that they enable the proper management of business risks without so restricting efficiency and entrepreneurial nature that they inhibit proper running of the business.

The Company has a management structure with clear lines of responsibility and accountability, staffed by appropriate personnel. The Board is responsible for setting the overall strategy and reviewing the performance of the Company.

The day to day running of Company's operations is managed by the senior management, chaired by the CEO. This team is also responsible for the recommendation to the Board of the Company's strategy and its subsequent implementation, for ensuring that appropriate internal controls are in place to manage and assess risk and that they are fully complied with.

The fundamental elements of the Company's internal control and risk management framework are described below:

**1. Structure and reporting**

A clear organisational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Action plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the Company can meet its future management requirements.

**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

**(E) INTERNAL CONTROL FRAMEWORK (CONTINUED)**

The fundamental elements of the Company's internal control and risk management framework are described below: (continued)

**2. Approval procedures**

The Company has delegated authority structures that ensure that decisions are taken at an appropriate level, with an appropriate level of input by internal and external expert advisers. The delegated authority structure prescribes financial limits of approval at each level and requires decisions with significant financial, legal or reputational impact for the Company to be approved by the Board.

**3. Operating Philosophy**

The Company has identified and adopted the following Operating Philosophy of "Doing the Right Thing, in the Right Way, with the Right People...the Results will come.". Underlying this Operating Philosophy are 12 Operating Principles that help guide and shape our employees' actions and behaviours, informing how we interact with one another and how we behave externally with our customers, shareholders and other stakeholders, including the community at large.

**4. Corporate policies, values and compliance**

There are various policies and procedures in place as internal control to govern the operations of the Company. The following AIA Group policies have been adopted by the Company:

- (a) **AIA Code of Conduct:** This policy lays the foundation for good business decisions and guides staff and agents in conducting business honourably, ethically and with utmost professionalism. AIA Code of Conduct specifies the standards of behaviour to which every AIA employee and stakeholder is expected to adhere. AIA Code of Conduct guides us on compliance, ethics and risk issues and allows us to contribute positively to the societies where we operate.
- (b) **Whistleblower Protection Policy:** This policy aims to establish corporate values and culture that support ethical behaviour and to assure confidentiality and non-retaliation to whistleblowers. Every employee has the obligation to report unethical behaviour or suspected violations of law or company policy connected with AIA Group business activities.
- (c) **Anti-Fraud Policy:** The Company is committed to conducting all of its business with the highest level of ethics and integrity. To uphold this commitment and in particular, a zero-tolerance approach to fraud, the Company requires adherence to this Anti-Fraud Policy. The Anti-Fraud Policy is intended to reinforce management procedures designed to aid in the prevention, detection and investigation of fraud, thereby safeguarding the Company's assets and providing protection from the legal and reputational consequences of fraudulent activities.

**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

**(E) INTERNAL CONTROL FRAMEWORK (CONTINUED)**

The fundamental elements of the Company's internal control and risk management framework are described below: (continued)

**4. Corporate policies, values and compliance (continued)**

There are various policies and procedures in place as internal control to govern the operations of the Company. The following AIA Group policies have been adopted by the Company: (continued)

- (d) **Anti-Corruption Policy:** The Company is committed to conducting all of its business in an honest and ethical manner. Bribery or any improper payment to gain an advantage in any situation is never acceptable and may have serious legal, reputation and regulatory implications for the Company. The policy also makes good business sense. These controls that are embedded in the Company as a result of the adoption of the policies are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company recognises the importance of sound risk management in every aspect of our business and for all our stakeholders. For our certificate holders, it provides the security of knowing that we will always be there for them; for our investors, it is key to protecting and enhancing the long-term value of their investment. Also for our regulators, it is supportive of industry growth and the public's trust in the industry.

While effective risk management is vital to any organization, it goes to the core of a Family Takaful business where it is a main driver of value. The Company's Risk Management Policy ("RMP") formalises the approach to Risk Management which is implemented through its Risk Management Framework ("RMF"). The RMF allows management to understand the Risk Profile, maintain adequate Risk Controls and ensure that appropriate actions are taken to support the Company's Strategy and Business Objectives.

The RMP provides guidance and sets principles in relation to the:

- Design of the RMF: overview and expectations with regards to each underlying component of the RMF; and
- Execution of the RMF: enablement of the Risk & Compliance function's governing principle to build a sustainable competitive advantage for the Company by fully integrating Risk Management into the Company's Strategy, Business Objectives and daily business activities.

**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

**(E) INTERNAL CONTROL FRAMEWORK (CONTINUED)**

The fundamental elements of the Company's internal control and risk management framework are described below: (continued)

**4. Corporate policies, values and compliance (continued)**

The RMF consists of the following components:

**1. Risk Culture**

The RMF recognises the importance of Risk Culture in the effective management of risks. Risk Culture defines the Company's attitude to risks and ensures its remuneration structure promotes the right behaviour. The Board and senior management are committed to fostering a corporate culture which promotes proactive risk management.

**a. Accountability**

A key component of the risk culture is accountability. The respective business functions in the Company are owners of all risks arising from within their areas and is responsible for managing risks. The Chief Risk Officer ("CRO") has overall accountability for the Enterprise Risk Management function, with primary reporting lines to the Board Risk Management Committee and to Group CRO. This structure ensures independence of the Enterprise Risk Management and Compliance functions and allows the CRO full access to business discussions so as to provide risk management perspectives and insights.

**b. Remuneration**

The Company's executive remuneration structure ensures appropriate consideration of the RMF within a strong performance-oriented culture. This is supported by a performance management system where all staff are measured on 'How' as well as 'What' they deliver. This structure places significant emphasis on conduct as well as achievement and is consistent with our fundamental Operating Philosophy of "Doing the Right Thing, in the Right Way, with the Right People.... And the Results will come".

**2. Risk Management Process**

In order to encourage good management and to embed a culture of iterative process of continuous improvement, all business functions must incorporate the five (5) key risk management process in their activities to identify and assess, management and response, monitor, control and ensure compliance requirements, of the risk exposures. This ensures that risk reviews undertaken by the Company are appropriate and contributing to optimal business decisions.

**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

**(E) INTERNAL CONTROL FRAMEWORK (CONTINUED)**

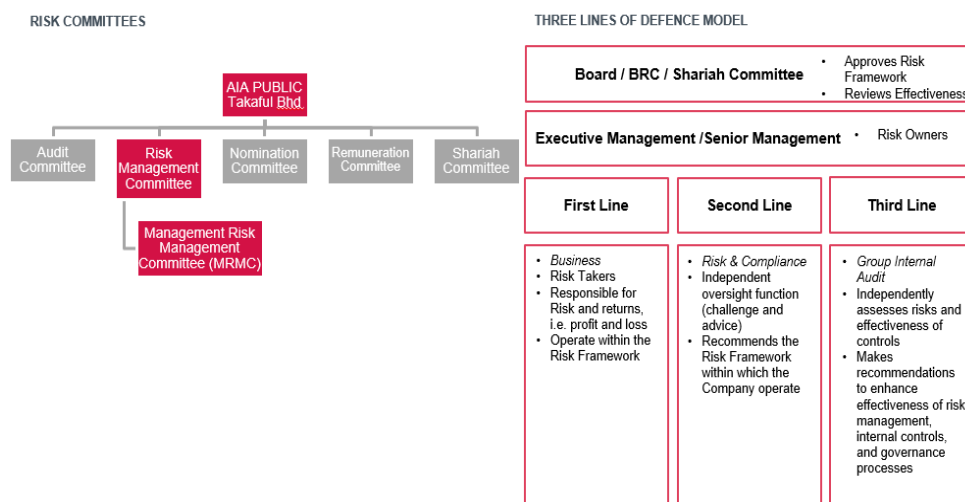
The fundamental elements of the Company's internal control and risk management framework are described below: (continued)

**4. Corporate policies, values and compliance (continued)**

The RMF consists of the following components: (continued)

**3. Risk Governance**

The Company's Risk Governance framework is built on the "Three Lines of Defence" model. With regard to risk management, the objective is to ensure that an appropriate framework is in place, including an independent system of checks and balances, to provide assurance that risks are identified, assessed, managed and governed properly. The framework clearly defines roles and responsibilities for the management of risk between the Executive Management ("First Line"), Enterprise Risk Management & Compliance ("Second Line") and Internal Audit ("Third Line") functions. While each line of defence is independent from the others, they work closely to ensure effective oversight.



The First Line is made up of the business decision-takers who are responsible for ensuring that effective and appropriate processes, limits and controls are in place at all times to effectively identify, assess and manage risk in a manner consistent with the RMF. In particular, the amount of risk taken at each level of the organisation must be consistent with the Risk Appetite and in accordance with approved risk policies and procedures.



**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

**(E) INTERNAL CONTROL FRAMEWORK (CONTINUED)**

The fundamental elements of the Company's internal control and risk management framework are described below: (continued)

4. Corporate policies, values and compliance (continued)

The RMF consists of the following components: (continued)

3. Risk Governance (continued)

The Second Line consists of the Enterprise Risk Management and Compliance functions. These functions are independent of the First Line and is responsible for overseeing First Line activities and ensuring that the Company adheres to its own high standards. The Second Line works consultatively with the First Line to support the business in achieving its objectives whilst operating within the risk appetite limits.

The Third Line is the Internal Audit ("IA"), which is independent of the Executive Management and reports to the Board Audit Committee and Shariah Committee. IA is responsible for providing independent assurance over the adherence of policies and processes and Shariah compliance requirements at all levels in both First and Second Line; and on the effectiveness of key internal controls and makes recommendations based on audit findings, including areas of potential improvement for further considerations.

The Three Lines of Defence converge at the Board, which retains overall responsibility for the Company's RMF.

4. Risk Strategy and Appetite

The Company's attitude towards Risks, its Risk Appetite, Risk Tolerances and Risk Limits are all components of the Risk Strategy. The Risk Strategy describes how, which types of risks, and to what extent risks are taken to pursue the Company's strategy and business objectives. Conversely, it also expresses those risks which are not desired and the extent to which they should be mitigated. The Company has a different approach to Risk Management depending on the risk type.

The Company's Risk Appetite Policy is the foundation of its risk management policy. It establishes the risk boundaries within which the business will operate and sets stakeholder expectations in regard to the risk being run in the Company. In other words, it articulates the quantum and nature of risk that the Company is willing to take to achieve its' strategic objectives and helps to set stakeholder expectations. It should be used to inform and drive decision making within the Company.

**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

**(E) INTERNAL CONTROL FRAMEWORK (CONTINUED)**

The fundamental elements of the Company's internal control and risk management framework are described below: (continued)

4. Corporate policies, values and compliance (continued)

The RMF consists of the following components: (continued)

5. Risk Reporting, Systems and Tools

Risk reporting must cover all relevant material risks, be complete and accurate and provided on a timely basis to the Board, Risk Committee(s) and other relevant internal or external parties. This includes reports where required by local regulations, and other supervisory reports. Risk reporting practices must be reviewed periodically in terms of data integrity, extent and quality of information, and relevance to Risk decision-making.

**(F) REMUNERATION**

The AIA Group's Remuneration Guidelines, Philosophy and Standards applies to the Company and guide the design, operation and management of remuneration programmes. The elements of the remuneration policy applied are compensation (fixed and variable), benefits, performance and recognition.

There are Key Senior Officers (KSOs), Key Responsible Person (KRP) and Senior Management Team (SMT) which forms the Senior Management of the Company. The roles include:

- i. Chief Executive Officer;
- ii. Appointed Actuary;
- iii. Director, Finance;
- iv. Associate Director, Compliance;
- v. Associate Director, Business Governance;
- vi. Associate Director, Customer Propositions Marketing;
- vii. Associate Director, Shariah, Legal & Secretarial; and
- viii. Associate Director, Strategy & Distribution Management.

The Company conducts yearly Overall Salary Increment (SI), Overall Short-Term Incentive (STI) Payout, Long-Term Incentive (LTI) Cash Scheme Grant and Nominations and Total Compensation Review (TCR) for the Chief Executive Officer and senior management. The yearly exercise was recommended by the Chief Executive Officer (excluding that of the Chief Executive Officer) and reviewed and approved by the Chief Executive Officer of AIA Malaysia and the Regional Chief Executive of AIA. The proposal is then tabled to the Remuneration Committee and the Board for approval.

**AIA PUBLIC TAKAFUL BHD.**  
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**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

**(F) REMUNERATION (CONTINUED)**

The remuneration programmes should be market competitive, transparent and within prudent risk limits to attract and retain best talents in financial services industry. The compensation comprises of fixed pay and variable pay. Variable pay refers to discretionary pay or pay-at-risk which is cash based and does not consist of shares or non-cash instrument. Market competitiveness ensures remuneration is aligned to the relevance of the market movement and the overall target market position of the Company will be at market median.

Remunerations are determined based on individual performance as well as the Company's performance. The Performance Development Dialogue platform used by the Company in assessing the employees' performance include both "What" and "How". "What" refers to results an employee achieved, aligned with strategic priorities which help achieve the Company's business goal. On the other hand, "How" refers to behaviours an employee demonstrated to achieve the results, guided by the AIA Operating Philosophy of "Doing the Right Thing, In the Right Way, With the Right People and the Results Will Come". Both "What" and "How" are equally important and taken into consideration in determining the employees' remuneration for the financial year.

The Directors' remuneration for the financial year is required to be tabled to the Remuneration Committee, Board and Members of the Company for approval. Set out below is the breakdown of the total amount of remuneration for all relevant Directors during the financial year:

Name of Director	Fixed Remuneration (RM'000)	Variable Remuneration (RM'000)	Total Remuneration (RM'000)
Datuk Husni Zai bin Yaacob	139	46	185
Datin Dr. Rusnah binti Muhamad	135	52	187
Mahani binti Amat	149	40	189
Chong Kin Leong	148	42	190
Dato' Seri Mohamed Hassan Kamil	98	31	129
<b>TOTAL</b>	<b>669</b>	<b>211</b>	<b>880</b>

The Directors and Officers Liability coverage is taken and borne by AIA Bhd. covering all Directors and Officers of the Company and its related companies incorporated in Malaysia, collectively.

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AIA PUBLIC TAKAFUL BHD.  
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## DIRECTORS' REPORT (CONTINUED)

### STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

#### (F) REMUNERATION (CONTINUED)

The senior management's remuneration for the financial year was tabled to the Remuneration Committee and the Board for approval. The breakdown of the total amount of remuneration for the senior management during the financial year are as follows:

Total value of remuneration awards for the financial year	Unrestricted (RM'000)	Deferred (RM'000)
<b>Fixed remuneration</b>		
• Cash-based	3,094	-
• Shares and share-linked instruments	-	-
• Other	-	-
<b>Variable remuneration</b>		
• Cash-based	1,968	876
• Shares and share-linked instruments	-	-
• Other	-	-

#### (G) PUBLIC ACCOUNTABILITY

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally. The Company meets all prescriptive and best practice requirements under this section relating to unfair practices.

**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**OTHER STATUTORY INFORMATION**

- (a) Before the financial statements of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Company had been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Company misleading; or
  - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (c) At the date of this report:
- (i) there are no charges on the assets of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; and
  - (ii) there are no contingent liabilities in the Company which have arisen since the end of the financial year.
- (d) 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, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet their obligations as and when they fall due.

**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**OTHER STATUTORY INFORMATION (CONTINUED)**

- (e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.
- (f) In the opinion of the Directors:
- (i) 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; and
  - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.
- (g) Before the income statements and statements of financial position of the Company were made out, the Directors took reasonable steps to ascertain that there were adequate provisions for its takaful certificate liabilities in accordance with MFRS 17 Insurance Contracts.

**DIRECTORS' REMUNERATION**

	RM'000
Directors' fees	669
Directors' other emoluments	211
	<hr/> 880

**AUDITORS' REMUNERATION**

	RM'000
Auditors' remuneration:	
- statutory audit:	
- current financial year	850
	<hr/> 850

There was no indemnity given to, or insurance/takaful effected for auditors of the Company in respect of the liability for any act or omission in their capacity as auditors of the Company during the financial year.

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AIA PUBLIC TAKAFUL BHD.  
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## DIRECTORS' REPORT (CONTINUED)

### AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401 – LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 21 March 2024. Signed on behalf of the Board of Directors:

CHONG KIN LEONG  
DIRECTOR

NG KEE HENG  
DIRECTOR

Kuala Lumpur

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**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

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

We, Chong Kin Leong and Ng Kee Heng, two of the Directors of AIA PUBLIC Takaful Bhd., do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 38 to 192 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2023 and financial performance of the Company for the financial year ended 31 December 2023 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 21 March 2024.

**CHONG KIN LEONG**  
DIRECTOR

**NG KEE HENG**  
DIRECTOR

Kuala Lumpur



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AIA PUBLIC TAKAFUL BHD.  
(Incorporated in Malaysia)

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

I, Sze Yuet Ping, the officer primarily responsible for the financial management of AIA PUBLIC Takaful Bhd., do solemnly and sincerely declare that, the financial statements set out on pages 38 to 192 are, to the best of my knowledge and belief, 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.

SZE YUET PING  
(MIA No. 15110)

Subscribed and solemnly declared by the abovenamed Sze Yuet Ping at Kuala Lumpur in the Federal Territory on 21 March 2024.

Before me,

COMMISSIONER FOR OATHS

**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**SHARIAH COMMITTEE'S REPORT**

*In the name of Allah, the Most Beneficent, the Most Merciful*

*Praises be to Allah, the Lord of the Worlds and peace and blessings be upon our Prophet Muhammad, and on his family and companions.*

We have reviewed the principles and the contracts relating to the products introduced by the Company during the financial year ended 31 December 2023. We have also conducted our review to form an opinion as to whether the Company has complied with Shariah principles and requirements, Shariah rulings issued by Shariah Advisory Council of Bank Negara Malaysia, Shariah standards issued by Bank Negara Malaysia pursuant to Section 29 of the Islamic Financial Services Act 2013, related Shariah rulings issued by the Shariah Advisory Council of Securities Commission Malaysia, as well as decisions made by us.

The Management of the Company is responsible for ensuring that the Company conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on our periodic review of the operations of the Company.

We have assessed the works carried out by Shariah review and Shariah audit functions which included examining, on a test basis, each type of transaction, the relevant documentation and procedures adopted by the Company. We have also assessed the periodic reports by Shariah risk management function on Shariah non-compliance risk in the operations, business, affairs and operations of the Company.

We performed our review so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Company has not violated any Shariah principles.

In our opinion:

1. The product structures and contracts offered, the transactions and dealings entered into by the Company, the business initiatives and the relevant enhanced processes and policies introduced by the Company during the financial year ended 31 December 2023 that we have reviewed are in compliance with Shariah rules and principles;
2. The allocation of profit and/or charging of losses relating to various funds conform to the basis that had been approved by us in accordance with Shariah principles;
3. The distribution of surplus arising from the Participants' Risk Fund conform to the respective internal policies that had been endorsed by us;
4. The provision of loan from the Shareholders' Fund to certain Participants' Risk Fund to cover the deficit is in accordance with the principle of *qard* (interest free loan);
5. Based on the periodic disclosure made by the Management and our perusal of the incidents that were identified and reported during this financial year, there is no Shariah non-compliance event noted;
6. No Shariah non-compliant income has been recorded during the financial year; and
7. The calculation of annual zakat payable was deliberated and approved by the Shariah Committee.

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AIA PUBLIC TAKAFUL BHD.  
(Incorporated in Malaysia)

## SHARIAH COMMITTEE'S REPORT (CONTINUED)

We, the members of the Shariah Committee of AIA PUBLIC Takaful Bhd. do hereby confirm, that 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 Company involve any Shariah non-compliances.

"He knows what is in the heavens and earth; He knows what you conceal and what you reveal; God knows very well the secrets of every heart." (Surah *At-Taghabun*, chapter 64, verse 4).

Allah knows best.

Signed by the Shariah Committee,

IR. DR. MUHAMAD FUAD BIN ABDULLAH  
Chairman, Shariah Committee

YM ENSKU AHMAD FADZIL ENSKU ALI  
Member, Shariah Committee

PROFESSOR DR. MUHAMAD RAHIMI OSMAN  
Member, Shariah Committee

KHAIRIL ANUAR MOHD NOOR  
Member, Shariah Committee

SHABNAM MOHAMAD MOKHTAR  
Member, Shariah Committee



**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)  
Registration No. 201101007816 (935955-M)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Our opinion**

In our opinion, the financial statements of AIA PUBLIC Takaful Bhd. (“the Company”) give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**What we have audited**

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2023, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including material accounting policies, as set out on pages 38 to 192.

**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 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 Ethics Standards Board for Accountants’ 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 and Shariah Committee’s report, but does not include the financial statements of the Company and our auditors’ report thereon.



**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF AIA PUBLIC TAKAFUL BHD. (CONTINUED)**  
(Incorporated in Malaysia)  
Registration No. 201101007816 (935955-M)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

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.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the financial statements**

The Directors of the Company are responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF AIA PUBLIC TAKAFUL BHD. (CONTINUED)**  
(Incorporated in Malaysia)  
Registration No. 201101007816 (935955-M)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

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:

- (a) 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.
- (b) 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) 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.
- (e) 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.



**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF AIA PUBLIC TAKAFUL BHD. (CONTINUED)**  
(Incorporated in Malaysia)  
Registration No. 201101007816 (935955-M)

**OTHER MATTERS**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

WONG HUI CHERN  
03252/05/2024 J  
Chartered Accountant

Kuala Lumpur  
21 March 2024

Registration No.

201101007816 (935955-M)

**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**INCOME STATEMENT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

		<u>2023</u>		<u>2022 (Restated)</u>	
	<u>Note</u>	<u>Family takaful fund RM'000</u>	<u>Company RM'000</u>	<u>Family takaful fund RM'000</u>	<u>Company RM'000</u>
Takaful revenue	3	714,947	962,263	681,650	902,017
Takaful service expense	4	(893,422)	(794,127)	(657,799)	(567,464)
Takaful service result before retakaful certificates held		(178,475)	168,136	23,851	334,553
Net expenses from retakaful certificates held		1,016	6,629	(19,652)	(16,529)
Takaful service result		(177,459)	174,765	4,199	318,024
Profit income from:					
Financial assets not measured at fair value through profit or loss		10,351	26,763	8,939	22,378
Financial assets measured at fair value through profit or loss		80,900	81,162	62,749	62,748
Other investment income/(expenses)		122,726	123,092	(96,596)	(96,170)
Movement in impairment gain/(loss) on financial assets		228	(131)	(527)	(1,675)
Net investment result	5	214,205	230,886	(25,435)	(12,719)
Takaful finance expenses					
for takaful certificates issued	6	(23,986)	(165,542)	(5,253)	(94,905)
Retakaful finance (expenses)/income for retakaful certificates held	6	(1,016)	2,252	19,652	1,735
Net takaful financial result		(25,002)	(163,290)	14,399	(93,170)



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AIA PUBLIC TAKAFUL BHD.  
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INCOME STATEMENT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

		2023		2022 (Restated)	
	Note	Family takaful fund RM'000	Company RM'000	Family takaful fund RM'000	Company RM'000
Other Operating Revenue		-	64	-	177
Other Operating Expenses	7	-	(26,692)	-	(42,631)
Profit/(Loss) before zakat and taxation		11,744	215,733	(6,837)	169,681
Tax (expense)/credit attributable to participants		(11,744)	(11,744)	6,837	6,837
Profit before zakat and taxation attributable to shareholders		-	203,989	-	176,518
Zakat		-	(283)	-	(50)
Taxation	8	(11,744)	(60,438)	6,837	(44,450)
Tax expense/(credit) attributable to participants		11,744	11,744	(6,837)	(6,837)
Tax expense attributable to shareholders		-	(48,694)	-	(51,287)
Net profit for the year		-	155,012	-	125,181
Profit per share (sen): Basic	18		34.45		27.82

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

Registration No.

