

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of Preparation

The condensed consolidated interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), IAS 34 Interim Financial Reporting issued by International Accounting Standards Board, paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”), and Guidelines / Circulars issued by Bank Negara Malaysia (“BNM”) and Shariah rulings and precepts.

The condensed consolidated interim financial statements have been prepared using historical cost basis except for certain financial assets and financial liabilities that are stated at fair value.

The condensed consolidated interim financial statements of the Group comprise the Company and its subsidiaries as at and for the quarter ended 31 December 2021. It also includes Takaful funds established in accordance with Islamic Financial Services Act, 2013 in Malaysia, which are managed and controlled by the Group and by the Company as operator of the fund.

The statements of financial position and the statements of profit or loss and other comprehensive income of the Takaful Operator, Family Takaful Fund and General Takaful Fund are supplementary financial information presented in accordance with the requirements of BNM and Islamic Financial Services Act, 2013 in Malaysia to segregate assets, liabilities, income and expenses of Takaful funds from its own. The statements of financial position and profit or loss and other comprehensive income of the Takaful Operator include only assets, liabilities, income and expenses of the Takaful Operator, excluding the Takaful funds managed by it. The statements of financial position and profit or loss and other comprehensive income of the Family and General Takaful Fund include only the assets, liabilities, income and expenses of the family solidarity fund and General Takaful Fund that is set up, managed and controlled by the Takaful Operator.

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

The Takaful fund are consolidated and amalgamated from the date of control and continue to be consolidated until the date such control ceases which occur when the Group’s and the Company’s license to manage Takaful business is withdrawn or surrendered.

The condensed consolidated interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 2021. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2020.

The accounting policies and presentation adopted by the Group for the condensed consolidated interim financial statements are consistent with those adopted in the Group’s audited financial statements for the financial year ended 31 December 2020, except for the adoption of the following:

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1 Basis of Preparation (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

The initial application of the abovementioned standards, amendments and interpretations do not have any material impacts to the current and prior period's financial statements upon their first adoption.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the MASB but have not been adopted by the Group:

Standards, amendments to published standards and interpretations to existing standards that are relevant to the Group but not yet effective and have not been early adopted

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

Financial year beginning on/after 1 January 2023

- MFRS 17 *Insurance Contracts* replaces MFRS 4 *Insurance Contracts* and the related interpretations

MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 'Revenue from Contracts with Customers'. An entity is allowed to account financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance contracts.

Insurance contracts, (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

MFRS 17 requires a current measurement model where estimates are re-measured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that related to financial risks either in profit or loss or in other comprehensive income.

Alternative measurement models are provided for the different insurance coverages:

- (1) Simplified Premium Allocation Approach if the insurance coverage period is a year or less.
- (2) Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder and the returns on the underlying items.

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1 Basis of Preparation (continued)

- MFRS 17 *Insurance Contracts* replaces MFRS 4 *Insurance Contracts* and the related interpretations (continued)

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims.

Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.

The Group is in the process of assessing the financial impact onto the Group's financial statements.

- Amendments to MFRS 17 *Insurance Contracts*

Amendments to MFRS 17 'Insurance Contracts' defers the effective date of MFRS 17 Insurance Contracts. An entity shall apply MFRS 17 and Amendments to MFRS 17 for annual reporting periods beginning on or after 1 January 2023. If an entity applies MFRS 17 earlier, it shall disclose that fact. Early application is permitted for entities that apply MFRS 9 Financial Instruments on or before the date of initial application of MFRS 17.

The Group is in the process of assessing the financial impact onto the Group's financial statements.

- Amendments to MFRS 101 *Classification of liabilities as current or non-current*

Amendments to MFRS 101 'Classification of liabilities as current or non-current' clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

The amendments shall be applied retrospectively.

2 Auditors' Report

The auditors' report on the audited financial statements of the preceding year ended 31 December 2020 did not contain any qualification.

3 Seasonality of Operations

The Group's operations are not materially affected by seasonal or cyclical factors for the period under review.

4 Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows in the current quarter ended 31 December 2021.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 Estimates

There were no material changes in the basis used for accounting estimates for the current quarter under review.

6 Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter under review.

7 Dividends

The Company on 21 December 2020 declared an interim single tier dividend of 12.00 sen per ordinary share in respect of the financial year ended 31 December 2020 which was paid on 29 January 2021.

The Company on 14 December 2021 declared an interim single tier dividend of 12.00 sen per ordinary share in respect of the financial year ended 31 December 2021 which was paid on 17 January 2022.

8 Segmental Reporting

Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
Financial year ended 31 December 2021			
Revenue from external participants	3,054,416	124,594	3,179,010
Profit before zakat and taxation	435,248	3,452	438,700
As at 31 December 2021			
Segment assets by location of assets	12,177,249	531,585	12,708,834
Segment liabilities by location of liabilities	10,414,205	452,246	10,866,451
Financial year ended 31 December 2020			
Revenue from external participants	2,832,181	124,999	2,957,180
Profit before zakat and taxation	422,150	4,671	426,821
As at 31 December 2020			
Segment assets by location of assets	11,258,988	534,150	11,793,138
Segment liabilities by location of liabilities	9,796,289	455,046	10,251,335

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9 Investment Properties

A valuation has been carried out on all investment properties during the current financial quarter under review and the carrying values of the investment properties reflect the new valuation.

10 Material Events Subsequent to the End of the Year

There was no material event subsequent to the end of the year under review that has not been reported in the condensed consolidated interim financial statements for the current financial quarter.

11 Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statement as at and for the year ended 31 December 2021.

12 Effect of Changes in Composition of the Company / Group

There was no change in the composition of the Group for the current financial quarter under review.

13 Contingent Liabilities

There were no contingent liabilities as at the date of this announcement.

14 Review of Performance

	3 months ended			12 months ended		
	31.12.2021 RM'000	31.12.2020 RM'000	Changes %	31.12.2021 RM'000	31.12.2020 RM'000	Changes %
Operating revenue	877,989	774,935	13%	3,179,010	2,957,180	8%
Gross earned contributions	793,026	701,652	13%	2,766,398	2,514,080	10%
Profit before zakat and tax	140,110	117,237	20%	438,700	426,821	3%
Profit after zakat and tax	156,510	103,827	51%	412,200	363,577	13%
Profit attributable to owners of the Company	156,136	103,150	51%	411,423	362,420	14%

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14 Review of Performance (continued)

14.1 Financial results of the current financial year against preceding financial year

Operating revenue

The Group recorded operating revenue of RM3,179.0 million for the financial year ended 31 December 2021, higher by 8% as compared to RM2,957.2 million in the same period of the preceding year. The increase was mainly attributable to higher sales from both Family Takaful and General Takaful businesses.

