

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

Directors' Report and Audited Financial Statements
31 December 2021

200601011780 (731530-M)

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

Contents	Page
Directors' report	1 - 5
Corporate governance disclosure	6 - 29
Statement by directors	30
Statutory declaration	31
Report of the Shariah Committee	32 - 33
Independent auditors' report	34 - 37
Statement of financial position	38 - 39
Income statement	40 - 41
Statement of comprehensive income	42
Statement of changes in equity	43
Statement of cash flows	44 - 45
Notes to the financial statements	46 - 143

200601011780 (731530-M)

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

Directors' report

The Directors hereby present their report together with the audited financial statements of the Company for the financial year ended 31 December 2021.

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>(118,212)</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 2021.

Share capital

During the financial year ended 31 December 2021, the Company increased its issued and paid-up capital from RM261,500,000 to RM401,000,000 via issuance of 1,395 new preference shares for cash of RM139,500,000 on 2 June 2021.

The Company had, on 10 February 2022, further increased its issued and paid-up capital from RM401,000,000 to RM512,500,000 via issuance of 1,115 new preference shares for cash of RM111,500,000.

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.

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

Directors

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

Adil Ahmad	Chairman, Independent Non-Executive Director (Appointed on 16 January 2021)
James Loh Sinn Yuk	Independent Non-Executive Director (Stepped down as Chairman on 16 January 2021)
K. Vithyatharan A/L V. Karunakaran	Independent Non-Executive Director (Term ended on 6 May 2021)
Nor Azian binti Mohd Noor	Non-Independent Non-Executive Director
Muhammad Ali Jinnah bin Ahmad	Independent Non-Executive Director
Tam Chiew Lin	Non-Independent Non-Executive Director
Yip Jian Lee	Independent Non-Executive Director
Varsha Abdullah	Independent Non-Executive Director (Appointed on 15 November 2021)
Binayak Dutta	Executive Director

Directors' interests in shares

	01.01.2021	Granted	Forfeited	31.12.2021
Ordinary shares of FWD Limited				
Binayak Dutta	-	4,692	-	4,692
	01.01.2021	Granted	Forfeited	31.12.2021
Options to subscribe for ordinary shares of FWD Limited				
Binayak Dutta	23,580	-	(1,037)	22,543

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 2021 have any interest in the ordinary shares and options over shares of the Company and of its related corporations during the financial year.

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.

200601011780 (731530-M)

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

Directors' benefits (cont'd.)

A corporate liability cover 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 2021 pursuant to section 289 of the Companies Act, 2016. The cost of cover effected amounted to RM14,157.82.

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 a Director who was 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 21 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:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts 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.

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

- (i) that would render it necessary to write off any bad debts or render 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

200601011780 (731530-M)

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

Other statutory information (cont'd.)

- (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 2021 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.

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

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:



Adil Ahmad
Chairman



Yip Jian Lee
Director

Kuala Lumpur, Malaysia
17 March 2022

200601011780 (731530-M)

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

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's responsibilities include, but are not limited to the following:

- (i) setting and overseeing objectives of the Company and the strategies for achieving those objectives;
- (ii) overseeing and reviewing the implementation of the Company's governance framework and internal control framework;
- (iii) overseeing the selection, performance, remuneration and succession plans of the Chief Executive Officer, control function heads and other members of the senior management;
- (iv) ensuring a suitable and transparent corporate structure within the Company which reinforces ethical, prudent and professional behaviour;
- (v) ensuring effective audit functions;
- (vi) ensuring an appropriate degree of transparency in respect of the structure, operation and risk management of the Company;
- (vii) promoting Shariah compliance in accordance with Bank Negara Malaysia ("BNM") Policy Document on Shariah Governance and ensuring its integration with the Company's business and risk strategies;
- (viii) setting corporate values and standards;
- (ix) having due regard to any decisions or advice of the Shariah committee on any Shariah issues relating to the operations, business, affairs or activities of the Company;
- (x) taking reasonable steps to ensure that the Shariah Committee is free from any undue influences that may hamper the Shariah Committee from exercising its professional objectivity and independence in deliberating issues brought before them;

200601011780 (731530-M)

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

Corporate Governance Disclosure (cont'd.)

Board of Directors (cont'd.)

Board Responsibility and Oversight (cont'd.)

- (xi) promoting sustainability through appropriate environmental, social and governance considerations in the Company's business strategies;
- (xii) overseeing and approving the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress; and
- (xiii) promoting timely and effective communication between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company.

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 eight (8) members comprising of five (5) 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.

200601011780 (731530-M)

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

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 independent 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 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.

Board Composition

As at 31 December 2021, the Board comprised of eight (8) Directors, which consisted of five (5) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors and one (1) Executive Director.

The Company is guided by CG 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.

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.

200601011780 (731530-M)

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

Corporate Governance Disclosure (cont'd.)

Board of Directors (cont'd.)

Board Meetings

The Board met seven (7) times during the financial year ended 31 December 2021 with timely notices of issues to be discussed.

Details of attendance of each director are as follows:

<u>Directors</u>	<u>Attendance</u>
Adil Ahmad (Chairman) (<i>Appointed on 16 January 2021</i>)	7/7
James Loh Sinn Yuk	7/7
Muhammad Ali Jinnah bin Ahmad	7/7
Nor Azian binti Mohd Noor	7/7
Tam Chiew Lin	7/7
Yip Jian Lee	7/7
Binayak Dutta	6/7
K. Vithyatharan A/L V. Karunakaran (<i>Term ended on 6 May 2021</i>)	2/2
Varsha Abdullah (<i>Appointed on 15 November 2021</i>)	1/1

Directors' Profile

1 Adil Ahmad, 65

Chairman / Independent Non-Executive Director

Member of Audit Committee, Risk Committee and Nominations and Remuneration Committee

Appointed to the Board: 16 January 2021

Mr Adil is the Chairman and Independent Non-Executive Director of the Company. He has over 35 years of senior international financial sector experience. His financial career began at ANZ Grindlays Bank Pakistan. He was the Director and Head of Global Islamic Finance of ANZ Investment Bank in London from 1993 to 1997, and thereafter Executive, Group Strategy of ANZ Banking Group Ltd in Melbourne from 1997 to 2000. He assumed the position as Chief Executive Officer of ANZ Banking Group Ltd Vietnam from 2000 to 2005 and led it to become the leading retail bank and the leading foreign bank in Vietnam. His final executive role was as Chief Executive Officer of Kuwait International Bank, Kuwait, where he led a very successful two-dimensional conversion of the bank from conventional to Islamic, and from a limited license real estate bank to a full commercial bank.

200601011780 (731530-M)

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

Corporate Governance Disclosure (cont'd.)

Directors' Profile (cont'd.)

**1 Adil Ahmad, 65 (cont'd.)
Chairman / Independent Non-Executive Director**

Mr Adil retired to Malaysia in 2010. He is currently an Independent Non-Executive Director at HSBC Amanah Bank Berhad, FIDE Forum and Vingroup Joint Stock Company (Vietnam). He also provides consultancy and financial training to institutions in ASEAN and the Middle East.

He holds a Masters in Business Administration (Finance & Accounting) and Bachelor of Arts in Economics, both from Cornell University, Ithaca, New York. He has also attended the Insead Business School Senior Executive Management program.

Mr Adil does not have any shareholding in the Company.

**2 James Loh Sinn Yuk, 71
Independent Non-Executive Director
Appointed to the Board: 22 March 2019**

Mr Loh is an Independent Non-Executive Director of the Company. He has more than 40 years experience in investment. He was the founder and former Chief Executive Officer of JL Capital Ltd. At JL Capital he oversaw the launch of eight funds, managing more than USD1 billion in assets. 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 National University of Singapore, where he entirely revamped their investment process, his work directly contributed to the university growing its endowment fund to the current market value in excess of USD7 billion. 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 Loh graduated from the University of Chicago with a Master's degree in Business Administration, Finance.

Mr Loh does not have any shareholding in the Company.

200601011780 (731530-M)

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

Corporate Governance Disclosure (cont'd.)

Directors' Profile (cont'd.)

- 3 Varsha Abdullah, 59**
Independent Non-Executive Director
Chairman of Risk Committee
Appointed to the Board: 15 November 2021

Ms. Varsha has extensive years of experience in governance, internal and external audit, finance, investment oversight, insurance operations and enterprise risk management. In 2014, she co-founded Singapore Life Pte Ltd, a life insurance company in Singapore, where she held various positions including Chief Financial Officer, Chief Risk Officer and Group Head of Governance.

She was the Regional Head of Operational Risk at HSBC Insurance Asia Pacific from 2010 to 2013. Prior to this, she assumed the positions of Financial Controller and Chief Operating Officer of HSBC Insurance (Singapore) Pte Limited from May 2005 to January 2007 and February 2007 to January 2010, respectively. She also sits on the Board of AWWA Ltd, a social and welfare charitable organization in Singapore.

She holds a Bachelor of Accountancy (Hons) from the National University of Singapore, and is a qualified Chartered Financial Analyst and a Fellow Chartered Accountant of Singapore.

- 4 Nor Azian binti Mohd Noor, 55**
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 20 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.

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

Corporate Governance Disclosure (cont'd.)

Directors' Profile (cont'd.)

5 Muhammad Ali Jinnah bin Ahmad, 43

Independent Non-Executive Director

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 and a Bachelor Degree (Hons) in Islamic Jurisprudence from Al-al Bayt University, Jordan. He is currently pursuing his Ph.D. in Business. He started his career as a lecturer at Kolej University Islam Antarabangsa Selangor (KUIS) and then joined International Shariah Research Academy for Islamic Finance (ISRA) as a researcher from 2009 to 2017. He was the Shariah Committee member of BNP Paribas Malaysia Berhad and was appointed as the Chairman of the Shariah Committee for the Company until 28 February 2021. He is currently the Shariah Committee member of Maybank Islamic Berhad.

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

6 Tam Chiew Lin, 71

Non- Independent Non-Executive Director

Member of Risk Committee

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.

200601011780 (731530-M)

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

Corporate Governance Disclosure (cont'd.)

Directors' Profile (cont'd.)

7 Yip Jian Lee, 66

Independent Non-Executive Director

Chairman of Audit Committee and Nominations and Remuneration Committee

Member of Risk Committee

Appointed to the Board: 13 August 2020

Ms Yip is a qualified Chartered Accountant of the Institute of Chartered Accountants, England & Wales and a member of Malaysian Institute of Accountants. She was the Director of the Institute of Bankers Malaysia from 1985 until 2000. She served on the boards of many public listed companies, financial institutions and private companies since 1987. Between 1986 and 1996, she served as the Honorary Secretary to the Malaysian-British Society, an association to further promote bilateral relations between the two countries. Recently, she retired from the Board of Tokio Marine Insurans (Malaysia) Berhad, the position she held as a director since 2013. Currently, Ms Yip is an Independent Non-Executive Director of Carimin Petroleum Berhad and the Professional Golf of Malaysia. She is also on the Advisory Council of the World Wildlife Fund - Malaysia, an NGO where she had served as a Trustee and Honorary Treasurer for the maximum term of 12 years, from 1996 to 2009.

Ms Yip does not have any shareholding in the Company.

8 Binayak Dutta, 49

Executive Director

Appointed to the Board: 2 November 2020

Mr Dutta is the Managing Director, Emerging Markets and Group Chief Distribution Officer of FWD Group, overseeing FWD Group's life business in South East Asia as well as the growth and development of FWD's distribution channels across FWD Group. He has over 20 years' experience in the Asian insurance industry with an impressive track record demonstrating transformative change and results within multiple distribution channels across the region. He has led several multi-national insurers through a range of diverse phases from start-ups and acquisition to mergers and realignment.

He began his career in banking and holds a Bachelor of Economics and Master of Business Administration.

Mr Dutta does not have any shareholding in the Company.

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

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 Company 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 Company 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.

All Directors had attended briefings, dialogue session and trainings during the financial year under review that includes the following:

- FIDE Core Programme Insurance Module A
- Briefing on Group-Wide Supervision
- Orientation for New Director
- Understanding Board Decision-Making Process
- Webinar - Rethinking Our Approach to Cyber Defence in FIs
- BNM-FIDE FORUM-MASB MFRS 17 Insurance Contracts: What Every Director Must Know
- Risk Management in Technology (RMiT) & Digital Transformation: What they mean for Governance and Strategy of Bank and Insurance Boards
- Nominating and Remuneration Committee: Beyond Box-ticking & Enhancing Effectiveness
- Product Sharing with Board
- BNM-FIDE FORUM Dialogue on The Role of Independent Director in Embracing Present and Future Challenges
- BNM-FIDE FORUM Dialogue on The Future of Malaysia's Financial Sector
- BNM-FIDE FORUM Dialogue: Risk-Based Capital Framework for Insurers and Takaful Operators
- Intentional Integrity: How Smart Companies Can Lead An Ethical Revolution
- Bursa-FIDE FORUM Dialogue on Sustainability
- FIDE Forum Dialogue: The 2050 Net Zero Carbon Emissions Target: Finance's Role
- SC-FIDE FORUM Dialogue on Capital Market Masterplan 3
- FIDE FORUM: Annual Dialogue with Governor of Bank Negara Malaysia
- The Application of Hibah in Takaful 2021
- FIDE Elective namely Climate Change: Impact on Insurance Companies & Role of the Board

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

Corporate Governance Disclosure (cont'd.)

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 on the Company's corporate website (www.fwd.com.my).