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AIA PUBLIC TAKAFUL BHD.  
(Incorporated in Malaysia)

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

	<u>2023</u>		<u>2022 (Restated)</u>	
	<u>Family takaful fund</u>	<u>Company</u>	<u>Family takaful fund</u>	<u>Company</u>
	RM'000	RM'000	RM'000	RM'000
Net profit for the year	-	155,012	-	125,181
Other comprehensive income:				
<u>Items that may be subsequently reclassified to profit or loss</u>				
Fair value through other comprehensive income/(losses)	-	13,360	-	(9,703)
Changes in expected credit losses	-	(790)	-	1,100
Deferred tax	-	(3,576)	-	2,454
	<u>-</u>	<u>8,994</u>	<u>-</u>	<u>(6,149)</u>
Other comprehensive income/(loss) for the year	-	8,994	-	(6,149)
Total comprehensive income for the year	<u>-</u>	<u>164,006</u>	<u>-</u>	<u>119,032</u>

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201101007816 (935955-M)

**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023**

		2023		2022 (Restated)		2021 (Restated)	
	Note	Family takaful fund RM'000	Company RM'000	Family takaful fund RM'000	Company RM'000	Family takaful fund RM'000	Company RM'000
<b>ASSETS</b>							
Property and equipment	9	-	299	-	196	-	408
Intangible assets	10	-	14,817	-	14,498	-	9,636
Right-of-use-assets	11	-	1,912	-	1,183	-	1,564
Financial assets - fair value through other comprehensive income	12	157,043	606,719	137,230	523,170	41,513	393,154
Financial assets - fair value through profit or loss	12	3,187,054	3,200,371	2,528,372	2,539,454	2,095,637	2,105,812
Takaful certificate assets	13	65,327	27,784	44,354	23,633	-	14,957
Retakaful certificate assets	13	19,094	103,035	6,101	80,787	-	89,177
Other receivables	14	25,616	32,353	23,666	28,645	18,531	25,255
Tax recoverables		-	1,938	-	2,640	-	4,317
Deferred tax assets	15	-	-	4,145	-	-	-
Cash and cash equivalents		184,567	210,786	259,730	293,089	298,586	333,010
<b>Total assets</b>		<u>3,638,701</u>	<u>4,200,014</u>	<u>3,003,598</u>	<u>3,507,295</u>	<u>2,454,267</u>	<u>2,977,290</u>
<b>EQUITY</b>							
Share capital	17	-	450,000	-	450,000	-	450,000
General reserves	27	-	(33,333)	-	(33,333)	-	(33,333)
Retained earnings		-	689,184	-	534,172	-	408,991
Other comprehensive income/(loss) fair value reserves		-	3,275	-	(5,719)	-	430
<b>Total equity</b>		<u>-</u>	<u>1,109,126</u>	<u>-</u>	<u>945,120</u>	<u>-</u>	<u>826,088</u>

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201101007816 (935955-M)

**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTINUED)**

		2023		2022 (Restated)		2021 (Restated)	
	Note	Family takaful fund RM'000	Company RM'000	Family takaful fund RM'000	Company RM'000	Family takaful fund RM'000	Company RM'000
<b>LIABILITIES</b>							
Takaful certificates liabilities	13	3,502,895	2,857,648	2,888,740	2,363,039	2,335,897	1,982,422
Deferred tax liabilities	15	4,201	193,743	-	155,759	4,492	132,652
Lease liabilities	11	-	2,039	-	1,327	-	1,724
Other payables	16	129,565	37,458	113,033	42,050	111,835	34,404
Tax payables		2,040	-	1,825	-	2,043	-
<b>Total liabilities</b>		<u>3,638,701</u>	<u>3,090,888</u>	<u>3,003,598</u>	<u>2,562,175</u>	<u>2,454,267</u>	<u>2,151,202</u>
<b>Total equity and liabilities</b>		<u>3,638,701</u>	<u>4,200,014</u>	<u>3,003,598</u>	<u>3,507,295</u>	<u>2,454,267</u>	<u>2,977,290</u>

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

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

	Share capital RM'000	General reserves RM'000	Non- distributable other comprehensive income RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2023 (As previously reported)	450,000	(33,333)	(5,774)	(4,150)	406,743
Changes in accounting policies	-	-	55	538,322	538,377
At 1 January 2023 (Restated)	450,000	(33,333)	(5,719)	534,172	945,120
Total comprehensive income for the year	-	-	8,994	155,012	164,006
At 31 December 2023	450,000	(33,333)	3,275	689,184	1,109,126

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AIA PUBLIC TAKAFUL BHD.  
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STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

	Share capital RM'000	General reserves RM'000	Non- distributable other comprehensive income RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2022 (As previously reported)	450,000	(33,333)	188	(35,932)	380,923
Changes in accounting policies	-	-	242	444,923	445,165
At 1 January 2022 (Restated)	450,000	(33,333)	430	408,991	826,088
Total comprehensive Income / (loss) for the year	-	-	(6,149)	125,181	119,032
At 31 December 2022 (Restated)	450,000	(33,333)	(5,719)	534,172	945,120

**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

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

	<u>2023</u>	<u>2022</u>
	RM'000	(Restated) RM'000
<b>Cash flows from operating activities</b>		
<b>Profit before taxation for the financial period</b>	215,733	169,681
Adjustments for:		
(Reversal)/Allowance for expected credit loss of other financial assets	(790)	1,100
Write off of property, plant and equipment	-	126
Depreciation of property and equipment	79	155
Depreciation of right of use assets	381	381
Amortisation of intangible assets	4,373	3,369
Finance cost of leases	48	54
Net amortisation of premium on investments	3,945	4,121
Profit Income	(103,980)	(81,005)
Dividend Income	(30,389)	(25,612)
Realised loss	10,149	22,882
Fair value (gains)/losses on fair value through profit or loss (FVTPL) financial assets	(103,077)	99,199
Operating (loss)/profit before working capital changes	(3,528)	194,451
Decrease/(Increase) in other receivables	(3,708)	(3,390)
(Increase)/Decrease in retakaful assets	(22,248)	8,390
Increase in net takaful certificates liabilities	490,458	371,941
(Decrease)/Increase in other payables	(4,825)	7,646
Increase in financial assets	(643,523)	(698,816)
<b>Cash used in operating activities</b>	(187,374)	(119,778)
Finance cost of leases paid	(48)	(54)
Zakat paid	(50)	(50)
Income tax paid	(25,097)	(17,212)
Profit income received	103,980	81,005
Dividend received	31,558	24,865
<b>Net cash used in operating activities</b>	(77,031)	(31,224)
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(182)	(69)
Purchase of intangible assets	(4,692)	(8,231)
Acquisition of right-of-use assets	(1,110)	-
<b>Net cash used in investing activities</b>	(5,984)	(8,300)

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AIA PUBLIC TAKAFUL BHD.  
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STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

	<u>2023</u> RM'000	<u>2022 (Restated)</u> RM'000
<b>Cash flows from financing activities</b>		
Repayment of lease liabilities	712	(397)
<b>Net cash generated from/(used in) financing activities</b>	<u>712</u>	<u>(397)</u>
<b>Net decrease in cash and cash equivalents</b>	(82,303)	(39,921)
<b>Cash and cash equivalents at 1 January</b>	<u>293,089</u>	<u>333,010</u>
<b>Cash and cash equivalents at 31 December</b>	<u>210,786</u>	<u>293,089</u>
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances	104,084	101,579
Fixed deposit with licensed Islamic Banks	106,702	191,510
	<u>210,786</u>	<u>293,089</u>



AIA PUBLIC TAKAFUL BHD.  
(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

### 1 CORPORATE INFORMATION

The Company is engaged principally in managing Family Takaful business including investment linked business. There has been no significant change in the principal activity during the financial year.

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

**Principal place of business**

Level 14, Menara AIA  
99 Jalan Ampang  
50450 Kuala Lumpur

**Registered office**

Level 29, Menara AIA  
99 Jalan Ampang  
50450 Kuala Lumpur

The immediate holding company and ultimate holding company of the Company are AIA Bhd., a company incorporated in Malaysia and AIA Group Limited, a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited, respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 March 2024.

### 2 MATERIAL ACCOUNTING POLICIES

#### 2.1 Basis of preparation

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

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.

**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.2 Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Company's financial period beginning on or after 1 January 2023.**

The following accounting standards, amendments and interpretations have been adopted for the first time for the financial period beginning on 1 January 2023:

- MFRS 9, Financial Instruments
- MFRS 17, Insurance Contracts
- Amendments to MFRS 17 Insurance Contracts
- Amendment to MFRS 17 Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information

The impact of adoption of MFRS 17 and MFRS 9 are provided in Note 30.

The following relevant new amendments to standards have been adopted for the first time for the financial period beginning on 1 January 2023 and have no material impact to the Company:

- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates
- Amendments to MFRS 112 on "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"
- Amendments to MFRS 112 on International Tax Reform - Pillar Two Model Rules

**2.3 Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective.**

The Company will apply the new standards, amendments to standards and interpretations in the following period:

- Amendments to MFRS 101 "Classification of liabilities as current or non-current" ('2020 amendments') and "Non-current Liabilities with Covenants" ('2022 amendments')
- Amendments to MFRS 16, Lease Liability in a Sale and Leaseback
- Amendments to MFRS 107 "Statement of Cash Flows" and MFRS 7 "Financial Instruments: Disclosures"

**2.4 Critical Accounting Estimates and Judgements**

The Company makes estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results may differ from those estimates, possibly significantly.

Items that are considered particularly sensitive to changes in estimates and assumptions, and the relevant accounting policies are those which relate to takaful certificates, classification of financial assets, impairment of financial assets and fair value measurement.

**AIA PUBLIC TAKAFUL BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.4 Critical Accounting Estimates and Judgements (Continued)**

**Level of aggregation and recognition of group of takaful certificates**

For certificates issued to which the Company does not apply the premium allocation approach (PAA), the judgements exercised in determining whether certificates are onerous on initial recognition or those that have no significant possibility of becoming onerous subsequently are:

- based on the likelihood of changes in assumptions which, if they occurred, would result in the certificates becoming onerous; and
- using information about profitability estimation for the relevant group of products.

The accounting policy on level of aggregation and recognition of group of takaful certificates is described in note 2.5.

**Measurement of takaful certificates not measured under the premium allocation approach**

The asset or liability for groups of takaful certificates is measured as the total of fulfilment cash flows and CSM.

The fulfilment cash flows of takaful certificates represent the present value of estimated future cash outflows, less the present value of estimated future cash inflows and adjusted for a provision for the risk adjustment for non-financial risk. The assumptions used and the techniques for estimating fulfilment cash flows and risk adjustments for non-financial risk are based on actual experience and certificate form. The Company exercises significant judgement in making appropriate assumptions and techniques.

CSM represents the unearned profits that the Company will recognise as it provides services under the takaful certificates in a group. The amounts of CSM recognised in profit or loss are determined by identifying the coverage units in the group, allocating the CSM at the end of period equally to each coverage unit provided in the current period and expected to be provided in the future. The number of coverage units in a group is the quantity of the services provided by the certificates in the group, determined by considering for each certificate, the quantity of the services provided under a certificate and its expected coverage period. The Company exercises judgements in determining the quantity of the services provided under a certificate which will affect the amounts recognised in the financial statements as takaful revenue from takaful certificates issued.

The judgements exercised in the valuation of takaful certificates affect the amounts recognised in the financial statements as assets or liabilities of takaful certificates. Further details of the related accounting policies, key risk and variables, and the sensitivities of assumptions to the key variables in respect of takaful certificates are provided in Notes 2.5 and 23.

**AIA PUBLIC TAKAFUL BHD.**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.4 Critical Accounting Estimates and Judgements (Continued)**

**Determination of coverage unit**

The CSM of a group of certificates is recognised as takaful revenue in each period based on the number of coverage units provided in the period, which is determined by considering for each certificate, the quantity of the services provided, its expected coverage duration and time value of money.

The quantity of services provided by takaful certificates could include takaful coverage, investment-return service and investment-related service, as applicable. In assessing the services provided by takaful certificates, the terms and benefit features of the certificates are considered.

For certificates providing predominately takaful coverage, the quantity of services is determined for the certificates as a whole based on the expected maximum benefits less investment component. For certificates providing multiple services, the quantity of services is determined based on the benefits provided to certificate holder for each service with the relative weighting considered in the calculation through the use of factors. Relevant elements are considered in determining the quantity of service including among others, benefit payments and contribution. The Company applies judgement in these determinations.

Expected coverage duration is derived based on the likelihood of a covered event occurring to the extent they affect the expected duration of certificates in the group. Determining the expected coverage duration is judgemental since it involves making an expectation of when claims and lapse will occur.

**Transition to MFRS 17**

The Company applied MFRS 17 for annual reporting period beginning on 1 January 2023. The Company has determined that it was impracticable to apply the full retrospective approach for some groups of takaful certificates because certain historical information was not available or was not available without undue cost and effort that would enable it to be used under this approach. Therefore, the Company applied fair value approaches for these groups of takaful certificates. The Company exercises judgements in determining the transition approaches, applying the transition methods and measuring the transition impacts on the transition date, which will affect the amounts recognised in the financial statements on the transition date. Further details of the related accounting policies and information on the date of initial application are provided in Notes 2.5 and 30.

**AIA PUBLIC TAKAFUL BHD.**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.4 Critical Accounting Estimates and Judgements (Continued)**

**Impairment of financial assets**

The Company recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost and debt securities measured at fair value through other comprehensive income. Loss allowances are measured at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is 12-month ECL:

- financial assets that are determined to have low credit risk at reporting date; and
- financial assets (other than other receivables or lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for other receivables and lease receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from possible default events over the expected life of the financial instrument, whereas 12-month ECL are the portion of ECL that results from default events that are possible within the 12 months after the reporting date. In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses and are measured as follows:

- financial assets that are not credit-impaired at the reporting date: 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; and
- other financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

Loss allowances for ECL of financial assets measured at amortised cost are deducted from the gross carrying amount of the assets, and loss allowance for debt securities measured at fair value through other comprehensive income are recognised in other comprehensive income and do not reduce the carrying amount of the financial assets in the statement of financial position.

The gross carrying amount of financial assets is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies**

**2.5.1 Takaful and retakaful certificates**

**(a) Separating components from takaful and retakaful certificates held**

At inception, the Company separates the following components, where applicable from a takaful certificate or a retakaful certificate held and accounts for them as if they were stand-alone financial instruments e.g. on distinct investment components — i.e. investment components that are not highly inter-related with the takaful components and for which certificates with equivalent terms are sold, or could be sold, separately.

After separating any financial instrument components, the Company separates any promises to transfer distinct goods or services other than takaful coverage and investment services and accounts for them as separate certificates with customers (i.e. not as takaful certificates). A good or service is distinct if the certificate holder can benefit from it either on its own or with other resources that are readily available to the certificate holder. A good or service is not distinct and is accounted for together with the takaful component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the takaful component, and the Company provides a significant service of integrating the good or service with the takaful component.

**(b) Level of aggregation and recognition of takaful certificates and retakaful certificates held**

**Takaful certificates**

Takaful certificates are aggregated into groups for measurement purposes. Groups of takaful certificates are determined by identifying portfolios of takaful certificates, each comprising certificates subject to similar risks and managed together, and dividing each portfolio into semi-annual cohorts and each semi-annual cohort into three groups based on the profitability of certificates:

- any certificates that are onerous on initial recognition;
- any certificates that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining certificates in the portfolio.

A takaful certificate issued by the Company is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Company provides services in respect of any contribution within the boundary of the certificate);
- when the first payment from the certificate holder becomes due or, if there is no contractual due date, when it is received from the certificate holder; and
- when facts and circumstances indicate that the certificate is onerous.

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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (Continued)**

**2.5.1 Takaful and retakaful certificates (continued)**

**(b) Level of aggregation and recognition of takaful certificates and retakaful certificates held (continued)**

When the certificate is recognised, it is added to an existing group of certificates or, if the certificate does not qualify for inclusion in an existing group, it forms a new group to which future certificates are added. Groups of takaful certificates are established on initial recognition and their composition is not revised once all certificates have been added to the group.

Retakaful certificates held

Retakaful certificates held by the Company cover underlying takaful certificates.

A group of retakaful certificates held is recognised on the following dates:

- Retakaful certificates held that provide proportionate coverage: Generally, later of the beginning of the coverage period of the group of retakaful certificates held, or the date on which any underlying takaful certificate is initially recognised.
- Other retakaful certificates held: The beginning of the coverage period of the group of retakaful certificates held. However, if the Company recognises an onerous group of underlying takaful certificates on an earlier date and the related retakaful certificate held was entered into on or before that earlier date, then the group of retakaful certificates held is recognised on that earlier date.
- Retakaful certificates acquired: The date of acquisition.

**(c) Fulfilment cash flows**

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

**(d) Certificate boundaries**

The measurement of a group of certificates includes all the future cash flows within the boundary of each certificate in the group, determined as follows:

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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (Continued)**

**2.5.1 Takaful and retakaful certificates (continued)**

**(d) Certificate boundaries (continued)**

Takaful certificates

Cash flows are within the boundary of a certificate if they arise from substantive rights and obligations that exist during the reporting period under which the Company can compel the certificate holder to pay contributions or has a substantive obligation to provide takaful certificate services.

A substantive obligation to provide takaful certificate services ends when:

- the Company has the practical ability to reassess the risks of the particular certificate holder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the certificate and can set a price or level of benefits that fully reflects the risks of that portfolio; and the pricing of the contributions for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

Retakaful certificates held

Cash flows are within the certificate boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the retakaful or has a substantive right to receive services from the retakaful.

A substantive right to receive services from the retakaful ends when the retakaful:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

The certificate boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

**(e) Takaful acquisition cash flows**

Takaful acquisition cash flows are allocated to groups of takaful certificates using a systematic and rational allocation method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort. At each reporting date, the Company revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all certificates have been added to the group.



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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (Continued)**

**2.5.1 Takaful and retakaful certificates (continued)**

**(e) Takaful acquisition cash flows (continued)**

Takaful acquisition cash flows arising before the recognition of the related groups of takaful certificates are recognised as an asset. Such an asset is recognised for each group of certificates to which the takaful acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the takaful acquisition cash flows are included in the measurement of the related groups of takaful certificates.

*Recoverability assessment*

At each reporting date, if facts and circumstances indicate that an asset for takaful acquisition cash flows may be impaired, then the Company:

- recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow of the related group; and
- if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those takaful acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss.

The Company recognises any reversal of impairment losses in profit or loss when the impairment conditions no longer exist or have improved.

**(f) Measurement - takaful certificates not measured under PAA**

*Initial measurement*

On initial recognition, the Company measures a group of certificates as the total of: (a) the fulfilment cash flows, which comprise estimates of future cash flows, an adjustment to reflect time value of money and associated financial risks, and a risk adjustment for non-financial risk; and (b) the contractual service margin (CSM).

The risk adjustment for non-financial risk for a group of certificates, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The CSM of a group of certificates represents the unearned profit that the Company will recognise as it provides services under those certificates. On initial recognition of a group of certificates, if the total of the fulfilment cash flows, any cash flows arising at that date and any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for takaful acquisition cash flows) is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (Continued)**

**2.5.1 Takaful and retakaful certificates (continued)**

**(f) Measurement - takaful certificates not measured under PAA (continued)**

Initial measurement (continued)

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss. A loss component is created to depict the amount of the net cash outflows, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous groups and are excluded from takaful revenue.

Subsequent measurement

The carrying amount of a group of takaful certificates at each reporting date is the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The LRC comprises (a) the fulfilment cash flows that relate to services that will be provided under the certificates in future periods and (b) any remaining CSM at that date. The LIC includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfilment cash flows of groups of takaful certificates are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows.

- Changes relating to future services are adjusted against the CSM (or recognised in the takaful service result in profit or loss if the group is onerous);
- Changes relating to current or past services are recognised in the takaful service result in profit or loss; and
- Effects of the time value of money, financial risk and changes therein on estimated future cash flows are recognised as takaful finance income or expenses for takaful certificates without direct participation features or adjusted against CSM for takaful certificates with direct participation features.

The CSM of each group of certificates is calculated at each reporting date as follows.

Takaful certificates without direct participation features

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted mainly for:

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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (Continued)**

**2.5.1 Takaful and retakaful certificates (continued)**

**(f) Measurement - takaful certificates not measured under PAA (continued)**

**Takaful certificates without direct participation features (continued)**

- the CSM of any new certificates that are added to the group in the period;
- profit accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition that are applied to nominal cash flows that do not vary based on the returns on underlying items;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
  - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised in takaful service expenses and recognised as a loss component in LRC; or
  - any decreases in the fulfilment cash flows adjust the loss component in the LRC and the corresponding amount is recognised in takaful service expenses. If the loss component is reduced to zero, the excess reinstates the CSM; and
- the amount recognised as takaful revenue for service provided in the period.

Changes in fulfilment cash flows that relate to future services mainly comprise:

- experience adjustments arising from contributions received in the period that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the LRC, measured at the discount rates determined on initial recognition, except for those that relate to the effects of the time value of money, financial risk and changes therein;
- differences between (a) any investment component expected to become payable in the period, determined as the payment expected at the start of the period plus any takaful finance income or expenses related to that expected payment before it becomes payable; and (b) the actual amount that becomes payable in the period; and
- changes in the risk adjustment for non-financial risk that relate to future services.

To determine how to identify a change in discretionary cash flows, the basis is generally determined at inception of the certificate. Changes in cash flows arising from the Company's discretion are regarded as relating to future services and accordingly adjust the CSM, these cash flows are determined based on the relevant certificate terms.

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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (Continued)**

**2.5.1 Takaful and retakaful certificates (continued)**

**(f) Measurement - takaful certificates not measured under PAA (continued)**

**Takaful certificates with direct participation features**

Certificates with direct participation features are certificates under which the Company's obligation to the certificate holder is the net of:

- the obligation to pay the certificate holder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the certificates, being the amount of the Company's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. The Company provides investment services under these certificates by promising an investment return based on underlying items, in addition to takaful coverage.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted mainly for:

- the CSM of any new certificates that are added to the group in the period;
- the change in the amount of the Company's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:
  - a decrease in the amount of the Company's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM. The excess is recognised in takaful service expenses and recognised as a loss component in LRC; or
  - an increase in the amount of the Company's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future service, which adjust the loss component in the LRC and the corresponding amount is recognised in takaful service expenses. If the loss component is reduced to zero, the excess reinstates the CSM; and
- the amount recognised as takaful revenue for service provided in the period.

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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (Continued)**

**2.5.1 Takaful and retakaful certificates (continued)**

**(g) Measurement – takaful certificates measured under the PAA**

The Company generally uses the PAA to simplify the measurement of groups of takaful certificates in the following circumstances:

- where the coverage period of each certificate in the group of certificates is one year or less; or
- the Company reasonably expects that the resulting measurement of the LRC would not differ materially from the result of applying the accounting policies of certificates not measured under PAA.

Initial measurement

On initial recognition of each group of certificates, the carrying amount of the LRC is measured at the contributions received on initial recognition minus any takaful acquisition cash flows allocated to the group at that date and adjusted for amounts arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group. The Company has elected the accounting policy choice to defer takaful acquisition cash flows through the LRC.

Subsequent measurement

Subsequently, the carrying amount of the LRC is increased by (i) any contributions received; and (ii) any amortisation of the takaful acquisition cash flows, and decreased by (i) takaful acquisition cash flows paid; (ii) the amount recognised as takaful revenue for coverage provided; and (iii) any investment component paid or transferred to the liability of incurred claims. On initial recognition of each group of certificates, the Company expects that the time gap between providing each part of the coverage and the related contribution due date is not significant. Accordingly, the Company has chosen not to adjust the LRC to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of certificates is onerous, then the Company recognises a loss in profit or loss and increases the LRC to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the LRC as loss component. The fulfilment cash flows are adjusted for the time value of money and the effect of financial risk (using current estimates) if the LIC is also adjusted for the time value of money and the effect of financial risk. In subsequent periods, unless facts and circumstances indicate that the group of certificates is no longer onerous, the loss component is remeasured at each reporting date as the difference between the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) and the carrying amount of the LRC without loss component.

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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (Continued)**

**2.5.1 Takaful and retakaful certificates (continued)**

**(g) Measurement – takaful certificates measured under the PAA (continued)**

Subsequent measurement (continued)

The Company recognises LIC of a group of takaful certificates for the amount of fulfilment cash flows relating to incurred claims. The fulfilment cash flows are discounted (at current rates) unless the cash flows are expected to be paid in one year or less from the date the claims are incurred.

**(h) Retakaful certificates held**

For groups of retakaful certificates held, the Company applies the same accounting policies as that applied to takaful certificates without direct participation features, with the following modifications.

The carrying amount of a group of retakaful certificates held at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the certificates in future periods and (b) any remaining CSM at that date.

The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying takaful certificates, with an adjustment for any risk of non-performance by the retakaful. The effect of the non-performance risk of the retakaful is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk is the amount of risk being transferred by the Company to the retakaful.

On initial recognition, the CSM of a group of retakaful certificates held represents a net cost or net gain on purchasing retakaful. It is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) the amount arising from assets or liabilities previously recognised for cash flows related to the group, before the group is recognised, (c) cash flows arising from the certificates in the group at that date and (d) any income recognised in profit or loss because of onerous underlying certificates recognised at that date. However, if any net cost on purchasing retakaful coverage relates to covered events that occurred before the purchase of the retakaful, then the Company recognises the cost immediately in profit or loss as an expense.

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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (Continued)**

**2.5.1 Takaful and retakaful certificates (continued)**

**(h) Retakaful certificates held (continued)**

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted for:

- the CSM of any new certificates that are added to the group in the period;
- profit accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition that are applied to nominal cash flows; income recognised in profit or loss in respect of a loss recognised for onerous underlying certificates to that group. A loss-recovery component is established or adjusted in the remaining coverage of retakaful certificates held for the amount of income recognised;
- reversals of a loss-recovery to the extent that they are not changes in the fulfilment cash flows of the group;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless the changes result from changes in fulfilment cash flows of onerous underlying certificates, in which case they are recognised in profit or loss and create or adjust a loss-recovery component; and
- the amount recognised in profit or loss for the services received in the period.

