

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

Directors' Report and Audited Financial Statements
31 December 2019

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

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Directors' report

The Directors hereby present their report together with the audited financial statements of the Company for the financial year ended 31 December 2019.

Principal activities

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

Results

	RM'000
Net loss for the financial year	<u>33,644</u>

Dividends

No dividend has been paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2019.

Share capital

During the financial year ended 31 December 2019, the Company increased its issued and paid-up capital from RM100,000,000 to RM261,500,000 via issuance of 1,615 new preference shares for cash of RM161,500,000 on 12 December 2019.

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Reserves 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.

Directors

The Directors who have held office since the beginning of the financial year to the date of this report are:

James Loh Sinn Yuk	(Chairman, Independent Non-Executive Director) <i>(Appointed on 22 March 2019)</i>
K. Vithyatharan A/L V. Karunakaran	(Independent Non-Executive Director)
Nor Azian binti Mohd Noor	(Non-Independent Non-Executive Director)
Dr Cheah You Sum	(Independent Non-Executive Director)
Muhammad Ali Jinnah bin Ahmad	(Independent Non-Executive Director)
Tam Chiew Lin	(Non-Independent Non-Executive Director) <i>(Appointed on 9 December 2019)</i>
Arthur Lee King Chi	(Executive Director) <i>(Appointed on 22 March 2019)</i>
Tara Marie Latini	(Executive Director) <i>(Resigned on 22 March 2019)</i>
Kasim bin Zakaria	(Chairman, Non-Independent Non-Executive Director) <i>(Passed away on 23 July 2019)</i>

Directors' interests in shares

	01.01.2019	Granted	Exercised	31.12.2019
Options to subscribe for ordinary shares of FWD Limited				
Arthur Lee King Chi	<u>952</u>	<u>4,140</u>	<u>-</u>	<u>5,092</u>

Other than as disclosed above, none of the Directors (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) holding office at 31 December 2019 have any interest in the ordinary shares and options over shares of the Company and of its related corporations during the financial year.

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Directors' benefits

Since the end of the previous financial year, none of the Directors of the Company received or became entitled to receive any benefit (other than the benefits shown under Directors' Remuneration in Note 24 to the financial statements) by reason of a contract made by the Company or its related corporations 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.

A corporate liability insurance has been entered into by the Company on behalf of all the directors and officers of the Company for the financial year end 31 December 2019 pursuant to section 289 of the Companies Act, 2016. The cost of insurance effected amounted to RM4,774.

There were no arrangements to which the Company is a party during and at the end of the financial year which had the objective of enabling the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except for:

- (i) Directors who were granted the option to subscribe for shares in the intermediate holding company, FWD Limited, under Executive Share Option Schemes at prices and terms as determined by the schemes.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Auditors' remuneration

Details of auditors' remuneration are set out in Note 20 to the financial statements. There is no indemnity given to or insurance effected for any auditor of the Company.

Other statutory information

Before the financial statements of the Company were prepared, the Directors took reasonable steps to ascertain that:

- (i) 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 values 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.

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Other statutory information (cont'd.)

At the date of this report, the Directors are not aware of any circumstances:

- (i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Company inadequate to any substantial extent, or
- (ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or
- (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Company misleading, or
- (v) that would render the provision for incurred claims, including incurred but not reported claims ("IBNR"), inadequate to any substantial extent.

At the date of this report, there does not exist :

- (i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company 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 its obligations as and when they fall due.

Contingent or other liabilities do not include liabilities arising from Takaful contracts underwritten in the normal course of business of the Company.

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 December 2019 has not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Ultimate holding company

The Directors regard PCGI Limited, a company incorporated in the Cayman Islands as the ultimate holding company.

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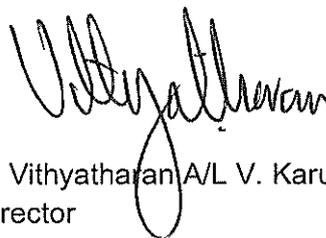
Auditors

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors:



Dr Cheah You Sum
Director



K. Vithyatharan A/L V. Karunakaran
Director

Kuala Lumpur, Malaysia

06 MAY 2020

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Corporate Governance Disclosure

Board of Directors

Board Responsibility and Oversight

The objectives of the management structures within the Company, headed by the Board of Directors and led by the Chairman, are to deliver sustainable value to shareholders and promote a culture of openness and debate. The Board is responsible for overseeing the management of the Company and reviewing the Company's strategic plans and key policies. Although the Board delegates the day-to-day management of the Company's business and implementation of strategy to the Executive Committee, certain matters, including annual operating plans, risk appetite and performance targets, procedures for monitoring and controlling operations, approval of credit or market risk limits, specified senior appointments and any substantial change in balance sheet management policy are reserved by the Board for approval.

The Board meets regularly to review reports on performance against financial and other strategic objectives, key business challenges, risk, business developments, and investor and external relations. All Directors have full and timely access to all relevant information. They are also encouraged to have free and open contact with management at all levels. Directors may take independent professional advice if necessary.

At the date of this report, the Board consists of seven (7) members comprising of four (4) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors and one (1) Executive Director. The details of the Directors are set out on pages 9 to 13.

Appointments to the Board are made on merit and candidates are considered against objective criteria, having due regard to the benefits of diversity on the Board. A rigorous selection process, overseen by the Nominations and Remuneration Committee and based on agreed requirements including BNM Corporate Governance Policy Document's ("CG") requirements are followed in relation to the appointment of Directors.

All Directors, including those appointed by the Board to fill a casual vacancy, are subject to annual re-election at the Company's Annual General Meeting. Non-executive Directors are appointed for an initial three-year term and, subject to re-election by the shareholders at Annual General Meetings. The tenure of independent non-executive Directors shall not exceed a cumulative term of nine (9) years.

The terms and conditions of appointment of non-executive Directors are set out in a letter of appointment, which include the expectations of them and the time estimated for them to meet their commitment to the Company.

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Corporate Governance Disclosure (cont'd.)

Board of Directors (cont'd.)

Board Responsibility and Oversight (cont'd.)

Non-executive Directors are not FWD Takaful employees and do not participate in the daily business management of the Company. They bring an external perspective, constructively challenge and help develop proposals on strategy, scrutinise the performance of management in meeting agreed goals and objectives, and monitor the risk profile and reporting of performance of the Company. The Board has determined that each non-executive Director is independent in character and judgement, and there are no relationships or circumstances likely to affect the judgement of the independent non-executive Directors.

The roles of the Non-Independent Chairman and Chief Executive Officer are separate, with a clear division of responsibilities between the running of the Board and executive responsibility for running the Company's business.

Encik Kasim bin Zakaria was the Chairman of the Company until his passing on 23 July 2019. Subsequently, Mr. James Loh had been appointed as the new Chairman of the Company on 27 November 2019.

Board Composition

As at 31 December 2019, the Board comprised of seven (7) Directors, which consisted of four (4) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors and one (1) Executive Director.

The Company is guided by BNM CG Policy in determining its board composition. The Board shall determine the appropriate size of the Board to enable an efficient and effective conduct of Board deliberation. The Board shall have a balance of skills and experience to commensurate with the complexity, size, scope and operations of the Company. Board members should have the ability to commit time and effort to carry out their duties and responsibilities effectively.

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Corporate Governance Disclosure (cont'd.)

Board of Directors (cont'd.)

Board Responsibility and Oversight (cont'd.)

Board Composition (cont'd.)

The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. The Board will consider appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

The current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

Board Meetings

The Board met eight (8) times during the financial year ended 31 December 2019 with timely notices of issues to be discussed. Three (3) meetings were convened prior to the acquisition of the 49% ordinary shares of the Company by FWD Life Insurance Company (Bermuda) Limited. The transfer of business was completed on 22 March 2019. A total of five (5) Board meetings were convened since the transfer of business. Details of attendance of each director are as follows:

<u>Directors</u>	<u>Attendance</u>
James Loh Sinn Yuk (Chairman) (Appointed on 22 March 2019)	4/5
K. Vithyatharan A/L V. Karunakaran	8/8
Dr Cheah You Sum	8/8
Muhammad Ali Jinnah bin Ahmad	8/8
Nor Azian binti Mohd Noor	8/8
Arthur Lee King Chi (Appointed on 22 March 2019)	5/5
Tam Chiew Lin (Appointed on 9 December 2019)	0/0**
Kasim bin Zakaria (Passed away on 23 July 2019)	6/6
Tara Marie Latini (Resigned on 22 March 2019)	3/3

***All meetings were held prior to the appointment of Madam Tam Chiew Lin as the director of the Company*

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Corporate Governance Disclosure (cont'd.)

Directors' Profile

- 1 James Loh Sinn Yuk, 69**
Independent Non-Executive Director/ Chairman
Appointed to the Board: 22 March 2019

Mr. James Loh is the Chairman and Independent Non-Executive Director of the Company. He has more than 40 years experience in investment. He was the founder and former CEO of JL Capital Ltd. He began his career with Salomon Brothers in New York. He has since worked across various investments banks across the globe – including nearly ten years at the Union Bank of Switzerland (now UBS AG) in Singapore. He joined Barclays Capital in 1999 and was responsible for all Barclays' trading activities across the Asia Pacific. As Chairman of the Investment Committee at the University of Singapore, he entirely revamped their investment process. Beyond JL Capital, James has been actively involved in various organizations including co-founding Leap Philanthropy, a non-profit which aims to reduce poverty in Indochina.

Mr. James Loh graduated from the University of Chicago with a Master's degree in Business Administration, Finance.

Mr. James Loh does not have any shareholding in the Company.

- 2 K. Vithyatharan A/L V. Karunakaran, 62**
Independent Non-Executive Director
Chairman of Audit Committee and Risk Committee
Appointed to the Board: 6 May 2015

Mr. K. Vithyatharan is the Chairman of the Audit Committee and Risk Committee, and a member of the Nominations and Remuneration Committee of the Company. Mr K. Vithyatharan is a knowledgeable and experienced finance and audit professional with over 20 years in carrying out statutory and internal audit, risk management and operations and financial due diligence.

He is a qualified Certified Public Accountant with over 15 years' experience at KPMG globally (served in their London, Bahrain, Qatar, Singapore and Malaysia offices). In addition to his experience in KPMG, he was previously a Vice President, Credit Risk in Citibank and RHB Bank. He was the director of audit services (Financial Services) in KPMG Bahrain before his retirement as the Acting CEO of Asia Capital Reinsurance Bahrain, a reinsurance company in 2013. He has attended a number of executive leadership programmes including Harvard Business School, Boston.

Mr. K. Vithyatharan does not have any shareholding in the Company.

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Corporate Governance Disclosure (cont'd.)

Directors' Profile (cont'd.)

- 3 Nor Azian binti Mohd Noor, 53**
Non-Independent Non-Executive Director
Member of the Nominations and Remuneration Committee
Appointed to the Board: 22 February 2017

Puan Nor Azian graduated with a Bachelor of Commerce in 1988 from the University of Wollongong, Australia, majoring in Accountancy. She is also a member of Certified Practising Accountant ("CPA") Australia and the Malaysian Institute of Accountants.

She started her career at PricewaterhouseCoopers after graduation and has worked for Employees Provident Fund ("EPF") for more than 11 years, having started her career at EPF in 1995 as an Accountant in Finance Department. She is currently the Head of Finance of the Finance Department at EPF.

Puan Nor Azian does not have any shareholding in the Company.

- 4 Dr Cheah You Sum, 55**
Independent Non-Executive Director
Member of the Audit Committee, Risk Committee, Nominations and Remuneration Committee
Appointed to the Board: 21 August 2017

Dr Cheah is an Associate Professor of the Centre of Commercial Law and Justice at Sunway University. He is a Fellow of the Chartered Insurance Institute ("FCII") and a Member of the Chartered Institute of Arbitrators ("MCI Arb").

Dr Cheah has gained many years of working experience in the financial services industry which includes experience in an established bank, general and life insurance companies. A large part of that experience is gained at middle to senior management level. He has gained overall exposure ranging from technical knowledge to business development and being the Chief Executive Officer with the overall responsibility for the bottom line performance of the company. He has worked with and led teams from diverse background, religious beliefs and culture as a result of his working experience in local companies, a foreign based company and foreign university partner.

Dr Cheah does not have any shareholding in the Company.

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Corporate Governance Disclosure (cont'd.)

Directors' Profile (cont'd.)

- 5 Muhammad Ali Jinnah bin Ahmad, 41**
Independent Non-Executive Director
Chairman of the Shariah Committee
Member of the Audit Committee, Risk Committee, Nominations and Remuneration Committee
Appointed to the Board: 21 August 2017

Mr Muhammad Ali Jinnah earned a Master's degree in Islamic Management, Banking and Finance from the Loughborough University, UK in 2004. He is one of the co-authors of the world's first most comprehensive Islamic finance textbook, "Islamic Financial System: Principles & Operations". He is also the co-authors for several outstanding ISRA's Research Papers including "The Parameter of Permissible Risks in Takaful". Muhammad Ali presented at various workshops and conferences in Takaful and Islamic Finance at local and international level including Cambridge University, UK and Harvard University, USA.

Mr Muhammad Ali Jinnah does not have any shareholding in the Company.

- 6 Madam Tam Chiew Lin, 69**
Non- Independent Non-Executive Director
Appointed to the Board: 9 December 2019

Madam Tam is a Fellow of the Institute of Chartered Accountants in England and Wales, a Chartered Accountant of the Malaysian Institute of Accountants and Public Accountant of the Malaysian Institute of Certified Public Accountants. Madam Tam also holds a Diploma in Applied International Management from the Swedish Institute of Management and a Postgraduate Certificate in Banking and Finance from the University of Wales, Bangor. Madam Tam currently serves on the boards of JAB Capital Berhad and PPB Group Berhad.

Madam Tam does not have any shareholding in the Company.

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Corporate Governance Disclosure (cont'd.)

Directors' Profile (cont'd.)

- 7 Arthur Lee Chi King, 59**
Executive Director
Appointed to the Board: 22 March 2019

Mr. Arthur Lee is the Executive Director of the Company. He is the Executive Vice President, New Markets & Corporate Governance, and South-East Asia Chairman of FWD Group. He is a member of the Board of Directors of a number of FWD businesses. In his previous role, he was at the helm of Tokio Marine, as Chief Executive and member of the Board of Tokio Marine Asia, and as Executive Officer of Tokio Marine Holdings, driving the expansion and development of the business and management of the operations in the region. He was also a member of a number of boards within the Tokio Marine group. Mr. Lee graduated with a BA in Economics, and a Juris Doctorate.

Mr. Arthur Lee does not have any shareholding in the Company.

- 8 Tara Marie Latini, 45**
Executive Director
Appointed to the Board: 30 October 2018
Ceased by way of resignation: 22 March 2019

Ms Tara Marie Latini graduated from Arizona State University with a Bachelor of Science in Finance, cum Laude and Masters of Business Administration from Columbia University New York. She is currently the Head of Retail Banking and Wealth Management (RBWM) of HSBC Bank Malaysia Berhad. Prior to joining HSBC Malaysia, she was attached to HSBC London. She started her career with JP Morgan Chase Bank in 1993 until she joined HSBC in 2004 as a Vice President in Senior Customer Marketing Manager in the Commercial Customer Marketing in New York. She has worked in the Hong Kong, North America, Europe, Middle East & Africa and London, and with extensive experience in product development and marketing of retail business.

Ms Tara does not have any shareholding in the Company.

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Corporate Governance Disclosure (cont'd.)

Directors' Profile (cont'd.)

- 9 Kasim bin Zakaria, 71**
Non-Independent Chairman / Non-Executive Director/
Appointed to the Board: 10 August 2006
Ceased by way of death: 23 July 2019

Encik Kasim has previously served as the General Manager of the Perlis State Economic Development Corporation. He retired from the positions of Chief Executive Officer, Director and Head of Insurance Group of Mayban Fortis Holdings Bhd in June 2005. He brings with him a wealth of experience from the insurance industry for over 30 years at national and regional levels. He obtained his B.Sc. (Business Administration) from the University of Malaya, Malaysia in 1974.

Encik Kasim does not have any shareholding in the Company.

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Corporate Governance Disclosure (cont'd.)

Training and Development

Formal, tailored induction programmes are arranged for newly appointed Directors. The induction programmes consist of a series of meetings with senior executives to enable new Directors to familiarise themselves with the Company's business. Directors also received comprehensive guidance from the Corporate Secretary on Directors' duties and responsibilities.

Training and development are provided for Directors and are regularly reviewed by the Nominations and Remuneration Committee supported by the Corporate Secretary. Executive Directors develop and refresh their skills and knowledge through day-to-day interactions and briefings with senior management of the Company's businesses and functions. Non-Executive Directors have access to external training and development resources under the Directors' training and development framework approved by the Board. Awareness and discussion sessions were conducted by senior executives and subject matter experts on emerging technologies, financial crime compliance, regulatory initiatives and other business developments.

During the year, Directors have also attended talks, dialogue sessions and focus group sessions organized by FIDE Forum, and have received refresher training and presentation on MFRS 9 *Financial Instruments*.

Board Committees

The Board has established a number of committees, the membership of which comprise non-executive Directors who have the skills, knowledge and experience relevant to the responsibilities of the committee. The Board and each Board committee have terms of reference to document their responsibilities and governance procedures. The details of the Board Charter comprising the Board committees' Terms of Reference are available at <https://www.fwd.com.my/~media/Files/FWDMY/pdf/About/BoardCharter.pdf?la=en>

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Corporate Governance Disclosure (cont'd.)

Board Committees (cont'd.)

As at the date of this report, the following are the principal committees:

(a) Audit Committee ("AC")

The Audit Committee is accountable to the Board and has non-executive responsibility for oversight of and advice to the Board on financial reporting related matters and internal controls over financial reporting, covering all material controls. The Audit Committee reviews the financial statements of the Company before submission to the Board. It also monitors and reviews the effectiveness of the internal audit function and the Company's financial and accounting policies and practices. The Audit Committee advises the Board on the appointment of the external auditors and is responsible for oversight of the external auditors.

The Audit Committee meets regularly with the Company's senior financial and internal audit management and the external auditor to consider, inter alia, the Company's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control relating to financial reporting.

The current members of the Audit Committee, all being independent directors, are:

- K. Vithyatharan A/L V. Karunakaran (Chairman)
- Dr Cheah You Sum
- Muhammad Ali Jinnah bin Ahmad

During 2019, the Audit Committee held 6 meetings. Attendance is set out in the table below.

(b) Risk Committee ("RC")

The Risk Committee is accountable to the Board and has non-executive responsibility for oversight of and advice to the Board on high level risk related matters and risk governance.

The Risk Committee meets regularly with the Company's senior financial, risk, internal audit and compliance management to consider, inter alia, risk reports and internal audit reports and the effectiveness of compliance with internal and external guidelines and regulations.

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Corporate Governance Disclosure (cont'd.)

Board Committees (cont'd.)

(b) Risk Committee ("RC") (cont'd.)

The Board and the Risk Committee oversee the maintenance and development of a strong risk management framework by continually monitoring the risk environment, top and emerging risks facing the Company and mitigation actions planned and taken. The Risk Committee recommends the approval of the Company's Enterprise Risk Management Policy, Framework and Risk Appetite Statement to the Board and monitors performance against the key performance/risk indicators included within the statement. The Risk Committee monitors the risk profiles for all of the risk categories within the Company's business.

The current members of the Risk Committee, all being independent directors, are:

- K. Vithyatharan A/L V. Karunakaran (Chairman)
- Dr Cheah You Sum
- Muhammad Ali Jinnah bin Ahmad

During 2019, the Risk Committee held 6 meetings. Attendance is set out in the table below.

(c) Nominations and Remuneration Committee ("NRC")

Nominations and Remuneration Committee is responsible for:- (i) leading the process for Board appointments and for identifying and nominating, for the approval of the Board, candidates for appointment to the Board; (ii) reviewing the candidates for appointment to the senior management team; (iii) appointment and reappointment of Shariah Committee members; and (iv) supporting the Board in overseeing the operation of the Company's remuneration system and reviewing the remuneration of Directors on the Board.