Profit before zakat and tax

For the financial year ended 31 December 2021, the Group recorded profit before zakat and tax of RM438.7 million, higher by 3% as compared to RM426.8 million in the same period of the preceding year. This was mainly attributable to higher net wakalah fee income.

Family Takaful

Family Takaful business generated gross earned contributions of RM1,887.4 million for the financial year ended 31 December 2021, higher by 7% as compared to RM1,756.9 million in the corresponding period last year. This was mainly attributable to higher sales from credit-related products.

The net benefits and claims for Family Takaful business was RM752.2 million for the financial year ended 31 December 2021, at par as compared to the same period of the preceding year.

Investment income for the Family Takaful business of RM288.5 million was higher as compared to RM286.0 million in the same period of the preceding year, mainly due to higher profit income from investment on Islamic debt securities.

For the financial year ended 31 December 2021, Family Takaful recorded fair value gains of RM17.8 million, improved as compared to fair value gains of RM17.2 million in the same period of the preceding year. The improvement in the fair value gains was mainly due to equity market performance.

General Takaful

General Takaful business generated gross earned contributions of RM878.7 million for the financial year ended 31 December 2021, higher by 16% as compared to RM756.5 million in same period of the preceding year. The growth was mainly attributable to motor, fire and engineering classes.

The net benefits and claims for General Takaful business increased to RM212.7 million for the financial year ended 31 December 2021 from RM153.2 million in the same period of the preceding year, mainly due to higher claims relating to motor and fire classes.

The investment income for the financial year ended 31 December 2021 was RM29.6 million lower as compared to the same period of the preceding year of RM30.7 million, mainly due to lower profit income from fixed income investment.

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14. Review of Performance (continued)

14.2 Financial results of the current quarter against preceding year corresponding quarter

Operating revenue

For the fourth quarter ended 31 December 2021, the Group generated operating revenue of RM878.0 million, higher by 13% as compared to RM774.9 million in the corresponding quarter of the preceding year. The increase was mainly attributable to higher sales generated from Family and General Takaful businesses.

Profit before zakat and tax

For the fourth quarter ended 31 December 2021, the Group recorded profit before zakat and tax of RM140.1 million, higher by 20% as compared to RM117.2 million in the same period last year. This was mainly attributable to higher net wakalah fee income.

Family Takaful

For the quarter under review, Family Takaful business recorded gross earned contributions of RM547.8 million, higher by 9% as compared to RM501.0 million in the same period last year. The increase was mainly attributable to higher sales from credit-related products.

For the quarter under review, Family Takaful business recorded net benefits and claims of RM202.1 million, higher as compared to RM200.9 million in the corresponding quarter of preceding year. The increase was mainly due to higher surrender claims.

Investment income for the Family Takaful business for the current year quarter of RM75.1 million, higher by 7% as compared to RM70.0 million in the corresponding quarter last year, mainly due to higher profit income from investment on Islamic debt securities.

For the current quarter under review, Family Takaful recorded fair value gains of RM8.0 million, lower as compared to fair value gains of RM27.3 million in same period last year. The decrease was mainly due to equity market performance.

General Takaful

For the quarter under review, General Takaful business generated gross earned contributions of RM245.1 million, increased by 22% as compared to RM200.2 million in the corresponding quarter of preceding year. The growth was mainly attributable to fire and motor class.

General Takaful business recorded net benefits and claims of RM56.1 million for the quarter under review, higher as compared to RM20.9 million in the corresponding quarter of preceding year. The increase was mainly due to higher claims relating to motor class.

Investment income for the General Takaful business of RM7.8 million, slightly higher as compared to the corresponding quarter of preceding year, mainly due to higher profit income from investment on Islamic debt securities.

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14. Review of Performance (continued)

14.3 Indonesian Operations

The operating revenue of Indonesian operations recorded at RM124.6 million, slightly lower as compared to RM125.0 million in the same period of the preceding year. The gross earned contribution recorded at RM107.9 million, higher as compared to RM105.6 million in the same period of preceding year.

The Indonesian operations recorded profit before zakat and tax of RM3.5 million for the financial year ended 31 December 2021, lower as compared to RM4.7 million in the same period of preceding year. The Indonesian operations continued to be impeded by the window concept of promoting Islamic products practiced by the conventional domestic players. The Takaful industry in Indonesia is anticipated to continue experiencing challenges due to the financial market volatility in addition to the economic conditions.

14.4 Review of Statements of Financial Position

As at 31 December 2021, total assets of RM12,708.8 million were higher as compared to RM11,793.1 million as at 31 December 2020, mainly attributable to the increase in other investments, retakaful assets and cash and cash equivalents, but partially offset by the decrease in loans and receivables, excluding takaful receivables.

Other investments increased from RM6,631.5 million to RM7,536.3 million as at 31 December 2021, mainly attributable to the increase in Islamic debts securities, Malaysian Government Islamic Papers and unit trusts. The increase was mainly attributable to new purchases.

Retakaful assets increased from RM978.2 million to RM1,156.0 million as at 31 December 2021 was mainly attributable to increase in retakaful claims recovery provision.

Cash and cash equivalents increased from RM712.6 million to RM846.9 million mainly due to higher placement in fixed and call deposits at licensed institutions with maturity less than 3 months.

Loans and receivables, excluding takaful receivables decreased from RM2,549.9 million to RM2,262.6 million as at 31 December 2021, mainly attributable to lower placement in fixed and call deposits at licenced institutions with maturity more than 3 months.

Total liabilities increased to RM10,866.5 million as at 31 December 2021 as compared to RM10,251.3 million as at 31 December 2020, which was mainly attributable to the increase in Takaful contract liabilities. The increase in Takaful contract liabilities from RM9,223.6 million as at 31 December 2020 to RM9,786.3 million as at 31 December 2021 was in line with Group's business growth.

Shareholders' equity increased by 19% to RM1,842.4 million as at 31 December 2021. This is mainly attributed to the net profit generated during the financial year of RM411.4 million, partially offset by the dividend to owners of the Company of RM100.3 million.