**Retakaful of onerous underlying takaful certificates**

The Company adjusts the CSM of the group to which a retakaful certificates held belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying certificates, if the retakaful certificates held is entered into before or at the same time as the onerous underlying certificates are recognised. The adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying certificates; and
- the percentage of claims on the underlying certificates that the Company expects to recover from the retakaful certificates held.

If the retakaful certificates held covers only some of the takaful certificates included in an onerous group of certificates, then the Company uses a systematic and rational method to determine a portion of losses on the onerous group of certificates containing the takaful certificates covered by the retakaful certificates held.

A loss-recovery component is established or adjusted in the remaining coverage of retakaful certificates held, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the retakaful certificates held and are excluded from the allocation of retakaful contribution paid.

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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (Continued)**

**2.5.1 Takaful and retakaful certificates (continued)**

**(h) Retakaful certificates held (continued)**

Retakaful certificates held measured under PAA

The Company applies the same accounting policies to measure a group of retakaful certificates held under the PAA. If a loss-recovery component is established for a group of retakaful certificates held measured under PAA, the Company adjusts the carrying amount of the asset.

**(i) Derecognition and certificate modification**

The Company derecognises a certificate when it is extinguished — i.e. when the specified obligations in the certificate expire, are discharged or cancelled.

The Company also derecognises a certificate if its terms are modified in a way that would have changed the accounting for the certificate significantly had the new terms always existed, in which case a new certificate based on the modified terms is recognised. If a certificate modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

On the derecognition of a certificate in a group of certificates not measured under PAA:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- CSM of the group is adjusted for the change in the fulfilment cash flows that relate to future service, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

If a certificate is derecognised because its terms are modified, then the CSM is also adjusted for the contribution that would have been charged had the Company entered into a certificate with the new certificate's terms at the date of modification, less any additional contribution charged for the modification. The new certificate recognised is measured assuming that, at the date of modification, the issuer received the contribution that it would have charged less any additional contribution charged for the modification.



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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (Continued)**

**2.5.1 Takaful and retakaful certificates (continued)**

**(j) Presentation**

Portfolios of takaful certificates and retakaful certificates held in an asset position are presented separately from those in a liability position. Portfolios of takaful certificates issued are presented separately from portfolios of retakaful certificates held. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of certificates (including any assets for takaful acquisition cash flows) are included in the carrying amount of the related portfolios of certificates. Any assets or liabilities for cash flows arising before the recognition of the related group of retakaful certificates held are included in the carrying amount of the related portfolios of retakaful certificates held.

The Company disaggregates amounts recognised in the income statement and the statement of comprehensive income into (a) takaful service result, comprising takaful revenue and takaful service expenses, and (b) takaful finance income or expenses.

Income and expenses from retakaful certificates held are presented separately from income and expenses from takaful certificates. Income and expenses from retakaful certificates held, other than takaful finance income or expenses, are presented on a net basis as net expenses from retakaful certificates held in the takaful service result.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the takaful service result and takaful finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the takaful service result.

Takaful revenue and takaful service expenses exclude any investment components and are recognised as follows.

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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.6 Summary of material accounting policies (Continued)**

**2.5.1 Takaful and retakaful certificates (continued)**

**(j) Presentation (continued)**

**Takaful revenue — takaful certificates not measured under the PAA**

The Company recognises takaful revenue as it satisfies its performance obligations — i.e. as it provides services under groups of takaful certificates. For certificates not measured under the PAA, takaful revenue relating to services provided for each period represents the total of the changes in the LRC that relate to services for which the Company expects to receive consideration, excludes expected investment components and mainly comprises the following items.

- A release of the CSM, measured based on coverage units provided;
- Changes in the risk adjustment for non-financial risk relating to current services;
- Claims and other takaful service expenses incurred in the period, generally measured at the amounts expected at the beginning of the period; and
- Other amounts, including experience adjustments for contribution receipts for current or past services.

For takaful acquisition cash flows recovery, the Company allocates a portion of contributions related to the recovery in a systematic way based on the passage of time over the expected coverage of a group of certificates. The allocated amount is recognised as takaful revenue with the same amount recognised as takaful service expenses.

**Release of the CSM — takaful certificates not measured under the PAA**

The amount of the CSM of a group of takaful certificates that is recognised as takaful revenue in each reporting period is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the reporting period (before any allocation) equally to each coverage unit provided in the current period and expected to be provided in future periods, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the current period. The number of coverage units is the quantity of services provided by the certificates in the group, determined by considering for each certificate the quantity of benefits provided and its expected coverage period.

**Takaful revenue — takaful certificates measured under the PAA**

For certificates measured under the PAA, the takaful revenue for each period is the amount of expected contribution for providing services in the period. The Company allocates the expected contribution to each period based on:

- the passage of time, or
- expected timing of incurred takaful service expenses, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time.

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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (Continued)**

**2.5.1 Takaful and retakaful certificates (continued)**

**(j) Presentation (continued)**

Loss components — takaful certificates not measured under the PAA

For certificates not measured under the PAA, the Company establishes a loss component of the LRC for onerous groups of takaful certificates. The loss component determines the amounts of fulfilment cash flows that are subsequently excluded from takaful revenue when they occur. When the fulfilment cash flows occur, they are allocated between the loss component and the LRC excluding the loss component on a systematic basis.

If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates or reinstates the CSM for the group of certificates.

Takaful service expenses

Takaful service expenses arising from takaful certificates are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and mainly comprise the following items:

- Incurred claims and other takaful service expenses;
- Amortisation of takaful acquisition cash flows: for certificates not measured under the PAA, this is equal to the amount of takaful revenue recognised in the year that relates to recovering takaful acquisition cash flows. For certificates measured under the PAA, the Company amortises takaful acquisition cash flows on a straight-line basis over the coverage period of the group of certificates;
- Losses on onerous certificates and reversals of such losses; and
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

Net expenses from retakaful certificates held

Net expenses from retakaful certificates held comprise an allocation of retakaful contributions paid less amounts recovered from retakaful.

The Company recognises an allocation portion of ceding retakaful contributions paid as retakaful expenses within net expenses from retakaful certificates held for the coverage or other services received by the Company under groups of retakaful certificates held. For certificates not measured under the PAA, the allocation of retakaful contributions paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Company expects to pay consideration.

For certificates measured under the PAA, the allocation of retakaful contributions paid for each period is the amount of expected contribution payments for receiving services in the period.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (Continued)**

**2.5.1 Takaful and retakaful certificates (continued)**

**(j) Presentation (continued)**

Net expenses from retakaful certificates held (continued)

For a group of retakaful certificates held covering onerous underlying certificates, the Company establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- on recognition of onerous underlying certificates, if the retakaful certificates held covering those certificates is entered into before or at the same time as those certificates are entered into; and
- for changes in fulfilment cash flows of the group of retakaful certificates held relating to future services that result from changes in fulfilment cash flows of the onerous underlying certificates.

Takaful finance income or expenses

Takaful finance income or expenses comprise changes in the carrying amounts of groups of takaful certificates and retakaful certificates held arising from the effects of the time value of money, financial risk and changes therein. This includes changes in the measurement of groups of takaful certificates caused by changes in the value of underlying items (excluding additions and withdrawals).

**2.5.2 Qard**

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS  
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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (Continued)**

**2.5.3 Financial instruments – Classification of and designation of financial instruments**

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

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 at the beginning of the reporting period during which the business model has changed.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as fair value through profit or loss:

- 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 profit on the principal amount outstanding.

A debt security is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as fair value through profit or loss:

- 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 profit on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (Continued)**

**2.5.3 Financial instruments – Classification of and designation of financial instruments (continued)**

Financial assets and liabilities at fair value through profit or loss (“FVTPL”)

Financial assets and liabilities at fair value through profit or loss comprise two categories:

- financial assets or liabilities mandatorily classified as fair value through profit or loss; and
- financial assets or liabilities designated at fair value through profit or loss upon initial recognition.

Management designates financial assets and liabilities at fair value through profit or loss if this eliminates a measurement or recognition inconsistency or if the liabilities are actively managed on a fair value basis.

For all financial assets and liabilities measured at fair value through profit or loss, changes in fair value are recognised in profit or loss as part of net investment result.

Transaction costs in respect of financial assets and liabilities at fair value through profit or loss are expensed as they are incurred.

Financial assets at fair value through other comprehensive income (“FVOCI”)

These principally consist of the Company’s debt securities (other than those backing participating funds and unit-linked certificates). These financial assets are initially recognised at fair value plus attributable transaction costs and are subsequently measured at fair value. The difference between their cost and par value is amortised.

Unrealised gains and losses on securities are analysed between differences resulting from foreign currency translation, and other fair value changes.

Recognition of financial instruments

Purchases and sales of financial instruments are recognised on the trade date, which is the date at which the Company commits to purchase or sell the assets.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (Continued)**

**2.5.3 Financial instruments – Classification of and designation of financial instruments (continued)**

Realised gains and losses on financial assets

Realised gains and losses on financial assets measured at fair value through profit or loss excludes any profit income or dividend income.

Realised gains and losses on financial assets measured at fair value through other comprehensive income are determined as the difference between the sale proceeds and its original cost or amortised cost as appropriate. Amortised cost is determined by specific identification.

Derecognition, contract modification and offset

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset. In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which the Company is exposed to changes in the fair value of the asset.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments held for cash management purposes, which have maturities at acquisition of three months or less, or are convertible into known amounts of cash and subject to insignificant risk of changes in value. Cash and cash equivalents also include cash and cash equivalents held for the benefit of certificate holders in connection with unit-linked products. Cash and cash equivalents that are not mandatorily measured at fair value through profit or loss are measured at amortised cost using the effective interest method.

Financial assets measured at amortised cost

Other than cash and cash equivalents, financial assets measured at amortised cost primarily include loans and deposits, and receivables. These financial assets are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest revenue from loans and deposits is recognised in investment return in the consolidated income statement using the effective interest method.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (continued)**

**2.5.4 Financial Liabilities**

All financial liabilities are initially recorded at fair value. Subsequent to initial recognition, financial liabilities are carried at amortised cost using effective profit rate method.

**2.5.5 Impairment of Financial Assets**

The Company recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost and debt securities measured at fair value through other comprehensive income. Loss allowances are measured at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is 12-month ECL:

- financial assets that are determined to have low credit risk at reporting date; and
- financial assets (other than other receivables or lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for other receivables and lease receivables are always measured at an amount equal to lifetime ECL. Lifetime ECL are the ECL that result from possible default events over the expected life of the financial instrument, whereas 12-month ECL are the portion of ECL that results from default events that are possible within the 12 months after the reporting date. In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses and are measured as follows:

- financial assets that are not credit-impaired at the reporting date: 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; and
- other financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

Loss allowances for ECL of financial assets measured at amortised cost are deducted from the gross carrying amount of the assets, and loss allowance for debt securities measured at fair value through other comprehensive income are recognised in other comprehensive income and do not reduce the carrying amount of the financial assets in the statement of financial position.

The gross carrying amount of financial assets is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.



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**NOTES TO THE FINANCIAL STATEMENTS  
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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (continued)**

**2.5.6 Fair values of non-derivative financial instruments**

The fair value of a financial instrument is the amount 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, having regard to the specific characteristics of the asset or liability concerned, assuming that the transfer takes place in the most advantageous market to which the Company has access. The fair values of financial instruments traded in active markets (such as financial instruments at fair value through profit or loss and fair value through other comprehensive income) are based on quoted market prices at the date of the statement of financial position. The quoted market price used for financial assets held by the Company is the current bid price, which is considered to be the price within the bid-ask spread that is most representative of the fair value in the circumstances. The fair values of financial instruments that are not traded in active markets are determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions at the date of each consolidated statement of financial position. The objective of using a valuation technique is to estimate the price at which an orderly transaction would take place between market participants at the date of the consolidated statement of financial position.

Financial instruments carried at fair value are measured using a fair value hierarchy described in Note 12.

**2.5.7 Derecognition of Financial Assets**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

**2.5.8 Equity Instruments**

**Ordinary Share Capital**

Issued capital represents the nominal value of shares issued plus any share contribution received from the issue of share capital, if any. Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the issue.

**Dividends on Ordinary Share Capital**

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the date of statement of financial position. A dividend proposed or declared after the date of statement of financial position, but before the financial statements are authorised for issue, is not recognised as a liability at the date of statement of financial position. Upon the dividend becoming payable, it will be accounted for as a liability.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (continued)**

**2.5.9 Product Classification**

Takaful certificates are those certificates that transfer significant Takaful risk, whereby the takaful fund has accepted significant takaful risk from another party (the certificate holders) by agreeing to compensate the participants if a specified uncertain future event (the takaful event) adversely affects the participants. These certificates may also transfer financial risk. Significant Takaful risk is defined as the possibility of paying significantly more in a scenario where the Takaful event occurs than in a scenario in which it does not. Scenarios considered are those with commercial substance.

Investment contracts are those contracts without significant Takaful risk.

Once a contract has been classified as a Takaful or investment contract, no reclassification is subsequently performed, unless the terms of the agreement are later amended.

Certain Takaful certificates have features which are distinct from other Takaful and investment contracts as the Company has discretion in the amount and/or timing of the benefits declared, and how such benefits are allocated between groups of participants. Participants may be entitled to receive, as a supplement to guaranteed benefits, additional benefits or surplus sharing:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Company; and
- that are contractually based on:
  - the performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the Income Statement of the Company, fund or other entity that issues the contract.

**2.5.10 Family Takaful certificates**

The Family Takaful fund is maintained in accordance with the requirements of the Act and includes the amount attributable to participants which represents the participants' share of the returns on the investments of the Family Takaful fund in accordance with the terms and conditions prescribed in the certificates and approved by the Shariah Committee of the Company.

Surplus distributable to the Company and participants is determined after retakaful, benefits paid and payable, expenses, provision, reserves and withholding tax. The surplus is distributed to the Company and participants in accordance with the terms and conditions prescribed in the certificates.

Any deficit in the participants' risk fund will be made good by the SHF via a *qard* (interest free loan).

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (continued)**

**2.5.11 Other financial liabilities and Takaful payables**

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

**2.5.12 Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each date of statement of financial position and adjusted to reflect the current best estimate. Where 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.

**2.5.13 Employee benefits**

**(i) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increases their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**(ii) Post-retirement benefit obligations**

**Defined Contribution Plans**

As required by law, the Company make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement of the SHF as incurred. Once the contributions have been paid, the Company has no further payment obligations.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (continued)**

**2.5.14 Foreign currency**

**(i) Functional and presentation currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in thousands of Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

**(ii) Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement of respective funds.

Translation differences on non-monetary items carried at fair value are translated at the rates prevailing on the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

**2.5.15 Taxation**

Income tax on profit or loss for the financial period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial period and is measured using the tax rates that have been enacted at the date of statement of financial position.

In addition to paying tax on SHF's profit, Family Takaful business pay tax on certificate holders' investment returns at a tax rate of 8%.

Deferred tax is provided for, using the liability method, on temporary differences at the date of statement of financial position between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the date of statement of financial position. Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised in other comprehensive income or directly in equity in which case the deferred tax is also charged or credited in other comprehensive income.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (continued)**

**2.5.16 Other revenue recognition**

Gains and losses on disposal of investments are determined by comparing the sales proceeds and the carrying amounts of the investments and the resulting difference is credited or charged to the income statements of the respective funds. Cost is determined by specific identification.

**2.5.17 Property and equipment and depreciation**

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of an item of property and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are 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 recognised as expenses in income statement during the financial period in which they are incurred. The cost of major renovations is included in work in progress and will be transferred to property and equipment once it is complete when it is probable that future economic benefits in excess of the original assessed standard of performance of the existing asset will flow to the Company.

The residual values, useful life and depreciation method are reviewed and adjusted, if applicable, at each date of the statement of financial position. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amounts.

The gain and loss on disposal of an asset is the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in income statement of the respective funds and presented within other operating income and expenses.

Property and equipment are depreciated on the straight-line method to allocate the cost or the revalued amounts, to their residual values over their estimated useful lives, summarised as follows:

Furniture, fixtures and fittings	5 – 10 years
Office equipments	3 – 5 years
Motor vehicles	5 years

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (continued)**

**2.5.18 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

On disposal of intangible assets, the difference between net proceeds and the carrying amount is recognised in the income statement.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each date of the statement of financial position.

Amortisation is charged to the income statement.

Gain or losses arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the assets and is recognised in the income statement and presented within other operating income/(expense) when the asset is derecognised.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the indefinite useful lives assessment continues to be supportable.

**(i) Software development in progress**

Software development in progress is tested for impairment annually and represent development expenditure on software. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. When development is complete and the asset is available for use, the asset is reclassified to computer software and amortisation of the asset begins. It is amortised over the period of expected future use. During the period in which the asset is not yet in use, it is tested for impairment annually.

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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (continued)**

**2.5.18 Intangible assets (continued)**

**(ii) Computer software and licences**

The useful lives of computer software and licenses are considered to be finite because computer software and licenses are susceptible to technological obsolescence.

The acquired computer software and licenses are amortised using the straight-line method over their estimated useful lives not exceeding five (5) years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least at the end of each date of the statement of financial position.

**2.5.19 Impairment of Non-Financial Assets**

Property and equipment, intangible assets and other non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised to the extent that the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's or cash generating unit's fair value less costs of disposal and its value in use. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit.

An impairment loss is charged to income statement. Subsequent increase in the recoverable amount of an asset is treated as 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 income statement of the respective funds immediately.

**2.5.20 Balances with related companies**

Balances with related companies are stated at the amounts which these balances are due and expected to be settled.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (continued)**

**2.5.21 Leases**

Leases are recognised as right-of-use ("ROU") asset 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 the practical expedient provided in MFRS 16 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 lease liability.

**(i) Lease term**

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

The Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and assesses 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 (refer to (iii) below).

**(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.

ROU assets that are not investment properties 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 remeasurement of the lease liabilities.



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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (continued)**

**2.5.21 Leases (continued)**

**(iii) Lease liabilities**

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

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

Lease payments are discounted using the profit 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 income statement over the lease period so as to produce a constant periodic rate of finance cost on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in income statement in the period in which the condition that triggers those payments occurs.

The Company presents the lease liabilities as a separate line item in the statement of financial position. Finance cost on the lease liability is presented within the finance cost in income statement.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2 MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**2.5 Summary of material accounting policies (continued)**

**2.5.21 Leases (continued)**

**(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 IT equipment and small items of office furniture. Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line bases as an expense in income statement.

**2.5.22 Zakat**

Zakat is an obligatory alms payable by the Company to the relevant zakat authority(ies) upon meeting the prescribed conditions of zakat as approved by the Shariah Committee.

Zakat provision is calculated based on adjusted working capital method and adjusted growth method at the zakat rate of 2.5% in accordance with the internal Zakat Policy.

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3 TAKAFUL REVENUE

	<u>Note</u>	2023		2022 (Restated)	
		Family Takaful	Company	Family Takaful	Company
		fund		fund	
		RM'000	RM'000	RM'000	RM'000
<u>Certificates not measured under PAA</u>					
Amounts relating to the changes in the liability for remaining coverage:					
Expected claims and takaful service expenses					
incurred in the year	a	605,515	580,193	566,014	573,957
Change in the risk adjustment for non-financial risk	b	-	8,122	-	8,439
Amount of CSM recognised in profit or loss		-	194,432	-	207,869
Experience adjustment for contribution variance and others		(33,536)	(634)	(23,266)	(29,733)
Amounts relating to recovery of takaful					
acquisition cash flows	c	52,269	86,448	52,663	57,743
Takaful revenue - certificates not measured under PAA	13.1.1.1	624,248	868,561	595,411	818,275
Takaful revenue - certificates measured under PAA	13.1.2.1	90,699	93,702	86,239	83,742
Total takaful revenue		714,947	962,263	681,650	902,017

Notes:

- Expected takaful service expenses incurred in the period comprise claims and other expenses which the Family Takaful fund expects to pay on covered events that occurred during the year.
- Change in risk adjustment shows amount of risk which expired during the year.
- Acquisition cash flows are allocated on a straight-line basis over the coverage period of the group of certificates.

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**4 TAKAFUL SERVICE EXPENSES**

		<u>2023</u>	<u>2022</u>
	<u>Note</u>	RM'000	(Restated) RM'000
<u>Family Takaful fund</u>			
Incurred claims and other takaful service expenses		649,404	485,697
Incurred wakalah fees	a, d	47,030	50,399
Incurred surplus to Shareholder's Fund	b	71,500	44,000
Incurred surplus to participants		71,500	44,000
Incurred investment profits to Shareholder's Fund	b	8,807	4,069
Amortisation of acquisition cash flows - wakalah fees	c	72,133	71,874
Changes to liabilities for incurred claims		<u>(26,952)</u>	<u>(42,240)</u>
Total takaful service expenses		<u>893,422</u>	<u>657,799</u>
Represented by:			
Certificates not measured under PAA	13.1.1.1	790,182	578,017
Certificates measured under PAA	13.1.2.1	<u>103,240</u>	<u>79,782</u>
		<u>893,422</u>	<u>657,799</u>

Notes:

- a. The wakalah fees paid to the Shareholder's Fund during the year is RM 540,476,226 (2022: RM538,006,851). The breakdown of incurred wakalah fees by nature is as follows:

	<u>2023</u>	<u>2022</u>
	RM'000	RM'000
Wakalah fees – Commissions	272,759	286,563
Wakalah fees – Management expenses	<u>267,717</u>	<u>251,444</u>
	<u>540,476</u>	<u>538,007</u>

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**4 TAKAFUL SERVICE EXPENSES (CONTINUED)**

		<u>2023</u>	<u>2022</u>
	<u>Note</u>	RM'000	(Restated) RM'000
<u>Company</u>			
Incurred claims and other takaful service expenses		646,023	472,820
Incurred surplus to participants		71,500	44,000
Amortisation of acquisition cash flows	c	97,410	70,864
Losses on onerous certificates and reversal of losses on onerous certificates		11,886	2,626
Changes to liabilities for incurred claims		(32,692)	(22,846)
<b>Total takaful service expenses</b>		<u><b>794,127</b></u>	<u><b>567,464</b></u>
Represented by:			
Certificates not measured under PAA	13.1.1.1	705,947	502,032
Certificates measured under PAA	13.1.2.1	88,180	65,432
<b>Total</b>		<u><b>794,127</b></u>	<u><b>567,464</b></u>

Notes:

- b. The surplus paid to the Shareholder's Fund during the year is RM80,307,000 (2022: RM48,069,000). The surplus paid to certificate holders during the year is RM106,728,000 (2022: RM60,274,000).
- c. Acquisition cash flows are allocated on a straight-line basis over the coverage period of the group of certificates.
- d. Wakalah fee income paid to Shareholders' fund and commission incurred by Shareholders' fund are as follows:

	<u>2023</u>	<u>2022</u>
	RM'000	RM'000
Wakalah fees	540,476	538,007
Commission expenses	272,759	286,428
<b>Total</b>	<u><b>813,235</b></u>	<u><b>824,435</b></u>

- e. Inclusive in Takaful Service Expenses, there is an incurred takaful benefits payable in the form of hibah from the shareholder's fund to the takaful participants and/or the Family Takaful Fund, which is supplementary to the main takaful benefits of RM1,283,000 (2022: RM1,382,000).