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:

- Yip Jian Lee (*Appointed as Chairman on 6 May 2021*)
- Adil Ahmad (*Appointed as member on 2 February 2021*)
- Muhammad Ali Jinnah bin Ahmad

During 2021, the Audit Committee held 4 meetings. Attendance is set out in the table below.

<u>Directors</u>	<u>Attendance</u>
K. Vithyatharan A/L V. Karunakaran (<i>Term ended on 6 May 2021</i>)	1/1
Yip Jian Lee	4/4
Muhammad Ali Jinnah bin Ahmad	4/4
Adil Ahmad	4/4

FWD Takaful Berhad
(Incorporated in Malaysia)

Corporate Governance Disclosure (cont'd.)

Board Committees (cont'd.)

(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.

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 non-executive directors, are:

- Varsha Abdullah (*Appointed as Chairman on 15 November 2021*)
- Yip Jian Lee
- Muhammad Ali Jinnah bin Ahmad
- Tam Chiew Lin
- Adil Ahmad (*Appointed as member on 2 February 2021*)

During 2021, the Risk Committee held 5 meetings. Attendance is set out in the table below.

<u>Directors</u>	<u>Attendance</u>
K. Vithyatharan A/L V. Karunakaran (<i>Term ended on 6 May 2021</i>)	1/1
Yip Jian Lee	5/5
Muhammad Ali Jinnah bin Ahmad	5/5
Tam Chiew Lin	5/5
Adil Ahmad	5/5
Varsha Abdullah	1/1

FWD Takaful Berhad
(Incorporated in Malaysia)

Corporate Governance Disclosure (cont'd.)

Board Committees (cont'd.)

(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 2021.

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:

- Yip Jian Lee (Chairman)
- Adil Ahmad (*Appointed as member on 2 February 2021*)
- Muhammad Ali Jinnah bin Ahmad
- Nor Azian binti Mohd Noor

During 2021, the Nominations and Remuneration Committee held 8 meetings. Attendance is set out in the table below.

<u>Directors</u>	<u>Attendance</u>
K. Vithyatharan A/L V. Karunakaran (<i>Term ended on 6 May 2021</i>)	3/3
Yip Jian Lee	8/8
Adil Ahmad	7/7
Muhammad Ali Jinnah bin Ahmad	8/8
Nor Azian binti Mohd Noor	8/8

FWD Takaful Berhad
(Incorporated in Malaysia)

Corporate Governance Disclosure (cont'd.)

Board Committees (cont'd.)

(d) Shariah Committee ("SC")

The SC 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 SC are:

- Dr. Azrul Azlan bin Iskandar Mirza (*Appointed as Chairman on 1 March 2021*)
(*Stepped down as Chairman on 1 March 2022*)
- En. Muhammad Ali Jinnah bin Ahmad
(*Stepped down as Chairman on 1 March 2021*)
- Dr. Ghazali bin Jaapar
- Dr. Khairul Anuar bin Ahmad
- En. Lokmanulhakim bin Hussain

The duties and responsibilities of SC are as follows:

- a) provide decision or advice to FWD Takaful on the application of any rulings of the Shariah Advisory Council ("SAC") of Bank Negara Malaysia or standards on Shariah matters that are applicable to the operations, business, affairs and activities of FWD Takaful;
- b) provide decision or advice on matters which require reference to be made to the SAC;
- c) provide decision or advice on the operations, business, affairs and activities of the Company which may trigger Shariah non-compliant event;
- d) deliberate and affirm Shariah non-compliance finding by any relevant functions;
- e) endorse rectification measures to address Shariah non-compliant event;
- f) endorse Shariah policies and procedures prepared by the Company;
- g) endorse, validate and approve documentations which include the terms and conditions contained in the proposal form, contract, agreement or other legal documentation, product manual, marketing advertisements, benefit illustrations and brochures used to describe a particular product;
- h) advise on permissible investment in relation to the Company's products and the selection of share counters which are in compliance with Shariah;
- i) represent the company during meetings with Bank Negara Malaysia to explain the concept, issues or solutions pertaining to the Company's business; and

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

Corporate Governance Disclosure (cont'd.)

Board Committees (cont'd.)

(d) Shariah Committee ("SC") (cont'd.)

- j) assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters which forms part of the SC duties in providing assessment of Shariah compliance and assurance information in the annual report.

During 2021, the SC held 13 meetings including special meetings. Attendance is set out in the table below.

<u>Shariah Committee Members</u>	<u>Attendance</u>
Dr. Azrul Azlan bin Iskandar Mirza (Chairman)	13/13
Dr. Ghazali bin Jaapar	13/13
Dr. Khairul Anuar bin Ahmad	13/13
En. Muhammad Ali Jinnah bin Ahmad	13/13
En. Lokmanulhakim bin Hussain	13/13

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 Compliance and Operational Risk Committee and Asset Liability Management Committee Meetings responsible for overseeing risk in place, chaired by the Chief Executive Officer, are held to establish, maintain and periodically review the Enterprise Risk Management Framework, Enterprise Risk Management Policy, Internal Control Policy, 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

(a) Asset and Liability Management Committee

The Asset and Liability Management Committee ("ALMCO") is to oversee the financial risks and asset liability management of the Company.

200601011780 (731530-M)

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

Corporate Governance Disclosure (cont'd.)

Executive Committee (cont'd.)

(b) Compliance and Operational Risk Committee

The Compliance and Operational Risk Committee is to oversee risk matters not in the scope of the ALMCO.

(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.

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 cover, with a limit of RM5,567,060.

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

200601011780 (731530-M)

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

Corporate Governance Disclosure (cont'd.)

Management Reports (cont'd.)

- Operational Risk Report
- Scenario Stress Testing Results
- Financial Crime Compliance: Anti-Money Laundering and Counter Terrorist Financing Reports
- Technology Risk Report
- Regulatory Compliance Report
- Capital Management Plan
- Investment Performance
- People Plan

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 (“ERM”) Framework provides the high-level risk management, structures and processes we use to manage risks, throughout the Company. The FWD Group ERM Framework has been localised by the Company. The ERM Framework has four main components: Risk Management Framework and Principles, Roles & Responsibilities, Risk Management Processes and Risk Assessment Methodology, which 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.

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

Corporate Governance Disclosure (cont'd.)

Internal Control Framework (cont'd.)

- **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.

- **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:

- Investment, Asset & Liability Management, Capital Risks (including Market, Credit, Liquidity & Surrender and Asset concentration)
- Insurance Risks (including Mortality, Morbidity, Persistency, Expense, Underwriting, Claim, Pricing and Model Risk)
- Shariah Risks (including Shariah No-Compliance, Process, System & Transaction, Governance and Competency)
- Strategic Risks (including Group, Channel, Reputation, Business Intelligence and Technological Strategy and Political & Social Risk)
- Operational risk (including Fraud, Employment & Workplace Safety Practice, Clients, Products & Conduct, Damage to Physical Assets, Business Disruption, Governance Process and Internal Controls, Execution and Technology and Cyber, Outsourcing and Project Management Risk)

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

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

Corporate Governance Disclosure (cont'd.)

Internal Control Framework (cont'd.)

- **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.

- **During 2021, attention was focused on:**

- Strategic Execution Risk;
- IT Risk;
- Cyber Security Risk;
- Compliance Risk;
- Operational Risk;
- Agency Related Risk
- Human Resource Risk
- Product Delivery Risk
- Pandemic Risk
- ESG & Climate 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.

FWD Takaful Berhad
(Incorporated in Malaysia)

Corporate Governance Disclosure (cont'd.)

Internal Control Framework (cont'd.)

- **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.

- **Functions, Processes, Systems and Internal controls**

The ERM Environment and Process should include internal controls, systems and functions that are adequate and effective for strategy, risk profile, applicable legal and regulatory requirements and be adaptable to internal and external changes. Key Control Self-Assessment ("KCSA") is the tool to ensure that the primary controls within key business processes that help manage key risks are documented and subject to regular review by risk/process owners. The results of KCSA are subject to 2nd line review. Adequate communication and training should be in place to ensure all staff fully understand and adhere to the internal controls and their respective duties and responsibilities as well as reporting lines.

- **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's 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.

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

Corporate Governance Disclosure (cont'd.)

Internal Control Framework (cont'd.)

• **Internal audit (cont'd.)**

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 under audit, evaluating their adequacy, and testing the operating effectiveness of key controls. In addition, the internal audit plan supports management in other capacities such as:

- Conducting special investigations regarding errors or irregularities.
- Participating in evaluating the control aspects of development of new policies, procedures, products and systems to appraise the adequacy and effectiveness of the proposed systems of control.
- Participating in examinations of potential acquisitions or sales.
- Conducting reviews to determine compliance with a specific law or regulation.
- Assisting management in responding to regulatory inquiries or requests.

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 programme, significant control issues and the overall adequacy of the control environment. Reports relating to individual audits are addressed to the applicable senior management who are required to respond as to corrective actions taken.

Remuneration Policy

FWD's 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.

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

Corporate Governance Disclosure (cont'd.)

Remuneration Policy (cont'd.)

The key objectives of the Policy are 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 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.

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.

Responsibilities

The Board of Directors ("Board") is responsible for the implementation of the Remuneration Policy as well as related rules and regulations. It also has overall responsibility for the approval of compensation plans and compensation expenses.

The Board also ensures an annual review of the Remuneration Policy and its implementation is reviewed at regular intervals.

The Nomination and Remuneration Committee is to assist the Board by reviewing and making recommendations in respect of the remuneration policies and framework for all employees. It is responsible for determining, reviewing and proposing compensation recommendations for Board approval.

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

Corporate Governance Disclosure (cont'd.)

Remuneration Practices

Risk and control considerations are an integral part of the remuneration processes. The Company's approach to remuneration includes a focus on risk and internal control matters and discourages excessive risk taking. As part of the overall corporate governance framework, the Company ensures its remuneration policy and structure are in line with the requirements of governance regulations. Hence, from a risk management perspective, the remuneration policy is supported by strong governance and sensitive to risk outcomes.

Employee rewards are reviewed on an annual basis and consistent with business performance and prudent risk management. Appropriately, involvement by the relevant control functions are sufficiently embedded to provide an independent and objective assessment of the remuneration principles and practices which are pre-requisites for executing a sound remuneration policy.

The Company's performance management principle and process ensure KPI continue to focus on outcomes delivered that are aligned to the Company's business plan. Each of the Executive Committee and Other Material Risk Takers ("OMRT") carry Compliance, Risk, Audit, and Shariah goals in their individual scorecard and are cascaded accordingly. OMRT is defined to include officer(s) who are materially committed or controlled significant amounts of the Company's resources or whose actions are likely to have a significant impact on the Company's risk profile. Executive Committee is defined as performing a senior management function whose primary or significant responsibility is for the management and performance of significant business activities and includes those who assume primary or significant responsibility for key control functions.

The KPI setting continues to shape the Company's culture, actively drive governance agenda effectively where inputs from control functions and Board Committees are incorporated into the departments and individual performance results. Employee engaged in all control functions including Compliance, Risk, Actuarial, Audit and Shariah departments do not carry business targets in their scorecard. Their compensation is dependent on the achievement of key results in their respective domain.

The Company's control functions provide feedback to the Human Resources Department and the NRC on relevant breaches of the Company's internal policies or practices.

Internal Audit, as part of standard procedure, conducts regular reviews of compensation to ensure that Remuneration Policy standards, external regulations, and guidelines are adhered to, and that processes for achieving and maintaining balanced incentive compensation arrangements are consistently followed.

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

Corporate Governance Disclosure (cont'd.)

Remuneration Practices (cont'd.)

The NRC takes into account feedback from these control functions in its annual review of the Company's performance and in determining the variable incentive compensation pools. The remuneration of the Executive Committee including Chief Executive Officer of the Company are reviewed annually by the NRC based on the overall remuneration framework approved by the Board.

Remuneration Policy in respect of members of the Executive Committee

Members of the Executive Committee comprise of the Chief Executive Officer, Senior Management Team and such other executives as the Board of Directors and/or regulator should determine. Currently, there are thirteen (13) identified Executive Committee members.

The remuneration of the Executive Committees are paid and reviewed annually by the NRC, based on the overall compensation policy approved by the Board. The approved policy will provide guidelines on the base salary ranges, cash allowances, short term incentive ranges and long term incentive ranges (if applicable) for the Executive Committees.

Typically, the structure of remuneration for Executive Committee is:

- Total Cash = Guaranteed/fixed cash (e.g. base salary and cash allowances) + short term incentive (e.g. cash bonus)
- Total Direct Compensation = Total cash + long term incentive
- Total Compensation = Total direct compensation + benefits/perquisites

Remuneration of Non-Executive Directors

The NRC is responsible in recommending the remuneration framework for Non-Executive Directors to the Board to ensure that the Company attracts, motivates and retains Directors.

The remuneration package is determined by the Board as a whole, based on the experience and level of expertise and responsibilities undertaken by the Non-Executive Directors. The contributions, effort and time spent and the frequency of meetings are taken into account in determining the fees. The fee proposed by the Board each year are subject to the shareholders' approval at the Company's Annual General Meeting. No Director is involved in deciding his/her own remuneration.

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

Corporate Governance Disclosure (cont'd.)

Remuneration of Non-Executive Directors (cont'd.)