The Nominations and Remuneration Committee considers plans for orderly succession to the Board and the appropriate balance of skills, knowledge and experience on the Board. The Nominations and Remuneration Committee assists the Board in the evaluation of the Board's own effectiveness and that of its committees annually. The findings of the performance evaluation and the implementation of actions arising from the performance evaluation are reported to the Board during 2019.

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Corporate Governance Disclosure (cont'd.)

Board Committees (cont'd.)

(c) Nominations and Remuneration Committee (cont'd.)

Chief Executive Officer's performance evaluation is undertaken as part of the performance management process for all employees. The results will be considered by the Nominations and Remuneration Committee when reviewing the variable pay awards.

The members of the Nominations and Remuneration Committee, all being non-executive Directors, are:

- Dr Cheah You Sum (Chairman)
- K. Vithyatharan A/L V. Karunakaran
- Muhammad Ali Jinnah bin Ahmad
- Nor Azian binti Mohd Noor

During 2019, the Nominations and Remuneration Committee held 6 meetings. Attendance is set out in the table below.

<u>Directors :</u>	<u>Attendance</u>		
	<u>AC</u>	<u>RC</u>	<u>NRC</u>
K. Vithyatharan A/L V. Karunakaran	6/6	6/6	6/6
Dr Cheah You Sum	6/6	6/6	6/6
Muhammad Ali Jinnah bin Ahmad	6/6	6/6	6/6
Nor Azian binti Mohd Noor	N/A	N/A	6/6

(d) Shariah Committee

The Shariah Committee was established with delegated authorities of the Board on the shariah operations and management of day-to-day running of the Company in accordance with Shariah compliance and principles based on the Board's policies and directions.

The current members of the Shariah Committee are:

- Muhammad Ali Jinnah bin Ahmad (Chairman)
- Dr. Ghazali bin Jaapar
- Dr. Mohamad @ Md. Som bin Sujimon
- Dr. Khairul Anuar bin Ahmad
- Dr. Azrul Azlan bin Iskandar Mirza

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Corporate Governance Disclosure (cont'd.)

Delegations by the Board

Executive Committee

The Executive Committee consists of key senior management members who meet regularly and operate as a general management committee under the direct authority of the Board, exercising all of the powers, authorities and discretions of the Board in so far as they concern the management and day to day running of the Company, in accordance with such policies and directions as the Board may from time to time determine. The Company's Chief Executive Officer, chairs the Executive Committee.

Regular Risk Management Meetings of the Executive Committee, chaired by the Chief Risk Officer, are held to establish, maintain and periodically review the Enterprise Risk Management Framework, Policy and Risk Appetite Statement and related guidelines for the management of risk within the Company.

To strengthen the governance framework in anticipation of structural and regulatory changes that affect the Company, the following sub-committees of the Executive Committee were established:

(a) Asset and Liability Management Committee

The Asset and Liability Management Committee is responsible for the efficient management of the Company's balance sheet and the prudent management of risks.

(b) Risk Management Committee

The Risk Management Committee is responsible for the oversight of the enterprise risk policy and framework.

(c) IT Steering Committee

The IT Steering Committee is responsible for the oversight of the implementation and development of IT strategy. The committee is accountable for reviewing, challenging and approving the IT financial planning and IT performance.

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Corporate Governance Disclosure (cont'd.)

Conflicts of interest and indemnification of Directors

The Board has adopted a policy and procedures relating to Directors' conflicts of interest. Where conflicts of interest arise, the Board has the power to authorise them.

The Constitution provides that Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions. Such indemnity provisions have been in place but have not been utilised by the Directors. All Directors have the benefit of directors' and officers' liability insurance, with a limit of RM5,309,800.

None of the Directors had, during the year, a material interest, directly or indirectly, in any contract of significance with the Company. All Directors are regularly reminded of their obligations in respect of disclosure of conflicts or potential conflicts of interest in any transactions with the Company.

Management Reports

The Board meetings are structured around a pre-set agenda and reports for discussion, notation and approvals are circulated in advance of the meeting dates. To enable Directors to keep abreast with the performance of the Company, key reports submitted to the Board during the financial year include:

- Minutes of the Board Committees
- Business Progress Report
- Financial Performance Report
- Risk Appetite Statement
- Internal Capital Adequacy Assessment Process
- Risk Management Reports
- Operational Risk Report
- Scenario Stress Testing Results
- Financial Crime Compliance: Anti-Money Laundering and Counter Terrorist Financing Reports
- Regulatory Compliance Report
- Capital Management Plan
- Investment Performance
- People Plan

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Corporate Governance Disclosure (cont'd.)

Internal Control Framework

The Directors are responsible for reviewing the effectiveness of risk management and internal control systems and for determining the nature and extent of the principal risks the Company is willing to take in achieving its strategic objectives. To meet this requirement, procedures have been designed for safeguarding assets against unauthorised use or disposal; for maintaining proper accounting records; and for ensuring the reliability and usefulness of financial information used within the business or for publication.

These procedures can only provide reasonable but not absolute assurance against material misstatement, errors, losses or fraud. Key risk management and internal control procedures include the following:

- Enterprise Risk Management Framework

The Enterprise Risk Management Framework ("ERMF") provides the high-level risk management, structures and processes we use to manage risks, throughout the Company. The FWD Group ERMF framework has been adopted by the Company. The ERMF has five main components: Culture and Values, Risk Governance, Roles and Responsibilities, Processes and Tools, and Internal Controls and provides a consistent mechanism to manage risks across the organisation.

- Delegation of authority within limits set by the Board

Authority to manage the day to day running of the Company is delegated within limits set by the Board to the Chief Executive who has responsibility for overseeing the establishment and maintenance of systems of control appropriate to the business and who has the authority to delegate such duties and responsibilities as he sees fit. Appointments to certain senior positions within the Company require the approval of the Board of Directors.

- Strategic plans

Periodic strategic plans are prepared for Businesses and Functions within the framework of the FWD Group's strategy. The Company also prepares and adopts an Annual Business Plan, which is informed by detailed analysis of risk appetite, describing the types and quantum of risk the company is prepared to take in executing our strategy and sets out the key business initiatives and the likely financial effects of those initiatives.

FWD Takaful Berhad
(Incorporated in Malaysia)

Corporate Governance Disclosure (cont'd.)

Internal Control Framework (cont'd.)

- Risk identification and monitoring

Systems and procedures are in place to identify, control and report on the major risks facing the Company as set out below:

- Asset & Liability Management ("ALM"), Capital & Investment Risks (including Liquidity/Surrender, Market & Credit risk);
- Insurance Risks (including Mortality, Morbidity, Persistency, Expense, Underwriting, Claim, Pricing and Model Risk);
- Shariah Risks (including Shariah Non Compliance, Transaction, Governance and Competency)
- Strategic Risks (including Group, Channel, Reputation, Business Intelligence and Technological Strategy Risk)
- Operational risk (including Internal Fraud, External Fraud, Employment Practice and Workplace Safety, Clients, Products & Business Practice, Mis-selling, Damage to Physical Assets, Business Disruption, Execution, Delivery & Process Management, Outsourcing, Project and Technology)

Exposure to these risks is monitored by Board Risk Committee, Risk Management Committee and Asset & Liability Management Committee of the Executive Committee which is chaired by Chief Executive Officer. The RMM also monitors the Company's operational risk profile and the effective implementation of the Company's operational risk management framework.

- Changes in market conditions/practices

Processes are in place to identify new risks arising from changes in market conditions/practices or customer behaviours, which could expose the Company to heightened risk of loss or reputational damage. The Company employs an active risks framework, which enables it to identify current and forward-looking risks and to take action which either prevents them materialising or limits their impact.

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FWD Takaful Berhad
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Corporate Governance Disclosure (cont'd.)

Internal Control Framework (cont'd.)

- During 2019, attention was focused on:
 - Strategic Execution Risk;
 - Sales Strategy Risk;
 - IT Project Risk;
 - Information Security Risk;
 - Regulatory Execution Risk;
 - Operational Readiness and Efficiency Risk;
 - Operational Risk - Execution Delivery & Process Management (EDPM) Risk;
 - Agency Related Risk
 - AML Risk; and
 - Transition Risk
- IT operations
Centralised functional control is exercised over all IT development and operations. Common systems are employed for similar business processes wherever practicable.
- Financial reporting
The Company's financial reporting process for preparing the financial statements is in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act, 2016, in Malaysia and supported by a chart of accounts with detailed instructions and guidance on reporting requirements, issued by FWD Group finance to the Company in advance of each reporting period end. The submission of financial information from the Company is subject to certification by the responsible financial officer, and analytical review procedures at the Company.
- Responsibility for risk management
Every employee is responsible for the identification and management of risk within the scope of their role as part of the Three Lines of Defence ("3LOD") model. The senior management team are accountable for these assigned risks in their respective areas of responsibility and report and escalate as necessary through the risk governance structures. Policies, procedures and limits are defined to ensure that business activities remain within an appropriate level of risk. All employees have a role to play in risk management. These roles are defined using the 3LOD model, which takes into account the business and functional structures. The model delineates management accountabilities and responsibilities for risk management and the control environment within each of the lines of defence, thereby creating a robust control environment to manage risks.

FWD Takaful Berhad
(Incorporated in Malaysia)

Corporate Governance Disclosure (cont'd.)

Internal Control Framework (cont'd.)

- **Function management**
FWD Group-set policies, procedures and standards to control the principal risks detailed under 'Risk identification and monitoring' will be followed, unless those contravene the local regulations. In cases where the two do not contravene, the stricter one will be adopted. Limits of authorities to enter into credit and market risk exposures are delegated to line management of the Company. The concurrence of the appropriate Global Risks is required, for credit proposals with specified higher risk characteristics. Credit and market risks are measured and reported at Company level and aggregated for risk concentration analysis on a Group wide basis.
- **Internal audit**
FWD Takaful Berhad's Internal Audit is responsible for developing and maintaining an efficient and effective programme of internal auditing to enhance the Company capacity to manage risk and to provide the Audit Committee, and management that, on an ongoing basis, the system of internal control of the Company, taken as a whole, achieves the following objectives:
 - Achievement of the Company's strategic objectives (align audits to strategy);
 - Reliability and integrity of financial and operational information;
 - Effectiveness and efficiency of operations and programs;
 - Safeguarding of assets; and
 - Compliance with laws, regulations, policies, procedures, and contracts.

Annually, internal audit will develop a flexible three year audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management. The audit plan will be tabled to the Audit Committee for review and approval.

The frequency and scope of audit coverage are determined from the on-going assessment of risk. The audit programme includes obtaining an understanding of the systems of controls under audit, evaluating their adequacy, and testing the degree of compliance with key controls. In addition, the internal audit plan supports management in other capacities such as:

- Conducting special investigations regarding errors or irregularities.
- Assisting management in responding to regulatory inquiries or requests.

FWD Takaful Berhad
(Incorporated in Malaysia)

Corporate Governance Disclosure (cont'd.)

Internal Control Framework (cont'd.)

- **Internal audit (cont'd.)**

Management is responsible for fraud prevention and detection. As internal audit performs its work, it will be observant of manifestations of the existence of fraud and weaknesses in internal control which would permit fraud to occur or would impede its detection.

The Head of Internal Audit submits periodic, but no less than quarterly, reports to the Audit Committee, and Executive Committee on the status and results of the internal audit plan and significant control. Reports relating to individual audits are addressed to the applicable senior management who are required to respond on the corrective actions to be taken.

Remuneration Policy

FWD Remuneration Policy ensures all employees are paid a fair compensation for the contribution they make. Total compensation will be equitable throughout the Company and competitive to those with similar capacity in the marketplace. Heavy emphasis is on Pay for Performance, hence the variable component forms a material part of the total compensation.

The key objectives of the Policy is to:

- Align employee compensation with the achievement of Company's business strategy and individual contributions
- Ensure employee total compensation is equitable internally and competitive to those with similar capacity in the marketplace
- Encourage and incentivize outstanding contributions

The Company adopts an approach in providing a transparent and simple compensation framework to incentivize Pay for Performance. Therefore, to ensure alignment between remuneration and business strategy, individual remuneration is determined through assessment of performance, delivered against both annual and long term objectives summarized in performance scorecards with well-articulated Key Performance Indicators (KPI) as well as adherence to FWD Group's Core Values of Proactive, Innovative, Commitment, Caring and Open.

The typical structure of employee remuneration, including members of the Executive Committee (ExCo) will comprise as applicable, fixed remuneration consisting of base salary, cash allowances, provident fund and employee benefits, as well as variable remuneration consisting of short-term and/or long-term incentive awards.

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(Incorporated in Malaysia)

Corporate Governance Disclosure (cont'd.)

Internal Control Framework (cont'd.)

Remuneration Policy (cont'd.)

The short-term incentive plan ("STI") and long-term incentive plan ("LTI") are aimed to align the remuneration framework with the achievement of the Company's key financial targets, the execution of the business strategy, the risk management framework and the operational plans.

The members of the Board will receive fixed remuneration as an annual fee, of which the basic fee is paid on a quarterly basis which are not subject to the achievement of any specific performance conditions.

FY2020 Outlook

A slowdown in economic activity in the short-term is expected due to the countermeasures adopted to control the Covid-19 pandemic. The management is currently assessing the potential business and financial impact, but fully expects that the Company has sufficient capital and resilience to weather the impact of Covid-19 on its business. Currently, the mortality rate of Covid-19 remains relatively low, and given the age distribution of our customers, is not expected to result in a sharp deterioration in death claims.

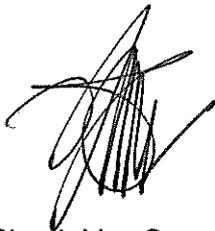
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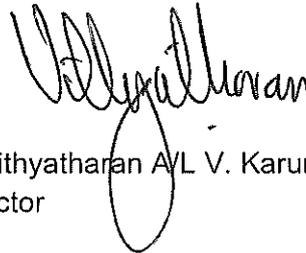
Statement by Directors Pursuant to Section 251(2) of the Companies Act, 2016

We, Dr Cheah You Sum and K. Vithyatharan A/L V. Karunakaran, being two of the Directors of FWD Takaful Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 35 to 148 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and of, its financial position and cash flows of the Company for the financial year ended on that date.

On behalf of the Board,



Dr Cheah You Sum
Director



K. Vithyatharan A/L V. Karunakaran
Director

Kuala Lumpur, Malaysia

06 MAY 2020

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FWD Takaful Berhad
(Incorporated in Malaysia)

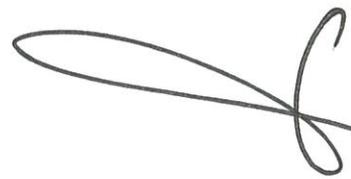
Statutory Declaration Pursuant to Section 251(1) of the Companies Act, 2016

I, Yeoh Eng Hun, being the officer primarily responsible for the financial management of FWD Takaful Berhad, do solemnly and sincerely declare that the financial statements set out on pages 35 to 148 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared by the abovenamed)
Yeoh Eng Hun)
at Kuala Lumpur in the)
Federal Territory on **- 6 MAY 2020**)



Before me


Commissioner for Oaths



LEVEL 25, MENARA HONG LEONG,
NO 6, JALAN DAMANLELA, BUKIT DAMANSARA
50490 KUALA LUMPUR

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FWD Takaful Berhad
(Incorporated in Malaysia)

Report of the Shariah Committee

In the name of Allah, The Most Beneficent, The Most Merciful.

In compliance with the letter of appointment, we are required to submit the following report:

We have reviewed to the best of our knowledge, the principles and the contracts relating to the transactions and applications introduced by FWD Takaful Berhad during the financial year ended 31 December 2019. We have also conducted our review to form an opinion as to whether FWD Takaful Berhad has complied with Shariah rules and principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

The management of FWD Takaful Berhad is responsible for ensuring that the company conducts its business and operations that are in accordance with Shariah rules and principles. It is our responsibility to form an independent opinion, based on our observation through all information disclosed to us on the business and operations of FWD Takaful Berhad and to report to you.

We have assessed the work carried out by Shariah review and Shariah Audit which included examining, on a test basis, type of transaction, the relevant documentation and procedures adopted by the Company.

We planned and performed our advisory tasks so as to obtain all the information and explanations which are deemed essential together with sufficient evidence to give reasonable assurance that FWD Takaful Berhad has not violated Shariah rules and principles.

In our opinion and to the best of our knowledge:

- (a) the contracts, transactions and dealings entered into by FWD Takaful Berhad during the financial year ended 31 December 2019 as presented and deliberated to us are in compliance with the Shariah rules and principles;
- (b) the allocation of profit and surplus sharing and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah rules and principles; and
- (c) no earnings have been realised from sources or by means prohibited by the Shariah principles.

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FWD Takaful Berhad
(Incorporated in Malaysia)

Report of the Shariah Committee (cont'd.)

We, the members of Shariah Committee of FWD Takaful Berhad, do hereby confirm that the operations of FWD Takaful Berhad for the year ended 31 December 2019 have been conducted in conformity with the Shariah principles.

"And cooperate in righteousness and piety, but do no cooperate in sin and aggression, And fear Allah; indeed Allah is severe in penalty." (2: Al-Maidah)



Muhammad Ali Jinnah Bin Ahmad
Chairman
Shariah Committee



Dr. Khairul Anuar Bin Ahmad
Member
Shariah Committee

Kuala Lumpur
06 MAY 2020

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FWD Takaful Berhad
(Incorporated in Malaysia)

Report of the Shariah Committee (cont'd.)

Shariah Committee meetings of FWD Takaful Berhad Year 2019

No.	Month	Meeting Ref No.	Meeting Date
1	January	SC Meeting 01(01/2019)	29 January 2019
2	January	Adhoc SC Meeting 01(01/2019)	7 January 2019
3	February	SC Meeting 02(02/2019)	26 February 2019
4	March	SC Meeting 03(03/2019)	3 March 2019
5	March	Adhoc SC Meeting 02(03/2019)	5 March 2019
6	April	SC Meeting 04(04/2019)	15 April 2019
7	June	SC Meeting 05(06/2019)	17 June 2019
8	August	SC Meeting 06(08/2019)	5 August 2019
9	August	Adhoc SC Meeting 03(08/2019)	28 August 2019
10	September	SC Meeting 07(09/2019)	23 September 2019
11	November	SC Meeting 08(11/2019)	25 November 2019

Attendance

The meeting attendances of the respective Shariah Committee Members are as follows:-

No.	Name	Attendance
1	En. Muhammad Jinnah bin Ahmad	10/11
2	Dr. Khairul Anuar bin Ahmad	11/11
3	Dr. Azrul Azlan bin Iskandar Mirza	11/11
4	Dr. Ghazali bin Jaapar	9/11
5	Dr. Mohamad @ Md Som bin Sujimon	9/11

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**Independent auditors' report to the members of
FWD Takaful Berhad
(Incorporated in Malaysia)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of FWD Takaful Berhad ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the 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 a summary of significant accounting policies, as set out on pages 35 to 148.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Corporate Governance disclosures, but does not include the financial statements of the Company and our auditors' report thereon.

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

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**Independent auditors' report to the members of
FWD Takaful Berhad (cont'd.)
(Incorporated in Malaysia)**

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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**Independent auditors' report to the members of
FWD Takaful Berhad (cont'd.)
(Incorporated in Malaysia)**

Auditors' responsibilities for the audit of the financial statements (cont'd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Independent auditors' report to the members of
FWD Takaful Berhad (cont'd.)
(Incorporated in Malaysia)

Other matters

The financial statements of FWD Takaful Berhad for the year ended 31 December 2018, were audited by another auditor who expressed an unmodified opinion on those financial statements on 21 March 2019.

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.