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**5 NET INVESTMENT RESULT**

	Family Takaful fund RM'000	Company RM'000
<u>2023</u>		
<b>Profit income of financial assets not measured at FVTPL</b>		
At amortised cost	4,506	4,815
At FVOCI	5,845	21,948
<b>Profit income of financial assets measured at FVTPL</b>		
At FVTPL - designated	69,860	69,860
At FVTPL - mandatory	11,040	11,302
<b>Other investment revenue</b>		
Dividend income	29,795	30,389
<b>Net gains/(losses) of financial assets not measured at FVTPL</b>		
At FVOCI	25	(88)
<b>Net gains of financial assets measured at FVTPL</b>		
Debt securities (designated)	64,150	64,150
Debt securities (mandatory)	6,634	6,796
Equity securities	19,141	19,239
<b>Net gains of other financial instruments measured at FVTPL</b>		
Net foreign exchange gains	2,981	2,606
Movement in impairment loss on financial assets	228	(131)
Net investment result	<u>214,205</u>	<u>230,886</u>

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**5 NET INVESTMENT RESULT (CONTINUED)**

	Family Takaful fund RM'000	Company RM'000
<u>2022 (Restated)</u>		
<b>Profit income of financial assets not measured at FVTPL:</b>		
At amortised cost	5,138	5,484
At FVOCI	3,801	16,894
<b>Profit income of financial asset measured at FVTPL</b>		
At FVTPL - designated	53,801	53,800
At FVTPL - mandatory	8,948	8,948
<b>Other investment revenue</b>		
Dividend income	25,083	25,612
<b>Net gains/(losses) of financial assets not measured at FVTPL</b>		
At FVOCI	-	(341)
<b>Net gain/(losses) of financial asset measured at FVTPL</b>		
Debt securities (designated)	(32,305)	(32,305)
Debt securities (mandatory)	(3,406)	(3,406)
Equity securities	(87,044)	(87,446)
<b>Net gains/(losses) of other financial instruments at FVTPL</b>		
Gain on disposal of fixed assets	-	(126)
Net foreign exchange gains/(losses)	1,076	1,842
Movement in impairment loss on financial assets	(527)	(1,675)
Net investment result	<u>(25,435)</u>	<u>(12,719)</u>

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**6 TAKAFUL AND RETAKAFUL FINANCE INCOME & EXPENSES**

<u>2023</u>	Family Takaful fund RM'000	Company RM'000
<u>Takaful finance income/(expenses) from takaful certificates issued</u>		
Changes in fair value of underlying items	(22,319)	(195,156)
Profit accreted	73	(5,547)
Effect of changes in profit rates and other financial assumptions	(1,740)	35,543
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	-	(382)
	<u>(23,986)</u>	<u>(165,542)</u>
 <u>2022 (Restated)</u>	 Family Takaful fund RM'000	 Company RM'000
<u>Takaful finance income/(expenses) from takaful certificates issued</u>		
Changes in fair value of underlying items	(5,291)	36,526
Profit accreted	494	(3,661)
Effect of changes in profit rates and other financial assumptions	(456)	(128,380)
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	-	610
	<u>(5,253)</u>	<u>(94,905)</u>



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6 TAKAFUL AND RETAKAFUL FINANCE INCOME & EXPENSES (CONTINUED)

<u>2023</u>	Family Takaful fund RM'000	Company RM'000
<u>Retakaful finance income/(expenses) for retakaful certificates held</u>		
Profit accretion	5,363	2,252
Participant's share of changes in fair value of underlying items	(6,379)	-
	<u>(1,016)</u>	<u>2,252</u>
 <u>2022 (Restated)</u>	 Family Takaful fund RM'000	 Company RM'000
<u>Retakaful finance income/(expenses) for retakaful certificates held</u>		
Profit accretion	3,096	1,735
Participant's share of changes in fair value of underlying items	16,556	-
	<u>19,652</u>	<u>1,735</u>

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**7 OTHER OPERATING INCOME/(EXPENSES)**

	<u>2023</u>	<u>2022</u>
	RM'000	(Restated) RM'000
<u>Company</u>		
Claims and benefits	650,738	454,386
Commission and other acquisition expenses incurred	403,076	453,028
Losses on onerous takaful certificates	7,861	2,060
Employee benefit expenses	18,357	19,509
Depreciation	460	536
Amortisation	4,373	3,369
Operating lease rentals	320	80
Investment management expenses and others	10,836	8,906
Finance costs	48	54
Other non-operating costs	(75)	5,221
Other expenses	96,171	91,412
Amortisation of acquisition cashflow	97,410	70,864
Amount attributed to takaful acquisition cash flow	(468,440)	(498,923)
	821,135	610,502
Expense attributable to takaful certificates	(794,127)	(567,464)
Expense attributable to retakaful certificates	(316)	(407)
Total other expenses	26,692	42,631

	<u>2023</u>	<u>2022</u>
	RM'000	(Restated) RM'000
Represented by:		
Takaful service expenses		
- Certificate not measured under the PAA	705,947	502,032
- Certificate measured under the PAA	88,180	65,432
Other incurred expenses directly attributable to retakaful certificates held	316	407
Other expenses	26,692	42,631
Total	821,135	610,502

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**7 OTHER OPERATING INCOME/(EXPENSES) (CONTINUED)**

Expenses include auditors' remuneration, an analysis of which is set out below:

	<u>2023</u>	<u>2022</u>
	RM'000	(Restated) RM'000
<u>Company</u>		
Fee payable to PricewaterhouseCoopers Malaysia		
- statutory audit		
current financial year	850	426
- non-audit services	-	69
Fee payable to other member firm of PricewaterhouseCoopers Malaysia		
- audit-related services	-	934
<b>Total</b>	<u>850</u>	<u>1,429</u>

Depreciation consists of:

	<u>2023</u>	<u>2022</u>
	RM'000	(Restated) RM'000
<u>Company</u>		
Furniture, fittings and office equipment	22	21
Computer equipment	47	85
Renovation	10	49
Right-of-use assets	381	381
<b>Total</b>	<u>460</u>	<u>536</u>

Finance costs may be analysed as:

	<u>2023</u>	<u>2022</u>
	RM'000	(Restated) RM'000
<u>Company</u>		
Lease liabilities	<u>48</u>	<u>54</u>

Employee benefit expenses consist of:

	<u>2023</u>	<u>2022</u>
	RM'000	(Restated) RM'000
<u>Company</u>		
Wages and salaries	14,512	15,225
Pension cost - defined contribution plans	2,337	2,508
Other employee benefit expenses	1,508	1,776
<b>Total</b>	<u>18,357</u>	<u>19,509</u>

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8 TAXATION

	Family Takaful fund RM'000	Company RM'000
<u>2023</u>		
<u>Tax expense/(credit):</u>		
- current	3,755	26,030
- deferred (Note 15)	7,989	34,408
	<u>11,744</u>	<u>60,438</u>
<u>Current tax</u>		
Current financial year	4,361	27,100
Over provision in prior financial year	(606)	(1,070)
	<u>3,755</u>	<u>26,030</u>
<u>Deferred tax</u>		
Origination and reversal of temporary differences	<u>7,989</u>	<u>34,408</u>
<u>2022 (Restated)</u>		
<u>Tax expense/(credit):</u>		
- current	1,690	18,890
- deferred (Note 15)	(8,527)	25,560
	<u>(6,837)</u>	<u>44,450</u>
<u>Current tax</u>		
Current financial year	2,362	19,137
Over provision in prior financial year	(672)	(247)
	<u>1,690</u>	<u>18,890</u>
<u>Deferred tax</u>		
Origination and reversal of temporary differences	<u>(8,527)</u>	<u>25,560</u>

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**8 TAXATION (CONTINUED)**

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

	<u>2023</u>	<u>2022</u>
	RM'000	(Restated) RM'000
<u>Company</u>		
Profit before zakat and taxation	215,733	169,681
Taxation at Malaysian statutory tax rate of 24%	51,776	40,723
Expenses not deductible for tax purposes	(51,295)	(89,721)
Income not subject to tax	(2,401)	(1,970)
Over provision of tax expense in prior financial years	(1,070)	(247)
Temporary difference not recognised previously	(4,766)	(577)
Tax impact on investment income attributable to certificate holders	16,360	9,449
Tax rate difference	51,834	86,793
Tax expense for the financial year	<u>60,438</u>	<u>44,450</u>

Changes in taxation

*(1) Changes in tax regulations on adjusted income for Family Takaful business – Shareholders' fund*

Effective from YA2022, wakalah fees or any other fees received by the Shareholders' fund in relation to Family Takaful fund are taxable. Correspondingly, expenses relating to wakalah fees or any other fees incurred in relation to the fees from Family Takaful fund are allowed as deduction under the Shareholders' fund. This covers both management expenses and administrative fees

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9 PROPERTY AND EQUIPMENT

	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
<u>Cost</u>					
At 1 January 2023	1,810	564	140	232	2,746
Additions	182	-	-	-	182
At 31 December 2023	<u>1,992</u>	<u>564</u>	<u>140</u>	<u>232</u>	<u>2,928</u>
<u>Accumulated depreciation</u>					
At 1 January 2023	1,723	506	140	181	2,550
Depreciation charge for the financial year	47	22	-	10	79
At 31 December 2023	<u>1,770</u>	<u>528</u>	<u>140</u>	<u>191</u>	<u>2,629</u>
<u>Net carrying amount</u>					
At 31 December 2023	<u>222</u>	<u>36</u>	<u>-</u>	<u>41</u>	<u>299</u>

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9 PROPERTY AND EQUIPMENT (CONTINUED)

	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
<u>Cost</u>					
At 1 January 2022	1,962	936	140	1,162	4,200
Additions	42	27	-	-	69
Write off	(194)	(399)	-	(930)	(1,523)
At 31 December 2022	<u>1,810</u>	<u>564</u>	<u>140</u>	<u>232</u>	<u>2,746</u>
<u>Accumulated depreciation</u>					
At 1 January 2022	1,832	884	140	936	3,792
Depreciation charge for the financial year	85	21	-	49	155
Write off	(194)	(399)	-	(804)	(1,397)
At 31 December 2022	<u>1,723</u>	<u>506</u>	<u>140</u>	<u>181</u>	<u>2,550</u>
<u>Net carrying amount</u>					
At 31 December 2022	<u>87</u>	<u>58</u>	<u>-</u>	<u>51</u>	<u>196</u>

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10 INTANGIBLE ASSETS

	Computer software and licenses RM'000	Work in-progress RM'000	Total RM'000
<u>Cost</u>			
At 1 January 2023	26,787	8,809	35,596
Additions	3,138	1,554	4,692
Transfer	5,914	(5,914)	-
At 31 December 2023	<u>35,839</u>	<u>4,449</u>	<u>40,288</u>
<u>Accumulated amortisation</u>			
At 1 January 2023	21,098	-	21,098
Amortisation charge for the financial year	4,373	-	4,373
At 31 December 2023	<u>25,471</u>	<u>-</u>	<u>25,471</u>
<u>Net carrying amount</u>			
At 31 December 2023	<u>10,368</u>	<u>4,449</u>	<u>14,817</u>
<u>Cost</u>			
At 1 January 2022	22,559	4,806	27,365
Additions	4,228	4,003	8,231
At 31 December 2022	<u>26,787</u>	<u>8,809</u>	<u>35,596</u>
<u>Accumulated amortisation</u>			
At 1 January 2022	17,729	-	17,729
Amortisation charge for the financial year	3,369	-	3,369
At 31 December 2022	<u>21,098</u>	<u>-</u>	<u>21,098</u>
<u>Net carrying amount</u>			
At 31 December 2022	<u>5,689</u>	<u>8,809</u>	<u>14,498</u>



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**11 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

This note provides information for leases where the Company is lessee.

**(i) Amounts recognised in the balance sheet**

The balance sheet shows the following amounts relating to leases:

	<u>2023</u>	<u>2022</u> (Restated)
	RM'000	RM'000
<b>Rights-of-use assets</b>		
Buildings	<u>1,912</u>	<u>1,183</u>
<b>Lease liabilities</b>		
Current	367	420
Non-current	<u>1,672</u>	<u>907</u>
	<u>2,039</u>	<u>1,327</u>

**(ii) Amounts recognised in the income statement**

The income statement shows the following amounts relating to leases:

	<u>2023</u>	<u>2022</u> (Restated)
	RM'000	RM'000
<b>Depreciation charge of right-of-use assets</b>		
Buildings	<u>381</u>	<u>381</u>
Finance cost of leases	<u>48</u>	<u>54</u>

The total cash outflow for leases for the financial year ended 31 December 2023 and 31 December 2022 was RM446,075 and RM450,881 respectively for Company.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rates. The weighted average lessee's incremental borrowing rate applied to the lease liabilities was 3.56% and 3.57% on 1 January 2023 and 1 January 2022 respectively.

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**12 FINANCIAL ASSETS**

(a) The Company's financial assets are as follows:

	Family Takaful fund RM'000	Company RM'000
<u>2023</u>		
<u>Financial assets at FVOCI:</u>		
Government investment issues	40,003	111,133
Cagamas	4,980	16,428
Unquoted corporate sukuks	112,060	479,158
	<u>157,043</u>	<u>606,719</u>
<u>Financial assets at FVTPL:</u>		
Government investment issues	445,995	445,995
Cagamas	33,880	33,880
Unquoted corporate sukuks	1,646,505	1,646,505
Quoted shariah approved shares	945,734	951,366
Unquoted shariah approved equities	14,515	22,130
Shariah approved unit trusts	89,380	89,380
REITs	11,045	11,115
	<u>3,187,054</u>	<u>3,200,371</u>

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12 **FINANCIAL ASSETS (CONTINUED)**

(a) The Company's financial assets are as follows: (continued)

	Family Takaful fund RM'000	Company RM'000
<u>2022 (Restated)</u>		
<u>Financial assets at FVOCI:</u>		
Government investment issues	45,260	133,358
Cagamas	4,931	9,764
Unquoted corporate sukuks	87,039	380,048
	<u>137,230</u>	<u>523,170</u>
<u>Financial assets at FVTPL:</u>		
Government investment issues	392,979	392,979
Cagamas	4,931	4,931
Unquoted corporate sukuks	1,281,276	1,281,276
Quoted shariah approved shares	764,411	767,815
Unquoted shariah approved equities	24,496	32,106
Shariah approved unit trusts	50,230	50,230
REITs	10,049	10,117
	<u>2,528,372</u>	<u>2,539,454</u>

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12 FINANCIAL ASSETS (CONTINUED)

(b) Movement in carrying values

	Family Takaful fund RM'000	Company RM'000
<u>FVOCI</u>		
At 1 January 2022 (As previously reported)	2,966	358,225
Impact of initial application of MFRS 9	38,547	34,929
At 1 January 2022 (Restated)	41,513	393,154
Purchases	100,712	177,331
Disposals at amortised cost	(3,000)	(36,358)
<u>Fair value loss recorded in:</u>		
Takaful certificates liabilities/		
Other comprehensive income	(1,913)	(9,703)
Net amortisation of premiums	(82)	(1,254)
At 31 December 2022 (Restated) /1 January 2023	137,230	523,170
Purchases	75,906	267,501
Disposals at amortised cost	(58,946)	(196,025)
<u>Fair value loss recorded in:</u>		
Takaful certificates liabilities/		
Other comprehensive income	3,011	13,291
Net amortisation of premiums	(158)	(1,218)
At 31 December 2023	157,043	606,719

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12 **FINANCIAL ASSETS (CONTINUED)**

(b) Movement in carrying values (continued)

	Family Takaful fund RM'000	Company RM'000
<u>FVTPL</u>		
At 1 January 2022 (As previously reported)	2,151,105	2,161,286
Impact of initial application of MFRS 9	(55,468)	(55,474)
At 1 January 2022 (Restated)	2,095,637	2,105,812
Purchases	988,191	990,448
Disposals at fair value	(453,742)	(454,740)
<u>Fair value loss recorded in:</u>		
Profit or loss	(98,848)	(99,199)
Net amortisation of premiums	(2,866)	(2,867)
At 31 December 2022 (Restated) /1 January 2023	2,528,372	2,539,454
Purchases	1,534,671	1,537,854
Disposals at fair value	(976,068)	(977,125)
<u>Fair value loss recorded in:</u>		
Profit or loss	102,806	102,915
Net amortisation of premiums	(2,727)	(2,727)
At 31 December 2023	3,187,054	3,200,371

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12 **FINANCIAL ASSETS (CONTINUED)**

**Inputs, assumptions, and techniques used for estimating impairment**

**Significant increase in credit risk**

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Company's experience, expert credit assessment and forward-looking information.

The Company primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing the internal rating as at the reporting date with the internal rating as at the date of initial recognition of the exposure. Where external credit ratings are available, internal ratings are assigned consistent with such ratings in accordance with the Company's credit risk assessment framework. Where external credit ratings are not readily available, an internal rating methodology has been adopted.

The Company monitors changes in credit risk by tracking the change in internal rating of the exposure. The Company also monitors relevant information, including price movements of securities, and assess whether such information signifies a change in credit risk.

The Company has assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date. The Company considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the debtor.

**Modified financial assets**

The contractual terms of a financial asset may be modified for a number of reasons including changing market conditions and other factors not related to a current or potential credit deterioration of the debtor. An existing financial asset whose terms have been modified may be derecognised and the renegotiated asset recognised as a new financial asset at fair value in accordance with the accounting policies.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of significant increases in credit risk is assessed based on the change in internal reporting as at the reporting date and the date of initial recognition. The internal rating at reporting date is rated based on the modified contractual terms while the initial rating is rated based on the original contractual terms.

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12 **FINANCIAL ASSETS (CONTINUED)**

**Inputs, assumptions, and techniques used for estimating impairment (continued)**

**Definition of default**

The Company considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to mitigating actions. The criteria of “default” are consistent with those of “credit-impaired”.

**Incorporation of forward-looking information**

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on management knowledge and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published, supranational organisations, and selected private-sector and academic forecasters.

The base case represents a best estimate and the other scenarios represent more optimistic and more pessimistic outcomes.

The Company has identified and documented key drivers of credit risk and ECL for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationship between macro-economic variables and key drivers of credit risk.

**Measurement of ECL**

The key inputs into the measurement of ECL are the term structures of probability of default (PD), loss given default (LGD) and exposure at default (EAD).

To determine lifetime and 12-month PDs, the Company leverages on the internal rating and convert it into probability of default based on the level of rating and obligor characteristics like industry type and country. The PDs are adjusted to reflect forward-looking information as described above. Changes in the rating at the reporting date for a counterparty or exposure lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Company leverages on recovery statistics to calculate LGD. The LGD models consider a number of factors including among others, the structure, collateral and seniority of the claim, that are integral to the financial asset. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

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12 **FINANCIAL ASSETS (CONTINUED)**

**Inputs, assumptions, and techniques used for estimating impairment (continued)**

**Measurement of ECL (continued)**

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period (including any debtor's extension options) over which it is exposed to credit risk.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include instrument type, credit risk gradings, collateral type, date of initial recognition, remaining term to maturity and industry of debtor.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external information that the Company uses to derive the default rates of its portfolios.

**Credit-impaired financial assets**

Financial assets, other than those at fair value through profit or loss, are assessed for impairment regularly. This requires the exercise of significant judgement. The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is credit-impaired. Objective evidence that a financial asset, or a group of assets, is credit-impaired includes observable data that comes to the attention of the Company about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- the restructuring of an amount due to the Company on terms that the Company would not otherwise consider;
- it becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- or
- the disappearance of an active market for that financial asset because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the debtor's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.



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12 **FINANCIAL ASSETS (CONTINUED)**

(c) Fair value hierarchy

The following table show financial investments recorded at fair value analysed by the different basis of fair value as follows:

	<u>2023</u>	<u>2022</u>
	RM'000	<u>(Restated)</u> RM'000
<u>FVOCI</u>		
<u>Family Takaful fund</u>		
Valuation techniques – market observable inputs (Level 2)	157,043	137,230
	<u>157,043</u>	<u>137,230</u>
<u>Company</u>		
Valuation techniques – market observable inputs (Level 2)	606,719	523,170
	<u>606,719</u>	<u>523,170</u>
<u>FVTPL</u>		
<u>Family Takaful fund</u>		
Quoted market price (Level 1)	1,046,159	824,690
Valuation techniques – market observable inputs (Level 2)	2,140,895	1,703,682
	<u>3,187,054</u>	<u>2,528,372</u>
<u>Company</u>		
Quoted market price (Level 1)	1,051,861	828,162
Valuation techniques – market observable inputs (Level 2)	2,148,510	1,711,292
	<u>3,200,371</u>	<u>2,539,454</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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12 **FINANCIAL ASSETS (CONTINUED)**

(c) Fair value hierarchy (continued)

A level is assigned to each fair value measurement based on the significance of the input to the fair value measurement in its entity. The three-level hierarchy is defined as follows:

Level 1:

Financial instruments 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 services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2:

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services. However, where prices have not been determined in active market, instruments with fair values based on broker quotes, investment in unit and property trusts with fair values obtained via fund managers and instruments that are valued using the Company's own models where majority of assumptions are market observable.

Level 3:

Financial instruments measured 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. The main asset class in this category is unquoted equity securities. Valuation techniques 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.

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12 **FINANCIAL ASSETS (CONTINUED)**

(d) **Interests in structured entities**

The Company has determined that the investment funds in mutual funds are structured entities.

The following table summarises the Company's investment in unconsolidated structured entities as at 31 December 2023 and 31 December 2022:

	<u>2023</u>	<u>2022</u>
	RM'000	(Restated) RM'000
<u>Investment Funds (1)</u>		
Equity securities at fair value through profit or loss	100,495	60,347

*Notes:*

(1) *Balance represents the Company's interests in mutual funds.*

The Company's maximum exposure to loss arising from its interests in these unconsolidated structured entities is limited to the carrying amount of the assets. Dividend income and profit income are received during the reporting period from these interests in unconsolidated structured entities.

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## NOTES TO THE FINANCIAL STATEMENTS

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## 13 TAKAFUL AND RETAKAFUL CERTIFICATES

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

	<u>2023</u>		<u>2022 (Restated)</u>		<u>2021 (Restated)</u>	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
<u>Family Takaful fund</u>						
Takaful certificates						
- Certificates not measured under the PAA	64,981	3,488,031	44,354	2,868,688	-	2,327,068
- Certificates measured under the PAA	346	14,864	-	20,052	-	8,829
	<u>65,327</u>	<u>3,502,895</u>	<u>44,354</u>	<u>2,888,740</u>	<u>-</u>	<u>2,335,897</u>
Retakaful certificates						
- Certificates not measured under the PAA	18,961	-	5,968	-	-	-
- Certificates measured under the PAA	133	-	133	-	-	-
	<u>19,094</u>	<u>-</u>	<u>6,101</u>	<u>-</u>	<u>-</u>	<u>-</u>

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## NOTES TO THE FINANCIAL STATEMENTS

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### 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

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:

	<u>2023</u>		<u>2022 (Restated)</u>		<u>2021 (Restated)</u>	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
<u>Company</u>						
Takaful certificates						
- Certificates not measured under the PAA	27,784	2,829,065	23,633	2,333,144	14,957	1,951,910
- Certificates measured under the PAA	-	28,583	-	29,895	-	30,512
	<u>27,784</u>	<u>2,857,648</u>	<u>23,633</u>	<u>2,363,039</u>	<u>14,957</u>	<u>1,982,422</u>
Retakaful certificates						
- Certificates not measured under the PAA	103,035	-	80,787	-	89,177	-
	<u>103,035</u>	<u>-</u>	<u>80,787</u>	<u>-</u>	<u>89,177</u>	<u>-</u>

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

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## 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

## 13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA

## 13.1.1.1 Takaful certificates issued

The roll-forward of the net asset or liability for takaful certificates issued for certificates not measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the family takaful fund, is disclosed in the table below:

2023					2022 (Restated)			
Note	Liabilities for remaining coverage				Liabilities for remaining coverage			
	Excluding loss component		Liabilities for incurred claims	Total	Excluding loss component		Liabilities for incurred claims	Total
	loss component	Loss component			loss component	Loss component		
	RM'000	RM'000			RM'000	RM'000		
<u>Family Takaful fund</u>								
Takaful certificate liabilities as at 1 January	2,711,070	-	157,617	2,868,688	2,132,039	-	195,029	2,327,068
Takaful certificate assets as at 1 January	(53,878)	-	9,524	(44,354)	-	-	-	-
<b>Net family takaful certificate (assets)/liabilities as at 1 January</b>	<b>2,657,192</b>	<b>-</b>	<b>167,142</b>	<b>2,824,334</b>	<b>2,132,039</b>	<b>-</b>	<b>195,029</b>	<b>2,327,068</b>
Takaful revenue	3 (624,248)	-	-	(624,248)	(595,411)	-	-	(595,411)
Takaful service expense	4 52,269	-	737,913	790,182	52,663	-	525,354	578,017
Investment components	(154,468)	-	154,468	-	(152,937)	-	152,937	-
Takaful service result	(726,447)	-	892,381	165,934	(695,685)	-	678,291	(17,394)
Takaful finance expenses/(income)	40,418	-	(3,891)	36,526	2,563	-	(3,767)	(1,204)
<b>Total changes in the statement of profit or loss and OCI</b>	<b>(686,029)</b>	<b>-</b>	<b>888,490</b>	<b>202,460</b>	<b>(693,122)</b>	<b>-</b>	<b>674,524</b>	<b>(18,598)</b>

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

#### 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

##### 13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA (continued)

##### 13.1.1.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for certificates not measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the family takaful fund, is disclosed in the table below: (continued)

	2023				2022 (Restated)			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component			Excluding loss component	Loss component		
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful fund (continued)</u>								
<i>Cash flows</i>								
Contributions received	1,660,745	-	-	1,660,745	1,588,102	-	-	1,588,102
Qard received/paid	3,177	-	-	3,177	4,315	-	-	4,315
Claims and other expenses paid including investment components	-	-	(857,746)	(857,746)	-	-	(702,411)	(702,411)
Takaful acquisition cash flows paid	(409,920)	-	-	(409,920)	(374,143)	-	-	(374,143)
<b>Total cash flows</b>	<b>1,254,002</b>	<b>-</b>	<b>(857,746)</b>	<b>396,256</b>	<b>1,218,275</b>	<b>-</b>	<b>(702,411)</b>	<b>515,863</b>
<b>Net takaful certificate (assets)/liabilities as at 31 December</b>	<b>3,225,165</b>	<b>-</b>	<b>197,885</b>	<b>3,423,050</b>	<b>2,657,192</b>	<b>-</b>	<b>167,142</b>	<b>2,824,334</b>
Takaful certificate liabilities as at 31 December	3,299,977	-	188,054	3,488,031	2,711,070	-	157,617	2,868,688
Takaful certificate assets as at 31 December	(74,812)	-	9,831	(64,981)	(53,878)	-	9,524	(44,354)
<b>Net takaful certificate (assets)/liabilities as at 31 December</b>	<b>3,225,165</b>	<b>-</b>	<b>197,885</b>	<b>3,423,050</b>	<b>2,657,192</b>	<b>-</b>	<b>167,142</b>	<b>2,824,334</b>

