

FWD TAKAFUL BERHAD
200601011780 (731530-M)
(Incorporated in Malaysia)

Unaudited Condensed Interim Financial Statements
For the Six Months Ended 30 June 2021

200601011780 (731530-M)

**FWD Takaful Berhad
(Incorporated in Malaysia)**

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Unaudited interim statement of financial position as at 30 June 2021

	Note	30.06.2021			31.12.2020		
		Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Assets							
Property, plant and equipment		5,135	-	5,135	6,352	-	6,352
Intangible assets		5,606	-	5,606	5,366	-	5,366
Right-of-use assets		4,986	-	4,986	6,192	-	6,192
Investments	13	169,139	1,281,613	1,450,752	152,798	1,251,035	1,403,833
Retakaful assets	14	-	32,801	32,801	-	33,427	33,427
Current tax assets		17,547	-	13,143	14,630	-	12,230
Deferred tax assets		-	-	-	1,981	-	-
Other receivables		8,353	16,246	16,604	14,046	7,813	15,381
Takaful receivables		1,581	1,105	2,686	386	2,410	2,796
Cash and cash equivalents		77,760	107,930	185,690	11,009	78,040	89,049
Total assets		290,107	1,439,695	1,717,403	212,760	1,372,725	1,574,626
Shareholders' equity							
Share capital	9	401,000	-	401,000	261,500	-	261,500
Accumulated losses		(170,904)	-	(170,904)	(109,115)	-	(109,115)
Fair value reserves		1,779	-	1,779	3,074	-	3,074
Total equity		231,875	-	231,875	155,459	-	155,459

These unaudited interim financial statements should be read in conjunction with the audited annual financial statements for the financial year ended 31 December 2020.

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Unaudited interim statement of financial position as at 30 June 2021 (cont'd.)

	Note	30.06.2021			31.12.2020		
		Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Liabilities							
Takaful contract liabilities	14	-	1,412,556	1,412,556	-	1,342,188	1,342,188
Expense reserves		11,061	-	11,061	10,905	-	10,905
Takaful payables		2,238	13,804	16,042	1,856	9,789	11,645
Other payables		39,911	1,521	33,437	38,518	8,740	40,780
Lease liabilities		4,845	-	4,845	6,022	-	6,022
Current tax liabilities		-	4,404	-	-	2,400	-
Deferred tax liabilities		177	7,410	7,587	-	9,608	7,627
Total liabilities		58,232	1,439,695	1,485,528	57,301	1,372,725	1,419,167
Total equity and liabilities		290,107	1,439,695	1,717,403	212,760	1,372,725	1,574,626

These unaudited interim financial statements should be read in conjunction with the audited annual financial statements for the financial year ended 31 December 2020.

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Unaudited interim income statement for the six months ended 30 June 2021

	Note	01.01.2021 to 30.06.2021			01.01.2020 to 30.06.2020		
		Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Operating revenue		50,601	225,873	228,214	22,316	116,036	119,576
Gross contributions		-	204,840	204,840	-	99,648	99,648
Contributions ceded to retakaful operators		-	(11,826)	(11,826)	-	(9,523)	(9,523)
Net earned contributions		-	193,014	193,014	-	90,125	90,125
Wakalah income		48,260	-	-	18,776	-	-
Investment Income		2,341	21,033	23,374	3,540	16,388	19,928
Realised gains/(losses)		4	5,204	5,208	(1)	(666)	(667)
Fair value gains/(losses)	13(a)	5	(9,991)	(9,986)	(122)	3,171	3,049
Other operating income		109	4,385	4,463	194	723	898
Other income		50,719	20,631	23,059	22,387	19,616	23,208
Gross benefits and claim paid		-	(92,163)	(92,163)	-	(70,553)	(70,553)
Claims ceded to retakaful operators		-	10,368	10,368	-	4,778	4,778
Gross changes in takaful contract liabilities		-	(56,291)	(56,291)	-	(5,234)	(5,234)
Changes in retakaful contract liabilities		-	(1,874)	(1,874)	-	(1,591)	(1,591)
Net benefits and claims		-	(139,960)	(139,960)	-	(72,600)	(72,600)

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Unaudited interim income statement for the six months ended 30 June 2021 (cont'd.)