The Non-Executive Directors' remuneration for financial year ended 31 December 2021 are set out in the table below:

		Directors' Fees (RM'000)
Board	Chairman	113
	Member	88
Board Committees	Chairman	67
	- Audit Committee	
	- Risk Committee	
	Chairman	40
	- Nominations and Remuneration Committee	
	Member	46
- Audit Committee		
- Risk Committee		
Member	25	
- Nominations and Remuneration Committee		

Disclosure

The details of remuneration of the Directors and Chief Executive Officer of the Company in respect of financial year ended 31 December 2021 are shown in Note 24 to the Company's financial statements.

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

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

We, Adil Ahmad and Yip Jian Lee, being two of the Directors of FWD Takaful Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 38 to 143 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 2021 and of its financial position and cash flows for the financial year ended on that date.

On behalf of the Board,



Adil Ahmad
Chairman



Yip Jian Lee
Director

Kuala Lumpur, Malaysia
17 March 2022

200601011780 (731530-M)

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 38 to 143 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 Georgetown in the State of Penang
on 17 March 2022



Before me

Commissioner for Oaths



27, Jalan Zainal Abidin
10400 Pulau Pinang

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

Report of the Shariah Committee

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

In carrying out the roles and responsibilities of the FWD Takaful Berhad's Shariah Committee as prescribed in the Shariah Governance Policy Document issued by Bank Negara Malaysia and in compliance with the letter of appointment and terms of reference, we hereby submit the following report for the financial year ended 31 December 2021:

We are responsible to provide objective and sound advice to FWD Takaful Berhad to ensure that its operations, business, affairs and activities are in compliance with Shariah rules and principles at all times. In undertaking our duties, we shall adhere to the resolutions, views and opinions of the Shariah Advisory Council of Bank Negara Malaysia.

We have reviewed the principles and the contracts relating to the transactions and applications introduced by FWD Takaful Berhad during the period ended 31 December 2021. We have also conducted our review to form an opinion as to whether FWD Takaful Berhad has complied with the Shariah 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 to ensure that its operations, business, affairs and activities 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 operations, business, affairs and activities of FWD Takaful Berhad and to report to you.

We had seven (7) scheduled meetings and six (6) special meetings during the financial year in which we reviewed the principles, the contracts and the documents relating to the transactions and applications introduced and implemented by FWD Takaful Berhad. In performing our roles and responsibilities, we had obtained 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.

We have also assessed the work carried out by Shariah review and Shariah audit which included examining, on a test basis, each selected type of transaction, the relevant documentation and procedures adopted by the FWD Takaful Berhad. The review and audit reports were deliberated in our meetings to confirm that FWD Takaful Berhad has complied with the rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, Shariah related policy documents issued by Bank Negara Malaysia as well as our decisions.

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

Report of the Shariah Committee (cont'd.)

In our opinion and to the best of our knowledge:

- (a) We are of the view that the contracts, transactions and dealings entered into by FWD Takaful Berhad, the products' structure, the business arrangements and the relevant policies and procedures during the financial year ended 31 December 2021 that we have reviewed are in compliance with the Shariah rules and principles;
- (b) The allocation of profit, charging of losses and surplus distribution relating to Shareholders' Fund, Participants' Investment Fund and Participants' Risk Fund conform to the basis that had been approved by us in accordance with Shariah rules and principles;
- (c) No earnings have been realised from sources or by means prohibited by the Shariah principles during the financial year;
- (d) Based on the information disclosed by FWD Takaful Berhad on the incidents and events that were identified and reported to us during the financial year, no Shariah non-compliant event was noted; and
- (e) The calculation of Zakat on business is in compliance with Shariah principles. Based on the calculation made, FWD Takaful Berhad is not in position to pay Zakat as yet for this financial year.

We, the members of Shariah Committee of FWD Takaful Berhad, based on what had been presented to us by the management of FWD Takaful Berhad, do hereby confirm that nothing has come to our attention that causes us to believe that the operations, business, affairs and activities of FWD Takaful for the financial year ended 31 December 2021 involve any material Shariah non-compliances.

"And cooperate in righteousness and piety, but do not cooperate in sin and aggression, And fear Allah; indeed Allah is severe in penalty" (2: Al-Maidah)



Muhammad Ali Jinnah bin Ahmad
Member
Shariah Committee



Dr. Khairul Anuar bin Ahmad
Member
Shariah Committee

Kuala Lumpur
17 March 2022

200601011780 (731530-M)

**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 2021, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 38 to 143.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 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.

200601011780 (731530-M)

**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

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.

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.

200601011780 (731530-M)

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

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.

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.

200601011780 (731530-M)

**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.)

- 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.

Other matters

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



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

Kuala Lumpur, Malaysia
17 March 2022



Muhammad Syarizal bin Abdul Rahim
No. 03157/01/2023 J
Chartered Accountant

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

Statement of financial position as at 31 December 2021

	Note	31.12.2021			31.12.2020		
		Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Assets							
Property, plant and equipment	4	4,143	-	4,143	6,352	-	6,352
Intangible assets	5	5,793	-	5,793	5,366	-	5,366
Right-of-use assets	6(a)	3,829	-	3,829	6,192	-	6,192
Investments	7	153,284	1,389,893	1,543,177	152,798	1,251,035	1,403,833
Retakaful assets	8	-	49,434	49,434	-	33,427	33,427
Current tax assets		13,963	-	10,977	14,630	-	12,230
Deferred tax assets	11	13,963	-	6,556	1,981	-	-
Other receivables	9	35,730	9,535	14,543	14,046	7,813	15,381
Takaful receivables	10	768	1,560	2,328	386	2,410	2,796
Cash and cash equivalents	12	18,079	118,181	136,260	11,009	78,040	89,049
Total assets		249,552	1,568,603	1,777,040	212,760	1,372,725	1,574,626
Shareholders' equity							
Share capital	13	401,000	-	401,000	261,500	-	261,500
Accumulated losses		(227,327)	-	(227,327)	(109,115)	-	(109,115)
Fair value reserves		780	-	780	3,074	-	3,074
Total equity		174,453	-	174,453	155,459	-	155,459

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

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

Statement of financial position as at 31 December 2021 (cont'd.)

	Note	31.12.2021			31.12.2020		
		Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Liabilities							
Takaful contract liabilities	14	-	1,507,879	1,507,879	-	1,342,188	1,342,188
Expense reserves	15	13,839	-	13,839	10,905	-	10,905
Takaful payables	16	3,167	15,977	19,144	1,856	9,789	11,645
Other payables	17	54,244	34,354	57,876	38,518	8,740	40,780
Lease liabilities	6(b)	3,849	-	3,849	6,022	-	6,022
Current tax liabilities		-	2,986	-	-	2,400	-
Deferred tax liabilities	11	-	7,407	-	-	9,608	7,627
Total liabilities		<u>75,099</u>	<u>1,568,603</u>	<u>1,602,587</u>	<u>57,301</u>	<u>1,372,725</u>	<u>1,419,167</u>
Total equity and liabilities		<u>249,552</u>	<u>1,568,603</u>	<u>1,777,040</u>	<u>212,760</u>	<u>1,372,725</u>	<u>1,574,626</u>

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 2021

	Note	2021			2020		
		Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Operating revenue	18	114,283	481,895	487,592	60,604	289,559	297,566
Gross contributions		-	445,745	445,745	-	260,045	260,045
Contributions ceded to retakaful operators		-	(25,684)	(25,684)	-	(19,721)	(19,721)
Net earned contributions		-	420,061	420,061	-	240,324	240,324
Wakalah income	18(a)	108,586	-	-	52,597	-	-
Investment Income	18(b)	5,697	36,150	41,847	8,007	29,514	37,521
Realised gains	19	4	8,770	8,774	-	5,796	5,796
Fair value gains/(losses)	20	68	(6,078)	(6,010)	(105)	63,196	63,091
Other operating income		459	9,202	9,616	861	3,128	3,966
Other income		114,814	48,044	54,227	61,360	101,634	110,374
Gross benefits and claim paid		-	(209,887)	(209,887)	-	(181,245)	(181,245)
Claims ceded to retakaful operators		-	26,437	26,437	-	20,831	20,831
Gross changes in takaful contract liabilities		-	(136,596)	(136,596)	-	(99,432)	(99,432)
Changes in retakaful contract liabilities		-	9,733	9,733	-	7,422	7,422
Net benefits and claims		-	(310,313)	(310,313)	-	(252,424)	(252,424)

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 2021 (cont'd.)

	Note	2021			2020		
		Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Wakalah expenses		-	(108,586)	-	-	(52,597)	-
Fees and commission expense		(71,671)	-	(71,671)	(29,892)	-	(29,892)
Management expenses	21	(175,554)	-	(175,554)	(145,612)	-	(145,612)
Change in expense reserves		(2,934)	-	(2,934)	3,606	-	3,606
Change in allowance for impairment loss	10	(1,665)	183	(1,482)	(630)	431	(199)
Other operating expenses		(12,583)	(356)	(12,894)	(5,739)	(60)	(5,776)
Taxation of family takaful business	22	-	(3,143)	(3,143)	-	(2,531)	(2,531)
Other expenses		(264,407)	(111,902)	(267,678)	(178,267)	(54,757)	(180,404)
Operating (loss)/profit before surplus transfers		(149,593)	45,890	(103,703)	(116,907)	34,777	(82,130)
Surplus attributable to shareholders		21,613	(21,613)	-	14,357	(14,357)	-
Surplus distributed to participants		-	(20,417)	(20,417)	-	(13,730)	(13,730)
Net surplus retained in takaful fund		-	(3,860)	(3,860)	-	(6,690)	(6,690)
Loss before taxation		(127,980)	-	(127,980)	(102,550)	-	(102,550)
Taxation	22	9,768	-	9,768	(1,024)	-	(1,024)
Net loss for the year		(118,212)	-	(118,212)	(103,574)	-	(103,574)
Basic and diluted loss per share (sen)	13.2			(5,910.6)			(5,178.7)

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

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

Statement of comprehensive income for the financial year ended 31 December 2021

	31.12.2021			31.12.2020		
	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Net loss for the year	(118,212)	-	(118,212)	(103,574)	-	(103,574)
<u>Items that may be subsequently reclassified to profit or loss:</u>						
Gross fair value (losses)/gains arising during the financial year	(3,018)	(22,365)	(25,383)	1,738	10,075	11,813
Tax effects thereon	724	1,789	2,513	(417)	(806)	(1,223)
Net fair value (losses)/gains	(2,294)	(20,576)	(22,870)	1,321	9,269	10,590
Change in Takaful contract liabilities arising from unrealised net fair value gains/(losses)	-	20,576	20,576	-	(9,269)	(9,269)
Other comprehensive (loss)/income for the financial year, net of tax	(2,294)	-	(2,294)	1,321	-	1,321
Total comprehensive loss for the financial year	(120,506)	-	(120,506)	(102,253)	-	(102,253)

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

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

Statement of changes in equity
For the financial year ended 31 December 2021

	Note	Issued and fully paid Share capital RM'000	Non- distributable Fair value reserve RM'000	Distributable Accumulated losses RM'000	Total RM'000
At 1 January 2020		261,500	1,753	(5,541)	257,712
Total comprehensive income/(loss) for the financial year		-	1,321	(103,574)	(102,253)
At 30 December 2020		<u>261,500</u>	<u>3,074</u>	<u>(109,115)</u>	<u>155,459</u>
At 1 January 2021		261,500	3,074	(109,115)	155,459
Preference shares issued during the financial year	13.1	139,500	-	-	139,500
Total comprehensive loss for the financial year		-	(2,294)	(118,212)	(120,506)
At 31 December 2021		<u>401,000</u>	<u>780</u>	<u>(227,327)</u>	<u>174,453</u>

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

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

Statement of cash flows
For the financial year ended 31 December 2021

	Note	2021 RM'000	2020 RM'000
Cash flows from operating activities			
Net loss for the year		(118,212)	(103,574)
Adjustments for:			
Profit from government guaranteed sukuk	18(b)	(8,059)	(9,016)
Profit from Government Investment Issues	18(b)	(7,672)	(5,504)
Profit from corporate debt securities	18(b)	(19,678)	(19,094)
Profit from fixed deposits with licensed Islamic financial institutions	18(b)	(2,479)	(1,617)
Dividend income from quoted equity	18(b)	(526)	(451)
Dividend income from collective investment schemes	18(b)	(14,320)	(13,178)
Fund management fee rebate and investment expense	18(b)	(5,408)	(4,414)
Realised gains	19	(8,774)	(5,796)
Taxation of family takaful business	22	3,143	2,531
Amortisation of intangible assets	5, 21	3,540	3,041
Increase in impairment of receivables	10	1,482	199
Depreciation of right-of-use assets	6(a), 21	2,389	2,085
Depreciation of property, plant and equipment	4, 21	2,923	2,110
Fair value movement of investments	7(a)	6,010	(63,091)
Net amortisation of investments	7(a)	1,349	697
Increase/(decrease) in expense reserves	15	2,934	(3,606)
Profit expense on lease liabilities	6(b)	171	107
Effects of rent concession received during the year	6(b)	-	(49)
Operating loss before changes in working capital		(161,187)	(218,620)
Increase in other receivables		(3,357)	(6,462)
Increase in other payables		9,470	27,549
Increase in takaful contract liabilities		165,691	157,506
Increase in retakaful assets		(16,007)	(4,803)
Increase in takaful payables		7,499	1,785
(Increase)/decrease in takaful receivables		(1,014)	2,468
Purchase of investments		(388,065)	(343,277)
Proceeds from disposal of investments		179,111	157,523
Proceeds from maturities of investments	7(a)	70,000	85,000
Profits received		36,103	34,334
Dividends received		13,895	11,518
Fund management fee rebate received, net of investment expense paid		5,541	4,135
Payment of profit portion of lease liabilities		(171)	(107)
Cash used in operating activities		(82,491)	(91,451)
Income tax paid		(2,917)	(5,458)
Net cash used in operating activities		(85,408)	(96,909)

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

Statement of cash flows

For the financial year ended 31 December 2021 (cont'd.)