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



Muhammad Syarif bin Abdul Rahim
No. 03157/01/2021 J
Chartered Accountant

Kuala Lumpur, Malaysia
6 May 2020

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FWD Takaful Berhad
(Incorporated in Malaysia)

Statement of financial position as at 31 December 2019

	Note	31.12.2019			31.12.2018 (Restated)		
		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							
Plant and equipment	4(a)	4,198	-	4,198	135	-	135
Intangible assets	4(b)	6,048	-	6,048	12,699	-	12,699
Right-of-use assets	5	1,471	-	1,471	-	-	-
Investment assets	6	137,768	1,093,625	1,231,393	130,706	1,089,246	1,219,952
Retakaful assets	7	-	28,624	28,624	-	42,540	42,540
Current tax assets		13,415	-	8,242	5,056	-	4,752
Deferred tax assets	10	654	-	-	-	1,216	81
Financing receivables, excluding takaful receivables	8	20,146	6,798	8,871	36,679	8,400	38,461
Takaful receivables	9	-	5,463	5,463	-	524	524
Cash and cash equivalents	11	104,242	90,010	194,252	30,432	50,874	81,306
Total assets		287,942	1,224,520	1,488,562	215,707	1,192,800	1,400,450
Shareholders' equity							
Share capital	12	261,500	-	261,500	100,000	-	100,000
(Accumulated losses)/retained earnings		(5,541)	-	(5,541)	28,103	-	28,103
Fair value reserve		1,753	-	1,753	129	-	129
Total equity		257,712	-	257,712	128,232	-	128,232

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

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FWD Takaful Berhad
(Incorporated in Malaysia)

Statement of financial position as at 31 December 2019 (cont'd.)

	Note	31.12.2019			31.12.2018 (Restated)		
		Takaful Operator RM'000	Family Takaful Fund		Takaful Operator RM'000	Family Takaful Fund	
			RM'000	RM'000		RM'000	RM'000
Liabilities							
Takaful contract liabilities	13	-	1,184,682	1,184,682	-	1,173,625	1,173,625
Expense reserves	15	14,511	-	14,511	36,506	-	36,506
Takaful payables	14	-	9,860	9,860	443	7,319	7,762
Other payables	16	15,719	20,841	18,487	22,391	11,552	27,325
Current tax liabilities		-	5,173	-	-	304	-
Deferred tax liabilities	10	-	3,964	3,310	1,135	-	-
Amount due to shareholders		-	-	-	27,000	-	27,000
Total liabilities		30,230	1,224,520	1,230,850	87,475	1,192,800	1,272,218
Total equity and liabilities		287,942	1,224,520	1,488,562	215,707	1,192,800	1,400,450

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

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FWD Takaful Berhad
(Incorporated in Malaysia)

Statement of financial position as at 31 December 2019 (cont'd.)

	01.01.2018 (Restated)			
	Takaful Operator	General Fund	Takaful Fund	Company
Note	RM'000	RM'000	RM'000	RM'000
Assets				
Plant and equipment	214	-	-	214
Intangible assets	14,353	-	-	14,353
Right-of-use assets	-	-	-	-
Investment assets	145,410	30,111	1,094,374	1,269,895
Retakaful assets	-	38,175	42,811	80,986
Current tax assets	1,919	-	-	-
Deferred tax assets	1,743	165	-	559
Financing receivables, excluding takaful receivables	38,764	389	7,904	37,929
Takaful receivables	-	3,870	9,773	13,643
Cash and cash equivalents	13,201	23,724	45,341	82,266
Total assets	215,604	96,434	1,200,203	1,499,845
Shareholders' equity				
Share capital	100,000	-	-	100,000
Retained earnings	24,555	-	-	24,555
Fair value reserve	(152)	-	-	(152)
Total equity	124,403	-	-	124,403

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

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FWD Takaful Berhad
(Incorporated in Malaysia)

Statement of financial position as at 31 December 2019 (cont'd.)

	01.01.2018 (Restated)			
	Takaful Operator RM'000	General Fund RM'000	Family Takaful Fund RM'000	Company RM'000
Liabilities				
Takaful contract liabilities	-	89,356	1,172,439	1,261,795
Expense reserves	46,969	-	-	46,969
Takaful payables	802	1,161	5,573	7,536
Other payables	16,430	3,079	20,079	30,461
Current tax liabilities	-	2,838	763	1,681
Deferred tax liabilities	-	-	1,349	-
Amount due to shareholders	27,000	-	-	27,000
Total liabilities	91,201	96,434	1,200,203	1,375,442
Total equity and liabilities	215,604	96,434	1,200,203	1,499,845

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

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

Income statement for the financial year ended 31 December 2019

	Note	31.12.2019			31.12.2018 (Restated)		
		Takaful Operator RM'000	Family		Takaful Operator RM'000	Family	
			Takaful Fund RM'000	Company RM'000		Takaful Fund RM'000	Company RM'000
Operating revenue	17	24,425	168,276	174,356	27,468	194,313	202,364
Gross contributions		-	140,556	140,556	-	161,227	161,227
Contributions ceded to retakaful operators		-	(18,185)	(18,185)	-	(19,285)	(19,285)
Net earned contributions		-	122,371	122,371	-	141,942	141,942
Wakalah income	17(a)	18,345	-	-	19,417	-	-
Surplus sharing from Family Takaful Fund		4,121	-	-	4,399	-	-
Investment Income	17(b)	6,080	27,720	33,800	8,051	33,086	41,137
Realised gains	18	41	2,363	2,404	-	916	916
Fair value (losses)/gains	19	(34)	39,922	39,888	-	(46,892)	(46,892)
Allowance for impairment		-	(741)	(741)	-	(3)	(3)
Other operating income		2,787	263	1,313	2,303	256	748
Other income/(expenses)		31,340	69,527	76,664	34,170	(12,637)	(4,094)
Gross benefits and claim paid		-	(193,276)	(193,276)	-	(130,389)	(130,389)
Claims ceded to retakaful operators		-	19,388	19,388	-	15,076	15,076
Changes in retakaful contract liabilities		-	3,947	3,947	-	2,098	2,098
Gross changes in takaful contract liabilities		-	26,848	26,848	-	13,111	13,111
Gross changes in claims liabilities		-	(7,786)	(7,786)	-	(3,214)	(3,214)
Net benefits and claims		-	(150,879)	(150,879)	-	(103,318)	(103,318)

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

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Income statement for the financial year ended 31 December 2019 (cont'd.)

	31.12.2019			31.12.2018 (Restated)		
	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Wakalah expenses	-	(18,345)	-	-	(19,417)	-
Surplus sharing with Takaful Operator	-	(4,121)	-	-	(4,399)	-
Fees and commission expense	(6,997)	-	(6,997)	(6,332)	-	(6,332)
Management expenses	(70,343)	-	(70,343)	(32,512)	-	(32,512)
Change in expense reserves	21,995	-	21,995	(6,271)	-	(6,271)
Other operating expenses	(14,764)	(1,172)	(14,199)	(1,881)	(1,142)	(1,212)
Other expenses	(70,109)	(23,638)	(69,544)	(46,996)	(24,958)	(46,327)
Surplus attributable to participants before taxation	-	17,381	-	-	1,029	-
Surplus distributed to participants	-	(4,018)	(4,018)	-	(6,137)	(6,137)
Tax expense attributable to participants	-	(8,754)	(8,754)	-	2,671	2,671
Net surplus (retained in)/released from takaful fund	-	(4,609)	(4,609)	-	2,437	2,437
Loss before taxation attributable to Takaful Operator	(38,769)	-	(38,769)	(12,826)	-	(12,826)
Taxation	5,125	-	5,125	(5,052)	-	(5,052)
Loss after zakat and taxation	(33,644)	-	(33,644)	(17,878)	-	(17,878)
Profit after zakat and taxation from discontinued operations	-	-	-	21,426	-	21,426
Net (loss)/profit for the financial year	(33,644)	-	(33,644)	3,548	-	3,548
Basic and diluted (loss)/profit per share (sen)	12.2					
- Continuing operations			(1,682.2)			(893.9)
- Discontinued operations			-			1,071.3

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

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FWD Takaful Berhad
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Statement of comprehensive income for the financial year ended 31 December 2019

	31.12.2019			31.12.2018 (Restated)		
	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
(Loss)/profit after zakat and taxation	(33,644)	-	(33,644)	3,548	-	3,548
<u>Items that may be subsequently reclassified to profit or loss:</u>						
Gross fair value gains arising during the financial year	2,137	16,186	18,323	370	2,685	3,055
Tax effects thereon	(513)	(1,295)	(1,808)	(89)	(215)	(304)
Net fair value gains	1,624	14,891	16,515	281	2,470	2,751
Change in Takaful contract liabilities arising from unrealised net fair value gains	-	(14,891)	(14,891)	-	(2,470)	(2,470)
Other comprehensive income for the financial year, net of tax	1,624	-	1,624	281	-	281
Total comprehensive (loss)/income for the financial year	(32,020)	-	(32,020)	3,829	-	3,829

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

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**Statement of changes in equity
For the financial year ended 31 December 2019**

	Note	Issued and fully paid Share capital RM'000	Non- distributable Fair value reserve RM'000	Distributable		Total RM'000
				Retained profits/ (accumulated losses)	Distributable profits/losses	
At 1 January 2018 (As previously stated)						
Restatement	29	100,000	(152)	26,502		126,350
At 1 January 2018 (As restated)						
Profit for the financial year		100,000	(152)	(1,947)		(1,947)
Other comprehensive income for the financial year		-	-	24,555		124,403
At 31 December 2018						
		100,000	281	3,548		3,548
		100,000	129	-		281
				28,103		128,232
At 1 January 2019 (As previously stated)						
Restatement	29	100,000	129	31,479		131,608
At 1 January 2019 (As restated)						
Preference shares issued during the financial year	12	100,000	129	(3,376)		(3,376)
Loss for the financial year		161,500	-	28,103		128,232
Other comprehensive income for the financial year		-	-	-		161,500
At 31 December 2019						
		-	1,624	(33,644)		(33,644)
		261,500	1,753	-		1,624
				(5,541)		(5,541)
						257,712

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

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Statement of cash flows
For the financial year ended 31 December 2019

	Note	2019 RM'000	2018 RM'000 (Restated)
Cash flows from operating activities			
Cash (used in)/generated from operations	22	(37,076)	45,554
Income tax paid		(4,750)	(12,036)
Net cash (used in)/generated from operating activities		<u>(41,826)</u>	<u>33,518</u>
Cash flows from investing activities			
Proceeds from transfer of business, net of cash transferred		-	(31,238)
Purchase of plant and equipment	4(a)	(4,895)	(8)
Purchase of intangible assets	4(b)	(529)	(3,232)
Proceeds from disposal of plant and equipment		121	-
Net cash used in investing activities		<u>(5,303)</u>	<u>(34,478)</u>
Cash flows from financing activities			
Increase in share capital		161,500	-
Payment of principal portion of lease liabilities		(1,425)	-
Net cash generated from financing activities		<u>160,075</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		112,946	(960)
Cash and cash equivalents at 1 January		<u>81,306</u>	<u>82,266</u>
Cash and cash equivalents at 31 December		<u>194,252</u>	<u>81,306</u>

Cash and cash equivalents

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

	Note	2019 RM'000	2018 RM'000 (Restated)
Fixed deposits with licensed Islamic financial institutions	11	165,324	50,856
Cash and bank balances	11	28,928	30,450
		<u>194,252</u>	<u>81,306</u>

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FWD Takaful Berhad
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Notes to the financial statements
For the financial year ended 31 December 2019

1. Corporate information

FWD Takaful Berhad (formerly known as HSBC Amanah Takaful (Malaysia) Berhad (Company No.731530-M)) has completed the transfer of Hong Kong Shanghai Banking Corporation's shareholding to FWD Life Insurance Company (Bermuda) Limited ("FWD") on 23 March 2019.

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

Level 29, Menara Shell
No. 211 Jalan Tun Sambanthan,
50470 Kuala Lumpur, Malaysia.

The company is principally engaged in the underwriting of the Family Takaful Business which includes investment linked business. There has been no any significant change in the principal activities during the financial year.

The immediate holding company is FWD Life Insurance Company (Bermuda) Limited (a company incorporated in the Cayman Islands). The other shareholders are JAB Capital Berhad and Employee Provident Fund Board of Malaysia ("EPF").

The intermediate holding company is FWD Limited, a company incorporated in the Cayman Islands.

The ultimate holding company is PCGI limited, a company incorporated in the Cayman Islands.

The financial statements are authorised by the Board of Directors on 29 April 2020.

2 Significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and the requirements of the Companies Act, 2016 in Malaysia.

At the beginning of the current financial year, the Company had adopted the amended MFRSs, new MFRSs and Interpretation applicable for annual financial periods beginning on or after 1 January 2019, as described fully in Note 2.3.

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2. Significant accounting policies (cont'd.)

2.1 Basis of preparation (cont'd.)

The financial statements of the Company have been prepared on a historical cost basis, unless otherwise indicated in the summary of significant accounting policies. The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework for Takaful Operators ("RBCT") issued by Bank Negara Malaysia ("BNM") as at the reporting date.

Takaful operations and its funds

In preparing the Company-level financial statements, the balances and transactions of the shareholders' fund are amalgamated and combined with those of the family takaful fund. Interfund balances, transactions and unrealised gains and losses are eliminated in full during amalgamation. The accounting policies adopted for shareholders' fund and family takaful fund are uniform for like transactions and events in similar circumstances.

The takaful funds are consolidated and amalgamated from the date of control and continue to be consolidated until the date such control ceases which will occur when the Company's licence to manage takaful business is withdrawn or surrendered.

Under the concept of takaful, individuals make contributions to a pool which is managed by a takaful operator with the overall aim of using the monies to aid fellow participants in times of need. Accordingly, as a takaful operator, the Company is not a participant of the family takaful fund but manages the fund in line with the principles of Wakalah bi al-Ujrah (agency with fees) which is the business model adopted by the Company. The takaful operator manages both the shareholders' fund and the family takaful fund (including the relevant assets and liabilities) towards the purpose outlined above.

In accordance with the Islamic Financial Services Act 2013, the assets and liabilities of the family takaful fund is segregated from those of the takaful operator: a concept known as segregation of funds. However, in compliance with MFRS 10 *Consolidated Financial Statements*, the assets, liabilities, income and expenses of the family takaful fund are consolidated with those of the takaful operator to represent the control of the operator over the fund.

The inclusion of separate information of the family takaful fund and the takaful operator together with the consolidated financial information of the Company in the statement of the financial position, the income statement, the statement of comprehensive income as well as certain relevant notes to the financial statements represents additional supplementary information required for Bank Negara Malaysia reporting.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies

(a) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. The initial cost of plant and equipment comprises its purchase price, including non-refundable taxes and any costs to enhance the working condition of the asset for its intended use.

Expenditure incurred after the plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is charged to the income statement in the period in which the costs are incurred. Where the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of plant and equipment.

Depreciation of plant and equipment is calculated on a straight-line basis to write off the cost of each amount to its residual value over its estimated useful life. The annual depreciation rates are:

Motor vehicles	20%
Computer equipment	33%
Office equipment, furniture and fittings	10 - 20%

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in the income statement.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(b) Intangible assets

Intangible assets acquired separately are measured, on initial recognition, at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life 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 the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category that is consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software to use. These software are amortised over their estimated useful lives of 3 to 5 years.

Software development cost is not amortised and is stated at cost, until such time when such software is completed and is ready for active use. Software development costs are tested for impairment annually and represent 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, it is reclassified to computer software and amortisation of the asset begins. During the period of which the asset is not yet in use, it is tested for impairment annually.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

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2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(c) Investments and financial assets

Temporary exemption from adoption of MFRS 9 *Financial Instruments*

The Company's business activity is predominantly insurance as the liabilities connected with the Company's takaful businesses made up of more than 90% of the Company's total liabilities. Hence, in line with the Amendments to MFRS 4 - *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*, the Company qualifies for the temporary exemption from applying MFRS 9 and will defer and adopt MFRS 9 together with MFRS 17 Insurance Contracts for the financial year beginning on or after 1 January 2023.

As required by the Amendments to MFRS 4 for entities qualified and elected the temporary exemption from applying MFRS 9, the following additional disclosures present the Company's financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and interest/profit on the principal outstanding ("SPPI"):

	Fair Value as at 31 December 2019 RM'000	Change in fair value RM'000	Result of the cash flows characteristics
<u>Shareholders' fund</u>			
Government Investment Issues	10,700	593	SPPI
Government guaranteed sukuk	20,580	506	SPPI
Corporate debt securities	61,457	1,038	SPPI
Collective investment schemes	45,031	(34)	Non-SPPI
Financing receivables, excluding prepayments	19,251	-	SPPI
Cash and cash equivalents	104,242	-	SPPI
	<u>261,261</u>	<u>2,103</u>	

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2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(c) Investments and financial assets (cont'd.)

Temporary exemption from adoption of MFRS 9 Financial Instruments (cont'd.)

	Fair Value as at 31 December 2019 RM'000	Change in fair value RM'000	Result of the cash flows characteristics
<u>Family Takaful fund</u>			
- Government Investment Issues	91,370	1,817	SPPI
- Government guaranteed sukuk	157,280	5,016	SPPI
- Corporate debt securities Designated at FVTPL	227,622	9,353	SPPI
- Government Investment Issues	15,728	585	SPPI
- Government guaranteed sukuk	63,488	3,057	SPPI
- Corporate debt securities	94,834	2,580	SPPI
- Collective investment schemes	428,407	33,172	Non-SPPI
Mandatorily measured at FVTPL			
- Quoted equity securities	14,896	528	Non-SPPI
Financing receivables, excluding prepayments	6,798	-	SPPI
Cash and cash equivalents	90,010	-	SPPI
	<u>1,190,433</u>	<u>56,108</u>	

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(c) Investments and financial assets (cont'd.)

Temporary exemption from adoption of MFRS 9 *Financial Instruments* (cont'd.)

- * Takaful receivables and retakaful assets have been excluded from the above assessment as they will be under the scope of MFRS 17 *Insurance Contracts*.

Initial Recognition and Measurement

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial assets. The Company determines the classification of its financial assets and liabilities at initial recognition.

At initial recognition, the Company measures a financial asset at its fair value, plus, in the case of a financial asset not at Fair Value through Profit and Loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs for financial assets carried at fair value through profit or loss are recognised as expense in the income statement.

Classification and subsequent measurement

The Company determines the classification of its financial assets at initial recognition and this depends on the purpose for which the financial assets were acquired or originated.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(c) Investments and financial assets (cont'd.)

Classification and subsequent measurement (cont'd.)

The Company classifies its financial assets into the following measurement categories:

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

This category comprises two sub-categories: financial assets held for trading and those designated by management as at fair value through profit or loss on initial recognition.

(1) Financial assets held for trading ("HFT")

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling it in the near term.

(2) Financial assets designated at fair value through profit or loss

Financial assets may be designated at fair value through profit or loss when the following criteria are met, and designation is determined on an instrument by instrument basis:

- the application of the fair value option eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets on a different basis; or
- the financial assets are part of a portfolio of financial instruments which is managed and its performance evaluated on a fair value basis; or
- the assets include embedded derivatives and such derivatives are required to be recognised separately.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(c) Investments and financial assets (cont'd.)

**(i) Financial assets held at fair value through profit or loss ("FVTPL")
(cont'd)**

(2) Financial assets designated at fair value through profit or loss (cont'd.)

Financial assets held at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, profit and dividend income. Exchange differences, profit and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as other income or expenses or investment income, as appropriate.

(ii) Loans and receivables ("LAR")

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective profit method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

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

AFS financial assets are financial assets that are designated as available for sale or are not classified in any of the two preceding categories.

After initial measurement, AFS are measured at fair value. Any gain or losses from changes in fair value of the investments are recognised in other comprehensive income.

Fair value gains and losses of monetary and non-monetary securities are reported as a component of equity until the investment is derecognised or is determined to be impaired.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(c) Investments and financial assets (cont'd.)

(iii) Available-for-sale financial assets ("AFS") (cont'd.)

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity is transferred to profit or loss.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

(d) Takaful receivables

Takaful receivables comprise outstanding contribution from certificate holders, agents, intermediaries and also retakaful receivables. Takaful receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable.

Takaful receivables are assessed at each reporting date for objective evidence of impairment. If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the takaful receivable's original effective profit rate. The impairment loss is recognised in profit or loss. The basis for recognition of such impairment loss is as described in Note 2.2(g).