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## 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

## 13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA (continued)

## 13.1.1.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for certificates not measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Company, is disclosed in the table below:

Note	2023					
	Liabilities for remaining coverage		Liabilities for incurred claims		Assets for takaful acquisition cash flows	Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company</u>						
Takaful certificate liabilities as at 1 January	2,147,881	775	212,355	9,489	(37,354)	2,333,144
Takaful certificate assets as at 1 January	(15,043)	1,522	16,878	1,036	(28,025)	(23,633)
<b>Net family takaful certificate (assets)/liabilities as at 1 January</b>	<b>2,132,838</b>	<b>2,296</b>	<b>229,233</b>	<b>10,525</b>	<b>(65,380)</b>	<b>2,309,512</b>
Takaful revenue	3	(868,561)	-	-	-	(868,561)
Takaful service expense	4	86,448	7,861	613,853	(2,214)	705,947
Investment components		(159,933)	-	159,933	-	-
<b>Takaful service result</b>		<b>(942,046)</b>	<b>7,861</b>	<b>773,785</b>	<b>(2,214)</b>	<b>(162,614)</b>
Takaful finance expenses	a	164,349	662	531	-	165,542
<b>Total changes in the statement of profit or loss and OCI</b>		<b>(777,697)</b>	<b>8,523</b>	<b>774,316</b>	<b>(2,214)</b>	<b>2,928</b>



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## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

## 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

## 13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA (continued)

## 13.1.1.1Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for certificates not measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Company, is disclosed in the table below: (continued)

	Note	2023				
		Liabilities for remaining coverage		Liabilities for incurred claims		Assets for takaful acquisition cash flows
		Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
		RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company (continued)</u>						
<i>Cash flows</i>						
Contributions received	b	1,661,413	-	-	-	-
Claims and other expenses paid including investment components		-	-	(717,926)	-	-
Takaful acquisition cash flows paid		(438,694)	-	-	-	(13,355)
Other amounts received		-	-	1,186	-	-
<b>Total cash flows</b>		<b>1,222,719</b>	<b>-</b>	<b>(716,740)</b>	<b>-</b>	<b>(13,355)</b>
Non-Cash Operating Expenses		(2,371)	-	(1,412)	-	-
Other Non-Cash Items		(3,107)	-	-	-	3,107
<b>Net takaful certificate (assets)/liabilities as at 31 December</b>		<b>2,572,381</b>	<b>10,819</b>	<b>285,398</b>	<b>8,311</b>	<b>(75,627)</b>
						<b>2,801,281</b>

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#### 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

##### 13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA (continued)

##### 13.1.1.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for certificates not measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Company, is disclosed in the table below: (continued)

Note	2023					
	Liabilities for remaining coverage		Liabilities for incurred claims		Assets for takaful acquisition cash flows	Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment		
	RM'000	RM'000	RM'000	RM'000		
Company (continued)						
Takaful certificate liabilities as at 31 December	2,586,297	6,320	274,423	7,647	(45,622)	2,829,065
Takaful certificate assets as at 31 December	(13,916)	4,499	10,975	663	(30,005)	(27,784)
<b>Net takaful certificate (assets)/liabilities as at 31 December</b>	<b>2,572,381</b>	<b>10,819</b>	<b>285,398</b>	<b>8,311</b>	<b>(75,627)</b>	<b>2,801,281</b>

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## 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

## 13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA (continued)

## 13.1.1.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for certificates not measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Company, is disclosed in the table below: (continued)

Note	2022 (Restated)					
	Liabilities for remaining coverage		Liabilities for incurred claims		Assets for takaful acquisition cash flows	Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company</u>						
Takaful certificate liabilities as at 1 January	1,831,186	108	140,681	10,328	(30,393)	1,951,910
Takaful certificate assets as at 1 January	(15,126)	-	23,609	1,489	(24,930)	(14,957)
<b>Net family takaful certificate (assets)/liabilities as at 1 January</b>	<b>1,816,061</b>	<b>108</b>	<b>164,290</b>	<b>11,817</b>	<b>(55,323)</b>	<b>1,936,953</b>
Takaful revenue	(818,275)	-	-	-	-	(818,275)
Takaful service expense	59,018	2,060	442,247	(1,292)	-	502,032
Investment components	(154,456)	-	154,456	-	-	-
Takaful service result	(913,713)	2,060	596,703	(1,292)	-	(316,243)
Takaful finance expenses	94,717	129	58	-	-	94,905
<b>Total changes in the statement of profit or loss and OCI</b>	<b>(818,996)</b>	<b>2,188</b>	<b>596,761</b>	<b>(1,292)</b>	<b>-</b>	<b>(221,339)</b>

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## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

## 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

## 13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA (continued)

## 13.1.1.1Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for certificates not measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Company, is disclosed in the table below: (continued)

	Note	2022 (Restated)				
		Liabilities for remaining coverage		Liabilities for incurred claims		Assets for takaful acquisition cash flows
		Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
		RM'000	RM'000	RM'000	RM'000	RM'000
						Total
						RM'000
<u>Company (continued)</u>						
<i>Cash flows</i>						
Contributions received	b	1,587,412	-	-	-	-
Claims and other expenses paid including investment components		-	-	(530,159)	-	-
Takaful acquisition cash flows paid		(447,452)	-	-	-	(12,722)
Other amounts received		-	-	(102)	-	-
<b>Total cash flows</b>		<b>1,139,960</b>	<b>-</b>	<b>(530,261)</b>	<b>-</b>	<b>(12,722)</b>
Non-Cash Operating Expenses		(1,522)	-	(1,557)	-	-
Other Non-Cash Items		(2,665)	-	-	-	2,665
<b>Net takaful certificate (assets)/liabilities as at 31 December</b>		<b>2,132,838</b>	<b>2,296</b>	<b>229,233</b>	<b>10,525</b>	<b>(65,380)</b>
						<b>2,309,512</b>

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

#### 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA (continued)

##### 13.1.1.1Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for certificates not measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Company, is disclosed in the table below: (continued)

Note	2022 (Restated)					
	Liabilities for remaining coverage		Liabilities for incurred claims		Assets for takaful acquisition cash flows	Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company (continued)</u>						
Takaful certificate liabilities as at 31 December	2,147,881	775	212,355	9,489	(37,354)	2,333,144
Takaful certificate assets as at 31 December	(15,043)	1,522	16,878	1,036	(28,025)	(23,633)
<b>Net takaful certificate (assets)/liabilities as at 31 December</b>	<b>2,132,838</b>	<b>2,296</b>	<b>229,233</b>	<b>10,525</b>	<b>(65,380)</b>	<b>2,309,512</b>

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**NOTES TO THE FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)****13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)****13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA (continued)****13.1.1.1 Takaful certificates issued (continued)***Notes:*

- a. The Company disaggregates takaful finance expense between profit or loss and other comprehensive income. The Company does not disaggregate changes in the risk adjustment for non-financial risk between takaful service result and takaful finance expenses.
- b. The refunds of contributions have been included in this line.
- c. The balance and reconciliations of fulfillment cash flows include obligations to repay Qard advanced by the Shareholder's Fund to the Family Takaful fund. Qard was advanced by the Shareholder's fund in compliance with the requirements set out in paragraph 19 of the Bank Negara Malaysia (BNM) Takaful Operational Framework (TOF). Consistent with those requirements, the amount does not bear interest. The amount is repayable, and to the extent, the Family Takaful fund has available resources. In accordance with Paragraph 19.4 of the BNM TOF, the Shareholder's fund has determined a time period during which the Qard shall be repaid and consequently the period beyond which any unpaid Qard will be deemed irrecoverable and the outstanding amount forgiven. The table below reconciles the nominal value of the Qard included in fulfillment cash flows:

<u>Nominal amount</u>	Family Takaful fund	
	<u>2023</u>	<u>2022</u>
	RM'000	RM'000
Opening balance	65,850	62,673
Qard increased during the year	20,495	3,177
Closing balance	<u>86,345</u>	<u>65,850</u>

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## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

## 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA (continued)

## 13.1.1.1 Takaful certificates issued (continued)

*Notes (continued):*

- d. Other movements represented by the insignificant transfer out of a few certificates from the portfolio. Other movements for acquisition cash flows include where a liability for takaful acquisition cash flows has been recognised when applying another MFRS standard.

The expected timing of when assets for takaful acquisition cash flows will be derecognised and included in the measurement of the group of takaful certificates to which they are allocated is disclosed in the table below:

	2023 RM'000			
	5 Year or Less	5-10 Years	After 10 years	Total
<u>Company</u>				
Expected timing of derecognition of assets balance as at 31 December	14,977	12,963	47,687	75,627

	2022 (Restated) RM'000			
	5 Year or Less	5-10 Years	After 10 years	Total
<u>Company</u>				
Expected timing of derecognition of assets balance as at 31 December	12,761	10,979	41,640	65,380

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

#### 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA (continued)

##### 13.1.1.2 Retakaful certificates held

The roll-forward of the net asset or liability for retakaful certificates held for certificates not measured under PAA, showing assets for remaining coverage and amounts recoverable on incurred claims arising business from ceded to retakaful operators in the family takaful fund, is disclosed in the table below:

	2023				2022 (Restated)			
	Assets for remaining coverage		Amounts recoverable on incurred claims	Total	Assets for remaining coverage		Amounts recoverable on incurred claims	Total
	Excluding loss component	Loss component			Excluding loss component	Loss component		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Family takaful fund</b>								
<b>Net retakaful certificate assets / (liabilities) as at 1 January</b>	<b>31,736</b>	<b>-</b>	<b>(25,769)</b>	<b>5,968</b>	<b>32,627</b>	<b>-</b>	<b>(32,627)</b>	<b>-</b>
Net income or expense from retakaful certificates held	(73,963)	-	74,979	1,016	(61,955)	-	42,436	(19,519)
Net finance income from retakaful certificates	(1,016)	-	-	(1,016)	19,519	-	-	19,519
<b>Total changes in the statement of profit or loss and OCI</b>	<b>(74,979)</b>	<b>-</b>	<b>74,979</b>	<b>-</b>	<b>(42,436)</b>	<b>-</b>	<b>42,436</b>	<b>-</b>



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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

#### 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA (continued)

##### 13.1.1.2 Retakaful certificates held (continued)

The roll-forward of the net asset or liability for retakaful certificates held for certificates not measured under PAA, showing assets for remaining coverage and amounts recoverable on incurred claims arising business from ceded to retakaful operators in the family takaful fund, is disclosed in the table below: (continued)

	2023				2022 (Restated)			
	Assets for remaining coverage		Amounts recoverable on incurred claims	Total	Assets for remaining coverage		Amounts recoverable on incurred claims	Total
	Excluding loss component	Loss component			Excluding loss component	Loss component		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Family takaful fund (continued)</i>								
<i>Cash flows</i>								
Contributions paid	30,474	-	-	30,474	41,546	-	-	41,546
Other amounts received	-	-	(17,481)	(17,481)	-	-	(35,578)	(35,578)
<b>Total cash flows</b>	<b>30,474</b>	<b>-</b>	<b>(17,481)</b>	<b>12,993</b>	<b>41,546</b>	<b>-</b>	<b>(35,578)</b>	<b>5,968</b>
<b>Net retakaful certificate assets/(liabilities) as at 31 December</b>	<b>(12,768)</b>	<b>-</b>	<b>31,729</b>	<b>18,961</b>	<b>31,736</b>	<b>-</b>	<b>(25,769)</b>	<b>5,968</b>

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

#### 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA (continued)

##### 13.1.1.2 Retakaful certificates held (continued)

The roll-forward of the net asset or liability for retakaful certificates held for certificates not measured under PAA, showing assets for remaining coverage and amounts recoverable on incurred claims arising business from ceded to retakaful operators in the Company, is disclosed in the table below:

	2023					2022 (Restated)				
	Assets for remaining coverage		Amounts recoverable on incurred claims			Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Net retakaful certificate assets as at 1 January</b>	<b>41,482</b>	-	<b>39,305</b>	-	<b>80,787</b>	<b>56,626</b>	-	<b>32,551</b>	-	<b>89,177</b>
Net income or expense from retakaful certificates held	(68,033)	-	74,663	-	6,629	(58,425)	-	42,030	-	(16,395)
Net finance income from retakaful certificates	2,252	-	-	-	2,252	1,735	-	-	-	1,735
<b>Total changes in the statement of profit or loss and OCI</b>	<b>(65,781)</b>	-	<b>74,663</b>	-	<b>8,881</b>	<b>(56,690)</b>	-	<b>42,030</b>	-	<b>(14,660)</b>

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

#### 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

##### 13.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates not measured under PAA (continued)

##### 13.1.1.2 Retakaful certificates held (continued)

The roll-forward of the net asset or liability for retakaful certificates held for certificates not measured under PAA, showing assets for remaining coverage and amounts recoverable on incurred claims arising business from ceded to retakaful operators in the Company, is disclosed in the table below: (continued)

	2023					2022 (Restated)				
	Assets for remaining coverage		Amounts recoverable on incurred claims			Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Company (continued)</i>										
<i>Cash flows</i>										
Contributions paid	30,474	-	-	-	30,474	41,546	-	-	-	41,546
Other amounts received	-	-	(17,119)	-	(17,119)	-	-	(35,290)	-	(35,290)
<b>Total cash flows</b>	<b>30,474</b>	<b>-</b>	<b>(17,119)</b>	<b>-</b>	<b>13,354</b>	<b>41,546</b>	<b>-</b>	<b>(35,290)</b>	<b>-</b>	<b>6,256</b>
Other movements	-	-	13	-	13	-	-	14	-	14
<b>Net retakaful certificate assets/(liabilities) as at 31 December</b>	<b>6,175</b>	<b>-</b>	<b>96,861</b>	<b>-</b>	<b>103,035</b>	<b>41,482</b>	<b>-</b>	<b>39,305</b>	<b>-</b>	<b>80,787</b>

#### Notes:

The Company applies a consistent accounting policy to retakaful certificates held and recognizes net takaful finance expense in profit or loss only.

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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

**13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)**

**13.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims – Certificates measured under PAA**

**13.1.2.1 Takaful certificates issued**

The roll-forward of the net asset or liability for takaful certificates issued for certificates measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the family takaful fund, is disclosed in the table below:

		2023				2022 (Restated)			
		Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
Note		Excluding loss component	Loss component			Excluding loss component	Loss component		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful fund</u>									
<b>Net takaful certificate (asset) / liabilities as at 1 January</b>		<b>(2,650)</b>	<b>-</b>	<b>22,702</b>	<b>20,052</b>	<b>(10,406)</b>	<b>-</b>	<b>19,235</b>	<b>8,829</b>
Takaful revenue	3	(90,699)	-	-	(90,699)	(86,239)	-	-	(86,239)
Takaful service expense	4	19,864	-	83,376	103,240	19,211	-	60,571	79,782
<b>Takaful service result</b>		<b>(70,835)</b>	<b>-</b>	<b>83,376</b>	<b>12,541</b>	<b>(67,027)</b>	<b>-</b>	<b>60,571</b>	<b>(6,457)</b>
Takaful finance (income)/expenses		(12,541)	-	-	(12,541)	6,457	-	-	6,457
<b>Total changes in the statement of profit or loss and OCI</b>		<b>(83,376)</b>	<b>-</b>	<b>83,376</b>	<b>-</b>	<b>(60,571)</b>	<b>-</b>	<b>60,571</b>	<b>-</b>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

#### 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates measured under PAA (continued)

##### 13.1.2.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for certificates measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the family takaful fund, is disclosed in the table below: (continued)

Note	2023				2022 (Restated)			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component			Excluding loss component	Loss component		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful fund (continued)</u>								
<i>Cash flows</i>								
Contributions received	98,174	-	-	98,174	88,780	-	-	88,780
Claims and other expenses paid including investment components	-	-	(83,009)	(83,009)	-	-	(57,104)	(57,104)
Acquisition cash flows paid	(20,698)	-	-	(20,698)	(20,453)	-	-	(20,453)
Total cash flows	77,476	-	(83,009)	(5,534)	68,327	-	(57,104)	11,222
<b>Net takaful certificate(assets)/ liabilities as at 31 December</b>	<b>(8,550)</b>	<b>-</b>	<b>23,069</b>	<b>14,518</b>	<b>(2,650)</b>	<b>-</b>	<b>22,702</b>	<b>20,052</b>

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#### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

#### 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

##### 13.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates measured under PAA (continued)

##### 13.1.2.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for certificates measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the family takaful fund, is disclosed in the table below: (continued)

	2023				2022 (Restated)			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component			Excluding loss component	Loss component		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful fund (continued)</u>								
Takaful certificate liabilities as at 31 December	14,864	-	-	14,864	(2,650)	-	22,702	20,052
Takaful certificate assets as at 31 December	(23,415)	-	23,069	(346)	-	-	-	-
<b>Net takaful certificate (assets)/ liabilities as at 31 December</b>	<b>(8,550)</b>	<b>-</b>	<b>23,069</b>	<b>14,518</b>	<b>(2,650)</b>	<b>-</b>	<b>22,702</b>	<b>20,052</b>

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

#### 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates measured under PAA (continued)

##### 13.1.2.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for certificates measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Company, is disclosed in the table below:

		2023				
		Liabilities for remaining coverage		Liabilities for incurred claims		
	Note	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
		RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company</u>						
<b>Net takaful certificate liabilities as at 1 January</b>		<b>10,770</b>	<b>-</b>	<b>18,658</b>	<b>467</b>	<b>29,895</b>
Takaful revenue	3	(93,702)	-	-	-	(93,702)
Takaful service expense	4	10,962	-	77,090	128	88,180
<b>Takaful service result</b>		<b>(82,740)</b>	<b>-</b>	<b>77,090</b>	<b>128</b>	<b>(5,522)</b>
<b>Total changes in the statement of profit or loss and OCI</b>		<b>(82,740)</b>	<b>-</b>	<b>77,090</b>	<b>128</b>	<b>(5,522)</b>

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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

**13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)**

13.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims – Certificates measured under PAA (continued)

13.1.2.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for certificates measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Company, is disclosed in the table below: (continued)

	2023				
	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
	RM'000	RM'000	RM'000	RM'000	
<u>Note</u>					
<u>Company (continued)</u>					
<i>Cash flows</i>					
Contributions received	98,100	-	-	-	98,100
Claims and other expenses paid including investment components	-	-	(81,270)	-	(81,270)
Takaful acquisition cash flows paid	(12,321)	-	-	-	(12,321)
<b>Total cash flows</b>	<b>85,778</b>	<b>-</b>	<b>(81,270)</b>	<b>-</b>	<b>4,508</b>
Other movements	(191)	-	(109)	-	(300)
<b>Net takaful certificate liabilities as at 31 December</b>	<b>13,618</b>	<b>-</b>	<b>14,370</b>	<b>595</b>	<b>28,583</b>



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#### 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates measured under PAA (continued)

##### 13.1.2.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for certificates measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Company, is disclosed in the table below: (continued)

	2022 (Restated)				
	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
	RM'000	RM'000	RM'000	RM'000	
<u>Note</u>					
<u>Company</u>					
<b>Net family takaful certificate liabilities as at 1 January</b>	<b>6,244</b>	<b>-</b>	<b>23,709</b>	<b>559</b>	<b>30,512</b>
Takaful revenue	(83,742)	-	-	-	(83,742)
Takaful service expense	11,846	-	53,678	(92)	65,432
<b>Takaful service result</b>	<b>(71,896)</b>	<b>-</b>	<b>53,678</b>	<b>(92)</b>	<b>(18,310)</b>
<b>Total changes in the statement of profit or loss and OCI</b>	<b>(71,896)</b>	<b>-</b>	<b>53,678</b>	<b>(92)</b>	<b>(18,310)</b>

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#### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

#### 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

##### 13.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates measured under PAA (continued)

##### 13.1.2.1 Takaful certificates issued (continued)

The roll-forward of the net asset or liability for takaful certificates issued for certificates measured under PAA, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the Company, is disclosed in the table below: (continued)

		2022 (Restated)				
		Liabilities for remaining coverage		Liabilities for incurred claims		
	Note	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
		RM'000	RM'000	RM'000	RM'000	
					Total RM'000	
<u>Company (continued)</u>						
<i>Cash flows</i>						
Contributions received	a	88,710	-	-	-	88,710
Claims and other expenses paid including investment components		-	-	(58,710)	-	(58,710)
Takaful acquisition cash flows paid		(12,005)	-	-	-	(12,005)
<b>Total cash flows</b>		<b>76,705</b>	<b>-</b>	<b>(58,710)</b>	<b>-</b>	<b>17,995</b>
Other movements		(282)	-	(19)	-	(302)
<b>Net takaful certificate liabilities as at 31 December</b>		<b>10,770</b>	<b>-</b>	<b>18,658</b>	<b>467</b>	<b>29,895</b>

Notes:

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

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#### 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates measured under PAA (continued)

##### 13.1.2.2 Retakaful certificates held (continued)

The roll-forward of the net asset or liability for retakaful certificates held for certificates measured under PAA, showing assets for remaining coverage and amounts recoverable on incurred claims arising business from ceded to retakaful operators in the family takaful fund, is disclosed in the table below:

	2023				2022 (Restated)			
	Assets for remaining coverage		Amounts recoverable on incurred claims	Total	Assets for remaining coverage		Amounts recoverable on incurred claims	Total
Note	Excluding loss component	Loss component			Excluding loss component	Loss component		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful fund</u>								
<b>Net retakaful certificate assets as at 1 January</b>	<b>133</b>	-	-	<b>133</b>	-	-	-	-
Net income or expense from retakaful certificates held	-	-	-	-	(133)	-	-	(133)
Retakaful finance income	-	-	-	-	133	-	-	133
<b>Total changes in the statement of profit or loss and OCI</b>	-	-	-	-	-	-	-	-

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### 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates measured under PAA (continued)

#### 13.1.2.2 Retakaful certificates held (continued)

The roll-forward of the net asset or liability for retakaful certificates held for certificates measured under PAA, showing assets for remaining coverage and amounts recoverable on incurred claims arising business from ceded to retakaful operators in the family takaful fund, is disclosed in the table below: (continued)

	2023				2022 (Restated)			
	Assets for remaining coverage				Assets for remaining coverage			
			Amounts recoverable on	Total			Amounts recoverable on	Total
	Excluding loss component	Loss component	incurred claims		Excluding loss component	Loss component	incurred claims	
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful fund (continued)</u>								
<i>Cash flows</i>								
Contributions paid	-	-	-	-	133	-	-	133
<b>Total cash flows</b>	-	-	-	-	<b>133</b>	-	-	<b>133</b>
<b>Net retakaful certificate assets as at 31 December</b>	<b>133</b>	-	-	<b>133</b>	<b>133</b>	-	-	<b>133</b>

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### 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage and the liability for incurred claims - Certificates measured under PAA (continued)

#### 13.1.2.2 Retakaful certificates held (continued)

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

Note	2023				2022 (Restated)			
	Assets for remaining coverage		Amounts recoverable on incurred claims	Total	Assets for remaining coverage		Amounts recoverable on incurred claims	Total
	Excluding loss component	Loss component			Excluding loss component	Loss component		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company</u>								
<b>Net retakaful certificate assets as at 1 January</b>	-	-	-	-	-	-	-	-
Net income or expense from retakaful certificates held	-	-	-	-	(133)	-	-	(133)
<b>Total changes in the statement of profit or loss and OCI</b>	-	-	-	-	<b>(133)</b>	-	-	<b>(133)</b>
<i>Cash flows</i>								
Contributions paid	-	-	-	-	133	-	-	133
Total cash flows	-	-	-	-	133	-	-	133
<b>Net retakaful certificate assets as at 31 December</b>	-	-	-	-	-	-	-	-

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13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.3 Analysis by measurement component of takaful certificates - Certificates not measured under the PAA

13.1.3.1 Takaful certificates issued

	2023			2022 (Restated)		
	Estimates of present value of future cash flows RM'000	Risk adjustment RM'000	Total RM'000	Estimates of present value of future cash flows RM'000	Risk adjustment RM'000	Total RM'000
<u>Family Takaful fund</u>						
Takaful certificate liabilities as at 1 January	2,868,688	-	2,868,688	2,327,068	-	2,327,068
Takaful certificate assets as at 1 January	(44,354)	-	(44,354)	-	-	-
<b>Net family takaful certificate (assets)/liabilities as at 1 January</b>	<b>2,824,334</b>	<b>-</b>	<b>2,824,334</b>	<b>2,327,068</b>	<b>-</b>	<b>2,327,068</b>
Changes that relate to current services						
Experience adjustments	188,848	-	188,848	24,061	-	24,061
Changes that relate to past services						
Adjustments to liabilities for incurred claims	(22,914)	-	(22,914)	(41,455)	-	(41,455)
<b>Takaful service result</b>	<b>165,934</b>	<b>-</b>	<b>165,934</b>	<b>(17,394)</b>	<b>-</b>	<b>(17,394)</b>
Takaful finance expenses/(income)	36,526	-	36,526	(1,204)	-	(1,204)
<b>Total changes in the statement of profit or loss and OCI</b>	<b>202,460</b>	<b>-</b>	<b>202,460</b>	<b>(18,598)</b>	<b>-</b>	<b>(18,598)</b>