	Note	2021 RM'000	2020 RM'000
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(719)	(4,264)
Purchase of intangible assets	5	<u>(3,962)</u>	<u>(2,359)</u>
Net cash used in investing activities		<u>(4,681)</u>	<u>(6,623)</u>
Cash flows from financing activities			
Increase in share capital	13	139,500	-
Payment of principal portion of lease liabilities		<u>(2,200)</u>	<u>(1,671)</u>
Net cash generated from/(used in) financing activities		<u>137,300</u>	<u>(1,671)</u>
Net increase/(decrease) in cash and cash equivalents		47,211	(105,203)
Cash and cash equivalents at 1 January		89,049	194,252
Cash and cash equivalents at 31 December		<u>136,260</u>	<u>89,049</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	2021 RM'000	2020 RM'000
Short term deposits with licensed Islamic financial institutions with original maturity period of less than 3 months			
	12	116,651	63,745
Cash and bank balances	12	<u>19,609</u>	<u>25,304</u>
		<u>136,260</u>	<u>89,049</u>

200601011780 (731530-M)

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

**Notes to the financial statements
For the financial year ended 31 December 2021**

1. Corporate information

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 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 17 March 2022.

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 MFRS, new MFRS and Interpretations applicable for annual financial periods beginning on or after 1 January 2021, as described in Note 2.3.

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.

FWD Takaful Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.1 Basis of preparation (cont'd.)

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 and transactions 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.

FWD Takaful Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies

(a) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The initial cost of property, 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 property, 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 property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property, plant and equipment.

Depreciation of property, 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:

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

The carrying values of property, 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 property, plant and equipment.

An item of property, 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.

Work-in-progress contains all costs incurred on assets that are not yet completed to working condition. When the assets have been completed to working condition and are ready for their intended use, all related costs under work-in-progress will be transferred to the relevant components of property, plant and equipment.

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

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 costs are not amortised and are 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.

FWD Takaful Berhad
(Incorporated in Malaysia)

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 2021 RM'000	Change in fair value RM'000	Result of the cash flows characteristics test
<u>Shareholders' fund</u>			
Government Investment Issues	20,938	(1,195)	SPPI
Government guaranteed sukuk	15,475	(508)	SPPI
Corporate debt securities	51,026	(1,315)	SPPI
Collective investment schemes	65,845	68	Non-SPPI
Other receivables, excluding prepayments	34,214	-	SPPI
Cash and cash equivalents	18,079	-	SPPI
	<u>205,577</u>	<u>(2,950)</u>	

FWD Takaful Berhad
(Incorporated in Malaysia)

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 2021 RM'000	Change in fair value RM'000	Result of the cash flows characteristics test
<u>Family Takaful fund</u>			
Designated at FVTOCI			
- Government Investment Issues	118,372	(3,700)	SPPI
- Government guaranteed sukuk	125,595	(6,224)	SPPI
- Corporate debt securities	272,945	(12,441)	SPPI
Designated at FVTPL			
- Government Investment Issues	95,096	(892)	SPPI
- Government guaranteed sukuk	63,135	(2,640)	SPPI
- Corporate debt securities	158,641	(4,732)	SPPI
- Collective investment schemes	540,811	2,001	Non-SPPI
Mandatorily measured at FVTPL			
- Quoted equity securities	15,298	185	Non-SPPI
Other receivables, excluding prepayments	9,535	-	SPPI
Cash and cash equivalents	118,181	-	SPPI
	<u>1,517,609</u>	<u>(28,443)</u>	

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

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

2. Significant accounting policies (cont'd.)

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

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

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 or 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.

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:

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

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.)

**(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.)

- 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.

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

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

These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the investment cost.

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

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

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.)

(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.

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.

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

2. Significant accounting policies (cont'd.)

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

(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.

(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:

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

2. Significant accounting policies (cont'd.)

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

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

- 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.

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.

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

2. Significant accounting policies (cont'd.)

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

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

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.

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 closing 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.

FWD Takaful Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

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

(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.

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.

FWD Takaful Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

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

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

(i) Financial assets carried at amortised cost (cont'd.)

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.

(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.

FWD Takaful Berhad
(Incorporated in Malaysia)

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.

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

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 (BNM/RH/PD 033-5) 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 six 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.

FWD Takaful Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

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

(I) 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.

FWD Takaful Berhad
(Incorporated in Malaysia)

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.

FWD Takaful Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

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

(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.

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.

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

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.

(v) Commission and agency expenses

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

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

2. Significant accounting policies (cont'd.)

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

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

(vi) 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 (investment linked and ordinary family) where Tabarru' is deducted from the participant fund into the participants' risk fund, or products with regular cash payment feature, 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 except for products with regular cash payment feature, 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.

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

2. Significant accounting policies (cont'd.)

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

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

(vi) 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.

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.

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

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.

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

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.

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.

FWD Takaful Berhad
(Incorporated in Malaysia)

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. The method to calculate zakat for the Company is based on the Company's profit before tax. Due to the loss before tax position of the Company, there is no zakat obligation on the Company for this financial year.

(v) Shareholders' fund

(i) Wakalah fund management fee and service 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 and fund management and service charges as described in the certificate with the participants of the Company. The components of the wakalah fee are disclosed in Note 18(a). 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.

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

2. Significant accounting policies (cont'd.)

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

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

(i) Wakalah fund management fee and service 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.

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

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 products with a participant fund (investment linked and ordinary family) where Tabarru' is deducted from the participant fund into the participants' risk fund, or products with regular cash payment feature, the expense 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, then discounted using the zero coupon curve of the government investment issues sukuk were projected on monthly intervals until the natural expiry of the certificates, and any negative cash flow arising at each monthly interval is zeroed.

For all products without a participant fund except for products with regular cash payment feature, the expense liabilities are determined as the sum of present value of future expenses, incurred by the Takaful Operator in managing the family fund, less the sum of present value of future income.

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.

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

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.)

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 zerorisation.

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.

FWD Takaful Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

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

(x) Leases

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.

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, plant and equipment. The estimated useful lives of office equipments are 2 to 5 years, whereas the estimated useful lives of office spaces are based on the lease terms. 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.

FWD Takaful Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

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

(x) Leases (cont'd.)

(i) As Lessee (cont'd.)

Lease term

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

The Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and affects whether the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

Lease modifications

A change in lease payments (including rent concession), other than those arising from a change in amounts expected to be payable under residual value guarantees or in an index or rate used to determine lease payments, is accounted for as a lease modification if it is not part of the original terms and conditions of the lease. The lease modification is accounted for as either a new lease or as a remeasurement of an existing lease liability, depending on the criteria set in MFRS 16.

(y) 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.

FWD Takaful Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

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

(y) Measurement and impairment of Qard (cont'd.)

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.

(z) 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 preference 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.

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

2. Significant accounting policies (cont'd.)

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 amendments to standards adopted by the Company on 1 January 2021:

- Amendments to MFRS 4 *Insurance Contracts - Interest Rate Benchmark Reform - Phase 2*
- Amendments to MFRS 7 *Financial Instruments: Disclosures - Interest Rate Benchmark Reform - Phase 2*
- Amendments to MFRS 9 *Financial Instruments - Interest Rate Benchmark Reform - Phase 2*
- Amendments to MFRS 16 *Leases - Interest Rate Benchmark Reform - Phase 2*
- Amendments to MFRS 139 *Financial Instrument: Recognition and Measurement - Interest Rate Benchmark Reform - Phase 2*

2.4 Standards issued but not yet effective

The following are standards and amendments 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 and amendments to standards, if applicable, when they become effective:

Effective for financial periods beginning on or after 1 January 2022

- Amendments to MFRS 116 *Proceeds before Intended Use*
- Amendments to MFRS 3 *Reference to the Conceptual Framework*
- Annual Improvements to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* and MFRS 9 *Financial Instruments 2018 – 2020 Cycle*
- Amendments to MFRS 137 *Onerous Contracts – Cost of Fulfilling a Contract*

Effective for financial periods beginning on or after 1 January 2023

- Amendments to MFRS 101 *Classification of liabilities as current or non-current*
- Amendments to MFRS 4 *Extension of the temporary exemption from applying MFRS 9*
- Amendments to MFRS 17 *Insurance Contracts*
- Amendments to MFRS 112 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Initial Application of MFRS 17 and MFRS 9 *Comparative Information (Amendment to MFRS 17 Insurance Contracts)*
- Amendments for MFRS 101 *Disclosure of Accounting Policies*
- Amendments to MFRS 108 *Definition of Accounting Estimates*

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

Significant accounting policies (cont'd.)

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

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.

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 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.

Subsequently, the MASB had on 17 August 2020 issued a pronouncement, deferring the effective date of MFRS 17 *Insurance Contracts* to annual reporting periods beginning on or after 1 January 2023, in line with the IASB's deferment. The pronouncement also covers several amendments to MFRS 17, in line with the amendments issued by IASB.

MFRS 17 is effective for annual periods beginning on or after 1 January 2023. 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 implementation project is currently on-going. The Company expects that the new standard will result in an important change to the accounting policies for takaful 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.

FWD Takaful Berhad
(Incorporated in Malaysia)

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 (Notes 14 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.

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, event when disability, accidental and medical claims occurs according to retakaful rates where applicable.

FWD Takaful Berhad
(Incorporated in Malaysia)

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

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

(a) Valuation of takaful contract liabilities (Notes 14 and 26(c)) (cont'd.)

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 (Notes 15 and 26(c))

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

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

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

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 certificates 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 certificates.

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.

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FWD Takaful Berhad
(Incorporated in Malaysia)

4. Property, plant and equipment

Takaful Operator/Company

	Note	Computer equipment RM'000	Office equipment, fixtures and fittings RM'000	Motor vehicles RM'000	Office renovation RM'000	Total RM'000
Cost						
At 1 January 2020		4,505	441	14	-	4,960
Additions		1,824	1,124	-	1,316	4,264
At 31 December 2020		6,329	1,565	14	1,316	9,224
Additions		631	72	-	16	719
Write off		-	(4)	-	-	(4)
Reclassification		(5)	-	-	-	(5)
At 31 December 2021		6,955	1,633	14	1,332	9,934
Accumulated depreciation						
At 1 January 2020		673	83	6	-	762
Charge for the financial year	21	1,794	142	3	171	2,110
At 31 December 2020		2,467	225	9	171	2,872
Charge for the financial year	21	2,225	254	1	443	2,923
Write off		-	(4)	-	-	(4)
At 31 December 2021		4,692	475	10	614	5,791
Net carrying amount						
At 31 December 2020		3,862	1,340	5	1,145	6,352
At 31 December 2021		2,263	1,158	4	718	4,143

Included in property, plant and equipment are the cost of fully depreciated assets which are still in use amounting to RM60,324 (2020: RM64,318).

FWD Takaful Berhad
(Incorporated in Malaysia)

5. Intangible assets

Takaful Operator/Company

	Note	Development of computer software RM'000	Computer software RM'000	Total RM'000
Cost				
At 1 January 2020		-	46,043	46,043
Additions		2,039	320	2,359
Reclassification		(1,090)	1,090	-
At 31 December 2020		949	47,453	48,402
Additions		3,336	626	3,962
Write Off		-	(14,418)	(14,418)
Reclassification		(3,007)	3,012	5
At 31 December 2021		1,278	36,673	37,951
Accumulated amortisation				
At 1 January 2020		-	39,995	39,995
Charge for the financial year	21	-	3,041	3,041
At 31 December 2020		-	43,036	43,036
Charge for the financial year	21	-	3,540	3,540
Write Off		-	(14,418)	(14,418)
At 31 December 2021		-	32,158	32,158
Carrying amount				
At 31 December 2020		949	4,417	5,366
At 31 December 2021		1,278	4,515	5,793

6. (a) Right-of-use assets

	Note	Right-of- Use: Office space RM'000	Right-of- Use: Office equipment RM'000	Total RM'000
Takaful Operator/Company				
At 1 January 2020		1,258	213	1,471
Additions		6,692	114	6,806
Depreciation charge for the financial year	21	(1,998)	(87)	(2,085)
At 31 December 2020		5,952	240	6,192
Additions		-	26	26
Depreciation charge for the financial year	21	(2,295)	(94)	(2,389)
At 31 December 2021		3,657	172	3,829

FWD Takaful Berhad
(Incorporated in Malaysia)

6. (a) Right-of-use assets (cont'd.)

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 2 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:

	2021 RM'000	2020 RM'000
Depreciation expense of right-of-use assets	2,389	2,085
Profit expense on lease liabilities	171	107
Short-term lease expenses	-	73
Adjustment due to rent concession	-	(49)
Total amount recognised in profit or loss	<u>2,560</u>	<u>2,216</u>

(b) Lease Liabilities

	2021 RM'000	2020 RM'000
<u>Takaful Operator/Company</u>		
Lease liabilities		
At 1 January	6,022	1,502
Increase in lease liabilities	27	6,240
Payment of lease liabilities	(2,371)	(1,778)
Adjustment due to rent concession	-	(49)
Profit expense on lease liabilities	171	107
At 31 December	<u>3,849</u>	<u>6,022</u>

The maturity analysis of lease liabilities is disclosed in Note 27(b).