14.5 Review of Statements of Cash flows

For the financial year ended 31 December 2021, the Group's cash flow position of RM846.9 million is healthy and strong. The ratio of cash flow from operating activities to profit for the financial year was 61%, which indicates the Group's ability to generate sufficient cash flow to meet its obligation.

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15 Financial review for current quarter compared with immediate preceding quarter

	Current Quarter 31.12.2021 RM'000	Immediate Preceding Quarter 30.9.2021 RM'000	Changes %
Operating revenue	877,989	684,317	28%
Gross earned contributions	793,026	633,126	25%
Profit before zakat and tax	140,110	88,432	58%
Profit after zakat and tax	156,510	72,741	115%
Profit attributable to owners of the Company	156,136	72,602	115%

Operating revenue

For the current quarter under review, the Group generated operating revenue of RM878.0 million, higher by 28% as compared to RM684.3 million in the immediate preceding quarter. The increase was mainly attributable to higher sales generated from Family Takaful and General Takaful businesses.

Profit before zakat and tax

For the current quarter under review, the Group recorded profit before zakat and taxation of RM140.1 million, higher by 58% as compared to the immediate preceding quarter of RM88.4 million. The increase in profit was mainly attributable to higher net wakalah fee income.

Family Takaful

For the current quarter under review, Family Takaful business recorded gross earned contributions of RM547.8 million, higher by 32% as compared to RM414.7 million in the immediate preceding quarter. The increase was mainly attributable to higher sales from credit-related products.

For the current quarter under review, Family Takaful business recorded net benefits and claims of RM202.1 million, increased as compared to the immediate preceding quarter of RM189.9 million. The increase was mainly attributable to higher death and surrender claims during the period.

For the current quarter under review, Family Takaful business recorded investment income of RM75.1 million, higher as compared to the immediate preceding quarter of RM73.1 million. The increase was mainly attributable to higher profit income from investment on Islamic debt securities.

For the current quarter under review, Family Takaful recorded fair value gains of RM8.0 million as compared to fair value gains of RM13.6 million in the immediate preceding quarter. The decrease was mainly due to equity market performance.

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15 Financial review for current quarter compared with immediate preceding quarter (continued)

General Takaful

For the current quarter under review, General Takaful business generated gross earned contributions of RM245.1 million, higher by 12% as compared to RM218.4 million in the immediate preceding quarter. The increase was mainly contributed to higher sales from fire class.

For the current quarter under review, General Takaful business recorded net benefits and claims of RM56.1 million, higher as compared to RM47.3 million in the immediate preceding quarter. The increase was mainly due to higher claims relating to motor and fire classes.

For the current quarter under review, General Takaful business recorded investment income of RM7.8 million for the quarter, slightly higher as compared to the investment income of RM7.4 million in the immediate preceding quarter.

16 Current Year Prospects

Malaysia's economy is expected to recover gradually, supported by the National Recovery Programme with high vaccination rates nationwide, the reopening of various economic sectors, and the implementation of economic and fiscal stimulus measures. Economic activities are expected to still take some time to recover as concerns over job security continue to rise and consumers will be more cautious in their spending. Amid the uncertainties in the current economic environment, the Group will continue its strategic initiatives to support business expansion and growth as part of the economic recovery while strengthening its business resilience to respond to the dynamic developments of the COVID-19 pandemic situation, and will remain vigilant and prudent in managing operating costs, business growth, and risk profile of our business portfolio.

Takaful Malaysia will continue to leverage on its market leading position in single contribution products whilst focusing on retail regular contribution products for the retail market via bancatakaful and digital distribution channels to further diversify its business portfolio. The retail market remains a large untapped market for Takaful Malaysia to provide both protection and savings products to retail customers. The Group's focus in 2022 is to further tap on the established strategic bancatakaful partnerships with leading Islamic financial institutions by introducing new savings and protection products. On the other hand, with our strategic vision to transform the distribution model in the insurance and takaful industry via digital technology and online distribution to provide Malaysians with greater access and more affordable protection products, we will continue to embrace new digital technologies in support of future growth, and further intensify the marketing of our affordable and innovative online takaful protection solutions, and strengthen and explore partnerships with various partners with a large customer base to market basic protection products.

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16 Current Year Prospects (continued)

The General Takaful business continues to support the business growth and profit of the Group. The Group will continue in striking the right balance between underwriting margins and business growth to further penetrate the market and gain a leading position among key industry players. For the motor takaful business, the Group will continue to build its online motor customer base and penetrate the motorcycle segment whilst maintaining our existing corporate agency force and adopting a pricing segmentation approach for targeted groups with better claims experience to drive the growth of our motor takaful business. With both family and general takaful licenses, the Group will be able to create greater synergy and competitive edge to provide comprehensive takaful solutions in marketing and securing business from our clients.

It is the Group's commitment to the Takaful industry's initiative on Value-based Intermediation (VBI) to unlock the potential of the Takaful Industry towards a Sustainable Finance Ecosystem and to spur creativity and encourage innovation to deliver positive and meaningful impacts. Our products, services and business practices, as well as business strategies are aligned to generate sustainable impacts on the economy, community, and environment. The Group has established a new policy on Responsible Investment to integrate environmental, social and governance (ESG) and sustainability considerations into our investment strategy and portfolio construction with specific minimum ESG asset allocation rates for various asset classes.

17 Variance of Actual Profit from Profit Forecast or Profit Guarantee

The Group did not issue any profit forecast nor profit guarantee during the current quarter under review.

18 Taxation

	3 months ended		Cumulative 12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
- Current financial year	24,707	12,962	67,984	63,127
- Under / (Over) provision in prior year	1,625	(1,405)	2,049	(2,608)
Deferred tax expense:				
- Current financial year	(43,098)	1,521	(44,849)	1,444
Total tax expense	<u>(16,766)</u>	<u>13,078</u>	<u>25,184</u>	<u>61,963</u>

18.1 The effective tax rate of current taxation is lower than the statutory tax rate for the current financial year in accordance with the Income Tax Act 1967 due to the lower taxable income accompanied with the provision of the deferred tax benefits, arose from the followings:

(a) Imposition of "Cukai Makmur"

In December 2021, the Government enacted a change in the national income tax rate for year of assessment ("YA") 2022 via the introduction of "Cukai Makmur" - a special one-off tax to be imposed on non-Micro, Small and Medium Enterprises (non-MSMEs) companies which generate high profits during the pandemic.