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13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.3 Analysis by measurement component of takaful certificates - Certificates not measured under the PAA (continued)

13.1.3.1 Takaful certificates issued (continued)

	2023			2022 (Restated)		
	Estimates of present value of future cash flows	Risk adjustment	Total	Estimates of present value of future cash flows	Risk adjustment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful fund (continued)</u>						
<i>Cash flow</i>						
Contributions received	1,660,745	-	1,660,745	1,588,102	-	1,588,102
Qard received/paid	3,177	-	3,177	4,315	-	4,315
Claims and other expenses paid including investment components	(857,746)	-	(857,746)	(702,411)	-	(702,411)
Acquisition cash flows paid	(409,920)	-	(409,920)	(374,143)	-	(374,143)
<b>Total cash flows</b>	<b>396,256</b>	<b>-</b>	<b>396,256</b>	<b>515,863</b>	<b>-</b>	<b>515,863</b>
<b>Net takaful certificate liabilities as at 31 December</b>	<b>3,423,050</b>	<b>-</b>	<b>3,423,050</b>	<b>2,824,334</b>	<b>-</b>	<b>2,824,334</b>
Takaful certificate liabilities as at 31 December	3,488,031	-	3,488,031	2,868,688	-	2,868,688
Takaful certificate assets as at 31 December	(64,981)	-	(64,981)	(44,354)	-	(44,354)
<b>Net takaful certificate liabilities as at 31 December</b>	<b>3,423,050</b>	<b>-</b>	<b>3,423,050</b>	<b>2,824,334</b>	<b>-</b>	<b>2,824,334</b>

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13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.3 Analysis by measurement component of takaful certificates - Certificates not measured under the PAA (continued)

13.1.3.1 Takaful certificates issued (continued)

	2023				2022 (Restated)			
	Estimates of present value of future cash flows	Risk adjustment	Contractual Services Margin	Total	Estimates of present value of future cash flows	Risk adjustment	Contractual Services Margin	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company</u>								
Takaful certificate liabilities as at 1 January	1,341,482	102,738	888,925	2,333,144	1,035,643	99,002	817,264	1,951,910
Takaful certificate assets as at 1 January	(33,059)	1,486	7,940	(23,633)	(38,228)	2,224	21,046	(14,957)
<b>Net family takaful certificate (assets)/liabilities as at 1 January</b>	<b>1,308,423</b>	<b>104,224</b>	<b>896,865</b>	<b>2,309,512</b>	<b>997,416</b>	<b>101,226</b>	<b>838,311</b>	<b>1,936,953</b>
Changes that relate to current services								
Contractual service margin recognised for services provided	-	-	(194,432)	(194,432)	-	-	(207,869)	(207,869)
Risk adjustment for the risk expired	-	(1,700)	-	(1,700)	-	(4,184)	-	(4,184)
Experience adjustments	62,483	-	-	62,483	(61,885)	-	-	(61,885)
Revenue recognised for incurred certificateholder tax expenses	(9,550)	-	-	(9,550)	(6,646)	-	-	(6,646)
Changes that relate to future services								
Certificates initially recognised in the period	(312,035)	22,066	340,397	50,428	(515,525)	23,779	497,290	5,544
Changes in estimates that adjust the CSM	(136,461)	(10,576)	147,038	-	244,632	(11,845)	(232,787)	-
Changes in estimates that result in losses and reversal of losses on onerous certificates	(39,656)	1,114	-	(38,542)	(3,721)	803	-	(2,918)
Changes that relate to past services								
Adjustments to liabilities for incurred claims	(22,613)	(8,688)	-	(31,301)	(32,730)	(5,555)	-	(38,285)
<b>Takaful service result</b>	<b>(457,833)</b>	<b>2,216</b>	<b>293,003</b>	<b>(162,614)</b>	<b>(375,876)</b>	<b>2,998</b>	<b>56,635</b>	<b>(316,243)</b>
Takaful finance expenses	163,211	-	2,332	165,542	92,985	-	1,920	94,905
<b>Total changes in the statement of profit or loss and OCI</b>	<b>(294,622)</b>	<b>2,216</b>	<b>295,334</b>	<b>2,928</b>	<b>(282,891)</b>	<b>2,998</b>	<b>58,554</b>	<b>(221,339)</b>



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13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.3 Analysis by measurement component of takaful certificates - Certificates not measured under the PAA (continued)

13.1.3.1 Takaful certificates issued (continued)

	2023				2022 (Restated)			
	Estimates of present value of future cash flows	Risk adjustment	Contractual Services Margin	Total	Estimates of present value of future cash flows	Risk adjustment	Contractual Services Margin	Total
<u>Company (continued)</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Cash flow</i>								
Contributions received	1,661,413	-	-	1,661,413	1,587,412	-	-	1,587,412
Claims and other expenses paid including investment components	(717,926)	-	-	(717,926)	(530,159)	-	-	(530,159)
Acquisition cash flows paid	(452,049)	-	-	(452,049)	(460,174)	-	-	(460,174)
Other amounts received	1,186	-	-	1,186	(102)	-	-	(102)
<b>Total cash flows</b>	<b>492,624</b>	<b>-</b>	<b>-</b>	<b>492,624</b>	<b>596,977</b>	<b>-</b>	<b>-</b>	<b>596,977</b>
Non Cash Operating Expenses	(3,783)	-	-	(3,783)	(3,080)	-	-	(3,080)
<b>Net takaful certificate liabilities as at 31 December</b>	<b>1,502,641</b>	<b>106,440</b>	<b>1,192,199</b>	<b>2,801,281</b>	<b>1,308,423</b>	<b>104,224</b>	<b>896,865</b>	<b>2,309,512</b>
Takaful certificate assets as at 31 December	(38,391)	1,174	9,433	(27,784)	(33,059)	1,486	7,940	(23,633)
Takaful certificate liabilities as at 31 December	1,541,032	105,266	1,182,766	2,829,065	1,341,482	102,738	888,925	2,333,144
<b>Net takaful certificate liabilities as at 31 December</b>	<b>1,502,641</b>	<b>106,440</b>	<b>1,192,199</b>	<b>2,801,281</b>	<b>1,308,423</b>	<b>104,224</b>	<b>896,865</b>	<b>2,309,512</b>

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#### 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

##### 13.1.3 Analysis by measurement component of takaful certificates - Certificates not measured under the PAA (continued)

##### 13.1.3.2 Retakaful certificates held

	2023			2022 (Restated)		
	Estimates of present value of future cash flows	Risk adjustment	Total	Estimates of present value of future cash flows	Risk adjustment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful fund</u>						
<b>Net retakaful certificate assets as at 1 January</b>	<b>5,968</b>	<b>-</b>	<b>5,968</b>	<b>-</b>	<b>-</b>	<b>-</b>
Changes that relate to current services						
Experience adjustments	(7,911)	-	(7,911)	(23,235)	-	(23,235)
Changes that relate to past services						
Adjustments to liabilities for incurred claims	8,927	-	8,927	3,716	-	3,716
Takaful service result	1,016	-	1,016	(19,519)	-	(19,519)
Retakaful finance (expense)/income	(1,016)	-	(1,016)	19,519	-	19,519
<b>Total changes in the statement of profit or loss and OCI</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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### 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

#### 13.1.3 Analysis by measurement component of takaful certificates - Certificates not measured under the PAA (continued)

##### 13.1.3.2 Retakaful certificates held (continued)

	2023			2022 (Restated)		
	Estimates of present value of future cash flows	Risk adjustment	Total	Estimates of present value of future cash flows	Risk adjustment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful fund (continued)</u>						
<i>Cash flow</i>						
Contributions paid	30,474	-	30,474	41,546	-	41,546
Cash flow received during the period (claim and expenses recovery from retakaful operator)	(17,481)	-	(17,481)	(35,578)	-	(35,578)
<b>Total cash flows</b>	<b>12,993</b>	<b>-</b>	<b>12,993</b>	<b>5,968</b>	<b>-</b>	<b>5,968</b>
<b>Net retakaful certificate assets as at 31 December</b>	<b>18,961</b>	<b>-</b>	<b>18,961</b>	<b>5,968</b>	<b>-</b>	<b>5,968</b>

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13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.3 Analysis by measurement component of takaful certificates - Certificates not measured under the PAA (continued)

13.1.3.2 Retakaful certificates held (continued)

	2023				2022 (Restated)			
	Estimates of present value of future cash flows	Risk adjustment	Contractual Services Margin	Total	Estimates of present value of future cash flows	Risk adjustment	Contractual Services Margin	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company</u>								
<b>Net retakaful certificate assets/(liabilities) as at 1 January</b>	<b>151,226</b>	<b>-</b>	<b>(70,439)</b>	<b>80,787</b>	<b>162,343</b>	<b>-</b>	<b>(73,166)</b>	<b>89,177</b>
Changes that relate to current services								
Contractual service margin recognised for services provided	-	-	6,144	6,144	-	-	4,442	4,442
Experience adjustments	(8,442)	-	-	(8,442)	(24,552)	-	-	(24,552)
Changes that relate to future services								
Changes in estimates that adjust the CSM	67,733	-	(67,733)	-	-	-	-	-
Changes that relate to past services								
Adjustments to liabilities for incurred claims	8,927	-	-	8,927	3,716	-	-	3,716
<b>Takaful service result</b>	<b>68,218</b>	<b>-</b>	<b>(61,589)</b>	<b>6,629</b>	<b>(20,837)</b>	<b>-</b>	<b>4,442</b>	<b>(16,395)</b>
Retakaful finance income/(expenses)	5,499	-	(3,247)	2,252	3,449	-	(1,714)	1,735
<b>Total changes in the statement of profit or loss and OCI</b>	<b>73,717</b>	<b>-</b>	<b>(64,836)</b>	<b>8,882</b>	<b>(17,388)</b>	<b>-</b>	<b>2,727</b>	<b>(14,660)</b>

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13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.3 Analysis by measurement component of takaful certificates - Certificates not measured under the PAA (continued)

13.1.3.2 Retakaful certificates held (continued)

	2023				2022 (Restated)			
	Estimates of present value of future cash flows	Risk adjustment	Contractual Services Margin	Total	Estimates of present value of future cash flows	Risk adjustment	Contractual Services Margin	Total
<u>Company (continued)</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Cash flow</i>								
Contributions paid	30,474	-	-	30,474	41,546	-	-	41,546
Cash flow received during the period (claim and expenses recovery from retakaful operator)	(17,119)	-	-	(17,119)	(35,290)	-	-	(35,290)
Other amounts received	13	-	-	13	14	-	-	14
<b>Total cash flows</b>	<b>13,367</b>	<b>-</b>	<b>-</b>	<b>13,367</b>	<b>6,270</b>	<b>-</b>	<b>-</b>	<b>6,270</b>
<b>Net retakaful certificate assets/(liabilities) as at 31 December</b>	<b>238,310</b>	<b>-</b>	<b>(135,275)</b>	<b>103,036</b>	<b>151,226</b>	<b>-</b>	<b>(70,439)</b>	<b>80,787</b>

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

#### 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

##### 13.1.4 The impacts on the current period of transition approaches adopted to establishing CSM

##### 13.1.4.1 Takaful certificates issued

	2023				2022 (Restated)			
	Certificates using the modified retrospective approach	Certificates using the fair value approach	New certificates and certificates using the FRA at transition	Total	Certificates using the modified retrospective approach	Certificates using the fair value approach	New certificates and certificates using the FRA at transition	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company</u>								
Takaful certificate liabilities as at 1 January	-	454,903	434,021	888,925	-	469,862	347,403	817,264
Takaful certificate assets as at 1 January	-	231	7,710	7,940	-	21,046	-	21,046
<b>Net family takaful certificate liabilities as at 1 January</b>	<b>-</b>	<b>455,134</b>	<b>441,731</b>	<b>896,865</b>	<b>-</b>	<b>490,908</b>	<b>347,403</b>	<b>838,311</b>
Changes that relate to current services								
Contractual service margin recognised for services provided	-	(80,167)	(114,265)	(194,432)	-	(112,680)	(95,188)	(207,869)
Risk adjustment for the risk expired	-	-	-	-	-	-	-	-
Experience adjustments	-	-	-	-	-	-	-	-
Revenue recognised for incurred certificate holder tax expenses	-	-	-	-	-	-	-	-
Changes that relate to future services								
Certificates initially recognised in the period	-	-	340,397	340,397	-	-	497,290	497,290
Changes in estimates that adjust the CSM	-	98,787	48,250	147,038	-	76,153	(308,940)	(232,787)
Changes in estimates that result in losses and reversal of losses on onerous certificates	-	-	-	-	-	-	-	-
Changes that relate to past services								
Adjustments to liabilities for incurred claims	-	-	-	-	-	-	-	-

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### 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

#### 13.1.4 The impacts on the current period of transition approaches adopted to establishing CSM (continued)

##### 13.1.4.1 Takaful certificates issued (continued)

	2023				2022 (Restated)			
	Certificates using the modified retrospective approach RM'000	Certificates using the fair value approach RM'000	New certificates and certificates using the FRA at transition RM'000	Total RM'000	Certificates using the modified retrospective approach RM'000	Certificates using the fair value approach RM'000	New certificates and certificates using the FRA at transition RM'000	Total RM'000
<u>Company (continued)</u>								
<b>Takaful service result</b>	-	<b>18,620</b>	<b>274,383</b>	<b>293,003</b>	-	<b>(36,527)</b>	<b>93,162</b>	<b>56,635</b>
Takaful finance expenses	-	188	2,144	2,332	-	753	1,166	1,920
<b>Total changes in the statement of profit or loss and OCI</b>	-	<b>18,808</b>	<b>276,526</b>	<b>295,334</b>	-	<b>(35,774)</b>	<b>94,328</b>	<b>58,554</b>
<b>Net takaful certificate (assets)/liabilities as at 31 December</b>	-	<b>473,942</b>	<b>718,257</b>	<b>1,192,199</b>	-	<b>455,134</b>	<b>441,731</b>	<b>896,865</b>
Takaful certificate liabilities as at 31 December	-	473,824	708,942	1,182,766	-	454,903	434,021	888,925
Takaful certificate assets as at 31 December	-	118	9,315	9,433	-	231	7,710	7,940
<b>Net takaful certificate (assets)/liabilities as at 31 December</b>	-	<b>473,942</b>	<b>718,257</b>	<b>1,192,199</b>	-	<b>455,134</b>	<b>441,731</b>	<b>896,865</b>

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#### 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

##### 13.1.4 The impacts on the current period of transition approaches adopted to establishing CSM (continued)

##### 13.1.4.2 Retakaful certificates held

	2023				2022 (Restated)			
	Certificates using the modified retrospective approach	Certificates using the fair value approach	New certificate and certificate using the FRA at transition	Total	Certificates using the modified retrospective approach	Certificates using the fair value approach	New certificate and certificate using the FRA at transition	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company</u>								
Retakaful certificate assets as at 1 January	-	(70,439)	-	(70,439)	-	(73,166)	-	(73,166)
Retakaful certificate liabilities as at 1 January	-	-	-	-	-	-	-	-
<b>Net retakaful certificate assets/(liabilities) as at 1 January</b>	<b>-</b>	<b>(70,439)</b>	<b>-</b>	<b>(70,439)</b>	<b>-</b>	<b>(73,166)</b>	<b>-</b>	<b>(73,166)</b>
Changes that relate to current services								
Contractual service margin recognised for services provided	-	6,144	-	6,144	-	4,442	-	4,442
Changes that relate to future services								
Changes in estimates that adjust the CSM	-	(67,733)	-	(67,733)	-	-	-	-



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#### 13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

##### 13.1.4 The impacts on the current period of transition approaches adopted to establishing CSM (continued)

##### 13.1.4.2 Retakaful certificates held (continued)

	2023				2022 (Restated)			
	Certificates using the modified retrospective approach RM'000	Certificates using the fair value approach RM'000	New certificates and certificates using the FRA at transition RM'000	Total RM'000	Certificates using the modified retrospective approach RM'000	Certificates using the fair value approach RM'000	New certificates and certificates using the FRA at transition RM'000	Total RM'000
<u>Company (continued)</u>								
<b>Takaful service result</b>	-	<b>(61,589)</b>	-	<b>(61,589)</b>	-	<b>4,442</b>	-	<b>4,442</b>
Retakaful finance expenses	-	(3,247)	-	(3,247)	-	(1,714)	-	(1,714)
<b>Total changes in the statement of profit or loss</b>	-	<b>(64,836)</b>	-	<b>(64,836)</b>	-	<b>2,727</b>	-	<b>2,727</b>
Other movements	-	-	-	-	-	-	-	-
<b>Net retakaful assets/(liabilities) as at 31 December</b>	-	<b>(135,275)</b>	-	<b>(135,275)</b>	-	<b>(70,439)</b>	-	<b>(70,439)</b>
Retakaful certificate assets as at 31 December	-	(135,275)	-	(135,275)	-	(70,439)	-	(70,439)
Retakaful certificate liabilities as at 31 December	-	-	-	-	-	-	-	-
<b>Net takaful certificate (assets)/liabilities as at 31 December</b>	-	<b>(135,275)</b>	-	<b>(135,275)</b>	-	<b>(70,439)</b>	-	<b>(70,439)</b>

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13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.5 The components of new business

13.1.5.1 Takaful certificates issued

	2023					2022 (Restated)				
	Certificates issued		Certificates acquired		Total	Certificates issued		Certificates acquired		Total
	Non- onerous	Onerous	Non- onerous	Onerous		Non- onerous	Onerous	Non- onerous	Onerous	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Family Takaful Fund</u>										
<b>Family takaful certificate liabilities</b>										
Estimate of present value of future cash outflows, excluding takaful acquisition cash flows	1,684,253	84,543	-	-	1,768,796	1,597,730	40,522	-	-	1,638,252
Estimates of takaful acquisition cash flows	532,384	40,277	-	-	572,660	653,535	22,823	-	-	676,358
<b>Estimates of present value of future cash outflows</b>	<b>2,216,637</b>	<b>124,820</b>	<b>-</b>	<b>-</b>	<b>2,341,456</b>	<b>2,251,265</b>	<b>63,345</b>	<b>-</b>	<b>-</b>	<b>2,314,610</b>
Estimates of present value of future cash inflows	(2,216,637)	(124,819)	-	-	(2,341,456)	(2,251,265)	(63,345)	-	-	(2,314,610)
<b>Amount included in takaful certificate liabilities for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)

13.1.5 The components of new business (continued)

13.1.5.1 Family takaful certificates issued (continued)

	2023					2022 (Restated)				
	Certificates issued		Certificates acquired		Total	Certificates issued		Certificates acquired		Total
	Non-onerous	Onerous	Non-onerous	Onerous		Non-onerous	Onerous	Non-onerous	Onerous	
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Family takaful certificate liabilities</b>										
Estimate of present value of future cash outflows, excluding takaful acquisition cash flows	1,374,284	148,696	-	-	1,522,980	1,567,043	82,199	-	-	1,649,242
Estimates of takaful acquisition cash flows	417,928	24,045	-	-	441,973	432,286	9,263	-	-	441,549
<b>Estimates of present value of future cash outflows</b>	<b>1,792,212</b>	<b>172,741</b>	<b>-</b>	<b>-</b>	<b>1,964,953</b>	<b>1,999,329</b>	<b>91,462</b>	<b>-</b>	<b>-</b>	<b>2,090,791</b>
Estimates of present value of future cash inflows	(2,152,883)	(124,104)	-	-	(2,276,988)	(2,519,404)	(86,912)	-	-	(2,606,316)
Risk adjustment	20,274	1,792	-	-	22,066	22,785	994	-	-	23,779
Contractual service margin	340,397	-	-	-	340,397	497,290	-	-	-	497,290
<b>Amount included in takaful certificate liabilities for the period</b>	<b>-</b>	<b>50,428</b>	<b>-</b>	<b>-</b>	<b>50,428</b>	<b>-</b>	<b>5,544</b>	<b>-</b>	<b>-</b>	<b>5,544</b>

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**13 TAKAFUL AND RETAKAFUL CERTIFICATES (CONTINUED)**

**13.1.6 CSM recognition in profit or loss**

The disclosure of when the CSM is expected to be in income in future years is presented below:

	2023 RM'000					Total
	5 Year or Less	5-10 Years	10-15 Years	15 – 20 Years	20 Years	
Family takaful certificates issued	587,487	306,266	164,011	78,544	55,891	1,192,199
Family retakaful certificates held	(25,367)	(24,027)	(23,621)	(22,755)	(39,505)	(135,275)
	2022 (restated) RM'000					Total
	5 Year or Less	5-10 Years	10-15 Years	15 – 20 Years	20 Years	
Family takaful certificates issued	401,400	243,016	143,859	72,936	35,654	896,865
Family retakaful certificates held	(13,357)	(12,673)	(12,582)	(12,152)	(19,675)	(70,439)

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14 OTHER RECEIVABLES

Receivables of the Company are classified as financing and receivables and are as follows:

	Family Takaful fund RM'000	Company RM'000
<u>2023</u>		
Other receivables and deposits	691	2,561
Accrued profit on investment	24,925	29,792
	<u>25,616</u>	<u>32,353</u>
<u>2022 (Restated)</u>		
Due from related company	-	39
Other receivables and deposits	1,294	2,384
Accrued profit on investment	22,372	26,222
	<u>23,666</u>	<u>28,645</u>

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15 DEFERRED TAX ASSETS/(LIABILITIES)

	Family Takaful fund RM'000	Company RM'000
<u>2023</u>		
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	(4,201)	(193,743)
<u>2022 (Restated)</u>		
Presented after appropriate offsetting as follows:		
Deferred tax assets/(liabilities)	4,145	(155,759)
	Family Takaful fund RM'000	Company RM'000
<u>2023</u>		
At 1 January 2023	4,145	(155,759)
Recognised in:		
Other comprehensive loss	(357)	(3,576)
Income statement (Note 8)		
Deferred tax for amortisation	38	38
Deferred tax for capital allowances	-	(340)
Deferred tax for unrealised gain	(8,027)	(7,104)
Deferred tax for expenses liability	-	326
Deferred tax for unallocated surplus	-	(27,328)
At 31 December 2023	(4,201)	(193,743)
<u>2022 (Restated)</u>		
At 1 January 2022	(4,492)	(132,652)
Recognised in:		
Other comprehensive income	110	2,454
Income statement (Note 8)		
Deferred tax for amortisation	155	397
Deferred tax for capital allowances	-	(47)
Deferred tax for unrealised losses	8,372	7,897
Deferred tax for expenses liability	-	(25,578)
Deferred tax for unallocated surplus	-	(8,230)
At 31 December 2022	4,145	(155,759)

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16 OTHER PAYABLES

	Family Takaful fund RM'000	Company RM'000
<u>2023</u>		
Sundry payables	3,988	14,088
Due to shareholders' fund	116,182	-
Due to related company	62	14,037
Takaful certificates payables	9,333	9,333
	<u>129,565</u>	<u>37,458</u>
<u>2022 (Restated)</u>		
Sundry payables	8,419	7,901
Due to shareholders' fund	92,766	-
Due to related company	184	22,483
Takaful certificates payables	11,664	11,666
	<u>113,033</u>	<u>42,050</u>

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17 SHARE CAPITAL

		<u>2023</u>		<u>2022</u>
	No. of <u>shares</u> (‘000)	<u>Amount</u> RM’000	No. of <u>shares</u> (‘000)	<u>Amount</u> RM’000
Issued and paid-up:				
Ordinary shares at the beginning / end of financial year	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>

18 PROFIT PER SHARE

	<u>2023</u>	<u>2022</u>
	RM’000	(Restated) RM’000
Profit after taxation attributable to the Company	155,012	125,181
Weighted average number of shares in issue during the financial year	450,000	450,000
Basic profit per share (sen)	<u>34.45</u>	<u>27.82</u>



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**19 REGULATORY CAPITAL REQUIREMENTS**

Under Risk-Based Capital Framework for Insurers and Takaful Operators ("RBCT Framework") issued by BNM, takaful companies need to maintain a capital adequacy level that commensurate with their risk profiles. All takaful companies are required to maintain a minimum Capital Adequacy Ratio ("CAR") of 130% and an internal target capital level required by BNM or level determined under the Internal Capital Adequacy Assessment Process. The internal target will include additional capacity to absorb unexpected losses beyond those that are covered under the minimum required CAR.

The Company has been in compliance with the said requirement by maintaining a CAR that is in excess of minimum requirement.