FWD Takaful Berhad
(Incorporated in Malaysia)

7. Investments

FWD invests in shariah-compliant financial instruments as follows:

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
31 December 2021			
Available-for-sale financial assets			
Government Investment Issues	20,938	118,372	139,310
Government guaranteed sukuk	15,475	125,595	141,070
Corporate debt securities	51,026	272,945	323,971
	<u>87,439</u>	<u>516,912</u>	<u>604,351</u>
Financial assets at fair value through profit or loss			
Government Investment Issues	-	95,096	95,096
Government guaranteed sukuk	-	63,135	63,135
Corporate debt securities	-	158,641	158,641
Collective investment schemes	65,845	540,811	606,656
Quoted equity securities	-	15,298	15,298
	<u>65,845</u>	<u>872,981</u>	<u>938,826</u>
	<u>153,284</u>	<u>1,389,893</u>	<u>1,543,177</u>
31 December 2020			
Available-for-sale financial assets			
Government Investment Issues	22,240	93,742	115,982
Government guaranteed sukuk	15,983	151,711	167,694
Corporate debt securities	67,567	290,480	358,047
	<u>105,790</u>	<u>535,933</u>	<u>641,723</u>
Financial assets at fair value through profit or loss			
Government Investment Issues	-	32,950	32,950
Government guaranteed sukuk	-	60,216	60,216
Corporate debt securities	-	107,810	107,810
Collective investment schemes	47,008	497,377	544,385
Quoted equity securities	-	16,749	16,749
	<u>47,008</u>	<u>715,102</u>	<u>762,110</u>
	<u>152,798</u>	<u>1,251,035</u>	<u>1,403,833</u>

FWD Takaful Berhad
(Incorporated in Malaysia)

7. Investments (cont'd.)

(a) Carrying values of investments

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

	AFS RM'000	FVTPL RM'000	Total RM'000
1 January 2020	569,009	662,384	1,231,393
Purchases	131,609	213,956	345,565
Maturities	(70,000)	(15,000)	(85,000)
Disposals	-	(162,332)	(162,332)
Fair value gain recorded in profit or loss	-	63,091	63,091
AFS reserves	11,813	-	11,813
(Amortisation)/accretion	(708)	11	(697)
At 31 December 2020/ 1 January 2021	641,723	762,110	1,403,833
Purchases	54,008	335,335	389,343
Maturities	(60,000)	(10,000)	(70,000)
Disposals	(5,000)	(142,257)	(147,257)
Fair value loss recorded in profit or loss	-	(6,010)	(6,010)
AFS reserves	(25,383)	-	(25,383)
Amortisation	(997)	(352)	(1,349)
At 31 December 2021	604,351	938,826	1,543,177

(b) Fair values of investments

The fair value of investments is determined based on valuation principles and techniques as disclosed in Note 2.2(f).

FWD Takaful Berhad
(Incorporated in Malaysia)

7. Investments (cont'd.)

(c) The following investments mature after twelve months:

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
31 December 2021			
Available-for-sale financial assets	62,088	461,435	523,523
Financial assets at fair value through profit or loss	-	311,766	311,766
	<u>62,088</u>	<u>773,201</u>	<u>835,289</u>
31 December 2020			
Available-for-sale financial assets	90,501	485,568	576,069
Financial assets at fair value through profit or loss	-	180,770	180,770
	<u>90,501</u>	<u>666,338</u>	<u>756,839</u>

8. Retakaful assets

	Note	2021 RM'000	2020 RM'000
Family Takaful Fund/Company	14	<u>49,434</u>	<u>33,427</u>

9. Other receivables

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
31 December 2021			
Prepayments	1,516	-	1,516
Deposits	952	-	952
Profits due and accrued	1,028	8,838	9,866
Others	1,505	651	2,156
Due from :			
Family Takaful Fund*	30,722	-	-
Related companies	7	46	53
	<u>35,730</u>	<u>9,535</u>	<u>14,543</u>

FWD Takaful Berhad
(Incorporated in Malaysia)

9. Other receivables (cont'd.)

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
31 December 2020			
Prepayment	1,746	-	1,746
Deposits	1,346	-	1,346
Profits due and accrued	1,105	7,267	8,372
Others	3,371	546	3,917
Amount due from Family Takaful Fund*	6,478	-	-
	<u>14,046</u>	<u>7,813</u>	<u>15,381</u>

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

10. Takaful receivables

	Note	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
31 December 2021				
Due from agents		3,063	-	3,063
Due from retakaful companies		-	1,689	1,689
Provision for doubtful debts		(2,295)	(129)	(2,424)
		<u>768</u>	<u>1,560</u>	<u>2,328</u>
Offsetting financial assets and financial liabilities				
Gross amounts of recognised financial assets		3,063	16,648	19,711
Less:				
Gross amounts of recognised financial liabilities set-off in the statement of financial position	16	-	(14,959)	(14,959)
Net amounts of financial assets presented in the statement of financial position		<u>3,063</u>	<u>1,689</u>	<u>4,752</u>
Movement of provision for doubtful debts is as follows:				
At 1 January 2021		(630)	(312)	(942)
(Increase)/decrease in provision recognised during the financial year		(1,665)	183	(1,482)
At 31 December 2021		<u>(2,295)</u>	<u>(129)</u>	<u>(2,424)</u>

FWD Takaful Berhad
(Incorporated in Malaysia)

10. Takaful receivables (cont'd.)

	Note	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
31 December 2020				
Due from agents		1,016	-	1,016
Due from retakaful companies		-	2,722	2,722
Provision for doubtful debts		(630)	(312)	(942)
		<u>386</u>	<u>2,410</u>	<u>2,796</u>
Offsetting financial assets and financial liabilities				
Gross amounts of recognised financial assets		1,016	13,379	14,395
Less:				
Gross amounts of recognised financial liabilities				
set-off in the statement of financial position	16	-	(10,657)	(10,657)
Net amounts of financial assets presented				
in the statement of financial position		<u>1,016</u>	<u>2,722</u>	<u>3,738</u>
Movement of provision for doubtful debts is as follows:				
At 1 January 2020		-	(743)	(743)
(Increase)/decrease in provision recognised during				
the financial year		(630)	431	(199)
At 31 December 2020		<u>(630)</u>	<u>(312)</u>	<u>(942)</u>

There are no financial assets subjected to an enforceable master netting arrangement or similar agreement and there were no financial instruments received as collateral, nor were there any cash collateral pledged or received as at 31 December 2021 (2020: NIL). The carrying amounts disclosed above approximate fair values at the reporting date due to the relatively short-term maturity of these balances.

FWD Takaful Berhad
(Incorporated in Malaysia)

11. 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	Family Takaful Fund RM'000	Company RM'000
At 1 January 2020	654	(3,964)	(3,310)
Credited/(charged) to income statement:			
Investments	183	(4,838)	(4,655)
Unabsorbed losses	1,561	-	1,561
	1,744	(4,838)	(3,094)
Charged to other comprehensive income:			
Investments	(417)	(806)	(1,223)
At 31 December 2020/1 January 2021	1,981	(9,608)	(7,627)
(Charged)/credited to income statement:			
Plant and equipment	-	(197)	(197)
Investments	(4)	609	605
Utilisation of unabsorbed losses	(2,760)	-	(2,760)
Provisions	10,700	-	10,700
Expense liabilities	3,322	-	3,322
	11,258	412	11,670
Charged to other comprehensive income:			
Investments	724	1,789	2,513
At 31 December 2021	13,963	(7,407)	6,556

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
2021			
Deferred tax assets: (before offsetting)			
Provisions*	10,700	-	10,700
Expense liabilities*	3,322	-	3,322
	14,022	-	14,022
Offsetting	(59)	-	(7,466)
Deferred tax assets after offsetting	13,963	-	6,556
Deferred tax liabilities: (before offsetting)			
Plant and equipment	-	(197)	(197)
Investments	(59)	(7,210)	(7,269)
	(59)	(7,407)	(7,466)
Offsetting	59	-	7,466
Deferred tax liabilities after offsetting	-	(7,407)	-

FWD Takaful Berhad
(Incorporated in Malaysia)

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

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
2020			
Deferred tax assets: (before offsetting)			
Unabsorbed losses	2,760	-	2,760
	<u>2,760</u>	<u>-</u>	<u>2,760</u>
Offsetting	(779)	-	(2,760)
Deferred tax assets after offsetting	<u>1,981</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities: (before offsetting)			
Investments	(779)	(9,608)	(10,387)
	<u>(779)</u>	<u>(9,608)</u>	<u>(10,387)</u>
Offsetting	779	-	2,760
Deferred tax liabilities after offsetting	<u>-</u>	<u>(9,608)</u>	<u>(7,627)</u>

* According to the Budget 2022 announcement, with effect from YA2019, any unabsorbed business losses are to be carried forward for a maximum period of 10 consecutive years of assessment.

In the Budget 2022 announcement, the government introduced amendments to Section 60AA of the Malaysian Income Tax Act 1967. The amendments permit allowable expenses incurred by the Takaful Operator fund of family takaful operators to be deducted for the purposes of computing taxable income, beginning YA2022 onwards. Accordingly, a timing difference arises, which requires the recognition of deferred tax assets on the entire balance of expense reserves and provisions on allowable expenses in the Takaful Operator fund.

12. Cash and cash equivalents

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
2021			
Cash and bank balances	3,636	15,973	19,609
Fixed deposits with licensed financial institutions with maturities of less than 3 months			
- Licensed bank in Malaysia	14,443	102,208	116,651
	<u>18,079</u>	<u>118,181</u>	<u>136,260</u>
2020			
Cash and bank balances	5,979	19,325	25,304
Fixed deposits with licensed financial institutions with maturities of less than 3 months			
- Licensed bank in Malaysia	5,030	58,715	63,745
	<u>11,009</u>	<u>78,040</u>	<u>89,049</u>

FWD Takaful Berhad
(Incorporated in Malaysia)

13. Capital and reserves**13.1 Share capital**

	Takaful Operator and Company		
	Value/ Share RM	Number of shares	Amount RM'000
Issued and fully paid:			
<u>Ordinary shares</u>			
At 1 January/31 December 2021	50	2,000,000	100,000
<u>Non-redeemable non-cumulative preference shares</u>			
At 1 January 2021	100,000	1,615	161,500
New shares issued on 2 June 2021	100,000	1,395	139,500
At 31 December 2021	100,000	3,010	301,000
Total shares issued and fully paid as at 31 December 2021			401,000
Issued and fully paid:			
<u>Ordinary shares</u>			
At 1 January/31 December 2020	50	2,000,000	100,000
<u>Non-redeemable non-cumulative preference shares</u>			
At 1 January/31 December 2020	100,000	1,615	161,500
Total shares issued and fully paid as at 31 December 2020			261,500

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;

FWD Takaful Berhad
(Incorporated in Malaysia)

13. Capital and reserves (cont'd.)

13.1 Share capital (cont'd.)

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

- (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;
- (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.

13.2 Loss per share

The basic and diluted loss per share is calculated by dividing the net loss for the year by the weighted average number of ordinary shares in issue during the year as follows:

<u>Company</u>	2021	2020
Net loss for the year (RM'000)	(118,212)	(103,574)
Weighted average number of ordinary shares in issue ('000)	2,000	2,000
Basic and diluted loss per share (sen)	<u>(5,910.6)</u>	<u>(5,178.7)</u>

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

Losses for the year were incurred in line with the Company's growth plans. Referring to Note 28, the Company expects to receive sufficient capital injection to fund its operations and growth.

13.3 Fair value reserves

The fair value reserves 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.

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

14. Takaful contract liabilities

	31.12.2021			31.12.2020		
	Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000
Family Takaful Fund/Company						
Provision for outstanding claims	37,042	(21,397)	15,645	26,772	(15,123)	11,649
Actuarial reserves	326,550	(28,037)	298,513	263,518	(18,304)	245,214
Net asset value attributable to participants	517,405	-	517,405	483,558	-	483,558
Net asset value attributable to unit holders	526,473	-	526,473	485,311	-	485,311
Participants' Fund:						
Unallocated surplus	94,596	-	94,596	56,640	-	56,640
AFS reserves	5,813	-	5,813	26,389	-	26,389
	<u>1,507,879</u>	<u>(49,434)</u>	<u>1,458,445</u>	<u>1,342,188</u>	<u>(33,427)</u>	<u>1,308,761</u>

Refer to the following page for movement of the family takaful contract liabilities and participant's fund.

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

14. Takaful contract liabilities (cont'd.)

Family Takaful Fund/Company (cont'd.)