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18 Taxation (continued)

(a) Imposition of "Cukai Makmur" (continued)

Accordingly, the applicable tax rates of the Company for YA 2022 are as follows:

- Chargeable income for the first RM100 million: 24%; and
- Portion of chargeable income in excess of RM100 million: 33%.

In measuring deferred tax assets and liabilities as at 31 December 2021, the Group has estimated an average tax rate based on a range of estimated taxable income for YA 2022 as well as the timing of reversal of deferred tax balances.

(b) Change in tax act on adjusted income for Family Takaful business - Shareholder's fund

Effective from YA 2022, wakalah fees or any other fees received by the Shareholder's fund in relation to Family Takaful fund are taxable similar to the General Takaful fund. Correspondingly, expenses relating to wakalah fees or any other fees incurred in relation to the fees from both Family Takaful fund and General Takaful fund are allowed as deduction under the shareholders' fund. This covers both management expenses and administrative fees.

As at 31 December 2021, the Group has recognised additional deferred tax in the Takaful Operator's fund arising from this change.

- 18.2 The Inland Revenue Board ("IRB") had, on 8 September 2017, issued to the Company notices of additional assessment (i.e. Form JA) for the years of assessment ("YA") 2012, 2013, and 2014. The additional tax payable by the Company under the above-mentioned notices is RM12,561,630.50. As a result of the above, IRB had also treated the tax returns made by the Company for the above years of assessment as incorrect, and imposed a penalty of RM6,200,802.97 to the Company.

The Company has paid the additional tax on 4 October 2017 and submitted an appeal (Form Q) to Special Commissioner of Income Tax against the notice of assessment on 5 October 2017.

The Company is of the view that there are strong justifications for its appeal against certain matters raised by IRB and have treated the related tax payment of RM16,741,000 as tax recoverable.

The case has fixed for hearing on 1st and 2nd September 2021. However, the hearing was postponed to later date and the next court mention is fixed on 1st March 2022.

19 Status of Corporate Proposal

There has been no new corporate proposal since the date of the last quarterly report.

20 Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 31 December 2021.

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21 Material Litigation

There was no material litigation pending as at the date of this announcement.

22 Earnings per Share

Basic earnings per share (“Basic EPS”)

Basic EPS of the Group is calculated by dividing the net profit attributable to ordinary shareholders for the quarter / year by the weighted average number of ordinary shares in issue during the year.

	3 months ended		Cumulative 12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Owners of the Company (RM'000)	156,136	103,150	411,423	362,420
Weighted average number of ordinary shares in issue ('000)	833,028	830,434	832,386	828,289
Basic EPS (sen)	18.74	12.42	49.43	43.76

Diluted earnings per share (“Diluted EPS”)

The calculation of diluted earnings per ordinary share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	3 months ended		Cumulative 12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Owners of the Company (RM'000)	156,136	103,150	411,423	362,420
Weighted average number of ordinary shares in issue ('000)	833,028	830,434	832,386	828,289
Effects of dilution ('000)	2,721	3,442	2,721	3,442
Diluted weighted average number of ordinary shares in issue ('000)	835,749	833,876	835,107	831,731
Diluted EPS (sen)	18.68	12.37	49.27	43.57

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23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	31 December 2021			31 December 2020		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Family Takaful Fund						
Provision for claims reported by participants	75,152	(25,074)	50,078	45,886	(10,103)	35,783
Provision for IBNR	144,779	(58,036)	86,743	173,595	(51,430)	122,165
Provision for outstanding claims	219,931	(83,110)	136,821	219,481	(61,533)	157,948
Participants' account	4,587,267	-	4,587,267	4,090,835	-	4,090,835
Actuarial liabilities	1,852,988	(363,429)	1,489,559	1,880,726	(346,120)	1,534,606
Unallocated surplus	1,297,390	-	1,297,390	1,099,833	-	1,099,833
Fair value reserves	56,374	-	56,374	326,172	-	326,172
Net asset value attributable to unitholders	220,249	-	220,249	253,751	-	253,751
Participants' fund	8,014,268	(363,429)	7,650,839	7,651,317	(346,120)	7,305,197
	8,234,199	(446,539)	7,787,660	7,870,798	(407,653)	7,463,145

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23 Takaful Contract Liabilities (continued)

	31 December 2021			31 December 2020		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
General Takaful Fund						
Provision for claims reported by participants	544,467	(400,969)	143,498	434,985	(313,047)	121,938
Provision for IBNR	320,964	(166,608)	154,356	264,625	(143,718)	120,907
Provision for outstanding claims	865,431	(567,577)	297,854	699,610	(456,765)	242,845
Provision for unearned contributions	504,871	(141,895)	362,976	465,734	(113,784)	351,950
	<u>1,370,302</u>	<u>(709,472)</u>	<u>660,830</u>	<u>1,165,344</u>	<u>(570,549)</u>	<u>594,795</u>
Unallocated surplus	220,714	-	220,714	209,017	-	209,017
Fair value reserves	3,251	-	3,251	20,156	-	20,156
Participants' fund	<u>223,965</u>	<u>-</u>	<u>223,965</u>	<u>229,173</u>	<u>-</u>	<u>229,173</u>
	<u>1,594,267</u>	<u>(709,472)</u>	<u>884,795</u>	<u>1,394,517</u>	<u>(570,549)</u>	<u>823,968</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23 Takaful Contract Liabilities (continued)

	31 December 2021			31 December 2020		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Group						
Provision for claims reported by participants	619,619	(426,043)	193,576	480,871	(323,150)	157,721
Provision for IBNR	465,743	(224,644)	241,099	438,220	(195,148)	243,072
Provision for outstanding claims	1,085,362	(650,687)	434,675	919,091	(518,298)	400,793
Provision for unearned contributions	504,871	(141,895)	362,976	465,734	(113,784)	351,950
	<u>1,590,233</u>	<u>(792,582)</u>	<u>797,651</u>	<u>1,384,825</u>	<u>(632,082)</u>	<u>752,743</u>
Participants' account	4,587,267	-	4,587,267	4,090,835	-	4,090,835
Actuarial liabilities	1,852,988	(363,429)	1,489,559	1,880,726	(346,120)	1,534,606
Unallocated surplus	1,518,104	-	1,518,104	1,308,850	-	1,308,850
Fair value reserves	59,625	-	59,625	346,328	-	346,328
Net asset value attributable to unitholders	178,109	-	178,109	212,043	-	212,043
Participants' fund	<u>8,196,093</u>	<u>(363,429)</u>	<u>7,832,664</u>	<u>7,838,782</u>	<u>(346,120)</u>	<u>7,492,662</u>
	<u>9,786,326</u>	<u>(1,156,011)</u>	<u>8,630,315</u>	<u>9,223,607</u>	<u>(978,202)</u>	<u>8,245,405</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23 Takaful Contract Liabilities (continued)