Takaful receivables are derecognised when the rights to receive cash flows from them have expired or when they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

(e) Financial liabilities and takaful payables

Financial liabilities and takaful payables are recognised in the statement of financial position when the Company becomes a party to the contractual obligations of the financial instrument.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(e) Financial liabilities and takaful payables (cont'd.)

(i) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL.

Financial liabilities held for trading include derivatives entered into by the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains and losses recognised in the income statement. Net gains or losses on derivatives include exchange differences.

The Company has not designated any financial liabilities at FVTPL.

(ii) Other financial liabilities

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

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Gains or losses are recognised in the income statement.

(f) Fair value measurement

The Company measures certain financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(f) Fair value measurement (cont'd.)

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interests.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable including quotes from brokers and market makers, discounted cash flows and other valuation techniques commonly used by market participants.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(f) Fair value measurement (cont'd.)

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The fair value of financial assets that are actively traded in organised financial markets i.e. quoted Shariah-approved equities and financial instruments with embedded derivatives is determined by reference to quoted market bid prices for assets at the close of business on statement of financial position date. Fair value for investments in quoted unit trusts - REITS, and similar investments, is determined by reference to published net asset values.

For financial instruments where there is no active market such as unquoted Islamic private debt securities and government investment issues, fair value is obtained from Bond Pricing Agency Malaysia Sdn. Bhd. ("BPAM").

For unquoted and unrated Islamic private debt securities, the unrated Islamic private debt securities are first assigned an internal rating using the Internal Credit Rating model and subsequently benchmarked against BPAM's indicative yields for an Islamic private debt security with similar rating, classification and tenure.

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

(g) Impairment of financial assets

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

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(g) Impairment of financial assets (cont'd.)

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortised cost

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is to be performed at the end of each reporting date.

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

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

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(g) Impairment of financial assets (cont'd.)

(ii) AFS financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as AFS financial assets are impaired.

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity or the family takaful fund to profit or loss.

Impairment losses on equity investments classified as AFS financial assets are not reversed in profit or loss in subsequent years. Increases in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For AFS debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

(h) Derecognition of financial assets and liabilities

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or when the Company has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Company has retained control, the asset continues to be recognised to the extent of the Company's continuing involvement.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(h) Derecognition of financial assets and liabilities (cont'd.)

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

(i) Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on trade date i.e., the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using the trade date accounting. Trade date accounting refers to:

- (i) The recognition of an asset to be received and the liability to pay for it on the trade date; and
- (ii) Derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(j) Impairment of non-financial assets

The carrying amount of non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net realisable value and the value in use, which is measured in reference to discounted cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

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2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(j) Impairment of non-financial assets (cont'd.)

An impairment loss is recognised in the income statement in the period in which it arises. Subsequent increases 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. A reversal of impairment loss is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(k) Impairment of takaful receivables

Takaful receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal or profit or both for takaful receivables is past due for more than 90 days or 3 months for those individually assessed, as prescribed in the Guidelines on Financial Reporting for Takaful Operators issued by Bank Negara Malaysia.

Individual impairment allowances are made for any contributions including agents, brokers and retakaful balances, which remain outstanding for more than three months from the date recognised as receivable, and for all other debts, which are considered impaired.

(l) Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(l) Employee benefits (cont'd.)

(ii) Defined contribution plans under statutory regulations

As required by law, companies in Malaysia make contributions to the statutory pension fund, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(m) 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 the economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

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

(n) Offsetting of Financial Assets and Liabilities

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

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(o) Income tax

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

Besides income tax incurred in the shareholders' fund, the family takaful business pays tax on participants' investment returns at a tax rate of 8%. Tax on participants' investment returns is recognised as an expense and disclosed separately under taxation of family takaful business in the income statement.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date 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, unused taxed losses and unused tax credits. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in other comprehensive income/participants' fund, in which case the deferred tax is also charged or credited directly in other comprehensive income/participants' fund.

(p) Family takaful fund

The family takaful fund is maintained in accordance with the requirements of the Islamic Financial Services Act, 2013 and consists of AFS reserves and accumulated surplus in the fund attributable to participants which represents the participants' share in AFS reserves and net surplus of the family takaful fund.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(p) Family takaful fund (cont'd.)

The family takaful fund surplus or deficit is determined by the Company's Appointed Actuary by an annual actuarial valuation of the family takaful fund. Any deficit in the family takaful fund will be made good by the takaful operator fund via a loan or Qard. Surplus distributable to the participants is determined after deducting benefits paid and payable, retakaful, provisions, reserves and wakalah fees. The surplus may be distributed to the takaful operator and participants in accordance with the terms and conditions of the respective contracts.

(i) Contribution income

Contribution is recognised as soon as the amount of the contribution can be reliably measured. For recurring contribution business, first year contribution is recognised from inception date and subsequent contribution is recognised when due and received. For single contribution business, revenue is recognised on the date on which the certificate is effective. Contributions from the investment-linked business are recognised as revenue when payment is received.

(ii) Creation or cancellation of units

Net creation of units which represent contributions paid by participants or unit holders as payments for new certificate or subsequent payments to increase the amount of that certificate are reflected in the income statement of the investment-linked funds. Net creation of units is recognised on a receipt basis.

Creation or cancellation of units is recognised in the financial statements at the next valuation date, after the request to purchase or sell units is received from the participants or unit holders.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(p) Family takaful fund (Cont'd.)

(iii) Retakaful ceded contribution

Gross retakaful ceded contributions are recognised as an expense when payable or on the date when the certificate is effective.

(iv) Benefits and claim expenses

Claims and settlement costs that are incurred during the financial period are recognised when a claimable event occurs and/or when the Company is notified.

Claims and provisions for claims arising from family takaful certificates, including settlement costs less retakaful recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under family takaful certificates are recognised as follows:

- Maturity or other certificate benefit payments due on specified dates are treated as claims payable on the due dates;
- Death, surrender and other benefits without due dates are treated as claims payables on the date of receipt of intimation of death of the participant or occurrence of the contingency covered;
- For group family business, provision is made for the cost of claims; and
- Benefits payable under investment-linked business include net cancellation of units and are recognised as surrender.

These uncertainties arise from changes in underlying risks, changes in spread of risks, timing and amounts of claims settlement as well as uncertainties in the projection model and underlying assumptions.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(p) Family takaful fund (Cont'd.)

(v) Actuarial liabilities

In carrying out the fiduciary duty, the Company must put in place sufficient measures to ensure sustainability of the Family Takaful Funds to meet takaful benefits for the full term. These measures include setting up of appropriate provisions for liabilities in the Family Takaful Funds, to ensure that adequate funds would be available to meet all contractual obligations and commitments as they fall due, with a reasonable level of certainty.

The Family Takaful liabilities are recognised when contracts are entered into and contributions are charged. These liabilities are measured by using a prospective actuarial valuation method, discounted at the appropriate risk discount rate as defined in the BNM Guidelines on Valuation Basis for Liabilities of Family Takaful Business.

For products with a participant fund, the liabilities are valued by projecting future cash flows to ensure that all future obligations could be met without recourse to additional finance or capital support at any future time during the duration of each certificate. The cash flows for each certificate are projected on monthly intervals until the natural expiry of the certificates, and any negative cash flows at all future monthly intervals are zeroed. The cash flows include the monthly Tabarru', future benefits and netted of retakaful cessions.

For all products without a participant fund, the liabilities are determined as the sum of the present value of future benefits, less the present value of future tabarru arising from the certificate, net of retakaful cession. Any negative liabilities will be zeroed.

The future cash flows are projected based on best estimate assumptions with the appropriate allowance for provision of adverse deviation from expected experience, and with due regard to recent experience.

In addition to the liabilities set up on future benefits, a liability for outstanding claims which includes an estimate of the incurred claims that have not been reported to Takaful Operator is accounted for.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(p) Family takaful fund (cont'd.)

(v) Actuarial liabilities (cont'd.)

For liabilities of a 1-year Family Takaful certificate, the liabilities were the sum of the contribution liabilities and claim liabilities. For Group Term Takaful, the contribution liabilities were taken as the unearned Tabarru'. The claim liabilities comprises of an estimate of the incurred claims that have not been reported to the Takaful Operator, net of retakaful. For Group Hospitalization & Surgery, the contribution liabilities were calculated as the higher of the provision for unearned Tabarru' and the best estimate value of the provision for unexpired risk with provision of risk margin for adverse deviation. The claim liabilities were computed by using the Expected Claim Method, also known as Expected Loss Ratio Method. The ultimate loss ratio for each accident year was selected after giving considerations to the reported-to-date loss ratio as well as the prior accident year's ultimate loss ratio.

Where certificate or extensions of a certificate are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

The liability is derecognised when the contract is expired, discharged or cancelled.

The valuation of takaful certificate liabilities is determined according to BNM Guidelines on Valuation Basis for Liabilities of Family Takaful Business. The Guidelines on Valuation Basis for Liabilities of Family Takaful Business meets the requirement of Liability Adequacy Test under MFRS 4.

As with all projections, there are elements of uncertainty and the projected liabilities may be different from actual benefits paid due to the significant level of uncertainty involved in the discount rate used as well as the lapse and mortality and morbidity assumptions.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(q) Product classification

The family takaful fund consists of certificates that transfer takaful and financial risks. Financial risk is the risk of a possible future change in one or more of a specified profit rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the certificate. Takaful risk is risk other than financial risk.

Takaful certificates are those certificates that transfer significant takaful risk. A takaful certificate is a certificate under which the fund has accepted significant takaful risk from another party (the certificate holders) by agreeing to compensate participants if a specified uncertain future event (the covered event) adversely affects participants. The Company defines Takaful risk to be significant when the ratio of the Takaful risk over the deposit component is not less than 110% of the deposit component at any point of the Takaful contract being in force.

Investment certificates are those certificates that do not transfer significant takaful risk. There are no certificates that are classified as investment certificates in the family takaful fund.

Once a certificate has been classified as a takaful certificate, it remains a takaful certificate for the remainder of its life time, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

(r) Retakaful

The Company cedes takaful risk in the normal course of business for all its business. Ceded retakaful arrangements do not relieve the Company from its obligations to participants. For both ceded and assumed retakaful, contributions and claims are presented on a gross basis.

Retakaful arrangements entered into by the Company that meet the classification requirements of takaful certificates as described in Note 2.2(q) are accounted for as described below. Arrangements that do not meet these classification requirements are accounted for as financial assets. As at the reporting date, all retakaful arrangements entered into by the Company during the year met the classification requirements of takaful certificates.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(r) Retakaful (cont'd.)

Retakaful assets are reviewed for impairment at each statement of financial position date or more frequently when an indication of impairment arises during the financial year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the retakaful asset that the Company may not receive part or all outstanding amounts due under the terms of the contract.

Ceded retakaful arrangements do not relieve the Company from their obligations to participants. For both ceded and assumed retakaful, contributions and claims are presented on a gross basis. Retakaful assets are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(s) Other revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the Company/takaful fund expects to be entitled when the performance obligation is satisfied. Revenue is measured at the fair value of consideration received or receivable.

Profit income

Profit income is recognised on a time proportion basis that takes into account the effective yield of the asset. Profits including the amount of amortisation of premium and accretion of discount are recognised on a time proportion basis taking into account the principal outstanding and the effective date over the period to maturity, when it is determined that such income will accrue to the Company.

Dividend income

Dividend is recognised when the right to receive payment is established.

Realised gains and losses on investments

All sales of investments are recognised on their trade dates i.e., the date the Company commits to sell the assets. Gains or losses arising from the sale of investments are calculated as the difference between net sales proceeds and the original or carrying amount and are credited or charged to the income statement.

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2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term, highly liquid investments with original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(u) Zakat

This represent tithes payable by the Company to comply with the principles of Shariah and is approved by the Shariah Committee of the Company. Zakat is calculated using the net asset method and is only provided when there is a commitment or obligation to pay at the end of financial year, as approved by the Shariah Committee.

(v) Shareholders' fund

(i) Wakalah fees, commission expenses, management expenses and other charges

In accordance with the principles of wakalah, as approved by the Shariah Committee of the Company and agreed between the participants and the Company, wakalah fee will be charged by the shareholders' fund for the underwriting and management of the services provided to participants.

These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, the fees are deferred and recognised over those future periods.

Wakalah fees include upfront fees, risk management charges and fund management and service charges as described in the certificate with the participants of the Company. The fee can be a fixed amount or as a percentage ratio of the contribution or fund value. The manner of payment can be in one lump sum or in several payments. This is in accordance with the principal of wakalah as approved by the Shariah Committee and the fee is determined and agreed between the participant and the Company at the time of entering into the contract.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(v) Shareholders' fund (cont'd.)

(i) Wakalah fees, commission expenses, management expenses and other charges (cont'd.)

The wakalah fees charged by the shareholders' fund are used to pay all management and commission expenses in the shareholders' fund, which are incurred on behalf of the family takaful fund. All management expenses are recognised in the shareholders' fund as incurred.

Commission and agency expenses, which are costs directly incurred in securing contribution on takaful certificates, net of income derived from retakaful operators in the course of ceding of contribution to retakaful operators, are charged to the income statement in the period in which they are incurred.

(ii) Expense liabilities of the family takaful fund

The contract underlying takaful operations defines a unique relationship between Takaful Operator and participants of a takaful scheme. While the Family Takaful Fund is responsible to meet contractual benefits accorded to participants on the basis of mutual assistance amongst participants, the Company is expected to duly observe fundamental obligations towards participants, particularly in terms of adhering to Shariah principles and undertaking fiduciary duties to prudently manage the takaful funds as well as meet costs involved in managing the takaful business.

In carrying out the fiduciary duty, the Company must put in place sufficient measures to ensure that the Takaful Operator is able to support the takaful certificates for the full term.

The valuation of expense liabilities in relation to certificates of the family takaful fund is computed separately by actuaries in Takaful Operator's fund. The expense liabilities are released over the term of the Takaful certificate and recognised in the income statement.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(v) Shareholders' fund (cont'd.)

(ii) Expense liabilities of the family takaful fund (cont'd.)

For single contribution credit related products, the expense liabilities are determined as the sum of present value of future expenses, including any expected maintenance expense overruns, incurred by the Takaful Operator in managing the family fund.

Future expenses for Takaful Operator refer to expense, commissions and surrender benefit payout (if any). The income includes wakalah fees, surrender charges (if any), monthly service charges (if any), fund management charges (if any), investment income fees and surplus distribution from the Takaful fund (from products with participant fund).

Expected future maintenance expense overruns are considered in the expense liabilities on fund level. The expenses overrun liabilities are valued by projecting future expenses in excess of expenses allowed within expenses liability, offsetting with the expected future profit arising from the current inforce business at each future year. Any negative liabilities at all future year are zeroed.

The future cash flows are projected based on best estimate assumptions with the appropriate allowance for provision of adverse deviation from expected experience, and with due regard to recent experience.

For expense arising from managing 1-year family takaful certificates, the liability for such expense comprises the provision for unearned wakalah fees and unexpired expense risks.

Where certificates or extensions of a certificate are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zeroisation.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(v) Shareholders' fund (Continued)

(ii) Expense liabilities of the family takaful fund (Continued)

Liability adequacy test

At each reporting date, the Company reviews the expense liabilities of the shareholders' fund to ensure that the carrying amount is sufficient or adequate to cover the obligations of the shareholders' fund for all managed takaful certificates still in force at the financial year end.

In performing this review, the Company considers all contractual cash flows and compares this against the carrying value of expense liabilities. Any deficiency is recognised in the income statement.

(w) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency ("foreign currencies") are recorded in the functional currency using the exchange rates prevailing at the dates of transactions. At each statement of financial position date, monetary items denominated in foreign currencies are translated at the rates prevailing at the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Exchange differences arising on the settlement of monetary items and translation of monetary items are included in the income statement.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(x) Leases (Policy applicable before 1 January 2019)

Operating leases - Company as lessee

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(y) Leases (Policy applicable from 1 January 2019)

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract involves the use of an identified asset and conveys the right to control the use of the asset for a period of time in exchange for consideration – i.e. the customer has the right to:

- obtain substantially all of the economic benefits from using the asset; and
- direct the use of the asset.

(i) As Lessee

The Company recognises a right-of-use asset and a lease liability in its statement of financial position at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the amount of lease liability, less any lease payments made before the commencement date, any indirect costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the profit rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental financing rate.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(y) Leases (Policy applicable from 1 January 2019) (cont'd.)

(i) As Lessee (cont'd.)

Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment (see Note 2.2(a)). In addition, the carrying amount of the right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is subsequently measured at amortised cost using the effective profit method. It is remeasured to reflect any lease modifications or reassessments.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and leases liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(z) Measurement and impairment of Qard

Any deficit in the participants' tabarru' fund is made good via a benevolent loan, or Qard, granted by the shareholders' fund to the participants' tabarru' fund. The Qard is stated at cost less any accumulated impairment losses in the shareholders' fund. In the family takaful fund, the Qard is stated at cost. The Qard shall be repaid from future surpluses of the participants' tabarru' fund.

The Qard is tested for impairment on an annual basis via an assessment of the estimated surpluses or cash flows from the family tabarru' fund to determine whether there is objective evidence of impairment. If the Qard is impaired, an amount comprising the difference between its cost and its recoverable amount, less any impairment loss previously recognised in the income statement, is recognised in the income statement.

Impairment losses are subsequently reversed in the income statement if objective evidence exists that the Qard is no longer impaired.

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(aa) Shareholders' Equity

Shareholders' equity is defined as the residual profit in the assets of an entity after deducting all its liabilities. The following outlines the various types of equity and reserves of the Company.

(i) Share capital

Proceeds from issuance of ordinary and preferred shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary and preferred shares are deducted against share capital.

(ii) AFS reserves

AFS reserves represent the cumulative fair value changes, net of tax, of AFS investments until they are disposed or impaired.

2.3 Changes in accounting policies and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new standards, amendments to standards and interpretation adopted by the Company on 1 January 2019:

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 128 *Long Term Interests in Associates and Joint Ventures*
- Amendments to MFRS 3 *Business Combinations*
(Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 9 *Financial Instruments - Prepayment Features with Negative Compensation*
- Amendments to MFRS 11 *Joint Arrangements* (Annual Improvements to MFRS Standards 2015-2017 Cycle)

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2. Significant accounting policies (cont'd.)

2.3 Changes in accounting policies and disclosures (cont'd.)

New and amended standards and interpretations (cont'd.)

- Amendments to MFRS 112 *Income Taxes* (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 119 *Employee Benefits - Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123 *Borrowing Costs* (Annual Improvements to MFRS Standards 2015-2017 Cycle)

The adoption of the above new and amended standards and interpretation other than MFRS 16 *Leases* ("MFRS 16") did not have any significant impact on the financial statements of the Company. The nature and effect of adopting MFRS 16 are disclosed in Table A.

MFRS 16 *Leases*

The Company has adopted MFRS 16 on 1 January 2019. The Company applied the standard from its mandatory adoption date, applying the simplified transition approach and did not restate comparative amounts for the year prior to first adoption. The adjustments arising from the new leasing rules are therefore recognised in the opening balances on 1 January 2019.

On adoption of MFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental financing rate as of 1 January 2019.

There were no operating lease commitments disclosed as at 31 December 2018. Short term lease relating to the rental of office space, recognised on a straight-line basis as expense on adoption of MFRS 16, amounted to RM283,561. There were no low-value leases.

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2. Significant accounting policies (cont'd.)

2.3 Changes in accounting policies and disclosures (cont'd.)

New and amended standards and interpretations (cont'd.)

MFRS 16 Leases (cont'd.)

The recognised right-of-use assets relate to the following types of assets:

	31.12.2019	01.01.2019
	RM'000	RM'000
Right-of-use assets		
- Buildings	1,258	-
- Office equipment	213	-
Total right-of-use assets	<u>1,471</u>	<u>-</u>

Practical expedients applied

In applying MFRS 16 for the first time, the Company has used the following practical expedients as permitted by the standard:

- the use of a single source discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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2. Significant accounting policies (cont'd.)