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

	Note	2021			2020		
		Gross RM'000	Re-takaful RM'000	Net RM'000	Gross RM'000	Re-takaful RM'000	Net RM'000
At 1 January		1,342,188	(33,427)	1,308,761	1,184,682	(28,624)	1,156,058
Contributions received		316,287	-	316,287	181,227	-	181,227
Liabilities paid for death, maturities, surrenders, benefits and claims		(213,597)	20,163	(193,434)	(183,525)	23,450	(160,075)
Claims incurred during the financial year		125,152	(26,437)	98,715	103,157	(20,831)	82,326
Fees deducted		(101,191)	-	(101,191)	(44,718)	-	(44,718)
Investment income		6,682	-	6,682	17,071	-	17,071
Retakaful reserve credit		9,733	(9,733)	-	7,422	(7,422)	-
Profit paid to participants		2,088	-	2,088	1,276	-	1,276
Net asset value attributable to unit holders		41,162	-	41,162	50,629	-	50,629
Surplus attributable to Takaful Operator		(21,613)	-	(21,613)	(14,357)	-	(14,357)
AFS reserves		(20,576)	-	(20,576)	9,269	-	9,269
Investment income distribution		14,783	-	14,783	14,946	-	14,946
Seed money from Takaful Operator	21	5,000	-	5,000	15,000	-	15,000
Others		1,781	-	1,781	109	-	109
At 31 December		1,507,879	(49,434)	1,458,445	1,342,188	(33,427)	1,308,761

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

15. Expense reserves

	Takaful Operator/Company	
	2021	2020
	RM'000	RM'000
At the beginning of the financial year	10,905	14,511
Increase/(decrease) during the financial year	2,934	(3,606)
At the end of the financial year	<u>13,839</u>	<u>10,905</u>

16. Takaful payables

	Note	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
31 December 2021				
Due to clients, agents and intermediaries		3,167	10,634	13,801
Due to retakaful operators		-	5,343	5,343
		<u>3,167</u>	<u>15,977</u>	<u>19,144</u>
Offsetting financial assets and financial liabilities:				
Gross amounts of recognised financial liabilities		3,167	30,936	34,103
Less: Gross amounts of recognised financial assets set off in the statement of financial position	10	-	(14,959)	(14,959)
Net amounts of financial liabilities presented in the statement of financial position		<u>3,167</u>	<u>15,977</u>	<u>19,144</u>

FWD Takaful Berhad
(Incorporated in Malaysia)

16. Takaful payables (cont'd.)

	Note	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
31 December 2020				
Due to client, agents and intermediaries		1,856	6,829	8,685
Due to retakaful operators and cedants		-	2,960	2,960
		<u>1,856</u>	<u>9,789</u>	<u>11,645</u>
Offsetting financial assets and financial liabilities:				
Gross amounts of recognised financial liabilities		1,856	20,446	22,302
Less: Gross amounts of recognised financial assets set off in the statement of financial position	10	-	(10,657)	(10,657)
Net amounts of financial liabilities presented in the statement of financial position		<u>1,856</u>	<u>9,789</u>	<u>11,645</u>

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

17. Other payables

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
31 December 2021			
Accrued expenses	14,861	-	14,861
Provision for bonus and related EPF (Note a)	20,635	-	20,635
Marketing allowance payable	9,135	-	9,135
Due to :			
Takaful Operator*	-	30,722	-
Related companies	7,191	-	7,191
Others	2,422	3,632	6,054
	<u>54,244</u>	<u>34,354</u>	<u>57,876</u>
31 December 2020			
Accrued expenses	10,509	-	10,509
Provision for bonus and related EPF (Note a)	15,693	-	15,693
Marketing allowance payable	5,186	-	5,186
Due to :			
Takaful Operator*	-	6,478	-
Related companies	2,702	-	2,702
Others	4,428	2,262	6,690
	<u>38,518</u>	<u>8,740</u>	<u>40,780</u>

FWD Takaful Berhad
(Incorporated in Malaysia)

17. Other payables (cont'd.)**(a) Provision for bonus and related EPF**

	2021	2020
	RM'000	RM'000
Takaful Operator		
At 1 January	15,693	5,624
Utilised during the year	(12,901)	(5,098)
Overprovision in prior year	(1,807)	(86)
Provision for the year	19,650	15,253
At 31 December	<u>20,635</u>	<u>15,693</u>

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

18. Operating Revenue

		Takaful	Family	
		Operator	Takaful	Company
		RM'000	Fund	RM'000
		RM'000	RM'000	RM'000
2021				
Gross contributions		-	445,745	445,745
Wakalah income	(a)	108,586	-	-
Investment income	(b)	5,697	36,150	41,847
		<u>114,283</u>	<u>481,895</u>	<u>487,592</u>
2020				
Gross contributions		-	260,045	260,045
Wakalah income	(a)	52,597	-	-
Investment income	(b)	8,007	29,514	37,521
		<u>60,604</u>	<u>289,559</u>	<u>297,566</u>

(a) Wakalah income by type :

2021				
Upfront Wakalah		98,945	-	-
Wakalah fund management fee and service charges		9,641	-	-
		<u>108,586</u>	<u>-</u>	<u>-</u>
2020				
Upfront Wakalah		44,718	-	-
Wakalah fund management fee and service charges		7,879	-	-
		<u>52,597</u>	<u>-</u>	<u>-</u>

FWD Takaful Berhad
(Incorporated in Malaysia)

18. Operating Revenue (cont'd.)**(b) Investment income**

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
2021			
Profit from government guaranteed sukuk	629	7,430	8,059
Profit from Government Investment Issues	852	6,820	7,672
Profit from corporate debt securities	2,739	16,939	19,678
Profit from fixed deposits with licensed Islamic financial institutions	299	2,180	2,479
Dividend income from quoted equity	-	526	526
Dividend income from collective investment schemes	807	13,513	14,320
Investment income/(expense) sharing:			
- Takaful Operator	2,358	(2,358)	-
- Participants	-	(14,946)	(14,946)
Accretion of government guaranteed sukuk	-	121	121
Amortisation of Government Investment Issues	(107)	(377)	(484)
Amortisation of corporate debt securities	(227)	(759)	(986)
Fund management fee rebate	(1,653)	7,420	5,767
Investment expense	-	(359)	(359)
	<u>5,697</u>	<u>36,150</u>	<u>41,847</u>
2020			
Profit from government guaranteed sukuk	789	8,227	9,016
Profit from Government Investment Issues	778	4,726	5,504
Profit from corporate debt securities	2,948	16,146	19,094
Profit from fixed deposits with licensed Islamic financial institutions	547	1,070	1,617
Dividend income from quoted equity	-	451	451
Dividend income from collective investment schemes	1,976	11,202	13,178
Investment income/(expense) sharing:			
- Takaful Operator	2,590	(2,590)	-
- Participants	-	(15,056)	(15,056)
Accretion of government guaranteed sukuk	1	515	516
Amortisation of Government Investment Issues	(87)	(288)	(375)
Amortisation of corporate debt securities	(205)	(633)	(838)
Fund management fee rebate	(1,330)	6,119	4,789
Investment expense	-	(375)	(375)
	<u>8,007</u>	<u>29,514</u>	<u>37,521</u>

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

19. Realised gains

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
2021			
<u>FVTPL investments</u>			
Collective investment schemes	4	9,525	9,529
Quoted equity securities	-	(755)	(755)
	<u>4</u>	<u>8,770</u>	<u>8,774</u>
2020			
<u>FVTPL investments</u>			
Collective investment schemes	-	5,500	5,500
Quoted equity securities	-	296	296
	<u>-</u>	<u>5,796</u>	<u>5,796</u>

20. Fair value gains/(losses)

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
2021			
Fair value gains/(losses) on investments at fair value through profit or loss			
	68	(6,078)	(6,010)
	<u>68</u>	<u>(6,078)</u>	<u>(6,010)</u>
2020			
Fair value (losses)/gains on investments at fair value through profit or loss			
	(105)	63,196	63,091
	<u>(105)</u>	<u>63,196</u>	<u>63,091</u>

FWD Takaful Berhad
(Incorporated in Malaysia)

21. Management expenses

	Note	2021 RM'000	2020 RM'000
Takaful Operator/Company			
Personnel expenses :			
Salaries, bonus and other related costs		49,510	41,333
Contribution to defined contribution plans		8,645	7,090
Others		5,282	5,648
		<u>63,437</u>	<u>54,071</u>
Shariah Committee fee and other emoluments	24	239	226
Auditor's remuneration:			
Statutory audit fees		271	341
Other services		19	19
Underprovision of prior year audit fees		-	80
Amortisation of intangible assets	5	3,540	3,041
Depreciation of property, plant and equipment	4	2,923	2,110
Directors' Fees	24	1,039	949
Information technology costs		19,856	10,886
Marketing and research		34,284	15,947
Printing and stationery		1,763	1,663
Professional fees		4,276	2,966
Channel development costs		25,414	28,509
Postage and stamp duties		652	246
Rental of office premises		-	73
Utilities, assessment and maintenance		590	351
Depreciation of right-of-use assets	6(a)	2,389	2,085
Profit expense on lease liabilities	6(b)	171	107
Rent concession	6(b)	-	(49)
Seed money for Family Takaful Fund	14	5,000	15,000
Others		9,691	6,991
		<u>175,554</u>	<u>145,612</u>

FWD Takaful Berhad
(Incorporated in Malaysia)

22. Taxation

	Note	Takaful Operator/ Company RM'000	Family Takaful Fund RM'000
2021			
Current tax expense:			
- Current		2,379	3,330
- (Over)/underprovision in prior year		(889)	225
		<u>1,490</u>	<u>3,555</u>
Deferred tax income:			
- Origination and reversal of temporary difference		(11,258)	(412)
	11	<u>(11,258)</u>	<u>(412)</u>
		<u>(9,768)</u>	<u>3,143</u>
2020			
Current tax expense:			
- Current		136	2,340
- Under/(over)provision in prior year		2,632	(4,647)
		<u>2,768</u>	<u>(2,307)</u>
Deferred tax (income)/expense:			
- Origination and reversal of temporary difference		(183)	4,838
- Overprovision in prior year		(1,561)	-
	11	<u>(1,744)</u>	<u>4,838</u>
		<u>1,024</u>	<u>2,531</u>

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

	2021 RM'000	2020 RM'000
Loss before taxation	<u>(127,980)</u>	<u>(102,550)</u>
Taxation at applicable Malaysian statutory tax rate of 24%	(30,715)	(24,612)
Income not subject to tax	(20,811)	(18,309)
Expenses not deductible for tax purposes	42,647	42,874
Overprovision of deferred tax in prior year	-	(1,561)
(Over)/underprovision of current tax in prior year	(889)	2,632
Total tax (income)/expense	<u>(9,768)</u>	<u>1,024</u>

FWD Takaful Berhad
(Incorporated in Malaysia)

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
FWD Group Management Holdings Limited	Other related company
JAB Capital Berhad	Shareholder
Employee Provident Fund Board of Malaysia ("EPF")	Shareholder
FWD Technology and Innovation Malaysia Sdn. Bhd.	Other related company
Key Management Personnel	The key management personnel of the Company includes all Directors of the Company and management personnel of the Company who make certain decisions in relation to the strategic direction of the Company.

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

	2021	2020
	RM'000	RM'000
Transactions with companies within the FWD Group:		
- Royalty fees paid to Valdimir Pte. Ltd.	(249)	(279)
- Service fee paid to FWD Technology and Innovation Malaysia Sdn. Bhd.	(6,887)	(1,679)
- Passthrough cost paid to FWD Technology and Innovation Malaysia Sdn. Bhd.	(2,427)	(788)
- Takaful coverage for FWD Technology and Innovation Malaysia Sdn. Bhd.	80	32
Transactions with the Shareholders:		
- Director fees sharing paid to EPF	(57)	(57)

FWD Takaful Berhad
(Incorporated in Malaysia)

23. Related party transactions (cont'd.)

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

	2021 RM'000	2020 RM'000
Net amount due (to)/from other related companies within the FWD Group:		
- Valdimir Pte. Ltd.	(253)	(267)
- FWD Technology and Innovation Malaysia Sdn. Bhd.	(6,892)	(2,435)
- FWD Group Management Holdings Limited	7	-

Net amount due (to)/from related companies are unsecured, interest free and are repayable on demand.