Participants' fund liabilities and its movements are analysed as follows:

	Family Takaful Fund			General Takaful Fund			Group		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2020	7,007,658	(315,614)	6,692,044	190,051	-	190,051	7,160,242	(315,614)	6,844,628
Net earned contributions	1,756,863	(121,798)	1,635,065	437,231	-	437,231	2,194,094	(121,798)	2,072,296
Investment income on financial assets not measured at FVTPL	252,996	-	252,996	30,215	-	30,215	283,211	-	283,211
Investment income - others	33,028	-	33,028	456	-	456	33,484	-	33,484
Realised gains and losses	27,843	-	27,843	2,486	-	2,486	30,329	-	30,329
Fair value gains and losses	17,156	-	17,156	(151)	-	(151)	17,005	-	17,005
Other operating income	265	-	265	253	-	253	518	-	518
Net benefits and claims	(851,915)	99,999	(751,916)	(153,156)	-	(153,156)	(1,005,071)	99,999	(905,072)
Fees deducted (net)	(571,795)	-	(571,795)	(237,215)	-	(237,215)	(809,010)	-	(809,010)
(Impairment losses) / Reversal of impairment losses on financial instruments	(2,747)	-	(2,747)	202	-	202	(2,545)	-	(2,545)
Other operating expenses	(3,751)	-	(3,751)	(690)	-	(690)	(4,441)	-	(4,441)
Profit paid to participants	(4,591)	-	(4,591)	(8,838)	-	(8,838)	(13,429)	-	(13,429)
Movement in actuarial liabilities	26,064	(31,201)	(5,137)	-	-	-	26,064	(31,201)	(5,137)
Profit attributable to the Takaful Operator	(79,866)	21,797	(58,069)	(30,756)	-	(30,756)	(114,863)	21,797	(93,066)
Excess payment from participants	(70)	-	(70)	-	-	-	(70)	-	(70)
Net change in fair value on debt instruments at FVOCI	68,752	-	68,752	4,067	-	4,067	72,819	-	72,819
Tax expense	(9,986)	-	(9,986)	(4,440)	-	(4,440)	(14,426)	-	(14,426)
Withholding tax paid	(5,959)	-	(5,959)	(542)	-	(542)	(6,501)	-	(6,501)
Effect of movement in exchange rates	(8,628)	697	(7,931)	-	-	-	(8,628)	697	(7,931)
At 31 December 2020	7,651,317	(346,120)	7,305,197	229,173	-	229,173	7,838,782	(346,120)	7,492,662

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23 Takaful Contract Liabilities (continued)

	Family Takaful Fund			General Takaful Fund			Group		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2021	7,651,317	(346,120)	7,305,197	229,173	-	229,173	7,838,782	(346,120)	7,492,662
Net earned contributions	1,887,429	(132,107)	1,755,322	487,446	-	487,446	2,374,875	(132,107)	2,242,768
Investment income on financial assets not measured at FVTPL	257,915	-	257,915	29,500	-	29,500	287,415	-	287,415
Investment income - others	30,564	-	30,564	78	-	78	30,642	-	30,642
Realised gains and losses	24,964	-	24,964	387	-	387	25,351	-	25,351
Fair value gains and losses	17,792	-	17,792	70	-	70	17,862	-	17,862
Other operating income	203	-	203	41	-	41	244	-	244
Net benefits and claims	(908,692)	156,477	(752,215)	(212,698)	-	(212,698)	(1,121,390)	156,477	(964,913)
Fees deducted (net)	(612,711)	-	(612,711)	(240,615)	-	(240,615)	(853,326)	-	(853,326)
Impairment losses on financial instruments	(7,422)	-	(7,422)	(3,726)	-	(3,726)	(11,148)	-	(11,148)
Other operating expenses	(2,706)	-	(2,706)	(653)	-	(653)	(3,359)	-	(3,359)
Profit paid to participants	(8,471)	-	(8,471)	(9,954)	-	(9,954)	(18,425)	-	(18,425)
Movement in actuarial liabilities	7,393	(16,755)	(9,362)	-	-	-	7,393	(16,755)	(9,362)
Profit attributable to the Takaful Operator	(39,049)	(24,370)	(63,419)	(31,589)	-	(31,589)	(71,070)	(24,370)	(95,440)
Excess payment from participants	(57)	-	(57)	-	-	-	(57)	-	(57)
Net change in fair value on debt instruments at FVOCI	(269,798)	-	(269,798)	(16,905)	-	(16,905)	(286,523)	-	(286,523)
Tax expense	(11,516)	-	(11,516)	(5,938)	-	(5,938)	(17,454)	-	(17,454)
Withholding tax paid	(8,552)	-	(8,552)	(652)	-	(652)	(9,204)	-	(9,204)
Effect of movement in exchange rates	5,665	(554)	5,111	-	-	-	5,485	(554)	4,931
At 31 December 2021	8,014,268	(363,429)	7,650,839	223,965	-	223,965	8,196,093	(363,429)	7,832,664

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24 Takaful Operator Income

The takaful operator income consists of the following:

	3 months ended		Cumulative 12 months ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Surplus transfer from:				
Family Takaful Fund	13,962	9,853	63,420	58,066
General Takaful Fund	24,294	4,153	31,589	30,756
Wakalah fee income	266,597	225,508	951,573	890,487
Total Takaful Operator income	<u>304,853</u>	<u>239,514</u>	<u>1,046,582</u>	<u>979,309</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 Investment Income