	01.01.2021 to 30.06.2021			01.01.2020 to 30.06.2020		
	Note	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000
Wakalah expenses		-	(48,260)	-	(18,776)	-
Fees and commission expense		(30,581)	-	(30,581)	(10,316)	(10,316)
Management expenses		(72,724)	-	(72,724)	(53,914)	(53,914)
Change in expense reserves		(156)	-	(156)	979	979
Change in allowance for impairment loss		(221)	(1,121)	(1,342)	-	743
Other operating expenses		(6,259)	(178)	(6,406)	(593)	(608)
Taxation of family takaful business		-	(1,234)	(1,234)	-	(1,332)
Other expenses		(109,941)	(50,793)	(112,443)	(63,844)	(19,399)
Operating (loss)/profit before surplus transfers		(59,222)	22,892	(36,330)	(41,457)	17,742
Surplus attributable to shareholders		-	-	-	-	-
Surplus distributed to participants		-	-	-	-	-
Net surplus retained in takaful fund		-	(22,892)	(22,892)	-	(17,742)
Loss before taxation		(59,222)	-	(59,222)	(41,457)	-
Taxation		(2,567)	-	(2,567)	(104)	(104)
Net loss for the period		(61,789)	-	(61,789)	(41,561)	-
Basic and diluted loss per share (sen)				(3,089)		(2,078)

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Unaudited interim statement of comprehensive income for the six months ended 30 June 2021

	Note	01.01.2021 to 30.06.2021			01.01.2020 to 30.06.2020		
		Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Net loss for the period		(61,789)	-	(61,789)	(41,561)	-	(41,561)
<u>Items that may be subsequently reclassified to profit or loss:</u>							
Gross fair value (losses)/gains arising during the financial period	13(a)	(1,704)	(17,852)	(19,556)	1,103	8,824	9,927
Tax effects thereon		409	1,428	1,837	(265)	(706)	(971)
Net fair value (losses)/gains		(1,295)	(16,424)	(17,719)	838	8,118	8,956
Change in Takaful contract liabilities arising from unrealised net fair value losses/(gains)		-	16,424	16,424	-	(8,118)	(8,118)
Other comprehensive income for the financial period, net of tax		(1,295)	-	(1,295)	838	-	838
Total comprehensive loss for the financial period		(63,084)	-	(63,084)	(40,723)	-	(40,723)

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Unaudited interim statement of changes in equity for the six months ended 30 June 2021

	<u>Issued and fully paid</u>	<u>Non- distributable</u>	<u>Distributable</u>	
	Share capital RM'000	Fair value reserve RM'000	Retained profits/ (accumulated losses) RM'000	Total RM'000
Note				
At 1 January 2020	261,500	1,753	(5,541)	257,712
Total comprehensive income/(loss) for the financial year	-	1,321	(103,574)	(102,253)
At 31 December 2020	<u>261,500</u>	<u>3,074</u>	<u>(109,115)</u>	<u>155,459</u>
At 1 January 2021	261,500	3,074	(109,115)	155,459
Preference shares issued during the financial period	139,500	-	-	139,500
Total comprehensive loss for the financial period	-	(1,295)	(61,789)	(63,084)
At 30 June 2021	<u>401,000</u>	<u>1,779</u>	<u>(170,904)</u>	<u>231,875</u>

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Unaudited interim statement of cash flows for the six months ended 30 June 2021