The total capital available of the Company as at 31 December 2023 and 2022, as prescribed under the RBCT Framework is provided below:

<u>Shareholders' fund</u>	<u>2023</u> RM'000	<u>2022</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital	450,000	450,000
Retained earnings/(Accumulated losses)	71,855	(2,873)
Valuation surplus maintained in the Family Takaful funds	335,565	310,561
	<u>857,420</u>	<u>757,688</u>
<u>Tier 2 Capital</u>		
General reserves	(33,333)	(33,333)
Available for sale reserves	4,665	(5,816)
Qard	86,345	65,850
	<u>57,677</u>	<u>26,701</u>
Amount deducted from capital in accordance with paragraph 9.9 of RBCT Framework	(21,257)	(25,941)
Total Capital Available	<u>894,222</u>	<u>758,525</u>

These are based on statistical returns for financial year 2023 and 2022, including the estimation of takaful contract liabilities based on the valuation methods specified in Part D of the RBCT Framework in accordance with the provisions of the IFSA 2013 and the accounting policies prescribed in the notes to the statistical returns. The accounting policies prescribed in the notes to the statistical returns are the accounting policies adopted in the audited financial statements of the Company for the financial year ending 31 December 2023 prepared in accordance with the MFRS, as modified by the BNM pursuant to Section 74 of the IFSA 2013.

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**20 REMUNERATIONS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL**

(i) The details of remuneration receivable by non-executive directors during the financial year are as follows:

<u>2023</u>	<u>Fixed</u> <u>Remuneration</u> RM'000	<u>Variable</u> <u>Remuneration</u> RM'000	<u>Total</u> <u>Remuneration</u> RM'000
Datuk Husni Zai bin Yaacob	139	46	185
Datin Dr. Rusnah binti Muhamad	135	52	187
Mahani binti Amat	149	40	189
Chong Kin Leong	148	42	190
Dato' Seri Mohamed Hassan Kamil	98	31	129
	<u>669</u>	<u>211</u>	<u>880</u>

<u>2022</u>	<u>Fixed</u> <u>Remuneration</u> RM'000	<u>Variable</u> <u>Remuneration</u> RM'000	<u>Total</u> <u>Remuneration</u> RM'000
Datuk Husni Zai bin Yaacob	136	53	189
Dato' Mohammed Najeeb bin Abdullah	37	14	51
Datin Dr. Rusnah binti Muhamad	127	58	185
Mahani binti Amat	136	48	184
Chong Kin Leong	134	64	197
	<u>570</u>	<u>236</u>	<u>805</u>

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**20 REMUNERATIONS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONTINUED)**

(ii) The number of Directors whose total remuneration during the financial year fall within the following band is analysed below:

	<u>2023</u> RM'000	<u>2022</u> RM'000
Number of Directors		
Non-executive directors		
RM0	2	2
RM1 - RM20,000	-	-
RM20,001 - RM100,000	-	1
RM100,001 - RM200,000	5	4

(iii) Shariah Committee remunerations:

<u>2023</u>	<u>Fixed</u> <u>Remuneration</u> RM'000	<u>Variable</u> <u>Remuneration</u> RM'000	<u>Total</u> <u>Remuneration</u> RM'000
Dr. Ab Mumin Ab Ghani	11	3	14
Ir. Dr. Muhamad Fuad Abdullah	41	17	58
YM Engku Ahmad Fadzil Engku Ali	36	17	53
Khairil Anuar Mohd Noor	36	17	53
Shabnam Mohamad Mokhtar	36	17	53
Prof Dr Muhamad Rahimi Osman	23	13	36
	<u>182</u>	<u>84</u>	<u>266</u>

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20 REMUNERATIONS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONTINUED)

(iii) Shariah Committee remunerations (continued):

<u>2022</u>	<u>Fixed</u> <u>Remuneration</u> RM'000	<u>Variable</u> <u>Remuneration</u> RM'000	<u>Total</u> <u>Remuneration</u> RM'000
Dr. Ab Mumin Ab Ghani	42	15	57
Ir. Dr. Muhamad Fuad Abdullah	36	17	53
YM Engku Ahmad Fadzil Engku Ali	36	18	54
Khairil Anuar Mohd Noor	36	17	53
Shabnam Mohamad Mokhtar	28	15	43
Dr Rusnah Muhamad	9	3	12
	<u>187</u>	<u>85</u>	<u>272</u>

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**20 REMUNERATIONS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONTINUED)**

(iv) Compensation of key management personnel

Members of key management personnel comprise those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Compensation of key management personnel during the financial year are as follows:

	<u>2023</u> RM'000	<u>2022</u> RM'000
Short-term employee benefits	4,959	4,438
Post-employment benefits		
- Defined contribution plan	758	704
Share-based payments	81	26
Allowances	140	126
	<u>5,938</u>	<u>5,294</u>

Included in the compensation of key management personnel are:

Chief Executive Officer's Remuneration:

	<u>2023</u> RM'000	<u>2022</u> RM'000
Short-term employee benefits	1,606	1,599
Post-employment benefits		
- Defined contribution plan	257	256
Share-based payments	-	-
Allowances	54	54
	<u>1,917</u>	<u>1,909</u>

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**21 RELATED PARTY DISCLOSURES**

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all Directors of the Company, and certain members of senior management of the Company.

(a) Related party transactions and balances

In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with immediate holding company and other related parties during and at the end of the financial year:

	Family Takaful fund RM'000	Company RM'000
<b>Significant transactions with related parties during the financial year:</b>		
<b>Expenses/(Income):</b>		
<u>2023</u>		
<b>Malaysia:</b>		
<b>Immediate holding company:</b>		
<u>AIA Bhd.</u>		
Management fees	4,416	74,916
Rental of office premises	-	813
IT system development charges	-	867
Software intangible asset	-	2,608
TDA charges	-	7,155
<b>Fellow related companies:</b>		
<u>AIA Health Services Sdn Bhd</u>		
Management fees	-	4,918
<u>AIA Shared Services Sdn Bhd</u>		
Management fees	42	243
<u>Public Mutual Berhad</u>		
Fee and commission expenses	-	15

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**21 RELATED PARTY DISCLOSURES (CONTINUED)**

**(a) Related party transactions and balances (continued)**

	Family Takaful fund RM'000	Company RM'000
<b>Significant transactions with related parties during the financial year: (continued)</b>		
<b>Expenses/(Income): (continued)</b>		
<u>2023 (continued)</u>		
<b>Malaysia: (continued)</b>		
<b>Corporate shareholder:</b>		
<u>Public Islamic Bank Berhad</u>		
Fee and commission expenses	-	25,878
Profit from placement of funds	(2,537)	(2,710)
<u>2022</u>		
<b>Malaysia:</b>		
<b>Immediate holding company:</b>		
<u>AIA Bhd.</u>		
Management fees	3,505	73,997
Rental of office premises	-	841
IT system development charges	-	523
Software intangible asset	-	3,368
Technical consultation services	-	616
TDA charges	-	6,467
<b>Fellow related companies:</b>		
<u>AIA Health Services Sdn Bhd</u>		
Management fees	-	4,745
<u>AIA Shared Services Sdn Bhd</u>		
Management fees	33	582
<u>Public Mutual Berhad</u>		
Fee and commission expenses	-	31
<b>Corporate shareholder:</b>		
<u>Public Islamic Bank Berhad</u>		
Fee and commission expenses	-	28,471
Profit from placement of funds	(2,056)	(2,115)

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**21 RELATED PARTY DISCLOSURES (CONTINUED)**

**(a) Related party transactions and balances (continued)**

	Family Takaful fund RM'000	Company RM'000
<b>Expenses/(Income): (continued)</b>		
<u>2022 (continued)</u>		
<b>Hong Kong:</b>		
<b>Fellow related companies:</b>		
<u>AIA Company Limited</u>		
Technical consultation services	-	2,040
<b>Balances with related parties at financial year end:</b>		
<b>Receivables/(Payables):</b>		
<u>2023</u>		
<b>Malaysia:</b>		
<b>Corporate shareholder:</b>		
<u>Public Islamic Bank Berhad</u>		
Cash and bank balances	35,691	46,023
Islamic investment accounts	17,810	32,170
<b>Immediate holding company:</b>		
<u>AIA Bhd.</u>		
Amount due to an immediate holding company	-	(13,097)
<b>Fellow related companies:</b>		
<u>AIA Health Services Sdn Bhd</u>		
Management fees	(62)	(490)
<u>AIA Shared Services Sdn Bhd</u>		
Management fees	-	(23)
	<u>(62)</u>	<u>(13,610)</u>
<b>Hong Kong:</b>		
<b>Fellow related companies:</b>		
<u>AIA Company Limited</u>		
Technical consultation services	-	(427)



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**21 RELATED PARTY DISCLOSURES (CONTINUED)**

**(a) Related party transactions and balances (continued)**

	Family Takaful fund RM'000	Company RM'000
<b>Balances with related parties at financial year end:</b>		
<b>Receivables/(Payables):</b>		
<u>2022</u>		
<b>Malaysia:</b>		
<b>Corporate shareholder:</b>		
<u>Public Islamic Bank Berhad</u>		
Cash and bank balances	28,593	41,558
Islamic investment accounts	171,960	191,510
<b>Immediate holding company:</b>		
<u>AIA Bhd.</u>		
Amount due to an immediate holding company	-	(19,859)
<b>Fellow related companies:</b>		
<u>Public Mutual Berhad</u>		
Fee and commission expenses	-	(2)
<u>AIA Health Services Sdn Bhd</u>		
Management fees	(184)	(584)
<u>AIA Shared Services Sdn Bhd</u>		
Management fees	-	39
	<u>(184)</u>	<u>(20,406)</u>
<b>Hong Kong:</b>		
<b>Fellow related companies:</b>		
<u>AIA Company Limited</u>		
Technical consultation services	-	(2,040)

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**22 RISK MANAGEMENT FRAMEWORK**

**22.1 Risk management framework**

The Company's Risk Management Framework consists of the following five components – Risk Governance, Risk Culture, Risk Strategy and Appetite, Risk Management Process and Risk Reporting, Systems and Tools. For more information on the Company's Risk Management Framework, please refer to the Section (E) of the Directors' Report on Internal Control Framework.

**22.2 Capital management framework**

The Company actively manages its capital adequacy by taking into account the potential impact of business strategies on the Company's risk profile and overall resilience. This is in line with BNM Policy Document on Internal Capital Adequacy Assessment Process ("ICAAP") for Takaful Operators and the RBCT Framework.

Under the RBCT Framework, the Company has to maintain a capital adequacy level that commensurate with its risk profiles at all times. The Capital Adequacy Ratio of the Company remained well above the minimum capital requirement of 130% under the RBCT Framework, regulated by BNM.

The ICAAP is the overall process (including oversight and operational frameworks and processes) by which the Company ensures adequate capital to meet its capital requirements on an ongoing basis. The key elements of ICAAP includes Board and senior management oversight; comprehensive risk assessment; individual target capital level and stress testing; sound capital management and ongoing monitoring, reporting and review of the ICAAP.

A capital management plan has been established which list the thresholds that act as triggers for actions to ensure maintenance of appropriate capital levels at all times as well as the corresponding corrective actions that are required for different scenarios and at each specified threshold. Results of stress tests shall be considered when evaluating the appropriateness of capital thresholds and corrective actions with consideration of the particular stage of the business cycle in which the Company is operating, given the potential changes in the external environment that could affect the risk profile.

The Company sets an Individual Target Capital Level ("ITCL") that reflects the overall risk tolerance and risk appetite set by the Board, its own risk profile and risk management practices. The Company shall operate at capital levels above ITCL in line with the approved risk appetite policy. The ITCL provides a robust threshold in the management of capital adequacy, where a breach of this level would trigger timely responses by management to restore capital to above the ITCL and heighten the Board scrutiny based on the Capital Management Plan.

The planning and assessment of capital and ITCL will be formally conducted by senior management at least annually or as and when the need arises. The result will be reported to the Board and/or the Board RMC.

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**22 RISK MANAGEMENT FRAMEWORK (CONTINUED)**

**22.3 Governance and regulatory framework**

The Company's risk governance framework is built on the "three lines of defence" model. With regard to risk management, the objective is to ensure that an appropriate framework is in place, including an independent system of checks and balances to provide assurance that risks are identified, assessed, managed and governed properly. The framework clearly defines roles and responsibilities for the management of risks between the Senior Management, Compliance and Enterprise Risk Management, and Internal Audit functions. While each line of defence is independent from the others, they work closely to ensure effective oversight.

The Company is required to comply with the requirements of the relevant regulations, laws and guidelines including those from BNM and the Malaysian Takaful Association ("MTA").

The Company has complied with the capital requirements prescribed by BNM during the reported financial year.

**23 TAKAFUL RISKS**

Takaful risk is the risk arising from changes in claims experience, business expenses, and the acquisition and persistency of takaful business. This also includes changes to assumption regarding future experience for these risks.

**Lapse**

Lapse risk is the risk that certificate lapse, on average, differently to that assumed in the pricing or reserving assumptions.

Ensuring customers buy products that meet their needs is central to the Company's Operating Philosophy. Through effective implementation of the Business Quality Framework, comprehensive sales training programmes and active monitoring of sales activities and persistency, the Company seeks to ensure that appropriate products are sold by qualified sales representatives and that standards of service constantly meet our customers' needs.

The Company carries out regular reviews of persistency experience and the results are assimilated into new and in-force product management.

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23 **TAKAFUL RISKS (CONTINUED)**

**Expense**

Expense risk is the risk of greater than expected trends in, or sudden shocks to, the amount or timing of expenses incurred by the business.

Daily operations follow a disciplined budgeting and control process that allows for the management of expenses.

**Morbidity and Mortality**

Morbidity and mortality risk is the risk that the incidence and/or amounts of medical/death claims are higher than the assumptions made in pricing and/or reserving.

The Company adheres to well-defined underwriting and claims guidelines and practices that have been developed based on extensive historical experience and with the assistance of professional reinsurers/retakaful operators.

The Company conducts regular experience studies of all the takaful risk factors in its in-force book. These internal studies together with external data are used to identify emerging trends which can then be used to inform product design, pricing, underwriting, claims management and retakaful needs.

Retakaful is used to reduce concentration and volatility risk, especially with large certificate or new risks, and as protection against catastrophic events such as pandemic or natural disasters.

The takaful risk of family takaful certificates consists of mortality/longevity and calamity risks. Mortality/longevity risk represents the risk of loss attributable to positive or negative changes in the assumed medical prognosis for life expectancy, occupational disability, illness and the need for long-term care as well as under-estimation of these probabilities. Calamity risk represents the risk of loss because of strong short-term fluctuation in the mortality rate, for example as a result of war or epidemics.

***Sensitivity analysis on takaful risk***

The table below sets out the sensitivity analysis in respect of takaful certificates and retakaful certificates held to key variables affecting takaful risk exposures. This analysis assumes that all other variables remain constant. Information below presents the sensitivities both before and after risk mitigation by retakaful, and illustrates the estimated impact on profits and equity arising from a change in a single variable before taking into account the effects of taxation. The effects on these items are mainly as below:

- The effects on profit or loss are changes in fulfilment cash flows relating to loss components or that recognised as takaful finance income or expenses in profit or loss.
- The effects on equity are the effects on profit and loss and other comprehensive income arising from changes in fulfilment cash flows relating to loss components and takaful finance income or expenses.

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23 **TAKAFUL RISKS (CONTINUED)**

***Sensitivity analysis on takaful risk (continued)***

*Sensitivity analysis before risk mitigation by retakaful*

	Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on CSM
<b>Company</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>2023</u></b>			
10% increase in attributable expenses	(1,942)	(1,929)	(29,463)
10% decrease in attributable expenses	2,850	2,836	22,554
10% increase in mortality/morbidity rates	(29,261)	(29,096)	(294,654)
10% decrease in mortality/morbidity rates	28,524	28,354	290,746
10% increase in lapse/discontinuance rates	(994)	(997)	(58,237)
10% decrease in lapse/discontinuance rates	1,942	1,946	56,199
<b><u>2022 (Restated)</u></b>			
10% increase in attributable expenses	(1,665)	(1,644)	(22,291)
10% decrease in attributable expenses	-	-	-
10% increase in mortality/morbidity rates	(22,013)	(21,888)	(221,662)
10% decrease in mortality/morbidity rates	-	-	-
10% increase in lapse/discontinuance rates	(557)	(555)	(40,154)
10% decrease in lapse/discontinuance rates	-	-	-

*Sensitivity analysis after risk mitigation by retakaful*

	Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on CSM
<b>Company</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>2023</u></b>			
10% increase in attributable expenses	(1,942)	(1,929)	(29,463)
10% decrease in attributable expenses	2,850	2,836	22,554
10% increase in mortality/morbidity rates	(29,261)	(29,096)	(294,654)
10% decrease in mortality/morbidity rates	28,524	28,354	290,746
10% increase in lapse/discontinuance rates	(994)	(997)	(58,237)
10% decrease in lapse/discontinuance rates	1,942	1,946	56,199
<b><u>2022 (Restated)</u></b>			
10% increase in attributable expenses	(1,665)	(1,644)	(22,291)
10% decrease in attributable expenses	-	-	-
10% increase in mortality/morbidity rates	(22,013)	(21,888)	(221,662)
10% decrease in mortality/morbidity rates	-	-	-
10% increase in lapse/discontinuance rates	(557)	(555)	(40,154)
10% decrease in lapse/discontinuance rates	-	-	-

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**24 FINANCIAL RISKS**

Financial risk is the risk of adverse market movements, as well as indirect exposure through default of a counterparty. Financial risk also includes the risk arising from changes in price, or volatility, of assets relative to the value of the liabilities. This includes the sensitivity of the balance sheet to market movements, such as foreign exchange and profit rates, as well as the ability to meet financial obligations, such as claims and dividends, when due.

Financial risk in respect of investment-linked investments is generally wholly borne by the certificate holders, and do not directly affect the profit before tax. Furthermore, investment-linked certificate holders are responsible for allocation of their certificate values amongst investment options offered by the Company. Although profit before tax is not affected by investment-linked investments, the investment return from such financial investments is included in the Company's income statements, as the Company has selected the fair value option for all investment-linked investments with corresponding change in takaful certificate liabilities for investment-linked certificates.

**Credit risk**

Credit risk is the risk that third parties fail to meet their obligations to the Company when they fall due. Although the primary source of credit risk is the Company's investment portfolio, such risk can also arise through retakaful and treasury activities.

A key to AIA's credit risk management is adherence to a well-controlled underwriting process especially for its significant credit risk exposure. The Company's credit risk management starts with the assignment of an internal rating to key counterparties. Detailed analysis of key counterparties is performed and a rating determined internally, with periodic rating reviews conducted. Measuring and monitoring of credit risk is an ongoing process and is designed to enable early identification of emerging risk.

The Company monitors concentrations of credit arising from investment in debt securities by type, nature and rating. The Company does not have excessive credit risk with any single retakaful.

The following table sets out information about the credit quality of retakaful certificate assets and financial assets. It provides information on the credit risk exposure of the Family Takaful Fund and the Company by classifying assets according to Rating Agency of Malaysia and Malaysian Rating Corporation Berhad and other equivalent rating agencies. AAA is the highest possible rating.

**Retakaful certificate assets**

	Family Takaful Fund		Company	
	2023	2022 (Restated)	2023	2022 (Restated)
	RM'000	RM'000	RM'000	RM'000
AA	747	3,683	11,633	17,980
A	13,729	(1,105)	64,537	35,880
BBB	4,618	3,523	26,865	26,927
Total	19,094	6,101	103,035	80,787

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24 **FINANCIAL RISKS (CONTINUED)**

**Credit risk (continued)**

**Financial assets measured at fair value through profit or loss**

<u>Family Takaful Fund/ Company</u>	<u>Certificate holder</u> RM'000	<u>Unit-linked</u> RM'000	<u>Total</u> RM'000
<u>2023</u>			
Government sukuk			
Not rated	392,767	53,228	445,995
Subtotal	392,767	53,228	445,995
Corporate sukuk			
AAA	723,272	85,515	808,787
AA	224,961	62,901	287,862
A	-	14,533	14,533
Not rated	556,560	12,643	569,203
Subtotal	1,504,793	175,592	1,680,385
Total	1,897,560	228,820	2,126,380
<u>2022 (Restated)</u>			
Government sukuk			
Not rated	388,812	4,167	392,979
Subtotal	388,812	4,167	392,979
Corporate sukuk			
AAA	595,884	77,215	673,099
AA	176,268	58,561	234,829
A	-	14,249	14,249
Not rated	362,285	1,745	364,030
Subtotal	1,134,437	151,770	1,286,207
Total	1,523,249	155,937	1,679,186

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24 **FINANCIAL RISKS (CONTINUED)**

**Credit risk (continued)**

**Financial assets measured at fair value through other comprehensive income**

<u>Family Takaful Fund</u>	<u>12-month ECL</u> RM'000	<u>Lifetime ECL</u> <u>not credit-</u> <u>impaired</u> RM'000	<u>Lifetime ECL</u> <u>credit-</u> <u>impaired</u> RM'000	<u>Total</u> RM'000
<u>2023</u>				
Government sukuk				
Not rated	40,003	-	-	40,003
Subtotal	40,003	-	-	40,003
Corporate sukuk				
AAA	44,597	-	-	44,597
AA	19,035	-	-	19,035
A	10,005	-	-	10,005
Not rated	43,403	-	-	43,403
Subtotal	117,040	-	-	117,040
Total	157,043	-	-	157,043
<u>2022 (Restated)</u>				
Government sukuk				
Not rated	45,260	-	-	45,260
Subtotal	45,260	-	-	45,260
Corporate sukuk				
AAA	41,777	-	-	41,777
AA	16,746	-	-	16,746
A	9,847	-	-	9,847
Not rated	23,600	-	-	23,600
Subtotal	91,970	-	-	91,970
Total	137,230	-	-	137,230



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24 **FINANCIAL RISKS (CONTINUED)**

**Credit risk (continued)**

**Financial assets measured at fair value through other comprehensive income (continued)**

<u>Company</u>	<u>12-month ECL</u>	<u>Lifetime ECL</u>	<u>Lifetime ECL</u>	<u>Total</u>
	<u>RM'000</u>	<u>not credit-</u>	<u>credit-</u>	<u>RM'000</u>
		<u>impaired</u>	<u>impaired</u>	
		<u>RM'000</u>	<u>RM'000</u>	
<u>2023</u>				
Government sukuk				
Not rated	111,133	-	-	111,133
Subtotal	111,133	-	-	111,133
Corporate sukuk				
AAA	230,070	-	-	230,070
AA	121,121	-	-	121,121
A	10,005	-	-	10,005
Not rated	134,390	-	-	134,390
Subtotal	495,586	-	-	495,586
Total	606,719	-	-	606,719
<u>2022 (Restated)</u>				
Government sukuk				
Not rated	133,358	-	-	133,358
Subtotal	133,358	-	-	133,358
Corporate sukuk				
AAA	197,991	-	-	197,991
AA	108,597	-	-	108,597
A	9,848	-	-	9,848
Not rated	73,376	-	-	73,376
Subtotal	389,812	-	-	389,812
Total	523,170	-	-	523,170

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

### 24 FINANCIAL RISKS (CONTINUED)

#### **Liquidity risk**

Liquidity risk primarily refers to the risk that expected and unexpected cash demands of deposit, certificate, and other contract-holders cannot be met as they fall due.

The Company constantly monitors the liquidity position of the respective funds and has in place several contingency sources of liquidity in order to minimise the impact of any liquidity risk, in line with the Liquidity Management and Contingency Plan. The Company's liquidity position is monitored in compliance with regulatory and internal requirements in combination with maturity gap analysis.

To manage liquidity risk, the Company has implemented a variety of measures, including emphasizing flexible takaful product design so that it can retain the greatest flexibility to adjust contract pricing or crediting rates. The Company continuously seeks to match, to the extent possible and appropriate, the duration of its investment assets with the duration of takaful certificates issued.