The investment income consists of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
<u>Investment income on financial assets not measured at FVTPL</u>								
Profit income	16,890	13,987	68,974	64,288	7,974	7,440	93,838	85,715
Accretion / (Amortisation)	(395)	(300)	(1,900)	(1,933)	(215)	(192)	(2,510)	(2,425)
	<u>16,495</u>	<u>13,687</u>	<u>67,074</u>	<u>62,355</u>	<u>7,759</u>	<u>7,248</u>	<u>91,328</u>	<u>83,290</u>
<u>Investment income - others</u>								
Rental income	204	217	1,543	1,736	46	46	1,146	1,333
Dividend income	73	45	2,011	1,197	-	-	2,084	1,242
Profit income	943	847	4,918	6,479	-	148	5,861	7,474
Accretion / (Amortisation)	1	(7)	-	(1,214)	-	(97)	1	(1,318)
Investment expenses	(51)	(55)	(478)	(554)	-	(11)	(66)	(175)
	<u>1,170</u>	<u>1,047</u>	<u>7,994</u>	<u>7,644</u>	<u>46</u>	<u>86</u>	<u>9,026</u>	<u>8,556</u>
	<u>17,665</u>	<u>14,734</u>	<u>75,068</u>	<u>69,999</u>	<u>7,805</u>	<u>7,334</u>	<u>100,354</u>	<u>91,846</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 Investment Income (continued)

The investment income consists of the following (continued):

	Takaful Operator 12 months ended		Family Takaful Fund 12 months ended		General Takaful Fund 12 months ended		Group 12 months ended	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
<u>Investment income on financial assets not measured at FVTPL</u>								
Profit income	61,105	56,344	265,338	260,194	30,312	30,983	356,755	347,521
Accretion / (Amortisation)	(1,299)	(977)	(7,423)	(7,198)	(812)	(768)	(9,534)	(8,943)
	<u>59,806</u>	<u>55,367</u>	<u>257,915</u>	<u>252,996</u>	<u>29,500</u>	<u>30,215</u>	<u>347,221</u>	<u>338,578</u>
<u>Investment income - others</u>								
Rental income	813	893	6,698	6,830	173	161	4,992	5,382
Dividend income	210	276	7,041	6,988	-	-	7,251	7,264
Profit income	3,375	3,447	19,133	21,296	-	479	22,508	25,222
Accretion / (Amortisation)	5	(31)	9	241	-	(28)	14	182
Investment expenses	(117)	(135)	(2,317)	(2,327)	(95)	(156)	(723)	(995)
	<u>4,286</u>	<u>4,450</u>	<u>30,564</u>	<u>33,028</u>	<u>78</u>	<u>456</u>	<u>34,042</u>	<u>37,055</u>
	<u>64,092</u>	<u>59,817</u>	<u>288,479</u>	<u>286,024</u>	<u>29,578</u>	<u>30,671</u>	<u>381,263</u>	<u>375,633</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26 Realised gains and losses

The realised gains and losses consist of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
<u>Realised gains and losses</u> <u>arising from:</u>								
Property and equipment	112	(5)	-	-	-	-	112	(5)
FVOCI financial assets:								
- Islamic debt securities (unquoted in Malaysia)	2,585	-	5,156	-	-	2,486	7,741	2,486
- Malaysian Government Islamic papers	1,369	-	6,167	-	387	-	7,923	-
	3,954	-	11,323	-	387	2,486	15,664	2,486
	4,066	(5)	11,323	-	387	2,486	15,776	2,481

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26 Realised gains and losses (continued)

The realised gains and losses consist of the following (continued):

	Takaful Operator 12 months ended		Family Takaful Fund 12 months ended		General Takaful Fund 12 months ended		Group 12 months ended	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
<u>Realised gains and losses arising from:</u>								
Property and equipment	97	14	-	-	-	-	97	14
FVOCI financial assets:								
- Islamic debt securities (unquoted in Malaysia)	2,585	-	15,541	23,827	-	2,486	18,126	26,313
- Malaysian Government Islamic papers	1,369	3,335	9,423	4,016	387	-	11,179	7,351
	3,954	3,335	24,964	27,843	387	2,486	29,305	33,664
	4,051	3,349	24,964	27,843	387	2,486	29,402	33,678

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

27 Other Operating Income

The other operating income consists of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
<u>Reversal of Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	3,615	(16)	430	1,195	4,045	1,179
- Financial assets not measured at FVTPL	14	11	(2,832)	283	(394)	(243)	(3,212)	51
	<u>14</u>	<u>11</u>	<u>783</u>	<u>267</u>	<u>36</u>	<u>952</u>	<u>833</u>	<u>1,230</u>
<u>Other operating income</u>								
Service charged and management fee	5,100	4,834	-	-	-	-	-	-
Writeback of impaired financing	-	1	-	-	-	-	-	-
Reclassification of agency related expenses to management expenses	21,697	-	-	-	-	-	21,697	-
Other income	186	-	107	-	-	80	293	-
	<u>26,983</u>	<u>4,835</u>	<u>107</u>	<u>-</u>	<u>-</u>	<u>80</u>	<u>21,990</u>	<u>-</u>
	<u>26,997</u>	<u>4,846</u>	<u>890</u>	<u>267</u>	<u>36</u>	<u>1,032</u>	<u>22,823</u>	<u>1,230</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

27 Other Operating Income (continued)

The other operating income consists of the following (continued):

	Takaful Operator 12 months ended		Family Takaful Fund 12 months ended		General Takaful Fund 12 months ended		Group 12 months ended	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
<u>Reversal of Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	-	-	-	423	-	423
- Financial assets not measured at FVTPL	-	-	-	-	-	(221)	-	(221)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202</u>	<u>-</u>	<u>202</u>
<u>Other operating income</u>								
Service charged and management fee	20,518	19,777	-	-	-	-	-	-
Writeback of impaired financing	-	137	-	-	-	-	-	137
Other income	2,692	1,376	203	265	41	253	2,936	1,894
	<u>23,210</u>	<u>21,290</u>	<u>203</u>	<u>265</u>	<u>41</u>	<u>253</u>	<u>2,936</u>	<u>2,031</u>
	<u>23,210</u>	<u>21,290</u>	<u>203</u>	<u>265</u>	<u>41</u>	<u>455</u>	<u>2,936</u>	<u>2,233</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

28 Other Operating Expenses

The other operating expenses consist of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
<u>Other operating expenses</u>								
Agency related expenses	-	(15,481)	-	-	-	-	-	(15,481)
Debts written off	-	-	-	(24)	-	-	-	(24)
Other expenses	(597)	(419)	(683)	(1,622)	(544)	(5)	(1,421)	(1,442)
	<u>(597)</u>	<u>(15,900)</u>	<u>(683)</u>	<u>(1,646)</u>	<u>(544)</u>	<u>(5)</u>	<u>(1,421)</u>	<u>(16,947)</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