	01.01.2021 to 30.06.2021	01.01.2020 to 30.06.2020
Note	RM'000	RM'000
Cash flows from operating activities		
Net loss for the financial period	(61,789)	(41,561)
Adjustments for:		
Profit from government guaranteed sukuk	(4,075)	(4,697)
Profit from Government Investment Issues	(3,375)	(2,749)
Profit from corporate debt securities	(9,693)	(9,015)
Profit from fixed deposits with licensed Islamic financial institutions	(835)	(1,143)
Dividend income from quoted equity securities	(297)	(193)
Dividend income from collective investment schemes	(10,581)	(7,907)
Fund management fee rebate and investment expense	(2,575)	(1,192)
Realised (gains)/losses	(5,208)	667
Taxation of family takaful business	1,234	1,332
Amortisation of intangible assets	1,640	1,464
Increase/(decrease) in impairment of receivables	1,342	(743)
Depreciation of right-of-use assets	1,206	1,133
Depreciation of property, plant and equipment	1,433	797
Fair value movement of investments	13(a) 9,846	(3,049)
Net amortisation of investments	13(a) 668	264
Increase/(decrease) in expense reserves	156	(979)
Profit expense on lease liabilities	95	90
Operating loss before changes in working capital	(80,808)	(67,481)
Decrease/(increase) in other receivables	39,510	(10,955)
Increase in other payables	(7,383)	8,340
Increase in takaful contract liabilities	70,369	37,173
Decrease in retakaful assets	626	3,897
Increase in takaful payables	4,398	2,071
(Increase)/decrease in takaful receivables	(1,232)	2,730
Purchase of investments	(223,451)	(197,156)
Proceeds from disposal of investments	90,645	46,309
Proceeds from maturities of investments	13(a) 40,000	35,000
Profits received	17,565	17,604
Dividends received	10,507	8,100
Fund management fee rebate received, net of investment expense paid	2,681	1,192
Payment of profit portion of lease liabilities	(95)	(90)
Cash used in operating activities	(36,668)	(113,266)
Income tax paid	(2,917)	(2,021)
Net cash used in operating activities	(39,585)	(115,287)

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Unaudited interim statement of cash flows for the six months ended 30 June 2021 (cont'd.)

	01.01.2021 to 30.06.2021 RM'000	01.01.2020 to 30.06.2020 RM'000
	Note	
Cash flows from investing activities		
Purchase of property, plant and equipment	(216)	(289)
Purchase of intangible assets	(1,880)	(1,386)
Proceeds from disposal of property, plant and equipment	-	-
Net cash used in investing activities	<u>(2,096)</u>	<u>(1,675)</u>
Cash flows from financing activities		
Increase in share capital	9 139,500	-
Payment of principal portion of lease liabilities	(1,178)	(935)
Net cash (used in)/generated from financing activities	<u>138,322</u>	<u>(935)</u>
Net (decrease)/increase in cash and cash equivalents	96,641	(117,897)
Cash and cash equivalents at 1 January	89,049	194,252
Cash and cash equivalents at 30 June	<u>185,690</u>	<u>76,355</u>

Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	01.01.2021 to 30.06.2021 RM'000	01.01.2020 to 30.06.2020 RM'000
Short term deposits with licensed Islamic financial institutions with original maturity period of less than 3 months	163,408	58,570
Cash and bank balances	22,282	17,785
	<u>185,690</u>	<u>76,355</u>

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**Notes to the unaudited condensed interim financial statements
For the six months ended 30 June 2021**

1. Basis of preparation

The unaudited condensed interim financial statements of the company have been prepared in accordance with MFRS 134: Interim Financial Reporting as issued by the Malaysian Accounting Standards Board ("MASB"), IAS 34: Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and the Guidelines/Circulars issued by Bank Negara Malaysia ("BNM").

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Company for the financial year ended 31 December 2020. The explanatory notes attached to the condensed 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 Company since the financial year ended 31 December 2020. The classification of certain financial statement line items have been amended to conform to the current year presentation. These reclassification adjustments do not affect the total comprehensive loss and total equity of the Company.

2. Summary of significant accounting policies

The accounting policies and the critical accounting estimates and assumptions applied in the preparation of the condensed interim financial statements are consistent with those adopted in the preparation of the Company's audited financial statements for the financial year ended 31 December 2020.

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 31 December 2020 except for the adoption of the following amendments to the published standards which are effective for financial periods beginning on or after 1 January 2021:

- Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)
- Amendments to MFRS 16 *Covid 19-Related Rent Concessions beyond 30 June 2021*

The adoption of the above amendments does not have any significant impact to the financial statements.

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3. Auditors' report

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

4. Seasonality of operations

The business operations of the company are not materially affected by seasonal or cyclical factors for the financial period under review.

5. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows in the current financial period ended 30 June 2021.