2.4 Standards issued but not yet effective

The following are standards, amendments to standards and interpretations to standards issued by MASB, but not yet effective, up to the date of issuance of the Company's financial statements. The Company intends to adopt these standards, amendments to standards and interpretations to standards, if applicable, when they become effective:

Effective for financial periods beginning on or after 1 January 2020

Amendments to References to the Conceptual Framework in MFRS Standards

- Amendments to MFRS 2 *Share-based Payments*
- Amendments to MFRS 3 *Business Combinations*
- Amendments to MFRS 6 *Exploration for and Evaluation of Mineral Resources*
- Amendments to MFRS 7 *Financial Instruments: Disclosures - Interest Rate Benchmark Reform*
- Amendments to MFRS 9 *Financial Instruments - Interest Rate Benchmark Reform*
- Amendments to MFRS 14 *Regulatory Deferral Accounts*
- Amendments to MFRS 101 *Presentation of Financial Statements*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 134 *Interim Financial Reporting*
- Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*
- Amendments to MFRS 138 *Intangible Assets*
- Amendments to MFRS 139 *Financial Instrument: Recognition and Measurement - Interest Rate Benchmark Reform*
- Amendments to IC Interpretation 12 *Service Concession Arrangements*
- Amendments to IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to IC Interpretation 132 *Intangible Assets - Web Site Costs*

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2. Significant accounting policies (cont'd.)

2.4 Standards issued but not yet effective (cont'd.)

Effective for financial periods beginning on or after 1 January 2021

- *MFRS 17 Insurance Contracts*

Deferred

- *Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Management expects that the adoption of the above standards, amendments to standards and interpretations to standards issued by MASB, but not yet effective, will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 17 Insurance Contracts

In August 2017, MFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, was issued to replace MFRS 4.

MFRS 17 is effective for annual periods beginning on or after 1 January 2021. The Company plans to adopt the new standard on the required effective date and a Project Steering Committee has been formed to oversee the implementation of MFRS 17. The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with the Company's financial statements' presentation and disclosures.

The IASB has completed its planned re-deliberations on the Exposure Draft *Amendments to IFRS 17* ("the ED") issued in June 2019. At its meeting in March 2020, the IASB agreed to defer the effective date of IFRS 17 *Insurance Contracts* to annual reporting periods beginning on or after 1 January 2023 and to extend the fixed expiry date of the temporary exemption from applying IFRS 9 *Financial Instruments* ("IFRS 9") for qualifying insurers (as contained in IFRS 4 *Insurance Contracts*), so that all entities must apply IFRS 9 for annual reporting periods beginning on or after 1 January 2023.

3. Significant accounting estimates and judgements

3.1 Critical judgements made in application of accounting policies

In the preparation of the Company's financial statements, management makes estimates, assumptions and judgements that affect the reported amounts of revenues, expenses, assets and liabilities at statement of financial position date. Estimates, assumptions and judgements are continually evaluated and based on internal studies of actual historical experience and other factors. Best estimates and assumptions are constantly reviewed to ensure that they remain relevant and valid. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(a) Impairment of takaful receivables

The Company reviews its takaful receivables on a regular basis to assess whether an allowance for impairment should be recorded in profit or loss. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of impairment required. Such estimates are based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

(a) Valuation of takaful contract liabilities (Note 13 and 26(c))

The estimation of the ultimate liability arising from claims made under family takaful certificates is a critical accounting estimate. There are several sources of uncertainty that need to be considered in estimation of the liabilities that the family takaful fund will ultimately be required to pay as claims.

3. Significant accounting estimates and judgements (cont'd.)

3.2 Key sources of estimation uncertainty (cont'd.)

(a) Valuation of takaful contract liabilities (Note 13 and 26(c)) (cont'd.)

For family takaful certificates, estimates are made for future deaths, disabilities, maturities, investment returns, surrenders, lapses, contribution holidays and expenses in accordance with contractual and regulatory requirements. One of the most critical liability for the Company would be the claims arising from the takaful certificates. The family takaful fund bases the estimate of expected number of deaths and event when disability occurs according to retakaful rates where applicable. Estimates for medical and accidental claims are made based on the Company's historical experience.

All of these will give rise to estimation uncertainties of projected ultimate liability of the family takaful fund. At each financial year end, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability. The principal uncertainty in the shareholders' fund takaful contract liabilities arises from the technical provisions, which comprise the expense liabilities.

(b) Valuation of takaful operator's fund expense liabilities (Note 15 and 26(c))

The principal uncertainty in the takaful operator fund is takaful certificate liabilities arising from the technical provisions, which comprise the expense liabilities of the family takaful fund.

The unexpired expense reserve for family business is estimated assuming that the block of in-force contracts are to be maintained on a 'going concern' basis. Under a 'going concern' scenario, the contracts so valued are taken as a particular sub-block of contracts and the maintenance expenses for which are valued to the point the last certificate goes off the books.

The maintenance expenses related to such contracts include the cost of functions that are normally associated with the operations of a business on a 'going concern' basis.

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3. Significant accounting estimates and judgements (cont'd.)

3.2 Key sources of estimation uncertainty (cont'd.)

**(b) Valuation of takaful operator's fund expense liabilities (Note 15 and 26(c))
(cont'd.)**

The unexpired expense reserve is calculated using adjusted parameters to provide sufficient reserves at the appropriate percentile of statistical variation that is higher than the best estimate values. It is the present value of future maintenance expenses on the current in-force family takaful contracts and is further reduced by the present value of future shareholders' income that can be realised with reasonable certainty relating to those in-force family takaful contracts.

All of these will give rise to estimation uncertainties of projected expense liability of the takaful operator fund. At each financial year end, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

4. (a) Plant and equipment

Takaful Operator/Company

	Computer equipment RM'000	Office, equipment, fixtures and fittings RM'000	Motor Vehicles RM'000	Total RM'000
Cost				
At 1 January 2018	1,120	1,092	7	2,219
Additions	8	-	-	8
At 31 December 2018	1,128	1,092	7	2,227
Additions	4,499	389	7	4,895
Disposal	(1,122)	(1,040)	-	(2,162)
At 31 December 2019	4,505	441	14	4,960

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4. (a) Plant and equipment (cont'd.)

Takaful Operator/Company (cont'd.)

	Computer equipment RM'000	Office, equipment, fixtures and fittings RM'000	Motor Vehicles RM'000	Total RM'000
Accumulated depreciation				
At 1 January 2018	1,114	888	3	2,005
Charge for the financial year	14	72	1	87
At 31 December 2018	<u>1,128</u>	<u>960</u>	<u>4</u>	<u>2,092</u>
Charge for the financial year	667	41	2	710
Disposal	(1,122)	(918)	-	(2,040)
At 31 December 2019	<u>673</u>	<u>83</u>	<u>6</u>	<u>762</u>
Net carrying amount				
At 31 December 2018	<u>-</u>	<u>132</u>	<u>3</u>	<u>135</u>
At 31 December 2019	<u>3,832</u>	<u>358</u>	<u>8</u>	<u>4,198</u>

Included in plant and equipments are the cost of fully depreciated assets which are still in use amounting to RM1,780 (2018: RM1,509,339).

(b) Intangible assets

Takaful Operator/Company

	Development of computer software RM'000	Computer software RM'000	Total RM'000
Cost			
At 1 January 2018	1,363	48,237	49,600
Additions	3,232	-	3,232
Reclassification	(2,426)	2,426	-
At 31 December 2018	<u>2,169</u>	<u>50,663</u>	<u>52,832</u>
Additions	-	529	529
Write Off	(2,169)	(5,149)	(7,318)
At 31 December 2019	<u>-</u>	<u>46,043</u>	<u>46,043</u>

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4. (b) Intangible assets (continued)

Takaful Operator/Company

	Development of computer software RM'000	Computer software RM'000	Total RM'000
Accumulated amortisation			
At 1 January 2018	-	35,247	35,247
Charge for the financial year (Note 20)	-	4,886	4,886
At 31 December 2018	-	40,133	40,133
Charge for the financial year (Note 20)	-	4,112	4,112
Write off	-	(4,250)	(4,250)
At 31 December 2019	-	39,995	39,995
Carrying amount			
At 31 December 2018	2,169	10,530	12,699
At 31 December 2019	-	6,048	6,048

5. (a) Right-of-use assets

	Right-of- Use: Buildings RM'000	Right-of- Use: Office equipment RM'000	Total RM'000
<u>Takaful Operator/Company</u>			
2019			
Cost			
At 1 January 2019	-	-	-
Additions	2,672	255	2,927
At 31 December 2019	2,672	255	2,927
Accumulated amortisation			
At 1 January 2019	-	-	-
Charge for the year	1,414	42	1,456
At 31 December 2019	1,414	42	1,456
Net book value			
At 31 December 2019	1,258	213	1,471

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5. (a) Right-of-use assets (continued)

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

The Company also has certain leases of office rental with lease terms of 12 months or less. The Company applies the 'short-term lease' recognition exemptions for these leases. The Company does not have leases which are of low value.

The Company has entered into operating lease agreements for office rental and other office equipment. These non-cancellable leases have remaining non-cancellable lease terms of between 3 to 5 years. There are also several lease contracts that include extension and termination options.

The following are the amounts recognised in profit or loss:

	2019 RM'000
Depreciation expense of right-of-use assets	1,456
Profit expense on lease liabilities	74
Short-term lease expenses	58
Total amount recognised in profit or loss	<u>1,588</u>

(b) Lease Liabilities

	Lease Liabilities: Buildings RM'000	Lease Liabilities: Office equipment RM'000	Total RM'000
<u>Takaful Operator/Company</u>			
2019			
Lease liabilities			
At 1 January 2019	-	-	-
Increase in lease liabilities	2,672	255	2,927
Payment of lease liabilities	(1,454)	(45)	(1,499)
Profit expense on lease liabilities	68	6	74
At 31 December 2019	<u>1,286</u>	<u>216</u>	<u>1,502</u>

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6. Investment assets

FWD invests in shariah-compliant financial instruments as follows:

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
31 December 2019			
Available-for-sale financial assets			
Government Investment Issues	10,700	91,370	102,070
Government guaranteed sukuk	20,580	157,280	177,860
Corporate debt securities	61,457	227,622	289,079
Financial assets at fair value through profit or loss			
Government investment issues	-	15,728	15,728
Government guaranteed sukuk	-	63,488	63,488
Corporate debt securities	-	94,834	94,834
Collective investment schemes	45,031	428,407	473,438
Quoted equity securities	-	14,896	14,896
	<u>137,768</u>	<u>1,093,625</u>	<u>1,231,393</u>
31 December 2018 (Restated)			
Available-for-sale financial assets			
Government Investment Issues	15,110	70,331	85,441
Government guaranteed sukuk	25,077	155,107	180,184
Corporate debt securities	90,519	248,582	339,101
Financial assets at fair value through profit or loss			
Government investment issues	-	15,160	15,160
Government guaranteed sukuk	-	65,239	65,239
Corporate debt securities	-	81,748	81,748
Collective investment schemes	-	440,160	440,160
Quoted equity securities	-	12,919	12,919
	<u>130,706</u>	<u>1,089,246</u>	<u>1,219,952</u>

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6. Investment assets (cont'd.)

(a) Carrying values of investment assets

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

	AFS RM'000	FVTPL RM'000	Total RM'000
At 1 January 2018 (As previously stated)	649,639	620,247	1,269,886
Restatement	-	9	9
At 1 January 2018 (Restated)	<u>649,639</u>	<u>620,256</u>	<u>1,269,895</u>
Purchases	60,399	98,722	159,121
Maturities	(108,000)	-	(108,000)
Disposals	-	(56,990)	(56,990)
Fair value loss recorded in profit or loss	-	(46,992)	(46,992)
AFS reserves	3,044	-	3,044
(Amortisation)/accretion	(356)	230	(126)
At 31 December 2018/ 1 January 2019 (Restated)	<u>604,726</u>	<u>615,226</u>	<u>1,219,952</u>
Purchases	65,643	103,759	169,402
Maturities	(109,630)	(5,000)	(114,630)
Disposals	(10,002)	(91,614)	(101,616)
Fair value gain recorded in profit or loss	-	39,888	39,888
AFS reserves	18,323	-	18,323
(Amortisation)/accretion	(51)	125	74
At 31 December 2019	<u>569,009</u>	<u>662,384</u>	<u>1,231,393</u>

(b) Fair values of investment assets

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

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6. Investment assets (cont'd.)

(c) The following investment assets mature after twelve months:

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
31 December 2019			
Available-for-sale financial assets	77,646	420,987	498,633
Financial assets at fair value through profit or loss	-	158,974	158,974
	<u>77,646</u>	<u>579,961</u>	<u>657,607</u>
31 December 2018 (Restated)			
Available-for-sale financial assets	120,695	454,003	574,698
Financial assets at fair value through profit or loss	-	157,144	157,144
	<u>120,695</u>	<u>611,147</u>	<u>731,842</u>

7. Retakaful assets

	Note	2019 RM'000	2018 RM'000
Family Takaful Fund/ Company	13	<u>28,624</u>	<u>42,540</u>

8. Financing receivables, excluding takaful receivables

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
31 December 2019			
Prepayments	895	-	895
Profits due and accrued	903	6,615	7,518
Other receivables	275	183	458
Amount due from:			
Family Takaful Fund	18,073	-	-
	<u>20,146</u>	<u>6,798</u>	<u>8,871</u>

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8. Financing receivables, excluding takaful receivables (cont'd.)

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
31 December 2018 (Restated)			
Prepayment	210	-	210
Profits due and accrued	1,608	8,037	9,645
Fixed deposits with licensed Islamic financial institutions with maturities of more than 3 months			
- Licensed bank in Malaysia	27,607	-	27,607
Other receivables	2,370	363	999
Amount due from: Family Takaful Fund	4,884	-	-
	<u>36,679</u>	<u>8,400</u>	<u>38,461</u>

9. Takaful receivables

	Family Takaful Fund RM'000	Company RM'000
31 December 2019		
Due from retakaful companies and cedants	6,206	6,206
Provision for doubtful debt	<u>(743)</u>	<u>(743)</u>
	<u>5,463</u>	<u>5,463</u>
Offsetting financial assets and financial liabilities		
Gross amounts of recognised financial assets	11,724	11,724
Less:		
Gross amounts of recognised financial liabilities set off in the statement of financial position	<u>(6,261)</u>	<u>(6,261)</u>
Net amounts of financial assets presented in the statement of financial position	<u>5,463</u>	<u>5,463</u>

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9. Takaful receivables (cont'd.)

	Family Takaful Fund RM'000	Company RM'000
31 December 2018		
Due from retakaful companies and cedants	524	524
Provision for doubtful debt	-	-
	<u>524</u>	<u>524</u>
Offsetting financial assets and financial liabilities		
Gross amounts of recognised financial assets	594	594
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	<u>(70)</u>	<u>(70)</u>
Net amounts of financial assets presented in the statement of financial position	<u>524</u>	<u>524</u>

There are no financial assets subjected to an enforceable master netting arrangement or similar agreement and financial instruments received as collateral, nor any cash collateral pledged or received as at 31 December 2019 (2018: NIL).

10. Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company* RM'000
At 1 January 2018 (As previously stated)	1,743	165	(1,956)	(48)
Restatement	-	-	607	607
At 1 January 2018 (As restated)	<u>1,743</u>	<u>165</u>	<u>(1,349)</u>	<u>559</u>
Charged/(credited) to income statement:				
Plant and equipment	1,316	-	-	1,316
Investment assets	(53)	(32)	2,780	2,695
Financing receivable	-	(117)	-	(117)
Expenses reserves	(4,016)	-	-	(4,016)
Other payable	(36)	-	-	(36)
	<u>(2,789)</u>	<u>(149)</u>	<u>2,780</u>	<u>(158)</u>

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10. Deferred tax assets/(liabilities) (cont'd.)

	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company*
At 1 January 2018 (As restated) (cont'd.)				
Business transferred	-	(19)	-	(19)
Credited to other comprehensive income:				
Investment assets	(89)	3	(215)	(301)
At 31 December 2018/ 1 January 2019 (As restated)	(1,135)	-	1,216	81
Charged/(credited) to income statement:				
Plant and equipment	1,094	-	-	1,094
Investment assets	9	-	(1,519)	(1,510)
Unabsorbed losses	1,199	-	(2,366)	(1,167)
	2,302	-	(3,885)	(1,583)
Credited to other comprehensive income:				
Investment assets	(513)	-	(1,295)	(1,808)
At 31 December 2019	654	-	(3,964)	(3,310)

The composition of deferred tax assets/(liabilities) before and after appropriate offsetting, is as follows:

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
2019			
Subject to income tax:			
Deferred tax assets:(before offsetting)			
Unabsorbed losses	1,200	-	1,200
	1,200	-	1,200
Offsetting	(546)	-	(1,200)
Deferred tax assets after offsetting	654	-	-
Deferred tax liabilities: (before offsetting)			
Investment assets	(546)	(3,964)	(4,510)
	(546)	(3,964)	(4,510)
Offsetting	546	-	1,200
Deferred tax liabilities after offsetting	-	(3,964)	(3,310)

*The Company level amounts for 2018 include deferred tax relating to the General Takaful Fund which has been disposed in that year.

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10. Deferred tax assets/(liabilities) (cont'd.)

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
2018 (Restated)			
Subject to income tax:			
Deferred tax assets:(before offsetting)			
Unabsorbed losses	213	2,481	2,694
	<u>213</u>	<u>2,481</u>	<u>2,694</u>
Offsetting	(213)	(1,265)	(2,613)
Deferred tax assets after offsetting	<u>-</u>	<u>1,216</u>	<u>81</u>
Deferred tax liabilities: (before offsetting)			
Plant and equipment	(1,320)	-	(1,320)
Investment assets	(28)	(1,265)	(1,293)
	<u>(1,348)</u>	<u>(1,265)</u>	<u>(2,613)</u>
Offsetting	213	1,265	2,613
Deferred tax liabilities after offsetting	<u>(1,135)</u>	<u>-</u>	<u>-</u>

In line with Section 44 (5F) of the Malaysian Income Tax Act 1967, with effect from YA2019, any unabsorbed business losses are to be carried forward for a maximum period of 7 consecutive years of assessment.

11. Cash and cash equivalents

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
2019			
Cash and bank balances	2,328	26,600	28,928
Fixed deposits with licensed financial institutions with maturities of less than 3 months - Licensed bank in Malaysia	101,914	63,410	165,324
	<u>104,242</u>	<u>90,010</u>	<u>194,252</u>
2018 (Restated)			
Cash and bank balances	18,668	11,782	30,450
Fixed deposits with licensed financial institutions with maturities of less than 3 months - Licensed bank in Malaysia	11,764	39,092	50,856
	<u>30,432</u>	<u>50,874</u>	<u>81,306</u>

The fixed deposits with maturities of less than 3 months placed with an Islamic licensed bank are subjected to profit rate range of 2.85% – 3.10% (2018: 3.35% – 4.00%). The amounts held with related parties is NIL. (2018:NIL).

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12. Capital and reserves

12.1 Share capital

	Takaful Operator and Company		
	Value/ Share RM	Number of shares	Amount RM'000
Issued and fully paid:			
Ordinary shares			
At 1 January/31 December 2019	<u>50</u>	<u>2,000,000</u>	<u>100,000</u>
Non-redeemable non-cumulative preference shares:			
At 1 January 2019	-	-	-
New shares issued on 12 December 2019	<u>100,000</u>	<u>1,615</u>	<u>161,500</u>
At 31 December 2019	<u>100,000</u>	<u>1,615</u>	<u>161,500</u>
Total shares issued and fully paid as at 31 December 2019			<u>261,500</u>
Issued and fully paid:			
Ordinary shares			
At 1 January/31 December 2018	<u>50</u>	<u>2,000,000</u>	<u>100,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

The salient features of the non-redeemable non-cumulative preference shares are as follows:

- (a) The holder of the preference shares will not have any voting rights at general meetings of the Company;
- (b) The holder of the preference shares is entitled to non-cumulative distributions based on a fixed dividend rate and does not have any right to any further participation in the remaining profits of the Company;
- (c) The non-cumulative dividend payable to preference shareholders may only be paid out of distributable reserves subject to the solvency requirements under the Companies Act, 2016, and declaration by the directors and shall be in priority to the dividend (if any) payable to the ordinary shareholders;

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12. Capital and reserves (cont'd.)