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24 FINANCIAL RISKS (CONTINUED)

**Liquidity risk (continued)**

*Contractual maturities of financial liabilities*

<u>Family Takaful Fund</u>		Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity
	Total	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2023</u>						
Other liabilities excluding lease liabilities	129,565	129,565	-	-	-	-
Total	129,565	129,565	-	-	-	-
<u>2022 (restated)</u>						
Other liabilities excluding lease liabilities	113,033	113,033	-	-	-	-
Total	113,033	113,033	-	-	-	-

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24 **FINANCIAL RISKS (CONTINUED)**

**Liquidity risk (continued)**

*Contractual maturities of financial liabilities*

<u>Company</u>	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2023</u>						
Other liabilities excluding lease liabilities	37,458	37,458	-	-	-	-
Lease liabilities	2,039	367	1,635	37	-	-
<b>Total</b>	<b>39,498</b>	<b>37,826</b>	<b>1,635</b>	<b>37</b>	<b>-</b>	<b>-</b>
<u>2022 (restated)</u>						
Other liabilities excluding lease liabilities	42,050	42,050	-	-	-	-
Lease liabilities	1,327	420	907	-	-	-
<b>Total</b>	<b>43,376</b>	<b>42,469</b>	<b>907</b>	<b>-</b>	<b>-</b>	<b>-</b>

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24 **FINANCIAL RISKS (CONTINUED)**

**Liquidity risk (continued)**

*Maturity analysis of takaful and retakaful certificate liabilities*

<u>Family Takaful Fund</u>					
	Total	Due in one year or less	Due after one year through three years	Due after two years though five years	Due after five years
<u>2023</u>	RM'000	RM'000	RM'000	RM'000	RM'000
Takaful certificate liabilities	3,502,895	397,871	15,304	29,250	3,060,470
Takaful certificate assets	65,327	65,327	-	-	-
Retakaful certificate assets	19,094	19,094	-	-	-
<u>2022 (restated)</u>					
Takaful certificate liabilities	2,888,740	262,381	11,928	27,463	2,586,968
Takaful certificate assets	44,354	44,354	-	-	-
Retakaful certificate assets	6,101	6,101	-	-	-

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**24 FINANCIAL RISKS (CONTINUED)**

**Liquidity risk (continued)**

*Maturity analysis of takaful and retakaful certificate liabilities (continued)*

<u>Company</u>			Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Total	Due in one year or less					
<u>2023</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Takaful certificate liabilities	1,614,641	93,111	(185,815)	(120,438)	(58,105)	(6,325)	1,892,213
Takaful certificate assets	(8,386)	(8,386)	-	-	-	-	-
Retakaful certificate assets	238,310	238,310	-	-	-	-	-
<u>2022 (restated)</u>							
Takaful certificate liabilities	1,408,265	(28,729)	(283,862)	(212,945)	(137,831)	(63,352)	2,134,984
Takaful certificate assets	(5,034)	(5,034)	-	-	-	-	-
Retakaful certificate assets	151,226	151,226	-	-	-	-	-

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**24 FINANCIAL RISKS (CONTINUED)**

**Liquidity risk (continued)**

*Maturity profile of debt securities*

The table below shows the maturity profile of debt securities, loans and deposits based on contractual maturity dates. The maturity profile below excludes unit-linked investments as the investment risk is generally wholly borne by certificate holders.

<u>Family Takaful Fund</u>	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2023</u>						
Debt securities	2,054,603	48,025	499,044	641,153	866,381	-
Total	2,054,603	48,025	499,044	641,153	866,381	-
<u>2022 (restated)</u>						
Debt securities	1,660,480	42,745	467,354	560,012	590,369	-
Total	1,660,480	42,745	467,354	560,012	590,369	-

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24 FINANCIAL RISKS (CONTINUED)

**Liquidity risk (continued)**

*Maturity profile of debt securities (continued)*

<u>Company</u>	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2023</u>						
Debt securities	2,504,279	73,432	697,741	780,917	952,189	-
Total	2,504,279	73,432	697,741	780,917	952,189	-
<u>2022 (restated)</u>						
Debt securities	2,046,420	62,829	613,307	749,060	621,224	-
Total	2,046,420	62,829	613,307	749,060	621,224	-



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24 FINANCIAL RISKS (CONTINUED)

**Profit rate risk**

Profit rate risk is the risk arising from the impact of profit rate movements on the value of future asset and liability cash flows.

The Company's exposure to profit rate risk predominantly arises from any differences between the duration of the Company's liabilities and assets for profit rate sensitive products, especially those providing profit rate guarantees. For other products, including those with investment-linked features, profit rate risk is significantly reduced due to the non-guaranteed nature of additional certificate holder benefits. Since most markets do not have assets of sufficient tenor to match its takaful liabilities, an uncertainty arises around the reinvestment of maturing assets to match the Company's takaful liabilities.

The Company manages its profit rate risk by investing in financial instruments with tenors that match the duration of its liabilities as much as practicable and appropriate. The Company also considers the effect of profit rate risk in its overall product strategy. For new products, the Company emphasises flexibility in product design and generally designs products to avoid excessive long-term profit rate guarantees.

**Equity risk**

Equity risk refers to the risk of adverse market movement in equity investments leading to a reduction in surplus, or current and future fee income share.

The Company manages equity risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector, market and issuer, having regard also to such limits stipulated by BNM. The Company complies with BNM's stipulated limits during the financial year and has no significant concentration risk.

*Sensitivity analysis*

Sensitivity analysis to the key variables, namely profit rate and equity risk, affecting takaful certificates and retakaful certificates held, and financial instruments held by the Company is set out below. The carrying values of other financial assets are not subject to changes in response to movements in profit rates or equity prices. In calculating the sensitivity to changes in profit rates and equity prices, the Company has made assumptions about the corresponding impact of asset valuations on liabilities to certificate holder.

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**24 FINANCIAL RISKS (CONTINUED)**

*Sensitivity analysis (continued)*

Information is presented to illustrate the estimated impact on profits, total equity and CSM arising from a change in a single variable before taking into account the effects of taxation. The effects on these items are mainly as follows:

- The effects on profit or loss are changes relating to loss components and changes in investment return and takaful finance income or expenses that are recognised in profit or loss.
- The effects on equity are the effects on profit or loss, and the effects on other comprehensive income arising from net changes in net investment results and net takaful finance income or expenses.
- The effects on CSM reflects the change of the corresponding market risks that impacts CSM.

The impact of any impairments of financial assets has been ignored for the purpose of illustrating the sensitivity of profit before tax, total equity and CSM before the effects of taxation to changes in profit rates and equity prices on the grounds that default events reflect the characteristics of individual issuers.

Sensitivity analysis on profit rate risk

An analysis of the Company's sensitivity to 50 basis points parallel increase or decrease in yield curves at the reporting date, assuming that all other variables remain constant, is presented below.

<u>Company</u>	<u>Impact on profit before tax</u>	<u>Impact on total equity (before the effects of taxation)</u>	<u>Impact on CSM</u>
<u>As at 31 December 2023</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>+ 50 basis points shift in yield curves:</b>			
Takaful certificates and retakaful certificates held	(1,398)	(1,398)	(12,584)
Financial instruments	(76,997)	(92,920)	-
<b>- 50 basis points shift in yield curves:</b>			
Takaful certificates and retakaful certificates held	1,463	1,463	13,169
Financial instruments	83,240	100,051	-
<b>At 31 December 2022 (restated)</b>			
<b>+ 50 basis points shift in yield curves:</b>			
Takaful certificates and retakaful certificates held	(2,461)	(2,461)	(22,145)
Financial instruments	(54,084)	(66,146)	-
<b>- 50 basis points shift in yield curves:</b>			
Takaful certificates and retakaful certificates held	2,572	2,572	23,152
Financial instruments	57,926	70,438	-

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**24 FINANCIAL RISKS (CONTINUED)**

*Sensitivity analysis (continued)*

Sensitivity analysis on equity risk

An analysis of the Company's sensitivity to 10 % increase or decrease in equity prices at the reporting date, assuming that all other variables remain constant, is presented below.

<u>Company</u>	<u>Impact on profit after tax</u>	<u>Impact on total equity (before the effects of taxation)</u>
<u>As at 31 December 2023</u>	<u>RM'000</u>	<u>RM'000</u>
<i>+ 10 basis points shift in yield curves:</i>		
Financial instruments	14,804	14,804
<i>- 10 basis points shift in yield curves:</i>		
Financial instruments	(14,804)	(14,804)
<u>At 31 December 2022 (restated)</u>		
<i>+ 10 basis points shift in yield curves:</i>		
Financial instruments	11,604	11,604
<i>- 10 basis points shift in yield curves:</i>		
Financial instruments	(11,604)	(11,604)

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**25 NON FINANCIAL RISKS**

The Company's non-financial risks comprise operational risk, strategic risk and Shariah non-compliance risk.

**(a) Operational risk**

Operational risk is the risk arising from business processes including inadequate procedures or policies, employee errors, system failures, fraud, criminal activity or from external events which may result in direct or indirect business impact.

The Company protects itself against financial losses by establishing controls for day-to-day management of the business' operational risks as per the Company's Risk Management Policy as mentioned in Internal Control Framework, which is set out in part of the Directors' Report.

**(b) Strategic risk**

Strategic risk is identified as part of the business plan processes and is defined as the potential impact of the business strategy on the Company's earnings, capital and reputation. This also takes into consideration the wider social, economic, political, regulatory, competitive or technological trends that could impact the Company's business strategy within a set time period.

**(c) Shariah Non-Compliance risk**

Shariah Non-Compliance risk refers to the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the Company may suffer arising from failure to comply with the rulings of the Shariah Advisory Council of BNM, standards on Shariah matters issued by BNM pursuant to section 29(1) of the Act or decisions or advice of the Company's Shariah Committee.

The Company expects to mitigate such risk by initiating, monitoring and responding to robust Shariah governance framework outlined in the Shariah Governance Policy as well as in the Risk Management Framework. The available controls include the effective discharge of the roles and responsibilities of the various functions under the Shariah Governance Policy Document, namely Shariah secretariat function, as well as Shariah control functions comprising of Shariah risk management, Shariah review and Shariah audit. Other relevant controls which instil and promote Shariah compliance behaviour include continuous staff and intermediaries' awareness on Shariah and incorporation of Shariah requirements into internal operating policies, procedures and guidelines owned by the various business units.

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**26 INVESTMENT-LINKED TAKAFUL FUNDS**

Included in the Income Statement for the financial year ended 31 December 2023 and 31 December 2022, and Statement of Financial Position as at 31 December 2023 and 31 December 2022 of the Family Takaful fund are the segmental information for the investment-linked Takaful funds.

(a) Statement of Income and Expenditure

	<u>2023</u> RM'000	<u>2022</u> RM'000
Investment income	39,037	32,679
Net fair value losses	28,307	(78,967)
	<u>67,344</u>	<u>(46,288)</u>
Other operating expenses	(14,349)	(12,812)
	<u>52,995</u>	<u>(59,100)</u>
Profit/(loss) before taxation	52,995	(59,100)
Taxation	(4,167)	5,895
	<u>48,828</u>	<u>(53,205)</u>
Profit/(loss) after taxation	<u>48,828</u>	<u>(53,205)</u>

(b) Statement of Financial Position

	<u>2023</u> RM'000	<u>2022</u> RM'000
<b>ASSETS</b>		
Financial assets at FVTPL:		
Government investment issues	53,228	4,167
Unquoted corporate sukuks	175,592	151,770
Quoted shariah approved shares	816,710	665,102
Unquoted shariah approved equities	10,251	20,234
Shariah approved unit trust fund	89,380	50,230
REITs	9,608	8,660
Other receivables	5,132	4,211
Cash and cash equivalents	65,756	131,626
Deferred tax assets	-	1,272
	<u>1,225,657</u>	<u>1,037,272</u>
Total assets	<u>1,225,657</u>	<u>1,037,272</u>
<b>LIABILITIES</b>		
Other payables	1,810	288
Deferred tax liabilities	2,007	-
Tax payable	394	469
	<u>4,211</u>	<u>757</u>
Total liabilities	<u>4,211</u>	<u>757</u>
Net asset value of funds	<u>1,221,446</u>	<u>1,036,515</u>

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27 GENERAL RESERVES

There is a Takaful business transfer from AIA General Berhad (f.k.a AIA AFG Takaful Bhd.) to AIA PUBLIC Takaful Bhd. on 25 February 2014 which is accounted for as a business combination under common control. Arising from this business transfer, there is a merger reserves amounting to RM 33,333,333.

28 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

There were no significant events to or from the reporting date that require disclosures or adjustments to the financial statements.

29 SUBSEQUENT EVENTS

There were no material events subsequent to or from the reporting date that require disclosures or adjustments to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS  
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30 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS

**MFRS 17 Insurance Contracts**

*Recognition, measurement and presentation of Takaful certificates*

MFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of takaful certificates and retakaful certificates held. It introduces a model that measures groups of takaful certificates based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the certificates, an explicit risk adjustment for non-financial risk and a CSM.

Under MFRS 17, takaful revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of contributions that relate to recovering takaful acquisition cash flows. In addition, investment components are excluded from takaful revenue and takaful service expenses.

Takaful finance income or expenses, disaggregated between profit or loss and other comprehensive income are presented separately from takaful revenue and takaful service expenses.

Previously, all acquisition costs were expensed off. Under MFRS 17, takaful acquisition cash flows that arise before the recognition of the related takaful certificates are recognised as separate assets and are tested for recoverability. These assets are presented as part of the carrying amount of the related portfolio of certificates and are subsequently derecognised when respective groups of takaful certificates are recognised and hence included in the CSM measurement of that group.

Income and expenses from retakaful certificates held other than takaful finance income or expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from retakaful and retakaful expenses were presented separately.

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30 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

**MFRS 17 Insurance Contracts (continued)**

*Transition*

The Company have applied full retrospective approach to the extent practicable, for the adoption of MFRS 17. Under the full retrospective approach, at 1 January 2022, the Company:

- identified, recognised and measured each group of takaful certificates and retakaful certificates held as if MFRS 17 had always applied;
- identified, recognised and measured any assets for takaful acquisition cash flows as if MFRS 17 had always been applied, except that the recoverability assessment was not applied before 1 January 2022;
- derecognised previously reported balances that would not have existed if MFRS 17 had always been applied. These included takaful receivables and payables and its accrued profit income and provisions that are attributable to existing takaful certificates, etc. Under MFRS 17, these are included in the measurement of the takaful certificates; and
- recognised any resulting net difference in equity.

For certain groups of certificates, the Company applied the fair value approach in MFRS 17 to identify, recognise and measure certain groups of certificates at 1 January 2022 because it was impracticable to apply the full retrospective approach.

The Company considered the full retrospective approach impracticable under any of the following circumstances.

- The effects of retrospective application were not determinable because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations, data retention requirements or other reasons.
- The full retrospective approach required assumptions about what Company management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight, and the application of full retrospective approach is considered as impracticable if such assumptions and estimates were not determinable.

The Company also applied the fair value approach to identify, recognise and measure certain assets for takaful acquisition cash flows at 1 January 2022.

It was impracticable to apply the full retrospective approach because:

- data had not been collected with sufficient granularity;
- information required to identify fixed and variable overheads relating to acquisition activities and to allocate them to groups of takaful certificates was not available; or

original assumptions about the manner in which the Company would have expected takaful acquisition cash flows to be recovered, which were required to allocate them to renewals, could not be made without the use of hindsight.



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30 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

Family Takaful fund

	31 December 2022 (As previously reported)	Impact of changes in accounting policies MFRS 9	Impact of changes in accounting policies MFRS 17	31 December 2022 (Restated)
	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>				
Financial assets - fair value through other comprehensive income	1,501	135,729	-	137,230
Financial assets - fair value through profit or loss	2,664,101	(135,729)	-	2,528,372
Takaful certificate assets	23,524	-	20,830	44,354
Retakaful certificate assets	42,183	-	(36,082)	6,101
Other receivables	23,666	-	-	23,666
Deferred tax assets	4,145	-	-	4,145
Cash and cash equivalents	259,730	-	-	259,730
<b>Total assets</b>	<b>3,018,850</b>	<b>-</b>	<b>(15,252)</b>	<b>3,003,598</b>
<b>EQUITY</b>				
Accumulated losses	(65,850)	-	65,850	-
<b>Total equity</b>	<b>(65,850)</b>	<b>-</b>	<b>65,850</b>	<b>-</b>

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30 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

Family Takaful fund (continued)

	31 December 2022 (As previously reported) RM'000	Impact of changes in accounting policies MFRS 9 RM'000	Impact of changes in accounting policies MFRS 17 RM'000	31 December 2022 (Restated) RM'000
<b>LIABILITIES</b>				
Takaful certificate liabilities	2,869,950	-	18,790	2,888,740
Retakaful certificate liabilities	23,367	-	(23,367)	-
Qard payable	65,850	-	(65,850)	-
Other payables	123,708	-	(10,675)	113,033
Tax payables	1,825	-	-	1,825
<b>Total liabilities</b>	<b>3,084,700</b>	<b>-</b>	<b>(81,102)</b>	<b>3,003,598</b>
<b>Total equity and liabilities</b>	<b>3,018,850</b>	<b>-</b>	<b>(15,252)</b>	<b>3,003,598</b>

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30 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

Company

	31 December 2022 (As previously reported) RM'000	Impact of changes in accounting policies MFRS 9 RM'000	Impact of changes in accounting policies MFRS 17 RM'000	31 December 2022 (Restated) RM'000
<b>ASSETS</b>				
Property and equipment	196	-	-	196
Intangible assets	14,498	-	-	14,498
Right-of-use-assets	1,183	-	-	1,183
Financial assets - fair value through other comprehensive income	387,441	135,729	-	523,170
Financial assets - fair value through profit or loss	2,675,183	(135,729)	-	2,539,454
Takaful certificate assets	23,524	-	109	23,633
Retakaful certificate assets	42,183	-	38,604	80,787
Other receivables	29,373	-	(728)	28,645
Tax recoverables	4,465	-	(1,825)	2,640
Deferred tax assets	12,407	-	(12,407)	-
Cash and cash equivalents	293,089	-	-	293,089
<b>Total assets</b>	<b>3,483,542</b>	<b>-</b>	<b>23,753</b>	<b>3,507,295</b>

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30 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

Company (continued)

	31 December 2022 (As previously reported) RM'000	Impact of changes in accounting policies MFRS 9 RM'000	Impact of changes in accounting policies MFRS 17 RM'000	31 December 2022 (Restated) RM'000
<b>EQUITY</b>				
Share capital	450,000	-	-	450,000
General reserves	(33,333)	-	-	(33,333)
(Accumulated losses)/Retained earnings	(4,150)	-	538,322	534,172
Other comprehensive income fair value reserves	(5,774)	-	55	(5,719)
Takaful finance reserves	-	-	-	-
<b>Total equity</b>	<b>406,743</b>	<b>-</b>	<b>538,377</b>	<b>945,120</b>

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30 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

Company (continued)

	31 December 2022 (As previously reported)	Impact of changes in accounting policies MFRS 9	Impact of changes in accounting policies MFRS 17	31 December 2022 (Restated)
	RM'000	RM'000	RM'000	RM'000
<b>LIABILITIES</b>				
Expense liabilities	24,772	-	(24,772)	-
Takaful certificate liabilities	2,861,950	-	(498,911)	2,363,039
Retakaful certificate liabilities	23,367	-	(23,367)	-
Deferred tax liabilities	-	-	155,759	155,759
Lease liabilities	1,327	-	-	1,327
Other payables	163,558	-	(121,508)	42,050
Tax payables	1,825	-	(1,825)	-
<b>Total liabilities</b>	<b>3,076,799</b>	<b>-</b>	<b>(514,624)</b>	<b>2,562,175</b>
<b>Total equity and liabilities</b>	<b>3,483,542</b>	<b>-</b>	<b>23,753</b>	<b>3,507,295</b>

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30 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

**MFRS 9 Financial Instruments**

*Classification of financial assets and financial liabilities*

MFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. MFRS 9 eliminates the previous MFRS 139 categories of held-to-maturity investments, financing and receivables, and available-for-sale financial assets.

*Impairment of financial assets*

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with a forward-looking 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost, debt securities at fair value through other comprehensive income and lease receivables. Under MFRS 9, credit losses are recognised earlier than under MFRS 139.

*Transition*

Changes in accounting policies resulting from the adoption of MFRS 9 have been applied retrospectively, except as described below.

- The comparative period has been restated. As permitted under MFRS 17, the Company has elected to apply classification overlay in the comparative period presented. The classification overlay has been applied to all financial assets that had been derecognised before 1 January 2023 based on how those assets are expected to be classified on initial application of MFRS 9. In applying the classification overlay to financial assets derecognised during the comparative period, the Company has applied the impairment requirements of MFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2023.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss.
- If an investment in a debt security had low credit risk at 1 January 2023, then the Company determined that the credit risk on the asset had not increased significantly since initial recognition.

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**30 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)**

**MFRS 9 Financial Instruments (continued)**

*Effect of initial application*

*Classification of financial assets*

The following table shows the original measurement category and carrying amount under MFRS 139 and the new measurement category and carrying amount under MFRS 9 for each class of the Family Takaful fund and Company's financial assets.

	Original classification under MFRS 139	New classification under MFRS 9	Original carrying amount under MFRS 139 as at 31.12.2022 RM'000	New carrying amount under MFRS 9 as at 1.1.2023 RM'000
<u>Family Takaful fund</u>				
<u>Financial assets</u>				
Debt securities	FVTPL (designated)	FVTPL (mandatory)	167,707	167,707
Debt securities	FVTPL (designated)	FVTPL (designated)	1,378,070	1,378,070
Debt securities	Available-for-sale	FVTPL (designated)	133,408	133,408
Debt securities	FVTPL (designated)	FVOCI	117,454	117,454
Debt securities	Available-for-sale	FVOCI	19,777	19,777
Equity shares	FVTPL (designated)	FVTPL (designated)	788,907	788,907
Mutual Funds	FVTPL (designated)	FVTPL (mandatory)	51,619	51,619
Mutual Funds	FVTPL (designated)	FVTPL (designated)	8,660	8,660
Total financial assets			2,665,602	2,665,602

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**30 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)**

**MFRS 9 Financial Instruments (continued)**

*Effect of initial application (continued)*

*Classification of financial assets (continued)*

The following table shows the original measurement category and carrying amount under MFRS 139 and the new measurement category and carrying amount under MFRS 9 for each class of the Family Takaful fund and Company's financial assets.

	Original classification under MFRS 139	New classification under MFRS 9	Original carrying amount under MFRS 139 as at 31.12.2022 RM'000	New carrying amount under MFRS 9 as at 1.1.2023 RM'000
<u>Company</u>				
<u>Financial assets</u>				
Debt securities	FVTPL (designated)	FVTPL (mandatory)	167,707	167,707
Debt securities	FVTPL (designated)	FVTPL (designated)	1,378,070	1,378,070
Debt securities	Available-for-sale	FVTPL (designated)	133,408	133,408
Debt securities	FVTPL (designated)	FVOCI	264,364	264,364
Debt securities	Available-for-sale	FVOCI	258,807	258,807
Equity shares	FVTPL (designated)	FVTPL (designated)	799,921	799,921
Mutual Funds	FVTPL (designated)	FVTPL (mandatory)	51,687	51,687
Mutual Funds	FVTPL (designated)	FVTPL (designated)	8,660	8,660
Total financial assets			3,062,624	3,062,624



**AIA PUBLIC TAKAFUL BHD.**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

30 **EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)**

**MFRS 9 Financial Instruments (continued)**

*Effect of initial application (continued)*

*Classification of financial assets (continued)*

The Company's accounting policies on the classification of financial instruments under MFRS 9 are set out in note 2.5. The application of these policies resulted in the reclassifications set out in the table above and explained below.

- a. Under MFRS 139, certain debt securities were designated as fair value through profit or loss because the Company managed them on a fair value basis or such designation eliminates or significantly reduces a measurement or recognition inconsistency. Under MFRS 9, these assets are mandatorily measured at fair value through profit or loss because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets or their contractual cash flows do not represent solely payments of principal and profits on the principal amount outstanding.
- b. There are some debt securities being designated as fair value through profit or loss under MFRS 139. The Company has revoked the designation to measure them at fair value through profit or loss upon the adoption of MFRS 9 because there is no longer a significant accounting mismatch arising from the securities as a result of adoption of MFRS 17. These assets are classified as fair value through other comprehensive income based on the criteria in MFRS 9.
- c. Under MFRS 139, equity shares and interest in mutual funds were designated as fair value through profit or loss because they are managed on a fair value basis. Under MFRS 9, these assets are mandatorily measured at fair value through profit or loss because they do not give rise to cash flows that are solely payment of principal and profit on the principal amount outstanding and the Company has not elected to measure them at fair value through other comprehensive income.

The following table summarises the effects of the reclassification of debt securities measured at fair value through profit or loss to fair value through other comprehensive income categories as a result of the transition of MFRS 9.

	<u>2023</u> RM'000
<u>Family Takaful fund/Company</u>	
<b>Reclassification from FVTPL to FVOCI</b>	
Fair value at 31 December	96,868
Fair value gains that would have been recognised in the profit or loss during the period if the financial asset had not been reclassified	2,418
Effective profit rate determined on 1 January	-
Total amortised cost of the financial assets which are included to determine the "effective profit rate" above	142,954
Profit income recognised	4,300

**AIA PUBLIC TAKAFUL BHD.**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

**30 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)**

**MFRS 9 Financial Instruments (continued)**

*Effect of initial application (continued)*

*Impairment of financial assets*

The following table reconciles the closing impairment allowance in accordance with MFRS 139 as at 31 December 2022 with the opening loss allowance determined in accordance with MFRS 9 as at 1 January 2023.

	31.12.2022 <u>MFRS 139</u> RM'000	<u>Reclassification</u> RM'000	<u>Remeasurement</u> RM'000	1.1.2023 <u>MFRS 9</u> RM'000
<u>Family Takaful fund</u>				
Debt securities at FVOCI under MFRS 9:				
- from available-for-sale under MFRS 139	-	-	564	564
	<u>-</u>	<u>-</u>	<u>564</u>	<u>564</u>
<u>Company</u>				
Debt securities at FVOCI under MFRS 9:				
- from available-for-sale under MFRS 139	-	-	1,983	1,983
	<u>-</u>	<u>-</u>	<u>1,983</u>	<u>1,983</u>