24. Key management personnel remuneration

Key management personnel's remuneration is as follows:

	2021 RM'000	2020 RM'000
Key management personnel		
Chief executive officer		
Salary	1,084	996
Contributions to defined contribution plans	570	340
Other short-term employee benefits (including estimated monetary value of benefits in kind)	2,275	1,013
	<u>3,929</u>	<u>2,349</u>
Non-executive directors:		
Fees:		
Adil Ahmad	215	-
Varsha Abdullah	20	-
James Loh Sinn Yuk	88	113
K. Vithyatharan A/L V. Karunakaran	86	247
Nor Azian binti Mohd Noor	57	57
Dr. Cheah You Sum	-	141
Muhammad Ali Jinnah bin Ahmad	205	205
Tam Chiew Lin	134	105
Yip Jian Lee	234	81
	<u>1,039</u>	<u>949</u>

FWD Takaful Berhad
(Incorporated in Malaysia)

24. Key management personnel remuneration (cont'd.)

	2021	2020
	RM'000	RM'000
Shariah committee members		
Fees:		
Dr Azrul Azlan bin Iskandar Mirza (Chairman)	37	32
Dr Ghazali bin Jaapar	34	32
Dr Khairul Anuar bin Ahmad	34	32
En. Muhammad Ali Jinnah bin Ahmad	35	36
En. Lokmanulhakim bin Hussain	34	19
Dr. Mohamad @ Md. Som bin Sujimon	-	14
	<u>174</u>	<u>165</u>
Other emoluments:		
Dr Azrul Azlan bin Iskandar Mirza (Chairman)	13	13
Dr Ghazali bin Jaapar	13	13
Dr Khairul Anuar bin Ahmad	13	13
En. Muhammad Ali Jinnah bin Ahmad	13	13
En. Lokmanulhakim bin Hussain	13	9
	<u>65</u>	<u>61</u>
	<u>239</u>	<u>226</u>

FWD Takaful Berhad
(Incorporated in Malaysia)

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
2021				
Financial assets				
Takaful Operator				
Investments	153,284	-	65,845	87,439
Other receivables (excluding prepayments)	34,214	34,214	-	-
Takaful receivables	768	768	-	-
Cash and cash equivalents	18,079	18,079	-	-
Family Takaful Fund				
Investments	1,389,893	-	872,981	516,912
Other receivables (excluding prepayments)	9,535	9,535	-	-
Takaful receivables	1,560	1,560	-	-
Cash and cash equivalents	118,181	118,181	-	-
Company				
Investments	1,543,177	-	938,826	604,351
Other receivables (excluding prepayments)	13,027	13,027	-	-
Takaful receivables	2,328	2,328	-	-
Cash and cash equivalents	136,260	136,260	-	-

200601011780 (731530-M)

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

25. Financial instruments (cont'd.)

25.1 Categories of financial instruments (cont'd.)

	Carrying Amount RM'000	FL RM'000		
2021				
Financial liabilities				
Takaful Operator				
Takaful payables	(3,167)	(3,167)		
Other payables (excluding accrued expenses and provisions)	(18,748)	(18,748)		
Lease liabilities	(3,849)	(3,849)		
Family Takaful Fund				
Takaful payables	(15,977)	(15,977)		
Other payables (excluding accrued expenses and provisions)	(34,354)	(34,354)		
Company				
Takaful payables	(19,144)	(19,144)		
Other payables (excluding accrued expenses and provisions)	(22,380)	(22,380)		
Lease liabilities	(3,849)	(3,849)		
	Carrying Amount RM'000	L&R RM'000	FVTPL - HFT RM'000	AFS RM'000
2020				
Financial assets				
Takaful Operator				
Investments	152,798	-	47,008	105,790
Other receivables (excluding prepayments)	12,300	12,300	-	-
Takaful receivables	386	386	-	-
Cash and cash equivalents	11,009	11,009	-	-
Family Takaful Fund				
Investments	1,251,035	-	715,102	535,933
Other receivables (excluding prepayments)	7,813	7,813	-	-
Takaful receivables	2,410	2,410	-	-
Cash and cash equivalents	78,040	78,040	-	-

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

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
2020				
Company				
Investments	1,403,833	-	762,110	641,723
Other receivables (excluding prepayments)	13,635	13,635	-	-
Takaful receivables	2,796	2,796	-	-
Cash and cash equivalents	89,049	89,049	-	-

	Carrying Amount RM'000	FL RM'000
2020		
Financial liabilities		
Takaful Operator		
Takaful payables	(1,856)	(1,856)
Other payables (excluding accrued expenses and provisions)	(12,316)	(12,316)
Lease liabilities	(6,022)	(6,022)
Family Takaful Fund		
Takaful payables	(9,789)	(9,789)
Other payables (excluding accrued expenses and provisions)	(8,740)	(8,740)
Company		
Takaful payables	(11,645)	(11,645)
Other payables (excluding accrued expenses and provisions)	(14,578)	(14,578)
Lease liabilities	(6,022)	(6,022)

FWD Takaful Berhad
(Incorporated in Malaysia)

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.

Despite the ongoing Covid-19 pandemic and associated movement control orders, there has been minimal impact on our operations, which continue to function as normal through remote working arrangements.

(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.

FWD Takaful Berhad
(Incorporated in Malaysia)

26. Takaful risk (cont'd.)

(c) Family Takaful contract liabilities

All Family Takaful contract liabilities arise from Malaysia.

Principle assumptions - estimation of Family Takaful contract 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
- Lapse and surrender rates
- Expenses
- Discount rates

The impact of COVID-19 on assumptions were considered. No material adjustments to assumptions were necessary, apart from discount rates reflecting prevailing market rates.

The following gives details of the Company's main product categories by Takaful Contract Liabilities:

	Gross RM'000	Retakaful RM'000	Net RM'000
2021			
Endowment and Term	652,967	(8,509)	644,458
Mortgage	308,655	(37,217)	271,438
Investment - Linked	546,257	(3,708)	542,549
Total family reserves	<u>1,507,879</u>	<u>(49,434)</u>	<u>1,458,445</u>
2020			
Endowment and Term	572,740	(6,062)	566,678
Mortgage	274,498	(24,867)	249,631
Investment - Linked	494,950	(2,498)	492,452
Total family reserves	<u>1,342,188</u>	<u>(33,427)</u>	<u>1,308,761</u>

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

26. Takaful risk (cont'd.)

(c) Family Takaful contract liabilities (cont'd.)

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

	Mortality and morbidity rates	Expense	Lapse and surrender rates	Discount rate
2021				
Endowment and Term	+10%	+10%	+50%	-1.0%
Mortgage	+10%	+10%	+50%	-1.0%
Investment-linked	+10%	+10%	+50%	-1.0%
2020				
Endowment and Term	+10%	+10%	+50%	-1.0%
Mortgage	+10%	+10%	+50%	-1.0%
Investment-linked	+10%	+10%	+50%	-1.0%

FWD Takaful Berhad
(Incorporated in Malaysia)

26. Takaful risk (cont'd.)

(c) Family Takaful contract liabilities (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 RM'000
	%	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)
31 December 2021					
Mortality and morbidity	+10	22,108	3,873	(3,873)	-
Expense*	+10	2,144	2,144	-	-
Lapse and surrender rates	+50	2,204	1,861	(1,861)	-
Discount rate	-100bps	27,525	25,677	(25,677)	-
31 December 2020					
Mortality and morbidity	+10	16,311	3,037	(3,037)	-
Expense*	+10	2,059	2,059	-	-
Lapse and surrender rates	+50	1,780	2,805	(2,805)	-
Discount rate	-100bps	20,683	19,458	(19,458)	-

* This assumption applies to Takaful Operator's Expense Liability in relation to Family Takaful Fund.

200601011780 (731530-M)

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

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 policy in place in which 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.

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

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 2021			
AFS financial assets			
Government Investment Issues	20,938	118,372	139,310
Government guaranteed sukuk	15,475	125,595	141,070
Corporate debt securities	51,026	272,945	323,971
Financial assets at FVTPL			
Government Investment Issues	-	95,096	95,096
Government guaranteed sukuk	-	63,135	63,135
Corporate debt securities	-	158,641	158,641
Collective investment schemes	65,845	540,811	606,656
Loans and receivables			
Other receivables (excluding prepayments)	34,214	9,535	13,027
Retakaful assets	-	49,434	49,434
Takaful receivables	3,063	1,689	4,752
Cash and cash equivalents	18,079	118,181	136,260
	208,640	1,553,434	1,731,352

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

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 2020			
AFS financial assets			
Government Investment Issues	22,240	93,742	115,982
Government guaranteed sukuk	15,983	151,711	167,694
Corporate debt securities	67,567	290,480	358,047
Financial assets at FVTPL			
Government Investment Issues	-	32,950	32,950
Government guaranteed sukuk	-	60,216	60,216
Corporate debt securities	-	107,810	107,810
Collective investment schemes	47,008	497,377	544,385
Loans and receivables			
Other receivables (excluding prepayments)	12,300	7,813	13,635
Retakaful assets	-	33,427	33,427
Takaful receivables	1,016	2,722	3,738
Cash and cash equivalents	11,009	78,040	89,049
	<u>177,123</u>	<u>1,356,288</u>	<u>1,526,933</u>

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

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	AA to A	Not rated	Total
	RM'000	RM'000	RM'000	RM'000
(i) Takaful Operator				
2021				
AFS financial assets				
Government Investment Issues*	-	-	20,938	20,938
Government guaranteed sukuk*	-	-	15,475	15,475
Corporate debt securities	40,920	10,106	-	51,026
Financial assets at FVTPL				
Collective investment schemes**	-	-	65,845	65,845
Loans and receivables				
Other receivables (excluding prepayments)	-	-	34,214	34,214
Takaful receivables	-	-	3,063	3,063
Cash and cash equivalents	18,079	-	-	18,079
	<u>58,999</u>	<u>10,106</u>	<u>139,535</u>	<u>208,640</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 funds approved by Securities Commission of Malaysia.

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

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
(i) Takaful Operator (cont'd.)				
2020				
AFS financial assets				
Government Investment Issues*	-	-	22,240	22,240
Government guaranteed sukuk*	-	-	15,983	15,983
Corporate debt securities	57,277	10,290	-	67,567
Financial assets at FVTPL				
Collective investment schemes**	-	-	47,008	47,008
Loans and receivables				
Other receivables (excluding prepayments)	-	-	12,300	12,300
Takaful receivables	-	-	1,016	1,016
Cash and cash equivalents	11,009	-	-	11,009
	<u>68,286</u>	<u>10,290</u>	<u>98,547</u>	<u>177,123</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.

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200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

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				
2021				
AFS financial assets				
Government Investment Issues*	-	-	118,372	118,372
Government guaranteed sukuk*	-	-	125,595	125,595
Corporate debt securities	267,883	5,062	-	272,945
Financial assets at FVTPL				
Government Investment Issues*	-	-	95,096	95,096
Government guaranteed sukuk*	-	-	63,135	63,135
Corporate debt securities	158,641	-	-	158,641
Collective investment schemes**	-	-	540,811	540,811
Loans and receivables				
Other receivables (excluding prepayments)	-	-	9,535	9,535
Retakaful assets	-	49,434	-	49,434
Takaful receivables	-	1,689	-	1,689
Cash and cash equivalents	118,181	-	-	118,181
	<u>544,705</u>	<u>56,185</u>	<u>952,544</u>	<u>1,553,434</u>

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200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

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 (cont'd.)				
2020				
AFS financial assets				
Government Investment Issues*	-	-	93,742	93,742
Government guaranteed sukuk*	-	-	151,711	151,711
Corporate debt securities	285,357	5,123	-	290,480
Financial assets at FVTPL				
Government Investment Issues*	-	-	32,950	32,950
Government guaranteed sukuk*	-	-	60,216	60,216
Corporate debt securities	107,810	-	-	107,810
Collective investment schemes**	-	-	497,377	497,377
Loans and receivables				
Other receivables (excluding prepayments)	-	-	7,813	7,813
Retakaful assets	-	33,427	-	33,427
Takaful receivables	-	2,722	-	2,722
Cash and cash equivalents	78,040	-	-	78,040
	<u>471,207</u>	<u>41,272</u>	<u>843,809</u>	<u>1,356,288</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 funds approved by Securities Commission of Malaysia.

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

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
(iii) Company				
2021				
AFS financial assets				
Government Investment Issues*	-	-	139,310	139,310
Government guaranteed sukuk*	-	-	141,070	141,070
Corporate debt securities	308,803	15,168	-	323,971
Financial assets at FVTPL				
Government Investment Issues*	-	-	95,096	95,096
Government guaranteed sukuk*	-	-	63,135	63,135
Corporate debt securities	158,641	-	-	158,641
Collective investment schemes**	-	-	606,656	606,656
Loans and receivables				
Other receivables (excluding prepayments)	-	-	13,027	13,027
Retakaful assets	-	49,434	-	49,434
Takaful receivables	-	1,689	3,063	4,752
Cash and cash equivalents	136,260	-	-	136,260
	<u>603,704</u>	<u>66,291</u>	<u>1,061,357</u>	<u>1,731,352</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 funds approved by Securities Commission of Malaysia.

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

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
(iii) Company (cont'd.)				
2020				
AFS financial assets				
Government Investment Issues*	-	-	115,982	115,982
Government guaranteed sukuk*	-	-	167,694	167,694
Corporate debt securities	342,634	15,413	-	358,047
Financial assets at FVTPL				
Government Investment Issues*	-	-	32,950	32,950
Government guaranteed sukuk*	-	-	60,216	60,216
Corporate debt securities	107,810	-	-	107,810
Collective investment schemes**	-	-	544,385	544,385
Loans and receivables				
Other receivables (excluding prepayments)	-	-	13,635	13,635
Retakaful assets	-	33,427	-	33,427
Takaful receivables	-	2,722	1,016	3,738
Cash and cash equivalents	89,049	-	-	89,049
	<u>539,493</u>	<u>51,562</u>	<u>935,878</u>	<u>1,526,933</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 funds approved by Securities Commission of Malaysia.

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

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.