12.1 Share capital (cont'd.)

The salient features of the non-redeemable non-cumulative preference shares are as follows: (cont'd.)

- (d) The preference shares will constitute direct, unsecured and subordinated obligations of the Company and will rank pari passu and without preference among themselves; and
- (e) The dividend is payable semi-annually on 1 July and 1 January in each year, if declared.

12.2 (Loss)/profit per share

The basic (loss)/profit per share is calculated by dividing the net (loss)/profit for the year by the number of ordinary shares in issue during the year as follows:

<u>Company</u>	2019	2018
Net (loss)/profit for the year (RM'000)		
- Continuing operations	(33,644)	(17,878)
- Discontinued operations	-	21,426
Number of ordinary shares in issue ('000)	2,000	2,000
Basic and diluted (loss)/profit per share (sen)		
- Continuing operations	(1,682.2)	(893.9)
- Discontinued operations	-	1,071.3

There were no potential dilutive ordinary shares as at the financial year end.

12.3 Fair value reserve

The fair value reserve comprise the cumulative net change in the fair value of available-for-sale financial assets net of tax until the investments are derecognised or impaired.

12.4 Retained earnings

The Company may distribute single tier exempt dividend to its shareholders out of its retained earnings. Pursuant to Section 60(1) of the IFSA, the Company is required to obtain Bank Negara Malaysia's written approval prior to declaring or paying any dividend with effect from financial year beginning 1 January 2015.

Pursuant to the RBC Framework for Takaful Operator, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

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13. Takaful contract liabilities

Note	31.12.2019			31.12.2018 (Restated)		
	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000
Family Takaful	1,184,682	(28,624)	1,156,058	1,173,625	(42,540)	1,131,085
Total Family	<u>1,184,682</u>	<u>(28,624)</u>	<u>1,156,058</u>	<u>1,173,625</u>	<u>(42,540)</u>	<u>1,131,085</u>
Total Company	<u>1,184,682</u>	<u>(28,624)</u>	<u>1,156,058</u>	<u>1,173,625</u>	<u>(42,540)</u>	<u>1,131,085</u>

(a) Family Takaful Fund

	31.12.2019			31.12.2018 (Restated)		
	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000
Provision for outstanding claims	24,814	(17,742)	7,072	17,028	(13,795)	3,233
Participants' funds	<u>1,159,868</u>	<u>(10,882)</u>	<u>1,148,986</u>	<u>1,156,597</u>	<u>(28,745)</u>	<u>1,127,852</u>
	<u>1,184,682</u>	<u>(28,624)</u>	<u>1,156,058</u>	<u>1,173,625</u>	<u>(42,540)</u>	<u>1,131,085</u>

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13. Takaful contract liabilities (cont'd.)

(a) Family Takaful Fund (cont'd.)

(i) Provision for outstanding claims

	31.12.2019		31.12.2018 (Restated)	
	Gross RM'000	Re-takaful RM'000	Gross RM'000	Re-takaful RM'000
At 1 January	17,028	(13,795)	13,813	(11,696)
Claims incurred during the financial year	201,062	(23,335)	133,604	(17,175)
Claims paid during the financial year	(193,276)	19,388	(130,389)	15,076
At 31 December	24,814	(17,742)	17,028	(13,795)
		Net RM'000		Net RM'000
		3,233		2,117
		177,727		116,429
		(173,888)		(115,313)
		7,072		3,233

(ii) Participants' fund

	31.12.2019		31.12.2018 (Restated)	
	Gross RM'000	Re-takaful RM'000	Gross RM'000	Re-takaful RM'000
At 31 December	222,447	(10,882)	234,395	(28,745)
Actuarial reserves	39,827	-	49,249	-
Unallocated surplus	17,119	-	2,228	-
AFS reserve	445,793	-	431,519	-
Net asset value attributable to participants	434,682	-	439,206	-
Net asset value attributable to unit holders	1,159,868	(10,882)	1,156,597	(28,745)
		Net RM'000		Net RM'000
		211,565		205,650
		39,827		49,249
		17,119		2,228
		445,793		431,519
		434,682		439,206
		1,148,986		1,127,852

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13. Takaful contract liabilities (cont'd.)

(b) Family Takaful contract liabilities

	31.12.2019		31.12.2018 (Restated)	
	Gross RM'000	Re-takaful RM'000	Net RM'000	Net RM'000
At 1 January (As previously stated)	1,154,050	(28,745)	1,125,305	1,157,524
Adjustments	2,547	-	2,547	1,102
At 1 January (As restated)	1,156,597	(28,745)	1,127,852	1,158,626
Contributions received	70,619	-	70,619	63,265
Liabilities paid for death, maturities, surrenders, benefits and claims	(79,095)	-	(79,095)	(56,394)
Fees deducted	(12,416)	-	(12,416)	(8,560)
Investment income	18,295	-	18,295	11,184
Retakaful reserve credit	(17,863)	17,863	-	(2,370)
Profit paid to participants	488	-	488	86
Net asset value attributable to unit holders	(4,524)	-	(4,524)	(14,805)
Surplus attributable to Takaful Operator	(4,121)	-	(4,121)	(4,399)
Allowance for impairment	(741)	-	(741)	(3)
AFS reserves	14,891	-	14,891	2,470
Deferred tax on fair value gains	(5,948)	-	(5,948)	(855)
Investment income distribution	24,295	-	24,295	12,741
Transfer surplus distribution to other liabilities	(4,018)	-	(4,018)	(6,137)
Others	3,409	-	3,409	1,748
At 31 December	1,159,868	(10,882)	1,148,986	1,156,597
				(28,745)
				1,127,852

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14. Takaful payables

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
31 December 2019			
Due to clients, agents and intermediaries	-	6,096	6,096
Due to retakaful operators and cedants	-	3,764	3,764
	<u>-</u>	<u>9,860</u>	<u>9,860</u>
Offsetting financial assets and financial liabilities			
Gross amounts of recognised financial liabilities	-	18,770	18,770
Less: Gross amounts of recognised financial assets set off in the statement of financial position	-	(8,910)	(8,910)
Net amounts of financial liabilities presented in the statement of financial position	<u>-</u>	<u>9,860</u>	<u>9,860</u>
31 December 2018			
Due to client, agents and intermediaries	443	3,461	3,904
Due to retakaful operators and cedants	-	3,858	3,858
	<u>443</u>	<u>7,319</u>	<u>7,762</u>
Offsetting financial assets and financial liabilities			
Gross amounts of recognised financial liabilities	443	17,366	17,809
Less: Gross amounts of recognised financial assets set off in the statement of financial position	-	(10,047)	(10,047)
Net amounts of financial liabilities presented in the statement of financial position	<u>443</u>	<u>7,319</u>	<u>7,762</u>

The carrying amounts disclosed above approximate fair values at the reporting date due to the relatively short-term maturity of these balances.

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15. Expense reserves

	Takaful Operator/Company	
	2019 RM'000	2018 RM'000
At the beginning of the financial year	36,506	46,969
Decrease during the financial year*	(21,995)	(10,463)
At the end of the financial year	<u>14,511</u>	<u>36,506</u>

* Decrease in expense reserves in 2018 consist of the movement from the General Fund that was disposed in that year.

16. Other payables

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
31 December 2019			
Accrued expenses	10,464	-	10,464
Due to:			
Takaful Operator*	-	18,073	-
Related companies	45	-	45
Profit payable to Profit Sharing Investment Account	435	-	435
Lease Liability (Note 5(b))	1,502	-	1,502
Others	3,273	2,768	6,041
	<u>15,719</u>	<u>20,841</u>	<u>18,487</u>
31 December 2018 (Restated)			
Accrued expenses	8,054	1	8,055
Due to:			
Takaful Operator*	-	4,884	-
Related companies	11,222	-	11,222
Profit payable to Profit Sharing Investment Account	802	-	802
Others	2,313	6,667	7,246
	<u>22,391</u>	<u>11,552</u>	<u>27,325</u>

* The amount due to Takaful Operator is non-trade in nature, unsecured, not subject to any profit elements and repayable upon demand.

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17. Operating Revenue

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
2019			
Gross contributions	-	140,556	140,556
Investment Income	6,080	27,720	33,800
Wakalah Fee	18,345	-	-
	<u>24,425</u>	<u>168,276</u>	<u>174,356</u>
2018			
Gross contributions	-	161,227	161,227
Investment Income	8,051	33,086	41,137
Wakalah Fee	19,417	-	-
	<u>27,468</u>	<u>194,313</u>	<u>202,364</u>

(a) Wakalah fee by type :

2019			
Upfront Wakalah	12,416	-	-
Wakalah fund management fee	5,929	-	-
	<u>18,345</u>	<u>-</u>	<u>-</u>
2018			
Upfront Wakalah	13,318	-	-
Wakalah fund management fee	6,099	-	-
	<u>19,417</u>	<u>-</u>	<u>-</u>

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17. (b) Investment income

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
2019			
Profit from government guaranteed sukuk	873	8,293	9,166
Profit from government investment issues	490	3,837	4,327
Profit from corporate debt securities	3,595	15,206	18,801
Profit from fixed deposits with licensed Islamic financial institutions	704	1,386	2,090
Dividend income from quoted equity	59	10,490	10,549
Investment income/(expense) sharing:			
- Takaful Operator	2,189	(2,189)	-
- Participants	-	(15,555)	(15,555)
(Amortisation)/accretion of government guaranteed sukuk	(2)	838	836
Amortisation of government investment issues	(2)	(157)	(159)
Amortisation of corporate debt securities	(101)	(501)	(602)
Fund management fee rebate	(1,725)	6,308	4,583
Investment expense	-	(236)	(236)
	<u>6,080</u>	<u>27,720</u>	<u>33,800</u>
2018 (Restated)			
Profit from government guaranteed sukuk	1,232	8,785	10,017
Profit from government investment issues	253	3,088	3,341
Profit from corporate debt securities	4,351	14,719	19,070
Profit from fixed deposits with licensed Islamic financial institutions	448	1,972	2,420
Dividend income from quoted equity	-	14,183	14,183
Investment income/(expense) sharing:			
- Takaful Operator	1,913	(1,913)	-
- Participants	-	(13,938)	(13,938)
(Amortisation)/accretion of government guaranteed sukuk	(64)	748	684
Accretion/(amortisation) of government investment issues	9	(173)	(164)
Amortisation of corporate debt securities	(91)	(555)	(646)
Fund management fee rebate	-	6,551	6,551
Investment expense	-	(381)	(381)
	<u>8,051</u>	<u>33,086</u>	<u>41,137</u>

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18. Realised gains

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
2019			
<u>AFS investment assets</u>			
Corporate debt securities	41	-	41
<u>FVTPL investment assets</u>			
Collective investment schemes	-	2,103	2,103
Quoted equity securities	-	260	260
	<u>41</u>	<u>2,363</u>	<u>2,404</u>
2018			
<u>FVTPL investment assets</u>			
Collective investment schemes	-	1,440	1,440
Quoted equity securities	-	(524)	(524)
	<u>-</u>	<u>916</u>	<u>916</u>

19. Fair value (losses)/gains

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
2019			
Fair value gains on financial assets at fair value through profit or loss	(34)	39,922	39,888
	<u>(34)</u>	<u>39,922</u>	<u>39,888</u>
2018 (Restated)			
Fair value gains on financial assets at fair value through profit or loss	-	(46,892)	(46,892)
	<u>-</u>	<u>(46,892)</u>	<u>(46,892)</u>

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20. Management expenses

	2019 RM'000	2018 RM'000
Takaful Operator/Company		
Personnel expenses :		
Salaries, bonus and other related costs	24,757	11,139
Contribution to defined contribution plans	4,330	1,942
Others	4,212	1,783
	<u>33,299</u>	<u>14,864</u>
Shariah Committee fee and other emoluments (Note 24)	169	128
Auditor's remuneration:		
Statutory audit fees	237	159
Other services	22	79
Amortisation of intangible assets (Note 4(b))	4,112	4,886
Depreciation of plant and equipment (Note 4(a))	710	87
Directors' Fees (Note 24)	365	346
Information technology costs	5,654	2,524
Marketing and research	14,659	1,423
Printing and stationery	763	497
Professional and consultancy	6,237	5,598
Postage and stamp duties	53	3
Rental of office premises	58	1,370
Utilities, assessment and maintenance	230	15
Depreciation of right-of-use assets (Note 5(a))	1,456	-
Profit expense on lease liabilities (Note 5(b))	74	-
Others	2,245	533
	<u>70,343</u>	<u>32,512</u>

21. Taxation

	Takaful Operator / Company RM'000	Family Takaful Fund RM'000
2019		
Current tax expense:		
- Current	-	4,887
- Over provision in prior year	(2,823)	(18)
	<u>(2,823)</u>	<u>4,869</u>
Deferred tax expense/(income) (Note 10)		
- Origination and reversal of temporary difference	(2,302)	3,885
	<u>(5,125)</u>	<u>8,754</u>

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21. Taxation (cont'd.)

	Takaful Operator / Company RM'000	Family Takaful Fund RM'000
2018 (Restated)		
Current tax expense:		
-Current	2,551	184
- Over provision in prior year	(288)	(75)
	<u>2,263</u>	<u>109</u>
Deferred tax expense/(income) (Note 10)		
- Origination and reversal of temporary difference	2,789	(2,780)
	<u>2,789</u>	<u>(2,780)</u>
	<u>5,052</u>	<u>(2,671)</u>

Reconciliation of effective tax expense for the Takaful Operator/Company:

	2019 RM'000	2018 RM'000 (Restated)
Loss before taxation	<u>(38,769)</u>	<u>(12,826)</u>
Taxation at Malaysian statutory tax rate 24%	(9,304)	(3,078)
Income not subject to tax	(2,228)	(8,092)
Expenses not deductible for tax purposes	9,230	16,510
Over provision in prior year	(2,823)	(288)
Total tax (credit)/expense	<u>(5,125)</u>	<u>5,052</u>

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22. Cash Flows from Operating Activities

	Note	2019 RM'000	2018 RM'000 (Restated)
(Loss)/profit for the financial year		(33,644)	3,548
Adjustments			
Profit from government guaranteed sukuk	17(b)	(9,166)	(10,017)
Profit from government investment issues	17(b)	(4,327)	(3,341)
Profit from corporate debt securities	17(b)	(18,801)	(19,070)
Profit from fixed deposits with licensed financial institutions	17(b)	(2,090)	(2,420)
Dividend income from quoted equity securities	17(b)	(10,549)	(14,183)
Fund management fee rebate and investment expense	17(b)	(4,347)	(6,170)
Realised gains	18	(2,404)	(916)
Taxation of family takaful business	21	8,754	(2,671)
Non Cash items:			
Amortisation of intangible assets	4(b), 20	4,112	4,886
Increase in impairment of receivables	27(a)	741	-
Intangible assets written off	4(b)	3,068	-
Increase in right-of-use assets	5(a)	(2,927)	-
Amortisation of right-of-use assets	5(a)	1,456	-
Depreciation of plant and equipment	4(b)	710	87
Fair value movement of investments		(56,587)	44,229
Net (amortisation)/accretion of investments	17(b)	(75)	126
Increase in expense reserves		(21,995)	(10,463)
Changes in working capital:			
(Decrease)/increase in financing and other receivables		(6,756)	9,054
Increase in other payables		(4,029)	28,104
Increase/(decrease) in takaful contract liabilities		11,057	(88,170)
Decrease in retakaful assets		13,916	38,446
Increase/(decrease) in takaful payables		2,098	224
(Increase)/decrease in takaful receivables		(5,680)	13,119
Purchase of investments	6(a)	(169,402)	(159,121)
Proceeds from disposal of investments		104,020	57,906
Proceeds from maturities of investments	6(a)	114,630	108,000
Profits received		36,307	34,039
Dividends received		10,561	14,158
Fund management fee rebate received, net of investment expense paid		4,347	6,170
Profit expense on lease liabilities	5(b)	(74)	-
Cash (used in)/generated from operations		(37,076)	45,554

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23. Related party transactions

The related parties of, and their relationships with the Company, are as follows:

<u>Related Parties</u>	<u>Relationship</u>
PCGI Limited	Ultimate holding company
FWD Life Insurance Company (Bermuda) Limited	Immediate holding company
Valdimir Pte. Ltd.	Other related company
JAB Capital Berhad	Shareholder
Employee Provident Fund Board of Malaysia ("EPF")	Shareholder
Key Management Personnel	The key management personnel of the Company consists of: - All Directors of the Company - Key management personnel of the Company who make certain critical decisions in relation to the strategies direction of the Company

Significant related party transactions with related parties during the financial year are as follows:

	2019	2018
	RM'000	RM'000
Transactions with companies within the FWD Group:		
- Profit sharing for PSIA paid to FWD Life Insurance Company (Bermuda) Limited	(435)	-
- Royalty fees paid to Valdimir Pte. Ltd.	(44)	-
Transactions with the Shareholders:		
- Profit sharing for PSIA paid to JAB Capital Berhad	(275)	-
- Profit sharing for PSIA paid to EPF	(178)	-
- Director fees sharing paid to EPF	(32)	-

Included in the statement of financial position of the Company are significant related party balances, represented by the following:

Amount due from/(to) other related companies within the FWD Group:		
- Profit sharing for PSIA paid to FWD Life Insurance Company (Bermuda) Limited	(435)	-

Amounts due to related companies are unsecured, interest free and are repayable on

From 23 March 2019, Hong Kong Shanghai Bank Corporation (HSBC) is no longer a related party of the Company. The amount of related party transactions incurred from 1 January 2019 to 22 March 2019 with the HSBC related entities is RM3.62 million (2018: RM21.2 million), which mainly consist of commission expenses, shared service costs, information technology costs and professional and consultancy fees.

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24. Key management personnel remuneration

Key management personnel's remuneration is as follows:

	2019 RM'000	2018 RM'000
Key management personnel		
Chief executive officer		
Salary	746	-
Contributions to defined contribution plans	176	-
Other short-term employee benefits (including estimated monetary value of benefit in kind)	294	-
	<u>1,216</u>	<u>-</u>
Non-executive directors:		
Fees:		
James Sinn Yuk Loh	48	-
Kasim bin Zakaria	40	72
K.Vithyatharan A/L V.Karunakaran	82	82
Nor Azian bt Mohd Noor	32	33
Dr. Cheah You Sum	80	80
Muhammad Ali Jinnah Ahmad	79	79
Tam Chiew Lin	4	-
	<u>365</u>	<u>346</u>
Shariah committee members		
Fees:		
Muhammad Ali Jinnah Ahmad	30	24
Khairul Anuar Ahmad	26	20
Muhamad Faisal Ashaari	-	-
Assoc. Prof. Dr. Md.Som Sujimon	26	20
Asst Prof. Dr Ghazali Jaapar	26	20
Dr Azrul Azlan Iskandar Mirza	26	20
	<u>134</u>	<u>104</u>
Other emoluments:		
Muhammad Ali Jinnah Ahmad	6	5
Khairul Anuar Ahmad	8	5
Muhamad Faisal Ashaari	-	-
Assoc. Prof. Dr. Md.Som Sujimon	6	4
Asst Prof. Dr Ghazali Jaapar	7	5
Dr Azrul Azlan Iskandar Mirza	8	5
	<u>35</u>	<u>24</u>

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25. Financial instruments

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables ("L&R");
- (b) Fair value through profit or loss ("FVTPL") - Held for trading ("HFT");
- (c) Available-for-sale financial assets ("AFS");
- (d) Financial liabilities measured at amortised cost ("FL").

	Carrying Amount RM'000	L&R RM'000	FVTPL - HFT RM'000	AFS RM'000
2019				
Financial assets				
Takaful Operator				
Investment assets	137,768	-	45,031	92,737
Financing receivables (excluding prepayments)	19,251	19,251	-	-
Cash and cash equivalents	104,242	104,242	-	-
Family Takaful Fund				
Investment assets	1,093,625	-	617,353	476,272
Financing receivables (excluding prepayments)	6,798	6,798	-	-
Takaful receivables	5,463	5,463	-	-
Cash and cash equivalents	90,010	90,010	-	-
Company				
Investment assets	1,231,393	-	662,384	569,009
Financing receivables (excluding prepayments)	7,976	7,976	-	-
Takaful receivables	5,463	5,463	-	-
Cash and cash equivalents	194,252	194,252	-	-

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25. Financial instruments (cont'd.)