6. Estimates

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

7. Debt and equity securities

On 2 June 2021, the company issued 1,395 new preference shares of RM100,000 each. There were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current period under review.

8. Dividends

No dividends was declared nor paid during the current financial period ended 30 June 2021.

9. Share capital

During the financial period ended 30 June 2021, the Company increased its issued and paid-up capital from RM261,500,000 to RM401,000,000 via issuance of 1,395 new preference shares for cash of RM139,500,000 on 2 June 2021 (as disclosed in Note 7).

10. Material events subsequent to the end of the financial period

There were no material events subsequent to the end of the financial period 30 June 2021.

11. Contingent liabilities

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

12. Changes in the composition of the Company

There is no change in the composition of the Company from the previous audited financial statements for the financial year ended 31 December 2020.

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13. Investments

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
At 30 June 2021			
Available-for-sale financial assets			
Government investment issues	21,403	108,634	130,037
Government guaranteed sukuk	15,736	127,393	143,129
Corporate debt securities	66,780	276,478	343,258
	<u>103,919</u>	<u>512,505</u>	<u>616,424</u>
Financial assets at fair value through profit or loss			
Government investment issues	-	70,356	70,356
Government guaranteed sukuk	-	53,381	53,381
Corporate debt securities	-	110,636	110,636
Collective investment schemes	65,220	519,099	584,319
Quoted equity securities	-	15,636	15,636
	<u>65,220</u>	<u>769,108</u>	<u>834,328</u>
	<u>169,139</u>	<u>1,281,613</u>	<u>1,450,752</u>
At 31 December 2020			
Available-for-sale financial assets			
Government investment issues	22,240	93,742	115,982
Government guaranteed sukuk	15,983	151,711	167,694
Corporate debt securities	67,567	290,480	358,047
	<u>105,790</u>	<u>535,933</u>	<u>641,723</u>
Financial assets at fair value through profit or loss			
Government investment issues	-	32,950	32,950
Government guaranteed sukuk	-	60,216	60,216
Corporate debt securities	-	107,810	107,810
Collective investment schemes	47,008	497,377	544,385
Quoted equity securities	-	16,749	16,749
	<u>47,008</u>	<u>715,102</u>	<u>762,110</u>
	<u>152,798</u>	<u>1,251,035</u>	<u>1,403,833</u>

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13. Investments (cont'd.)

(a) Carrying values of investments

Investments are carried at fair value. Investments are categorised as either available-for-sale financial assets ("AFS") or financial assets at fair value through profit or loss ("FVTPL").

	AFS	FVTPL	Total
	RM'000	RM'000	RM'000
At 1 January 2020	569,009	662,384	1,231,393
Purchases	131,609	213,956	345,565
Maturities	(70,000)	(15,000)	(85,000)
Disposals	-	(162,332)	(162,332)
Fair value gains recorded in profit or loss	-	63,091	63,091
AFS reserves	11,813	-	11,813
(Amortisation)/accretion adjustment	(708)	11	(697)
At 31 December 2020/ 1 January 2021	641,723	762,110	1,403,833
Purchases	34,767	188,918	223,685
Maturities	(35,000)	(5,000)	(40,000)
Disposals	(5,000)	(101,696)	(106,696)
Fair value loss recorded in profit or loss	-	(9,846)	(9,846)
AFS reserves	(19,556)	-	(19,556)
Amortisation adjustment	(510)	(158)	(668)
At 30 June 2021	616,424	834,328	1,450,752

(b) Fair values of investments

The fair value of investments is determined by reference to market closing prices in an active market at reporting date.

The table below shows the financial assets recorded at fair value by their valuation method.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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13. Investments (cont'd.)

(b) Fair values of investments (cont'd.)