28 Other Operating Expenses (continued)

The other operating expenses consist of the following (continued):

	Takaful Operator 12 months ended		Family Takaful Fund 12 months ended		General Takaful Fund 12 months ended		Group 12 months ended	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
<u>Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	3,030	(308)	(1,700)	-	1,330	(308)
- Financial assets not measured at FVTPL	(950)	(13)	(10,452)	(2,439)	(2,026)	-	(13,428)	(2,452)
	<u>(950)</u>	<u>(13)</u>	<u>(7,422)</u>	<u>(2,747)</u>	<u>(3,726)</u>	<u>-</u>	<u>(12,098)</u>	<u>(2,760)</u>
<u>Other operating expenses</u>								
Agency related expenses	(14,824)	(57,568)	-	-	-	-	(14,824)	(57,568)
Debts written off	-	-	(17)	(820)	-	-	(17)	(820)
Other expenses	(1,308)	(609)	(2,689)	(2,931)	(653)	(690)	(3,132)	(3,231)
	<u>(16,132)</u>	<u>(58,177)</u>	<u>(2,706)</u>	<u>(3,751)</u>	<u>(653)</u>	<u>(690)</u>	<u>(17,973)</u>	<u>(61,619)</u>
	<u>(17,082)</u>	<u>(58,190)</u>	<u>(10,128)</u>	<u>(6,498)</u>	<u>(4,379)</u>	<u>(690)</u>	<u>(30,071)</u>	<u>(64,379)</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

29 Profit before tax

Profit before tax for the financial year under review is arrived at after charging:

	Takaful Operator 3 months ended		Group 3 months ended		Takaful Operator 12 months ended		Group 12 months ended	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
Depreciation of property and equipment	2,220	2,199	2,807	2,821	8,981	8,474	11,332	10,962
Depreciation of right-of-use assets	411	300	852	601	1,571	1,338	3,313	2,759
Amortisation of intangible assets	11,298	9,879	11,298	9,879	42,124	33,977	42,124	33,977

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 Fair Value Information

The table below analyses financial instruments carried at fair value by their valuation method.

31 December 2021	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Takaful Operator										
Financial assets										
Equity securities	8,046	-	380	8,426	-	-	-	-	8,426	8,426
Unit trusts	507	4,862	-	5,369	-	-	-	-	5,369	5,369
Institutional Trust Account	-	-	86,977	86,977	-	-	-	-	86,977	86,977
Islamic debt securities Malaysian Government	24,373	1,007,347	-	1,031,720	-	-	-	-	1,031,720	1,031,720
Islamic papers	-	73,572	-	73,572	-	-	-	-	73,572	73,572
Investment in linked funds	42,140	-	-	42,140	-	-	-	-	42,140	42,140
	75,066	1,085,781	87,357	1,248,204	-	-	-	-	1,248,204	1,248,204

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 Fair Value Information (continued)

The table below analyses financial instruments carried at fair value by their valuation method (continued).

31 December 2021	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Family Takaful										
Financial assets										
Equity securities	295,706	-	-	295,706	-	-	-	-	295,706	295,706
Unit trusts	115,694	33,530	-	149,224	-	-	-	-	149,224	149,224
Institutional Trust Account	-	-	471,247	471,247	-	-	-	-	471,247	471,247
Islamic debt securities	131,291	4,487,549	-	4,618,840	-	-	-	-	4,618,840	4,618,840
Malaysian Government Islamic papers	-	392,073	-	392,073	-	-	-	-	392,073	392,073
	542,691	4,913,152	471,247	5,927,090	-	-	-	-	5,927,090	5,927,090

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 Fair Value Information (continued)

The table below analyses financial instruments carried at fair value by their valuation method (continued).

31 December 2021	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
General Takaful										
Institutional Trust Account	-	-	59,550	59,550	-	-	-	-	59,550	59,550
Islamic debt securities	-	333,745	-	333,745	-	-	-	-	333,745	333,745
Malaysian Government Islamic papers	-	9,892	-	9,892	-	-	-	-	9,892	9,892
	-	343,637	59,550	403,187	-	-	-	-	403,187	403,187
Group										
Financial assets										
Equity securities	303,752	-	380	304,132	-	-	-	-	304,132	304,132
Unit trusts	116,201	38,392	-	154,593	-	-	-	-	154,593	154,593
Institutional Trust Account	-	-	617,774	617,774	-	-	-	-	617,774	617,774
Islamic debt securities	155,664	5,828,641	-	5,984,305	-	-	-	-	5,984,305	5,984,305
Malaysian Government Islamic papers	-	475,537	-	475,537	-	-	-	-	475,537	475,537
	575,617	6,342,570	618,154	7,536,341	-	-	-	-	7,536,341	7,536,341

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 Fair Value Information (continued)

The table below analyses financial instruments carried at fair value by their valuation method (continued).

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
31 December 2020										
Takaful Operator										
Financial assets										
Equity securities	9,434	-	380	9,814	-	-	-	-	9,814	9,814
Unit trusts	538	2,849	-	3,387	-	-	-	-	3,387	3,387
Institutional Trust Account	-	-	107,046	107,046	-	-	-	-	107,046	107,046
Islamic debt securities	21,472	684,713	-	706,185	-	-	-	-	706,185	706,185
Malaysian Government Islamic papers	-	34,280	-	34,280	-	-	-	-	34,280	34,280
Investment in linked funds	41,708	-	-	41,708	-	-	-	-	41,708	41,708
	73,152	721,842	107,426	902,420	-	-	-	-	902,420	902,420

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 Fair Value Information (continued)

The table below analyses financial instruments carried at fair value by their valuation method (continued).

31 December 2020	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Family Takaful										
Financial assets										
Equity securities	333,740	-	-	333,740	-	-	-	-	333,740	333,740
Unit trusts	27,088	18,842	-	45,930	-	-	-	-	45,930	45,930
Institutional Trust Account	-	-	487,171	487,171	-	-	-	-	487,171	487,171
Islamic debt securities	139,084	3,924,205	-	4,063,289	-	-	-	-	4,063,289	4,063,289
Malaysian Government Islamic papers	-	494,067	-	494,067	-	-	-	-	494,067	494,067
	499,912	4,437,114	487,171	5,424,197	-	-	-	-	5,424,197	5,424,197

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 Fair Value Information (continued)

The table below analyses financial instruments carried at fair value by their valuation method (continued).