25.1 Categories of financial instruments (cont'd.)

			Carrying Amount RM'000	FL RM'000
2019				
Financial liabilities				
Takaful Operator				
Other payables (excluding accrued expenses)			(5,255)	(5,255)
Family Takaful Fund				
Takaful payables			(9,860)	(9,860)
Other payables (excluding accrued expenses)			(20,841)	(20,841)
Company				
Takaful payables			(9,860)	(9,860)
Other payables (excluding accrued expenses)			(8,023)	(8,023)
	Carrying Amount RM'000	L&R RM'000	FVTPL - HFT RM'000	AFS RM'000
2018 (Restated)				
Financial assets				
Takaful Operator				
Investment assets	130,706	-	-	130,706
Financing receivables (excluding prepayments)	36,469	36,469	-	-
Cash and cash equivalents	30,432	30,432	-	-
Family Takaful Fund				
Investment assets	1,089,246	-	615,226	474,020
Financing receivables (excluding prepayments)	8,400	8,400	-	-
Takaful receivables	524	524	-	-
Cash and cash equivalents	50,874	50,874	-	-

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25. Financial instruments (cont'd.)

25.1 Categories of financial instruments (cont'd.)

	Carrying Amount RM'000	L&R RM'000	FVTPL - HFT RM'000	AFS RM'000
2018 Restated (cont'd.)				
Company				
Investment assets	1,219,952	-	615,226	604,726
Financing receivables (excluding prepayments)	38,251	38,251	-	-
Takaful receivables	524	524	-	-
Cash and cash equivalents	81,306	81,306	-	-

	Carrying Amount RM'000	FL RM'000
2018 (Restated)		
Financial liabilities		
Takaful Operator		
Takaful payables	(443)	(443)
Other payables (excluding accrued expenses)	(14,337)	(14,337)
Amount due to shareholders	(27,000)	(27,000)
Family Takaful Fund		
Takaful payables	(7,319)	(7,319)
Other payables (excluding accrued expenses)	(11,551)	(11,551)
Company		
Takaful payables	(7,762)	(7,762)
Other payables (excluding accrued expenses)	(19,270)	(19,270)
Amount due to shareholders	(27,000)	(27,000)

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25. Financial instruments (cont'd.)**25.2 Net gains and losses arising from financial instruments**

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
2019			
Net gains/(losses) on*:			
Financing receivables	704	1,386	2,090
Fair value through profit or loss	26	59,627	59,653
Available-for-sale financial assets	7,031	36,614	43,645
	<u>7,761</u>	<u>97,627</u>	<u>105,388</u>
2018 (Restated)			
Net gains/(losses) on*:			
Financing receivables	448	1,972	2,420
Fair value through profit or loss	-	(31,792)	(25,273)
Available-for-sale financial assets	7,883	13,304	19,961
	<u>8,331</u>	<u>(16,516)</u>	<u>(2,892)</u>

*Inclusive of profit income

26. Takaful risk

The Company is exposed to the following risks in respect of its takaful operations:

(a) Operational risk

Operational risk is the risk of loss from system failures, human error, fraud or other external events. The Company categorises these risks into four areas: people, process, system and external and has put in place internal controls, including, but not limited to segregation of duties, access controls, authorisation and reconciliation, adequate staff training and assessment on regulatory and operational matters and use of internal audit to mitigate those risks.

FWD Group standards require the Company to identify its top 10 operational risks and management to report to the Risk Committee on actions taken to reduce those risks. Any operational incident with or without financial loss is reported for monitoring purpose and assessment of severity and remedial action.

(b) Underwriting risk

A portion of the risks underwritten is ceded in order to protect exposures to losses and protect capital resources. Under the terms of these retakaful arrangements the retakaful operators agree to reimburse the ceded amount in the event of a claim. However, the Takaful Funds remain liable to its participants with respect to the risk ceded, if any retakaful operator fails to meet the obligations assumed. Proportional and non-proportional retakaful is availed in order to reduce net exposure through treaty and facultative arrangements.

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26. Takaful risk (cont'd.)

(c) Family Takaful

All Family Takaful contract liabilities arise from Malaysia.

Principle assumptions - estimation of Family Takaful liabilities

Judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

- Mortality and morbidity rates
- Investment returns
- Expenses
- Lapse and surrender rates
- Discount rates

The following gives details of the Company's main product categories:

	Gross RM'000	Retakaful RM'000	Net RM'000
2019			
Endowment	459,824	-	459,824
Mortgage	265,362	(10,882)	254,480
Investment - Linked	434,682	-	434,682
Total family reserves	<u>1,159,868</u>	<u>(10,882)</u>	<u>1,148,986</u>
2018			
Endowment	433,383	-	433,383
Mortgage	284,008	(28,745)	255,263
Investment - Linked	439,206	-	439,206
Total family reserves	<u>1,156,597</u>	<u>(28,745)</u>	<u>1,127,852</u>

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26. Takaful risk (cont'd.)

(c) Family Takaful/Company (cont'd.)

A summary of key assumptions used for sensitivity analysis is as below:

	Mortality and morbidity rates	Investment returns	Expense	Lapse and surrender rates	Discount rate
2019					
Endowment	+10% (ii)	+1.0%	+10%	+50%	-1.0%
Mortgage	+10% (ii)	+1.0%	+10%	+50%	-1.0%
Investment-linked	+10% (i)&(ii)	+1.0%	+10%	+50%	-1.0%
2018					
Endowment	+10% (ii)	+1.0%	+10%	+50%	-1.0%
Mortgage	+10% (ii)	+1.0%	+10%	+50%	-1.0%
Investment-linked	+10% (i)&(ii)	+1.0%	+10%	+50%	-1.0%

(i) 10% industry mortality and morbidity experience tables that were observed in Malaysia between year 1983 and 1988 and 90% retakaful rates.

(ii) 100% retakaful rates

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26. Takaful risk (cont'd.)

(b) Family Takaful/Company (cont'd.)

Sensitivities

The analysis below is performed for reasonably possible movements in each of the key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and underwriting surplus. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

	Change in assumptions %	Impact on gross Takaful actuarial liabilities RM'000	Impact on net Takaful actuarial liabilities RM'000	Impact on underwriting surplus RM'000	Impact on equity on RM'000
31 December 2019					
Mortality and morbidity Expense*	+10	13,893	2,355	(2,355)	-
Lapse and surrender rates	+10	2,436	2,436	-	-
Discount rate	+50	3,860	3,859	(3,859)	-
	-100bps	17,014	17,005	(17,005)	-
31 December 2018					
Mortality and morbidity Expense*	+10	15,513	2,498	(2,498)	-
Lapse and surrender rates	+10	8,830	8,830	-	-
Discount rate	+50	3,388	4,888	(4,888)	-
	-100bps	17,628	16,474	(16,474)	-

* This assumption applies on Operator Expense Liability in relation to family fund.

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27. Financial risk

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(a) Credit risk

The Company's portfolio of debt securities, and to a lesser extent short-term and other investments, are subject to credit risk. This risk is defined as the potential loss in market value resulting from adverse changes in a borrower's ability to repay the debt.

The Company's objective is to earn competitive relative returns by investing in a diversified portfolio of securities. Management has an investment credit risk policy in place. Limits are established to manage credit quality and concentration risk.

The Company also has retakaful assets, takaful receivables and other receivables amounts subject to credit risk. Among the most significant of these are retakaful recoveries. To mitigate the risk of counterparties not paying the amount due, the Company has established certain business and financial guidelines for retakaful approval, incorporating ratings by major agencies and considering currently available market information. The Company also periodically reviews the financial stability of retakaful operators from public and other sources and the settlement trend of amounts due from retakaful companies.

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27. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Exposure to credit risk and credit quality

The table below shows the maximum exposure to credit risk for the components on the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
31 December 2019			
AFS financial assets			
Government Investment Issues	10,700	91,370	102,070
Government guaranteed sukuk	20,580	157,280	177,860
Corporate debt securities	61,457	227,622	289,079
FVTPL financial assets			
Government Investment Issues	-	15,728	15,728
Government guaranteed sukuk	-	63,488	63,488
Corporate debt securities	-	94,834	94,834
Collective investment schemes	45,031	428,407	473,438
L&R			
Financing receivables (excluding prepayments)	19,251	6,798	7,976
Retakaful assets	-	28,624	28,624
Takaful receivables	-	5,463	5,463
Cash and cash equivalents	104,242	90,010	194,252
	<u>261,261</u>	<u>1,209,624</u>	<u>1,452,812</u>

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27. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Exposure to credit risk and credit quality (cont'd.)

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
31 December 2018 (Restated)			
AFS financial assets			
Government Investment Issues	15,110	70,331	85,441
Government guaranteed sukuk	25,077	155,107	180,184
Corporate debt securities	90,519	248,582	339,101
FVTPL financial assets			
Government Investment Issues	-	15,160	15,160
Government guaranteed sukuk	-	65,239	65,239
Corporate debt securities	-	81,748	81,748
Collective investment schemes	-	440,160	440,160
L&R			
Fixed deposits with licensed Islamic financial institutions	27,607	-	27,607
Financing receivables (excluding prepayments)	8,862	8,400	10,644
Retakaful assets	-	42,540	42,540
Takaful receivables	-	524	524
Cash and cash equivalents	30,432	50,874	81,306
	<u>197,607</u>	<u>1,178,665</u>	<u>1,369,654</u>

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27. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to Rating Agency of Malaysia ("RAM") and MARC credit rating of counter parties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

	AAA RM'000	AA to A RM'000	Not rated RM'000	Total RM'000
(i) Takaful Operator				
2019				
AFS				
Government Investment Issues*	-	-	10,700	10,700
Government guaranteed sukuk*	-	-	20,580	20,580
Corporate debt securities	51,208	10,249	-	61,457
FVTPL				
Collective investment schemes**	-	-	45,031	45,031
L&R				
Financing receivables (excluding prepayments)	-	-	19,251	19,251
Cash and cash equivalents	104,242	-	-	104,242
	<u>155,450</u>	<u>10,249</u>	<u>95,562</u>	<u>261,261</u>

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27. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

(i) Takaful Operator

2018

AFS

Government Investment Issues*
Government guaranteed sukuk*
Corporate debt securities

	AAA RM'000	AA to A RM'000	Not rated RM'000	Total RM'000
	-	-	15,110	15,110
	-	-	25,077	25,077
	75,447	15,072	-	90,519
	27,607	-	-	27,607
	-	-	8,862	8,862
	30,432	-	-	30,432
	133,486	15,072	49,049	197,607

L&R

Fixed deposits with licensed Islamic
financial institutions
Financing receivables (excluding
prepayments)
Cash and cash equivalents

* Government issued/guaranteed securities are not rated by RAM or MARC but instead rated A- based on Malaysia sovereign rating accorded by Standard & Poor's.

** Collective investment schemes are approved funds of Securities Commission of Malaysia.

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27. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

	AAA RM'000	AA to A RM'000	Not rated RM'000	Total RM'000
(ii) Family Takaful Fund				
2019				
AFS				
Government Investment Issues*	-	-	91,370	91,370
Government guaranteed sukuk*	-	-	157,280	157,280
Corporate debt securities	222,560	5,062	-	227,622
FVTPL				
Government Investment Issues*	-	-	15,728	15,728
Government guaranteed sukuk*	-	-	63,488	63,488
Corporate debt securities	94,834	-	-	94,834
Collective investment schemes**	-	-	428,407	428,407
L&R				
Financing receivables (excluding prepayments)	-	-	6,798	6,798
Retakaful assets	-	28,624	-	28,624
Takaful receivables	-	5,463	-	5,463
Cash and cash equivalents	90,010	-	-	90,010
	<u>407,404</u>	<u>39,149</u>	<u>763,071</u>	<u>1,209,624</u>

* Government issued/guaranteed securities are not rated by RAM or MARC but instead rated A- based on Malaysia sovereign rating accorded by Standard & Poor's.

** Collective investment schemes are approved funds of Securities Commission of Malaysia.

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27. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

(ii) Family Takaful Fund (cont'd.)

2018 (Restated)

AFS

Government Investment Issues*
Government guaranteed sukuk*
Corporate debt securities

FVTPL

Government Investment Issues*
Government guaranteed sukuk*
Corporate debt securities
Collective investment schemes**

L&R

Financing receivables (excluding
prepayments)
Retakaful assets
Takaful receivables
Cash and cash equivalents

	AAA RM'000	AA to A RM'000	Not rated RM'000	Total RM'000
	-	-	70,331	70,331
	-	-	155,107	155,107
	223,674	24,908	-	248,582
	-	-	15,160	15,160
	-	-	65,239	65,239
	81,748	-	-	81,748
	-	-	440,160	440,160
	-	-	8,400	8,400
	-	42,540	-	42,540
	-	524	-	524
	50,874	-	-	50,874
	<u>356,296</u>	<u>67,972</u>	<u>754,397</u>	<u>1,178,665</u>

* Government issued/guaranteed securities are not rated by RAM or MARC but instead rated A- based on Malaysia sovereign rating accorded by Standard & Poor's.

** Collective investment schemes are approved funds of Securities Commission of Malaysia.

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27. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

(iii) Company	AAA RM'000	AA to A RM'000	Not rated RM'000	Total RM'000
2019				
AFS				
Government Investment Issues*	-	-	102,070	102,070
Government guaranteed sukuk*	-	-	177,860	177,860
Corporate debt securities	273,768	15,311	-	289,079
FVTPL				
Government Investment Issues*	-	-	15,728	15,728
Government guaranteed sukuk*	-	-	63,488	63,488
Corporate debt securities	94,834	-	-	94,834
Collective investment schemes**	-	-	473,438	473,438
L&R				
Financing receivables (excluding prepayments)	-	-	7,976	7,976
Retakaful assets	-	28,624	-	28,624
Takaful receivables	-	5,463	-	5,463
Cash and cash equivalents	194,252	-	-	194,252
	<u>562,854</u>	<u>49,398</u>	<u>840,560</u>	<u>1,452,812</u>

* Government issued/guaranteed securities are not rated by RAM or MARC but instead rated A- based on Malaysia sovereign rating accorded by Standard & Poor's.

** Collective investment schemes are approved funds of Securities Commission of Malaysia.

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27. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

(iii) Company	AAA RM'000	AA to A RM'000	Not rated RM'000	Total RM'000
2018 (Restated)				
AFS				
Government Investment Issues*	-	-	85,441	85,441
Government guaranteed sukuk*	-	-	180,184	180,184
Corporate debt securities	299,122	39,979	-	339,101
FVTPL				
Government Investment Issues*	-	-	15,160	15,160
Government guaranteed sukuk*	-	-	65,239	65,239
Corporate debt securities	81,748	-	-	81,748
Collective investment schemes**	-	-	440,160	440,160
L&R				
Fixed deposits with licensed Islamic financial institutions	27,607	-	-	27,607
Financing receivables (excluding prepayments)	-	-	10,644	10,644
Retakaful assets	-	42,540	-	42,540
Takaful receivables	-	524	-	524
Cash and cash equivalents	81,306	-	-	81,306
	<u>489,783</u>	<u>83,043</u>	<u>796,828</u>	<u>1,369,654</u>

* Government issued/guaranteed securities are not rated by RAM or MARC but instead rated A- based on Malaysia sovereign rating accorded by Standard & Poor's.

** Collective investment schemes are approved funds of Securities Commission of Malaysia.

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27. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's internal credit ratings of counterparties.

(iii) Takaful Operator	Neither	Past due	Impaired	Total
	past due nor impaired RM'000	but not impaired RM'000	RM'000	RM'000
2019				
AFS				
Government Investment Issues*	10,700	-	-	10,700
Government guaranteed sukuk*	20,580	-	-	20,580
Corporate debt securities	61,457	-	-	61,457
FVTPL				
Collective investment schemes**	45,031	-	-	45,031
L&R				
Financing receivables (excluding prepayments)	19,251	-	-	19,251
Cash and cash equivalents	104,242	-	-	104,242
	<u>261,261</u>	<u>-</u>	<u>-</u>	<u>261,261</u>
2018				
AFS				
Government Investment Issues*	15,110	-	-	15,110
Government guaranteed sukuk*	25,077	-	-	25,077
Corporate debt securities	90,519	-	-	90,519
L&R				
Fixed deposits with licensed Islamic financial institutions	27,607	-	-	27,607
Financing receivables (excluding prepayments)	8,862	-	-	8,862
Cash and cash equivalents	30,432	-	-	30,432
	<u>197,607</u>	<u>-</u>	<u>-</u>	<u>197,607</u>

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27. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

(iii) Family Takaful Fund

	2019	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
AFS					
Government Investment Issues*		91,370	-	-	91,370
Government guaranteed sukuk*		157,280	-	-	157,280
Corporate debt securities		227,622	-	-	227,622
FVTPL					
Government Investment Issues*		15,728	-	-	15,728
Government guaranteed sukuk*		63,488	-	-	63,488
Corporate debt securities		94,834	-	-	94,834
Collective investment schemes**		428,407	-	-	428,407
L&R					
Financing receivables (excluding prepayments)		6,798	-	-	6,798
Retakaful assets		28,624	-	-	28,624
Takaful receivables		1,369	4,094	743	6,206
Less: Impairment loss		-	-	(743)	(743)
Cash and cash equivalents		90,010	-	-	90,010
		<u>1,205,530</u>	<u>4,094</u>	<u>-</u>	<u>1,209,624</u>

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27. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
(iii) Family Takaful Fund 2018				
AFS				
Government Investment Issues*	70,331	-	-	70,331
Government guaranteed sukuk*	155,107	-	-	155,107
Corporate debt securities	248,582	-	-	248,582
FVTPL				
Government Investment Issues*	15,160	-	-	15,160
Government guaranteed sukuk*	65,239	-	-	65,239
Corporate debt securities	81,748	-	-	81,748
Collective investment schemes**	440,160	-	-	440,160
L&R				
Financing receivables (excluding prepayments)	8,400	-	-	8,400
Retakaful assets	42,540	-	-	42,540
Takaful receivables	174	350	-	524
Cash and cash equivalents	50,874	-	-	50,874
	<u>1,178,315</u>	<u>350</u>	<u>-</u>	<u>1,178,665</u>

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27. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

(iii) Company 2019	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
AFS				
Government Investment Issues*	102,070	-	-	102,070
Government guaranteed sukuk*	177,860	-	-	177,860
Corporate debt securities	289,079	-	-	289,079
FVTPL				
Government Investment Issues*	15,728	-	-	15,728
Government guaranteed sukuk*	63,488	-	-	63,488
Corporate debt securities	94,834	-	-	94,834
Collective investment schemes**	473,438	-	-	473,438
L&R				
Financing receivables (excluding prepayments)	7,976	-	-	7,976
Retakaful assets	28,624	-	-	28,624
Takaful receivables	1,369	4,094	743	6,206
Less: Impairment loss	-	-	(743)	(743)
Cash and cash equivalents	194,252	-	-	194,252
	<u>1,448,718</u>	<u>4,094</u>	<u>-</u>	<u>1,452,812</u>

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27. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
(iii) Company (cont'd.) 2018				
AFS				
Government Investment Issues*	85,441	-	-	85,441
Government guaranteed sukuk*	180,184	-	-	180,184
Corporate debt securities	339,101	-	-	339,101
FVTPL				
Government Investment Issues*	15,160	-	-	15,160
Government guaranteed sukuk*	65,239	-	-	65,239
Corporate debt securities	81,748	-	-	81,748
Collective investment schemes**	440,160	-	-	440,160
L&R				
Fixed deposits with licensed Islamic financial institutions	27,607	-	-	27,607
Financing receivables (excluding prepayments)	10,644	-	-	10,644
Retakaful assets	42,540	-	-	42,540
Takaful receivables	174	350	-	524
Cash and cash equivalents	81,306	-	-	81,306
	<u>1,369,304</u>	<u>350</u>	<u>-</u>	<u>1,369,654</u>

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27. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Impairment losses

The movement in the allowance for impairment losses of receivables during the financial year were:

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
At 1 January 2018	-	(1)	(1)
Allowance of impairment	-	3	3
At 31 December 2018/1 January 2019	-	2	2
Allowance of impairment loss	-	741	741
31 December 2019	-	743	743

Aged analysis of financial assets past due but not impaired

	>90 days	>120days	Total
2019			
Takaful receivables			
Family Takaful Fund	66	4,028	4,094
Company	66	4,028	4,094

2018			
Takaful receivables			
Family Takaful Fund	(11)	361	350
Company	(11)	361	350

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27. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Impairment losses (cont'd.)