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
At 30 June 2021			
Level 1	-	15,636	15,636
Level 2	169,139	1,265,977	1,435,116
	<u>169,139</u>	<u>1,281,613</u>	<u>1,450,752</u>
	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
At 31 December 2020			
Level 1	-	16,749	16,749
Level 2	152,798	1,234,286	1,387,084
	<u>152,798</u>	<u>1,251,035</u>	<u>1,403,833</u>

(c) The following investments mature after 12 months:

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
At 30 June 2021			
Available-for-sale financial assets	83,701	477,403	561,104
Financial assets at fair value through profit or loss	-	229,341	229,341
	<u>83,701</u>	<u>706,744</u>	<u>790,445</u>
At 31 December 2020			
Available-for-sale financial assets	90,501	485,568	576,069
Financial assets at fair value through profit or loss	-	180,770	180,770
	<u>90,501</u>	<u>666,338</u>	<u>756,839</u>

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14. Takaful contract liabilities

Family Takaful Fund/Company	Gross RM'000	Re-takaful RM'000	Net RM'000
At 30 June 2021			
Provision for outstanding claims	27,334	(16,371)	10,963
Actuarial reserves	273,712	(16,430)	257,282
Net asset value attributable to participants	496,825	-	496,825
Net asset value attributable to unit holders	508,030	-	508,030
Participants' Fund:			
Unallocated surplus	96,690	-	96,690
AFS reserves	9,965	-	9,965
	<u>1,412,556</u>	<u>(32,801)</u>	<u>1,379,755</u>
Family Takaful Fund/Company	Gross RM'000	Re-takaful RM'000	Net RM'000
At 31 December 2020			
Provision for outstanding claims	26,772	(15,123)	11,649
Actuarial reserves	263,518	(18,304)	245,214
Net asset value attributable to participants	483,558	-	483,558
Net asset value attributable to unit holders	485,311	-	485,311
Participants' Fund:			
Unallocated surplus	56,640	-	56,640
AFS reserves	26,389	-	26,389
	<u>1,342,188</u>	<u>(33,427)</u>	<u>1,308,761</u>

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14. Takaful contract liabilities (cont'd.)

Family Takaful Fund/Company (cont'd.)

The movement of the family takaful contract liabilities and participant's fund are further analysed as follows:

Note	2021			2020		
	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000
At 1 January	1,342,188	(33,427)	1,308,761	1,184,682	(28,624)	1,156,058
Contributions received	145,427	-	145,427	181,227	-	181,227
Liabilities paid for death, maturities, surrenders, benefits and claims	(99,994)	9,120	(90,874)	(183,525)	23,450	(160,075)
Claims incurred during the financial year	55,462	(10,368)	45,094	103,157	(20,831)	82,326
Fees deducted	(44,705)	-	(44,705)	(44,718)	-	(44,718)
Investment income	438	-	438	17,071	-	17,071
Retakaful reserve credit	(1,874)	1,874	-	7,422	(7,422)	-
Profit paid to participants	(305)	-	(305)	1,276	-	1,276
Net asset value attributable to unit holders	22,719	-	22,719	50,629	-	50,629
Surplus attributable to Takaful Operator	-	-	-	(14,357)	-	(14,357)
Allowance for impairment	(1,121)	-	(1,121)	431	-	431
AFS reserves	(16,424)	-	(16,424)	9,269	-	9,269
Investment income distribution	7,351	-	7,351	14,946	-	14,946
Seed money from Takaful Operator	-	-	-	15,000	-	15,000
Others	3,394	-	3,394	(322)	-	(322)
At 30 June/31 December	1,412,556	(32,801)	1,379,755	1,342,188	(33,427)	1,308,761

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15. Capital management

The objective of the Company's Capital Management Plan ("CMP") is to ensure that the Company has sufficient working capital including equity (share capital and retained reserves) to support planned business growth and to meet regulatory capital requirements established by the local regulator at all times in a prudent and efficient manner.

In order to achieve these objectives, the CMP sets out the optimal amount and mix of regulatory and working capital required to ensure that these objectives are met.

The capital structure of the Company as at the date of the statement of financial position, consisting of all funds as prescribed under the Risk Based Capital Framework is provided below:

	30.06.2021	31.12.2020
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital	401,000	261,500
Reserves, including retained earnings	(170,904)	(109,115)
Valuation surplus maintained in the takaful funds	96,690	56,641
Eligible Tier 2 Capital		
AFS fair value reserves	4,347	7,459
Amount deducted from capital	<u>(5,992)</u>	<u>(8,317)</u>
Capital available	<u>325,141</u>	<u>208,168</u>
Total capital available	<u>254,042</u>	<u>173,292</u>