31 December 2020	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
General Takaful										
Institutional Trust Account	-	-	58,269	58,269	-	-	-	-	58,269	58,269
Islamic debt securities	-	282,590	-	282,590	-	-	-	-	282,590	282,590
Malaysian Government Islamic papers	-	5,717	-	5,717	-	-	-	-	5,717	5,717
	-	288,307	58,269	346,576	-	-	-	-	346,576	346,576
Group										
Financial assets										
Equity securities	343,174	-	380	343,554	-	-	-	-	343,554	343,554
Unit trusts	27,626	21,691	-	49,317	-	-	-	-	49,317	49,317
Institutional Trust Account	-	-	652,486	652,486	-	-	-	-	652,486	652,486
Islamic debt securities	160,556	4,891,508	-	5,052,064	-	-	-	-	5,052,064	5,052,064
Malaysian Government Islamic papers	-	534,064	-	534,064	-	-	-	-	534,064	534,064
	531,356	5,447,263	652,866	6,631,485	-	-	-	-	6,631,485	6,631,485

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 Fair Value Information (continued)

The carrying amounts of cash and cash equivalents, and short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices in an active market and the fair value cannot be reliably measured. Please refer to respective note for the fair values of other financial assets and liabilities, together with the carrying amounts shown in the statements of financial position.

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the identical financial assets or liabilities, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Transfer between Level 1 and 2 fair values

There is no transfer between Level 1 and 2 fair values during the year.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 Fair Value Information (continued)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities. The following table shows a reconciliation of Level 3 fair values:

	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Group RM'000
Institutional Trust Account				
At 1 January 2020	106,038	367,761	57,053	530,852
Purchases	-	100,000	-	100,000
Maturity	(4,111)	-	-	(4,111)
Gains recognised in profit or loss				
Investment income - realised	4,985	20,809	2,515	28,309
Net change in fair value	134	(1,399)	(1,299)	(2,564)
At 31 December 2020 / 1 January 2021	107,046	487,171	58,269	652,486
Maturity	(23,980)	(31,407)	-	(55,387)
Gains recognised in profit or loss				
Investment income – realised	5,223	22,127	2,426	29,776
Net change in fair value	(1,312)	(6,644)	(1,145)	(9,101)
At 31 December 2021	86,977	471,247	59,550	617,774

31 Additional Information

Takaful receivables

The age analysis of Takaful receivables as at the end of the reporting period based on days past-due was as follows:

<u>Days past due</u>	Family Takaful		General Takaful		Group	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
Current (not past due)	190,030	173,476	141,090	126,125	331,120	299,601
1-30 days	261	335	113	188	374	523
31-60 days	2,312	74	112	126	2,424	200
61-90 days	365	198	357	155	722	353
91-180 days	3,360	5,409	503	86	3,863	5,495
> 180 days	71	2,306	2,622	968	2,693	3,274
	196,399	181,798	144,797	127,648	341,196	309,446

The average credit terms of Takaful receivables granted to related parties and non-related parties are 9 months from the contractual due date. The recoverability of Takaful receivables which exceeds the average credit term is high especially after Letter of Demand is imposed on the debtors.

There is no significant Takaful receivables of the Group and of the Company with its related parties as at the end of the reporting period.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 Additional Information (continued)

Material Impairment of Assets

Measurement of Expected Credit Loss (“ECL”)

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired.

The key inputs into the measurement of ECL are the term structures of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

PD represents the likelihood of a counterparty defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation. To determine 12-month PDs, the Group and Company use the PD table supplied by reputable rating agency based on the default history of obligors with the same credit rating. The Group and the Company adopt the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings. Changes in the rating for a counterparty or exposure lead to a change in the estimate of the associated PD.

LGD is the amount or the percentage of an outstanding claim on the counterparty that is not likely to be recovered in the event of a default. LGD varies by type of counterparty, type and seniority of claim and available of collateral or other credit support.

Measurement of ECL (continued)

EAD is the Group’s and the Company gross credit exposure to the counterparty at the time of default.

Forward-looking information is considered in determining the PD, EAD and LGD.

For ECL modelled on a collective basis, a grouping of exposures is performing on the basis of shared risks characteristics, such as risk exposure within a group are homogeneous. The characteristics and any data used to determine the groupings includes instrument type; credit rating band; type and seniority of claim; and class of business.

The appropriateness of groupings is monitored and reviewed on a periodic basis by credit control team.

The Group and the Company has elected to measure the impairment losses for Takaful receivables at an amount equal to lifetime ECL. The Group and the Company use an allowance matrix to measure ECLs of Takaful receivables. Loss rates are calculated using a “roll rate” method based on the probability of receivable. The loss rates are based on actual credit loss experience over the past three years.

The impairment losses recognised in profit or loss is not significant to the Group.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

32 Foreign exchange exposure / hedging policy

Foreign exchange exposure is only in relation to investment in the Indonesian subsidiary, which is immaterial. Therefore, hedging policy is not applicable to the Group and the Company.

33 Derivatives

The Group and Company did not enter into any derivatives for the current quarter under review and financial year ended 31 December 2021.

34 Gains/losses arising from fair value change of financial liabilities

There were no gains/losses arising from fair value changes of financial liabilities during the current quarter under review and financial year ended 31 December 2021.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

35 Regulatory capital requirements

The Company's capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect participants and meet regulatory requirements.

The Company is required to comply with the regulatory capital requirement prescribed in the Risk Based Capital for Takaful (RBCT) Framework issued by Bank Negara Malaysia where Takaful operators are required to satisfy a minimum supervisory capital adequacy ratio of 130%. As at financial year end, the Company has a capital adequacy ratio in excess of the minimum requirement.

The capital structure of the Company, as prescribed under the RBCT Framework is provided below:

	As at 31.12.2021 RM'000	As at 31.12.2020 RM'000
Tier 1 capital	2,178,326	1,742,983
Tier 2 capital	65,017	198,670
Deductions	(318,399)	(321,448)
Total capital available	1,924,944	1,620,205

By Order of the Board

SUHLA AL ASRI
Company Secretary
SSM Practicing Certificate No. 201908002158
MAICSA 7025570

Kuala Lumpur, 24 February 2022