	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
(iv) Takaful Operator				
2021				
AFS financial assets				
Government Investment Issues	20,938	-	-	20,938
Government guaranteed sukuk	15,475	-	-	15,475
Corporate debt securities	51,026	-	-	51,026
Financial assets at FVTPL				
Collective investment schemes	65,845	-	-	65,845
Loans and receivables				
Other receivables (excluding prepayments)	34,214	-	-	34,214
Takaful receivables	768	-	2,295	3,063
Less: Impairment loss	-	-	(2,295)	(2,295)
Cash and cash equivalents	18,079	-	-	18,079
	<u>206,345</u>	<u>-</u>	<u>-</u>	<u>206,345</u>

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

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
(iv) Takaful Operator (cont'd.)				
2020				
AFS financial assets				
Government Investment Issues	22,240	-	-	22,240
Government guaranteed sukuk	15,983	-	-	15,983
Corporate debt securities	67,567	-	-	67,567
Financial assets at FVTPL				
Collective investment schemes	47,008	-	-	47,008
Loans and receivables				
Other receivables (excluding prepayments)	12,300	-	-	12,300
Takaful receivables	386	-	630	1,016
Less: Impairment loss	-	-	(630)	(630)
Cash and cash equivalents	11,009	-	-	11,009
	<u>176,493</u>	<u>-</u>	<u>-</u>	<u>176,493</u>

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

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
(v) Family Takaful Fund				
2021				
AFS financial assets				
Government Investment Issues	118,372	-	-	118,372
Government guaranteed sukuk	125,595	-	-	125,595
Corporate debt securities	272,945	-	-	272,945
Financial assets at FVTPL				
Government Investment Issues	95,096	-	-	95,096
Government guaranteed sukuk	63,135	-	-	63,135
Corporate debt securities	158,641	-	-	158,641
Collective investment schemes	540,811	-	-	540,811
Loans and receivables				
Other receivables (excluding prepayments)	9,535	-	-	9,535
Retakaful assets	49,434	-	-	49,434
Takaful receivables	938	622	129	1,689
Less: Impairment loss	-	-	(129)	(129)
Cash and cash equivalents	118,181	-	-	118,181
	<u>1,552,683</u>	<u>622</u>	<u>-</u>	<u>1,553,305</u>

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

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
(v) Family Takaful Fund (cont'd.)				
2020				
AFS financial assets				
Government Investment Issues	93,742	-	-	93,742
Government guaranteed sukuk	151,711	-	-	151,711
Corporate debt securities	290,480	-	-	290,480
Financial assets at FVTPL				
Government Investment Issues	32,950	-	-	32,950
Government guaranteed sukuk	60,216	-	-	60,216
Corporate debt securities	107,810	-	-	107,810
Collective investment schemes	497,377	-	-	497,377
Loans and receivables				
Other receivables (excluding prepayments)	7,813	-	-	7,813
Retakaful assets	33,427	-	-	33,427
Takaful receivables	1,552	858	312	2,722
Less: Impairment loss	-	-	(312)	(312)
Cash and cash equivalents	78,040	-	-	78,040
	<u>1,355,118</u>	<u>858</u>	<u>-</u>	<u>1,355,976</u>

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

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
(vi) Company				
2021				
AFS financial assets				
Government Investment Issues	139,310	-	-	139,310
Government guaranteed sukuk	141,070	-	-	141,070
Corporate debt securities	323,971	-	-	323,971
Financial assets at FVTPL				
Government Investment Issues	95,096	-	-	95,096
Government guaranteed sukuk	63,135	-	-	63,135
Corporate debt securities	158,641	-	-	158,641
Collective investment schemes	606,656	-	-	606,656
Loans and receivables				
Other receivables (excluding prepayments)	13,027	-	-	13,027
Retakaful assets	49,434	-	-	49,434
Takaful receivables	1,706	622	2,424	4,752
Less: Impairment loss	-	-	(2,424)	(2,424)
Cash and cash equivalents	136,260	-	-	136,260
	<u>1,728,306</u>	<u>622</u>	<u>-</u>	<u>1,728,928</u>

200601011780 (731530-M)

FWD Takaful Berhad
(incorporated in Malaysia)

27. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

(vi) Company (cont'd.)	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
2020				
AFS financial assets				
Government Investment Issues	115,982	-	-	115,982
Government guaranteed sukuk	167,694	-	-	167,694
Corporate debt securities	358,047	-	-	358,047
Financial assets at FVTPL				
Government Investment Issues	32,950	-	-	32,950
Government guaranteed sukuk	60,216	-	-	60,216
Corporate debt securities	107,810	-	-	107,810
Collective investment schemes	544,385	-	-	544,385
Loans and receivables				
Other receivables (excluding prepayments)	13,635	-	-	13,635
Retakaful assets	33,427	-	-	33,427
Takaful receivables	1,938	858	942	3,738
Less: Impairment loss	-	-	(942)	(942)
Cash and cash equivalents	89,049	-	-	89,049
	<u>1,525,133</u>	<u>858</u>	<u>-</u>	<u>1,525,991</u>

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

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
Collectively impaired:			
At 1 January 2020	-	743	743
Allowance for impairment loss	630	(431)	199
At 31 December 2020/1 January 2021	630	312	942
Allowance/(reversal) for impairment loss	1,665	(183)	1,482
31 December 2021	2,295	129	2,424

Aged analysis of financial assets past due but not impaired

	>90 days	>120days	Total
2021			
Takaful receivables			
Family Takaful Fund	530	92	622
Company	530	92	622
2020			
Takaful receivables			
Family Takaful Fund	509	349	858
Company	509	349	858

200601011780 (731530-M)

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

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 refers to credit ratings assigned to the sukuk issuers to assess and monitor potential credit risks. This enables comparison of credit exposures across different sukuk issuers and sectors.

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

At 31 December 2021, based on a collective assessment of receivables, there are impairment on takaful receivables of RM2,423,875 (2020: RM941,999). There is no individual impairment loss provided during the financial year (2020: nil). For assets to be classified as impaired, contractual payments must be in arrears for more than six (6) months. No collateral is held as security for any past due or impaired assets. The Company records impairment of other receivables and takaful receivables in separate impairment accounts.

FWD Takaful Berhad
(Incorporated in Malaysia)

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 fund.

Maturity profiles

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

	Up to a year RM'000	1-3 years 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
2021							
(i) Takaful Operator							
Takaful payables	3,167	-	-	-	-	-	3,167
Other payables (excluding accrued expenses and provisions)	18,748	-	-	-	-	-	18,748
Lease liabilities	2,367	1,628	19	-	-	-	4,014
Total liabilities	24,282	1,628	19	-	-	-	25,929

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

27. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)	Up to a year	1-3 year	3-5 years	5-15 years	Over 15 years	No maturity date	Total
2021 (cont'd.)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(ii) Family Takaful Fund							
Takaful contract liabilities	79,559	17,923	44,687	193,052	851,258	321,400	1,507,879
Takaful payables	15,977	-	-	-	-	-	15,977
Other payables (excluding accrued expenses and provisions)	34,354	-	-	-	-	-	34,354
Total liabilities	129,890	17,923	44,687	193,052	851,258	321,400	1,558,210
(iii) Company							
Takaful contract liabilities	79,559	17,923	44,687	193,052	851,258	321,400	1,507,879
Takaful payables	19,144	-	-	-	-	-	19,144
Other payables (excluding accrued expenses and provisions)	22,380	-	-	-	-	-	22,380
Lease liabilities	2,367	1,628	19	-	-	-	4,014
Total liabilities	123,450	19,551	44,706	193,052	851,258	321,400	1,553,417
2020							
(i) Takaful Operator							
Takaful payables	1,856	-	-	-	-	-	1,856
Other payables (excluding accrued expenses and provisions)	12,316	-	-	-	-	-	12,316
Lease liabilities	2,366	3,941	51	-	-	-	6,358
Total liabilities	16,538	3,941	51	-	-	-	20,530

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

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
2020 (cont'd.)							
(ii) Family Takaful Fund							
Takaful contract liabilities	64,696	11,816	31,582	219,252	947,657	67,185	1,342,188
Takaful payables	9,789	-	-	-	-	-	9,789
Other payables (excluding accrued expenses and provisions)	8,740	-	-	-	-	-	8,740
Total liabilities	83,225	11,816	31,582	219,252	947,657	67,185	1,360,717
(iii) Company							
Takaful contract liabilities	64,696	11,816	31,582	219,252	947,657	67,185	1,342,188
Takaful payables	11,645	-	-	-	-	-	11,645
Other payables (excluding accrued expenses and provisions)	14,578	-	-	-	-	-	14,578
Lease liabilities	2,366	3,941	51	-	-	-	6,358
Total liabilities	93,285	15,757	31,633	219,252	947,657	67,185	1,374,769

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

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 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
Fixed rate instruments			
2021			
Financial assets	<u>87,439</u>	<u>833,784</u>	<u>921,223</u>
2020			
Financial assets	<u>105,790</u>	<u>736,909</u>	<u>842,699</u>

FWD Takaful Berhad
(Incorporated in Malaysia)

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. 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:

Fund	Changes in variables	2021		2020	
		Impact on loss before tax RM'000 (Increase)/decrease	Impact on equity/participants' fund** RM'000 (Decrease)/increase	Impact on loss before tax RM'000 (Increase)/decrease	Impact on equity/participants' fund** RM'000 (Decrease)/increase
Takaful Operator*	+100bps	(2,459)	(1,868)	(3,475)	(2,641)
	-100bps	2,590	1,968	3,676	2,794
Family Takaful Fund	+100bps	(54,498)	(50,138)	(44,635)	(41,064)
	-100bps	61,235	56,336	50,033	46,030

** Impact on equity/participants' fund is after tax of 24% for Takaful Operator and 8% for Family Takaful Fund.

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

27. Financial risk (cont'd.)

(c) Market risk (cont'd.)

(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.

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

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

27. Financial risk (cont'd.)

(c) Market risk (cont'd.)

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

Fund	Changes in variables	2021		2020	
		Impact on loss before tax RM'000 Decrease/ (increase)	Impact on equity/participants' fund** RM'000 Increase/ (decrease)	Impact on loss before tax RM'000 Decrease/ (increase)	Impact on equity/participants' fund** RM'000 Increase/ (decrease)
Takaful Operator*	+10%	-	-	-	-
	-10%	-	-	-	-
Family Takaful Fund	+10%	1,530	1,407	1,675	1,541
	-10%	(1,530)	(1,407)	(1,675)	(1,541)

* No investments in equity instruments for Takaful Operator.

** Impact on equity/participants' fund is after tax of 8% for Family Takaful Fund.

(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 and provisions) reasonably approximate fair values due to the relatively short term nature of these financial instruments.

Refer to Note 2.2(f) for the Company's valuation principles, techniques and definition of levels of fair value.

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

27. Financial risk (cont'd.)

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

The table below analyses financial instruments carried at fair value, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments 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		
2021					
Takaful Operator					
Financial assets					
Government Investment Issues	-	20,938	-	20,938	20,938
Government guaranteed sukuk	-	15,475	-	15,475	15,475
Corporate debt securities	-	51,026	-	51,026	51,026
Collective investment schemes	65,845	-	-	65,845	65,845

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

27. Financial risk (cont'd.)

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

	Fair value of financial instruments 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		
2021						
Family Takaful Fund						
Financial assets						
Quoted equity securities	15,298	-	-	15,298	15,298	15,298
Government Investment Issues	-	213,468	-	213,468	213,468	213,468
Government guaranteed sukuk	-	188,730	-	188,730	188,730	188,730
Corporate debt securities	-	431,586	-	431,586	431,586	431,586
Collective investment schemes	<u>540,811</u>	<u>-</u>	<u>-</u>	<u>540,811</u>	<u>540,811</u>	<u>540,811</u>

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

27. Financial risk (cont'd.)

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

	Fair value of financial instruments 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		
2021					
Company					
Financial assets					
Quoted equity securities	15,298	-	-	15,298	15,298
Government Investment Issues	-	234,406	-	234,406	234,406
Government guaranteed sukuk	-	204,205	-	204,205	204,205
Corporate debt securities	-	482,612	-	482,612	482,612
Collective investment schemes	<u>606,656</u>	<u>-</u>	<u>-</u>	<u>606,656</u>	<u>606,656</u>

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

27. Financial risk (cont'd.)

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

	Fair value of financial instruments 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		
2020					
Takaful Operator					
Financial assets					
Government Investment Issues	-	22,240	-	22,240	22,240
Government guaranteed sukuk	-	15,983	-	15,983	15,983
Corporate debt securities	-	67,567	-	67,567	67,567
Collective investment schemes	47,008	-	-	47,008	47,008

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

27. Financial risk (cont'd.)

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

	Fair value of financial instruments 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		
2020						
Family Takaful Fund						
Financial assets						
Quoted equity securities	16,749	-	-	16,749	16,749	16,749
Government Investment Issues	-	126,692	-	126,692	126,692	126,692
Government guaranteed sukuk	-	211,927	-	211,927	211,927	211,927
Corporate debt securities	-	398,290	-	398,290	398,290	398,290
Collective investment schemes	<u>497,377</u>	<u>-</u>	<u>-</u>	<u>497,377</u>	<u>497,377</u>	<u>497,377</u>

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

27. Financial risk (cont'd.)

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

	Fair value of financial instruments carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000		
2020						
Company						
Financial assets						
Quoted equity securities	16,749	-	-	16,749	16,749	16,749
Government Investment Issues	-	148,932	-	148,932	148,932	148,932
Government guaranteed sukuk	-	227,910	-	227,910	227,910	227,910
Corporate debt securities	-	465,857	-	465,857	465,857	465,857
Collective investment schemes	<u>544,385</u>	<u>-</u>	<u>-</u>	<u>544,385</u>	<u>544,385</u>	<u>544,385</u>

FWD Takaful Berhad
(Incorporated in Malaysia)

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.

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 (2020: NIL).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities. There are no Level 3 financial assets or liabilities held by the Company.

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.

FWD Takaful Berhad
(Incorporated in Malaysia)

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:

	2021 RM'000	2020 RM'000
Eligible Tier 1 capital		
Share capital	401,000	261,500
Reserves, including accumulated losses	(227,327)	(109,115)
Valuation surplus maintained in the takaful funds	94,597	56,641
Eligible Tier 2 Capital		
AFS fair value reserves	2,758	7,459
Amount deducted from capital	(20,019)	(8,317)
	<u>251,009</u>	<u>208,167</u>
Total capital available	<u>190,635</u>	<u>173,292</u>

The Company received an additional RM111.5 million capital injection on 10 February 2022 via issuance of preference shares.