It is the Company's policy to maintain accurate and consistent risk ratings across its credit portfolio. The Company uses RAM and MARC rating for this purpose. This enables the management to focus on the applicable risks and enables comparison of credit exposures across all lines of business and products.

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

At 31 December 2019, based on a collective assessment of receivables, there are impaired takaful receivables of RM743,615 (2018: RM3,039). There is no individual impairment loss provided during the financial year (2018: nil). For assets to be classified as impaired, contractual payments must be in arrears for more than three (3) months. No collateral is held as security for any past due or impaired assets. The Company records impairment of financing receivables and takaful receivables in separate impairment accounts.

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27. Financial risk (cont'd.)

(b) Liquidity risk

The Company has to meet daily calls on its cash resources, notably from claims arising on its takaful contracts and early surrender of certificates for surrender value. There is therefore a risk that cash will not be available to settle liabilities when due at a reasonable cost. The Company manages this risk by monitoring and setting an appropriate level of operating funds to settle these liabilities. Investment portfolios are also structured with regards to the liquidity requirement of each underlying fund.

Maturity profiles

The table below summarises the maturity profile of the financial liabilities of the Company based on remaining undiscounted contractual obligations.

2019

	Up to a year RM'000	1-3 year RM'000	3-5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
(i) Takaful Operator							
Other payables (excluding accrued expenses)	5,255	-	-	-	-	-	5,255
Total liabilities	5,255	-	-	-	-	-	5,255
(ii) Family Takaful Fund							
Takaful contract liabilities	19,433	28,969	42,335	267,212	727,592	99,141	1,184,682
Takaful payables	9,860	-	-	-	-	-	9,860
Other payables (excluding accrued expenses)	20,841	-	-	-	-	-	20,841
Total liabilities	50,134	28,969	42,335	267,212	727,592	99,141	1,215,383

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27. Financial risk (cont'd.)

(b) Liquidity risk

Maturity profiles (cont'd.)

2019 (cont'd.) (iii) Company	Up to a	1-3	3-5	5-15	Over 15	No maturity	Total
	year RM'000	year RM'000	years RM'000	years RM'000	years RM'000	date RM'000	RM'000
Takaful contract liabilities	19,433	28,969	42,335	267,212	727,592	99,141	1,184,682
Takaful payables	9,860	-	-	-	-	-	9,860
Other payables (excluding accrued expenses)	8,023	-	-	-	-	-	8,023
Total liabilities	37,316	28,969	42,335	267,212	727,592	99,141	1,202,565

2018 (Restated)

(i) Takaful Operator	Takaful payables	Other payables (excluding accrued expenses)	Amount due to shareholders	Total liabilities
	443	-	-	443
	14,337	-	-	14,337
	27,000	-	-	27,000
	41,780	-	-	41,780

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27. Financial risk (cont'd.)

(b) Liquidity risk

Maturity profiles (cont'd.)

	Up to a year RM'000	1-3 year RM'000	3-5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
2018 Restated (cont'd.)							
(ii) Family Takaful Fund							
Takaful contract liabilities	31,653	35,984	33,551	272,864	729,509	70,064	1,173,625
Other payables (excluding accrued expenses)	168,275	-	-	-	-	-	168,275
Total liabilities	199,928	35,984	33,551	272,864	729,509	70,064	1,341,900
(iii) Company							
Takaful contract liabilities	31,653	35,984	33,551	272,864	729,509	70,064	1,173,625
Takaful payables	7,762	-	-	-	-	-	7,762
Other payables (excluding accrued expenses)	19,270	-	-	-	-	-	19,270
Amount due to shareholders	27,000	-	-	-	-	-	27,000
Total liabilities	85,685	35,984	33,551	272,864	729,509	70,064	1,227,657

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27. Financial risk (cont'd.)

(c) Market risk

Market risk is the risk of loss in the valuation of the Company's investments due to adverse changes or volatility of prices in economic and financial markets. Market risk comprises of profit rate risk and price risk.

(i) Profit rate risk

The Company is mainly exposed to profit rate risk arising from its holdings of debt securities. The Company monitors this risk by measuring the impact of a change in the profit rate on its asset and liability cash flows.

Currently, the Company invests and issues certificates in local currency only. The underlying equity and profit rate risk in investment-linked business is borne by the participant as the participants benefits are directly linked to the value of the fund's assets. The Company's market risk to this business is therefore limited to the extent that fee income from investment-linked business is based on the net asset value of the fund.

Exposure to profit rate risk

The profit rate profile of the Company's significant profit-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
2019			
Fixed rate instruments			
Financial assets	<u>92,737</u>	<u>650,322</u>	<u>743,059</u>
2018			
Fixed rate instruments			
Financial assets	<u>130,706</u>	<u>636,167</u>	<u>766,873</u>

27. Financial risk (cont'd.)

(c) Market risk (cont'd.)

(i) Profit rate risk (cont'd.)

Fair value sensitivity analysis for fixed rate instruments

The Company accounts for certain fixed rate financial assets at fair value through statement of profit or loss. Therefore, these financial assets are exposed to a risk of change in their fair value due to changes in profit rates.

The analysis below assumes that all other variables remain constant:

	Changes in variables	Takaful Operator* RM'000	Family Takaful Fund RM'000
2019			
Profit rate	+100bps	-	(8,612)
Profit rate	-100bps	-	<u>9,375</u>
2018			
Profit rate	+100bps	-	(8,589)
Profit rate	-100bps	-	<u>9,384</u>

* No FVTPL investments in Takaful Operator.

(ii) Equity price risk

Equity price risk arises from the Company's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

The equity investment portfolio of the Company is exposed to movements in equity markets. The Company outsources its investment function of the equity investment portfolio to external fund manager. The Company manages its equity price risk by continuous monitoring of the exposure against policies set and agreed in the investment mandate. These policies include monitoring the portfolio's exposure against benchmark set and single security exposure of the portfolio against the limits set.

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27. Financial risk (cont'd.)

(c) Market risk (cont'd.)

(ii) Equity price risk (cont'd.)

Equity price risk sensitivity analysis

This analysis assumes that all other variables remain constant and the Company's equity investments move in correlation with the FTSE Bursa Malaysia EMAS Shariah Index ("FBMS").

A 10% strengthening in the FBMKLCI at the end of the reporting period would have increased participants' fund and equity by the amounts shown below. A 10% weakening in the FBMKLCI would have equal but opposite effect on participants' funds, equity and profit or loss respectively.

	Changes in variables	Takaful Operator* RM'000	Family Takaful Fund RM'000
2019			
Equity price	+10%	-	44,330
Equity price	-10%	-	<u>(44,330)</u>
2018			
Equity price	+10%	-	45,860
Equity price	-10%	-	<u>(45,860)</u>

* No investments in equity instruments for Takaful Operator.

(d) Fair value information

The carrying amounts of takaful receivables, other receivables (excluding prepayments), cash and cash equivalents, takaful payables and other payables (excluding accrued expenses) reasonably approximate fair values due to the relatively short term nature of these financial instruments.

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27. Financial risk (cont'd.)

(d) Fair value information (cont'd.)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000		
2019								
Takaful Operator								
Financial assets								
Government investment issues	-	10,700	-	10,700	-	-	-	10,700
Government guaranteed sukuk	-	20,580	-	20,580	-	-	-	20,580
Corporate debt securities	-	61,457	-	61,457	-	-	-	61,457
Collective investment schemes	-	45,031	-	45,031	-	-	-	45,031

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27. Financial risk (cont'd.)

(d) Fair value information (cont'd.)

	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	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
2019								
Family Takaful Fund								
Financial assets								
Quoted equity	14,896	-	-	-	-	-	14,896	14,896
Collective investment schemes	-	428,407	-	-	-	-	428,407	428,407
Government investment issues	-	107,098	-	-	-	-	107,098	107,098
Government guaranteed sukuk	-	220,768	-	-	-	-	220,768	220,768
Corporate debt securities	-	322,456	-	-	-	-	322,456	322,456

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27. Financial risk (cont'd.)

(d) Fair value information (cont'd.)

	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	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
2019								
Company								
Financial assets								
Quoted equity securities	14,896	-	-	-	-	-	14,896	14,896
Collective investment schemes	-	473,438	-	-	-	-	473,438	473,438
Government investment issues	-	117,799	-	-	-	-	117,799	117,799
Government guaranteed sukuk	-	241,348	-	-	-	-	241,348	241,348
Corporate debt securities	-	383,913	-	-	-	-	383,913	383,913

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27. Financial risk (cont'd.)

(d) Fair value information (cont'd.)

	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		
2018										
Takaful Operator										
Financial assets										
Government investment issues	-	15,110	-	15,110	-	-	-	-	15,110	15,110
Government guaranteed sukuk	-	25,077	-	25,077	-	-	-	-	25,077	25,077
Corporate debt securities	-	90,519	-	90,519	-	-	-	-	90,519	90,519
Financial liabilities										
Amount due to shareholders	-	-	-	-	-	-	(26,214)	(26,214)	(26,214)	(27,000)

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27. Financial risk (cont'd.)

(d) Fair value information (cont'd.)

	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	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
2018 Restated (cont'd.)								
Family Takaful Fund								
Financial assets								
Quoted equity securities	12,919	-	-	-	-	-	12,919	12,919
Collective investment schemes	-	440,160	-	-	-	-	440,160	440,160
Government investment issues	-	85,491	-	-	-	-	85,491	85,491
Government guarantee sukuk	-	220,346	-	-	-	-	220,346	220,346
Corporate debt securities	-	330,330	-	-	-	-	330,330	330,330

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27. Financial risk (cont'd.)

(d) Fair value information (cont'd.)

2018 Restated (cont'd.) Company	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	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
Financial assets								
Quoted equity securities	12,919	-	-	-	-	-	12,919	12,919
Collective investment schemes	-	440,160	-	-	-	-	440,160	440,160
Government investment issues	-	100,601	-	-	-	-	100,601	100,601
Government guarantee sukuk	-	245,423	-	-	-	-	245,423	245,423
Corporate debt securities	-	420,849	-	-	-	-	420,849	420,849
Financial liabilities								
Amount due to shareholders	-	-	-	-	-	(26,214)	(26,214)	(27,000)

27. Financial risk (cont'd.)

(d) Fair value information (cont'd.)

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 financial assets or liabilities, either directly or indirectly.

Non-derivative financial liabilities

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

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2018: NIL).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and profit cash flows, discounted at the profit rate at the end of the reporting period as disclosed below:

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27. Financial risk (cont'd.)

(d) Fair value information (cont'd.)

Level 3 fair value (continued)

The profit rates used to discount estimated cash flows are as follows:

	Takaful Operator and Company	
	2019	2018
	%	%
Amount due to shareholders	-	3.00

28. 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 statement of financial position, consisting of all funds as prescribed under the Risk Based Capital Framework is provided below:

	2019	2018
	RM'000	RM'000
Eligible Tier 1 capital		
Share capital	261,500	100,000
Reserves, including retained earnings	(5,541)	31,477
Valuation surplus maintained in the takaful funds	39,825	49,249
Eligible Tier 2 Capital		
AFS fair value reserves	4,842	493
PSIA	-	5,400
Amount deducted from capital	(7,311)	(12,699)
	293,315	173,920
Total capital available	269,115	144,175

29. Restatement of comparatives

The comparative financial statements have been restated to reflect the following:

- (a) **Correction of the net asset value of the investment-linked funds**
Restatement of comparatives have been made to certain line items in the statement of financial position and the income statement to correct the net asset value of the investment-linked funds.
- (b) **Reclassification of comparatives to conform with current year presentation**
(i) Reclassification of certain liabilities due to certificateholders
Certain liabilities due to certificateholders were previously included as part of other payables. These liabilities which relates to takaful contracts are retrospectively reclassified from other payables to takaful payables to better reflect the nature of the underlying balances.
(ii) Reclassification of current tax of the investment-linked funds to deferred tax
Current tax of the investment-linked funds relates to tax on unabsorbed losses, hence these have been reclassified to deferred tax. Reclassification in the income statement has been reflected in Note 21.
(iii) Offsetting of current tax assets/liabilities and deferred tax assets/liabilities
Reclassification adjustments are made to current tax assets/liabilities and deferred tax liabilities, to reflect the offsetting impact at the Company level, subsequent to the restatement adjustments per Note 21.
Note (b)(ii).
(iv) Reclassification of line items within the income statement
Certain line items within the income statement have been reclassified to conform with current year presentation and to better reflect the nature of the underlying transactions.

The financial effects arising from the restatement of comparatives are as follows:

Statement of financial position
As at 31 December 2018

Note	As previously stated			Restatement (Note (a))			Reclassification (Note (b)(i), (b)(ii) & (b)(iii))			As restated		
	Takaful Operator RM'000	Family Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Fund RM'000	Company RM'000
Assets												
Investment assets	130,706	1,089,123	1,219,829	-	123	123	-	-	-	130,706	1,089,246	1,219,952
Current tax assets	5,056	-	4,636	-	-	-	-	-	116	5,056	-	4,752
Deferred tax assets	-	93	-	-	1,239	1,239	-	(116)	(1,158)	-	1,216	81
Financing receivables, excluding takaful receivables	40,055	10,857	40,918	(3,376)	(2,457)	(2,457)	-	-	-	36,679	8,400	38,461
Cash and cash equivalents	30,432	51,359	81,791	-	(485)	(485)	-	-	-	30,432	50,874	81,306
Shareholders' equity												
Retained earnings	31,479	-	31,479	(3,376)	-	(3,376)	-	-	-	28,103	-	28,103
Liabilities												
Takaful contract liabilities	-	1,171,078	1,171,078	-	2,547	2,547	-	-	-	-	1,173,625	1,173,625
Takaful payables	443	4,583	5,026	-	-	-	-	2,736	2,736	443	7,319	7,762
Other payables	22,391	18,415	30,812	-	(4,127)	(751)	-	(2,736)	(2,736)	22,391	11,552	27,325
Current tax liabilities	-	420	-	-	-	-	-	(116)	-	-	304	-
Deferred tax liabilities	1,135	-	1,042	-	-	-	-	-	(1,042)	1,135	-	-

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29. Restatement of comparatives (cont'd.)

The comparative financial statements have been restated to reflect the following: (cont'd.)

Statement of financial position
As at 1 January 2018

	Note	As previously stated				Restatement (Note (a))				Reclassification (Note (b)(ii) & (b)(iii))				As restated			
		General		Family		General		Family		General		Family		General		Family	
		Takaful Operator	Takaful Fund	Takaful Fund	Takaful Fund	Takaful Operator	Takaful Fund	Takaful Fund	Takaful Fund	Takaful Operator	Takaful Fund	Takaful Fund	Takaful Fund	Takaful Operator	Takaful Fund	Takaful Fund	Company
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets																	
Investment assets	6	145,410	30,111	1,094,365	1,269,886	-	-	9	9	-	-	-	-	145,410	30,111	1,094,374	1,269,895
Current tax assets		1,919	-	42	-	-	-	-	-	-	-	(42)	-	1,919	-	-	-
Deferred tax assets	10	1,743	165	-	-	-	-	-	-	-	-	-	559	1,743	165	-	559
Financing receivables, excluding takaful receivables	8	40,711	389	7,904	37,929	(1,947)	-	-	-	-	-	-	-	38,764	389	7,904	37,929
Cash and cash equivalents	11	13,201	23,724	45,558	82,483	-	-	(217)	(217)	-	-	-	-	13,201	23,724	45,341	82,266
Shareholders' equity																	
Retained earnings		26,502	-	-	26,502	(1,947)	-	-	(1,947)	-	-	-	-	24,555	-	-	24,555
Liabilities																	
Takaful contract liabilities	13	-	89,356	1,171,337	1,260,693	-	-	1,102	1,102	-	-	-	-	-	89,356	1,172,439	1,261,795
Other payables	16	16,430	3,079	20,603	29,038	-	-	(524)	1,423	-	-	(221)	-	16,430	3,079	20,079	30,461
Current tax liabilities		-	2,838	984	1,860	-	-	-	-	-	-	-	-	-	2,838	763	1,681
Deferred tax liabilities	10	-	-	1,956	48	-	-	(786)	(786)	-	-	179	738	-	-	1,349	-

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29. Restatement of comparatives (cont'd.)

The comparative financial statements have been restated to reflect the following: (cont'd.)

Income Statement
For the financial year ending 31 December 2018

	As previously stated			Restatement (Note (a))			Reclassification (Note (b)(iv))			As restated		
	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	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	29,535	180,723	194,873	-	-	-	(2,057)	13,590	7,491	27,468	194,313	202,364
Takaful Operator income	25,883	-	-	-	-	-	(25,883)	-	-	-	-	-
Gross contributions	-	161,061	161,061	-	166	166	-	-	-	-	161,227	161,227
Net earned contributions	-	141,776	141,776	-	166	166	-	-	-	-	141,942	141,942
Wakalah income	-	-	-	-	-	-	19,417	-	-	19,417	-	-
Surplus sharing from Family Takaful Fund	-	-	-	-	-	-	4,399	-	-	4,399	-	-
Investment Income	8,051	19,662	33,812	-	7,325	7,325	-	6,099	-	8,051	33,086	41,137
Realised gains	141	916	1,057	-	-	-	(141)	-	(141)	-	916	916
Fair value (losses)/gains	(100)	(40,372)	(40,472)	-	(6,520)	(6,520)	100	-	100	-	(46,892)	(46,892)
Other operating income	-	256	256	-	-	-	2,303	-	492	2,303	256	748
Other income	8,051	19,915	34,065	-	805	805	26,119	(33,357)	(38,964)	34,170	(12,637)	(4,094)
Gross changes in takaful contract liabilities	-	-	-	-	(1,445)	(1,445)	-	14,556	14,556	-	13,111	13,111
Net benefits and claims	-	(116,429)	(116,429)	-	(1,445)	(1,445)	-	14,556	14,556	-	(103,318)	(103,318)
Wakalah expenses	-	(15,385)	-	-	-	-	-	(4,032)	-	-	(19,417)	-
Surplus sharing with Takaful Operator	-	-	-	-	-	-	-	(4,399)	-	-	(4,399)	-

Note

17

17(a)

17(b)

18

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29. Restatement of comparatives (cont'd.)

The comparative financial statements have been restated to reflect the following: (cont'd.)

Income Statement
For the financial year ending 31 December 2018 (cont'd.)

	As previously stated			Restatement (Note (a))			Reclassification (Note (b)(iv))			As restated		
	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Other operating expenses	(257)	904	647	(1,429)	20	(1,409)	(195)	(2,066)	(450)	(1,881)	(1,142)	(1,212)
Other expenses	(45,331)	(53,937)	(83,883)	(1,429)	20	(1,409)	(236)	28,959	38,965	(46,996)	(24,958)	(46,327)
Surplus attributable to participants before taxation	-	(8,675)	-	-	(454)	-	-	10,158	-	-	1,029	-
Tax expense attributable to participants	-	2,217	2,217	-	454	454	-	-	-	-	2,671	2,671
Net surplus release from/(retained in) takaful fund	-	16,993	16,993	-	-	-	-	(14,556)	(14,556)	-	2,437	2,437
Loss before taxation attributable to Takaful Operator	(11,397)	-	(11,397)	(1,429)	-	(1,429)	-	-	-	(12,826)	-	(12,826)
Loss after zakat and taxation	(16,449)	-	(16,449)	(1,429)	-	(1,429)	-	-	-	(17,878)	-	(17,878)
Net profit for the financial year	4,977	-	4,977	(1,429)	-	(1,429)	-	-	-	3,548	-	3,548

30. Comparatives

The comparative financial statements were audited by a firm of chartered accountants other than Ernst & Young PLT.